

SOCIAL SECURITY IN AMERICA

*The Factual Background of the Social Security Act
as Summarized from Staff Reports to the
Committee on Economic Security*

SOCIAL SECURITY BOARD
WASHINGTON, D. C.



AMERICAN FOUNDATION
FOR THE BLIND INC.

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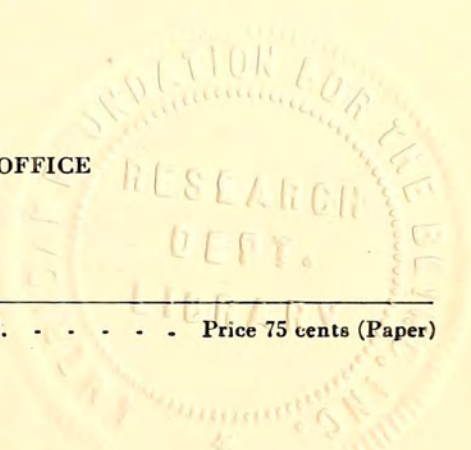
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P R E F A C E

The Social Security Act became law on August 14, 1935. This act was a final development from the work of the Committee on Economic Security, the report of which the President transmitted to Congress in a special message on January 17, 1935, with recommendations for the passage of legislation to carry out the Committee's suggestions. This message and report represented the fulfillment of a promise made by the President in a special message on June 8, 1934, to the effect that he expected to make recommendations at the beginning of the next session of Congress for additional measures of protection against the major vicissitudes of life which result in destitution and dependency for many individuals.

The Committee on Economic Security was a temporary agency created by the President in Executive Order No. 6757, on June 29, 1934, as a first step in the fulfillment of this promise. This Committee consisted of the Secretary of Labor as chairman, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator. Its function was to study the problems relating to economic security and to make recommendations, both for a long-time and an immediate program of legislation which would promote economic security for the individual. This Committee completed the major part of its task when it filed its report with the President, which he transmitted to Congress in the special message of January 17, 1935. It was continued in existence, however, with a small staff throughout the consideration of the social security bill in Congress, to give such assistance to the congressional committees as they might request. Its existence terminated October 1, 1935, when the Social Security Board came into operation as the permanent agency to administer this legislation.

In Executive Order No. 6757, creating the Committee on Economic Security, three subordinate agencies were created to assist the Committee in the discharge of its assigned duties. One of these was the Advisory Council on Economic Security, consisting of citizens outside of the Government, whose function was that of giving advice on the legislation to be recommended. Another was the Technical Board on Economic Security, composed of individuals within the Government service, selected by the Committee on Economic Security, who had special knowledge of the problems to be dealt with. This Board was given general direction of the studies and investigations

to be undertaken by the Committee, and throughout the entire period in which the Committee's recommendations were formulated functioned in closest cooperation with the Committee and its staff. Finally, the Executive Order provided for the appointment by the Committee of an Executive Director, who was placed in immediate charge of the studies and investigations and served also as secretary of the Committee, the Technical Board, and the Advisory Council. The Director was authorized to and did employ a staff of specialists who undertook numerous studies concerned with problems of social security, which were made available to the members of the Committee as completed.

A list of the members of the Advisory Council and of the Technical Board, as well as of the eight additional advisory committees which were subsequently created on special phases of the problems of social security is published in appendix XIII. A complete list of the members of the staff appears in appendix XIV. The Report of the Committee on Economic Security to the President was published by the Committee and also as a congressional document. The recommendations of the Advisory Council to the Committee on Economic Security, with all supplemental statements which were submitted by individual members, was published in both the House and Senate hearings on the economic (social) security bill. The Technical Board made no final report and the staff studies have not heretofore been published in any collected form. A complete list of these staff studies is published in appendix XV.

The present report is a summary of some of the most important information in the staff studies. Completely omitted from consideration in this summary were numerous studies which concerned problems not dealt with in the Social Security Act or which have been published privately. In many instances the specific recommendations included in the voluminous staff reports have been omitted, as these are now largely only of historical interest. In this summary informational data in the staff reports have also been greatly reduced in volume, but it is believed that the most essential facts have been included.

The preparation and publication of this summary have been deemed advisable, first to make available to interested persons the most important part of the data gathered by the staff of the Committee on Economic Security; second, as a partial statement of the factual background underlying the Social Security Act itself. This measure, as it became law, differed in many details, and in some essential respects from the legislation which was recommended by the Committee on Economic Security. The factual material in the staff reports, however, applies to the final measure no less than to the original bill, except for such portions of the Social Security Act as differ from the legislation recommended by the Committee. Moreover, in addition

to the factual material gathered prior to the enactment of the Social Security Act there has been included an analysis of the provisions of that act.

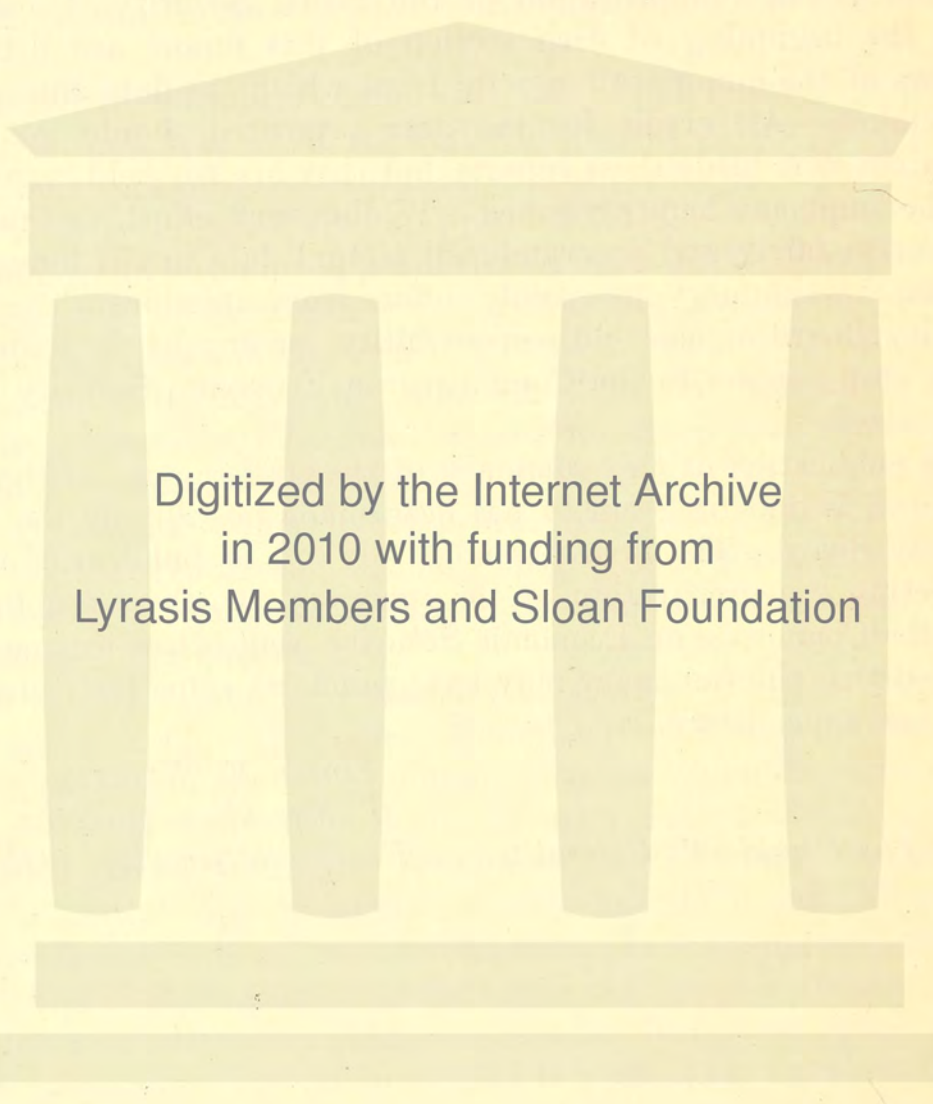
This summary was prepared principally by Miss Martha D. Ring under the direction of Dr. Joseph P. Harris, Assistant Director, and, in the last months of its existence, Acting Director of the Committee on Economic Security. The unemployment compensation section was prepared by Merrill G. Murray, also connected with the Committee on Economic Security and now Associate Director of the Bureau of Unemployment Compensation of the Social Security Board.

At the beginning of each section of this report are listed the authors of the major staff reports from which the data summarized were taken. All credit for the data presented should go to the specialists who made these reports, but they are not held responsible for the summary here presented. While every effort was made to summarize fairly and accurately all factual data in the longer staff reports, this summary necessarily suffers from omissions. The Social Security Board assumes no responsibility for any of the statements in the staff reports to the Committee on Economic Security herein summarized.

The publication of this summary of the staff reports of the Committee on Economic Security has been made possible by the Social Security Board. The Board assumed the cost of publication and of completing the preparation of the summary, which was unfinished when the Committee on Economic Security went out of existence. It is hoped that this summary may have practical value justifying this effort and expenditure.

EDWIN E. WITTE,
Executive Director,

The President's Committee on Economic Security, 1934-35.



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Part I

UNEMPLOYMENT COMPENSATION

*The basic data for part I are drawn
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Chapter I

INTRODUCTION

THE HAZARD of involuntary unemployment is one of the most serious and disastrous of the many risks which confront wage earners in an industrial society. Industry moves through alternating periods of prosperity and depression which introduce serious employment risks; workers, because of conditions entirely beyond their control and largely beyond the control of the men and institutions which employ them, are from time to time deprived of all sources of income. Under normal conditions the period of unemployment is rarely of long duration for those workers who are not handicapped by old age or ill health. But even for relatively short periods the results of unemployment can be devastating. Savings, if any have been accumulated, are exhausted; living standards sink to a lower level; and the nutritional and health needs of the family are neglected. Ever since the industrial revolution in the early eighteen hundreds, large-scale efforts toward public relief have been periodically necessary to provide for thousands of wage earners who have become involuntarily unemployed.

The unprecedented extent and duration of unemployment in the United States since 1930 has left no one who is dependent upon a wage or salary untouched by the dread of loss of work. Unemployment relief distributed as a form of public charity, though necessary to prevent starvation, is not a solution of the problem. It is expensive to distribute and demoralizing to both donor and recipient. A device is needed which will assure those who are involuntarily unemployed a small steady income for a limited period. Such income, received as a right, is provided by an unemployment insurance or unemployment compensation system. Even though it cannot offer complete protection of the wage earner's income during periods of severe industrial retrenchment, and even though it cannot maintain benefits which will equal normal wages in amount or duration, unemployment compensation serves to lessen the immediate effects of a major depression and to prevent its cumulative results.

Unemployment insurance has already been tested abroad and found a valuable aid to the industrial system. It will be of interest to trace its evolution and development over nearly a century and a half.

THE EVOLUTION OF UNEMPLOYMENT INSURANCE

Like many other forms of social insurance, unemployment compensation had its origins in trade-unions and mutual-benefit societies, where pooled periodic contributions of members were used to pay out-of-work benefits to those who were unemployed. Group action to protect workers against the new hazards of industrial life began as early as 1789 when Basel Town in Switzerland established an unemployment insurance plan which lasted for several years before it went out of existence. In England in 1824 the Journeymen Steam Engine Workers' Society distributed out-of-work benefits to its unemployed members, and in Brussels the Printers' Union adopted a system of traveling benefits for members in 1846. In all countries government legislation on unemployment compensation has followed experimentation by trade-unions. Union experience with unemployment funds, though limited in scope and effectiveness, developed a code of practice which was largely adopted later when public authorities established unemployment insurance schemes.

The union schemes failed to reach the large portion of unorganized workers of the lower-paid and unskilled type, who, in periods of unemployment, were forced to depend on the charity dispensed by public poor relief and private organizations. Therefore the next step in the evolution of unemployment insurance was the establishment of municipal, provincial, and national government subsidies to voluntary benefit plans organized for nonunion workers. Berne, Switzerland, was the first city to inaugurate this plan which was started in 1893. Basel and Zurich followed suit, and similar municipal funds were created in Cologne, Germany, in 1896, in Leipzig in 1903, and in Bologna, Italy, in 1896. These funds had the disadvantage of attracting primarily workers engaged in occupations which were subject to irregular employment. The funds became unduly loaded with bad risks and most of the schemes were shortly abandoned.

Several cities tried the experiment of subsidizing unemployment funds of trade-unions. Dijon and Limoges, France, in 1896 and 1897, respectively, were the pioneer cities in this approach, and in 1901 Ghent, Belgium, established a system of direct subsidies to trade-union members under the administration of a communal unemployment fund. The Ghent system was adopted by several cities in Germany (Strasburg in 1907; Mühlhausen, Erlangen, and Mainz in 1909) and in two Italian cities (Milan in 1905; Brescia in 1909). It was widely adopted in those countries which developed voluntary systems and still forms the basis of these systems.

The Ghent system provided a fixed amount of benefit to each unemployed worker in addition to the amount which he received from

the union. The subsidies were granted annually and were computed on the basis of benefits paid in the previous year. No provision was made for the accumulation of reserves, and in depression years the union funds were forced to bear a larger proportion of expenditures for benefits than in other years. Liège, Belgium, in 1909 established a different basis of subsidy, with a subvention which was related to the amount of member contributions to the union as well as to benefits paid. This municipal subsidy was paid to the unions rather than to the unemployed workers. The Liège plan was not so widely adopted as the Ghent system.

Several of the provinces in Belgium and a number of the Swiss cantons began to add their subsidies to those of the municipalities. The first participation by a national government was in 1905 when France passed a law providing for a national subsidy to voluntary unemployment funds. With the outbreak of the World War these various European voluntary systems had considerable coverage but probably failed to apply to half the industrial wage earners in any of the countries where they were in operation. Since they were purely voluntary schemes and since they were limited to union members, they left large numbers of nonunion workers unprotected.

With the failure of the voluntary plans for nonunion workers established during the period 1890–1905, compulsory insurance against unemployment was attempted. The first compulsory plan on record is one established in St. Gall, a Swiss canton, as early as 1894. By a cantonal order municipalities were empowered to establish compulsory insurance for workers receiving less than a stipulated wage. The municipality of St. Gall, acting on this authority, established a fund in the following year. Workers were required to pay contributions in proportion to wages and their benefits were graduated in proportion to contributions. After 2 years of operation the fund ceased to function, largely because of the unwillingness of the more regularly employed workers to contribute.

The idea of compulsory insurance after this brief experience seems to have been abandoned until it was revived in Great Britain a decade later in discussions of the inadequacy of the poor laws. The administrative machinery of a national system of employment exchanges was set up in 1909 and the first national compulsory unemployment scheme was established in 1911. It applied to six industries and covered about 2,500,000 workers. The scheme was extended in 1916 and again in 1920, when it covered practically the entire wage-earning population of the country except farm workers and domestic servants.

Following the example of Great Britain, seven European countries established nation-wide compulsory unemployment insurance. These

countries and the dates of enactment of their laws are as follows: Austria, March 24, 1920; Bulgaria, April 12, 1925; Germany, July 16, 1927; Irish Free State, August 9, 1920; Italy, October 19, 1919; Poland, July 18, 1924; Yugoslavia, December 15, 1935. In addition, Queensland, Australia, enacted a compulsory insurance law on October 18, 1922. Thirteen cantons of Switzerland also have such legislation, the first of which was passed in 1925. (See table 1.) Canada on June 28, 1935, enacted a compulsory unemployment insurance law to cover the entire dominion (see appendix VI).

TABLE 1.—*Countries in which compulsory unemployment insurance or compensation laws have been enacted and number of workers covered in each, 1935*

Country ¹	Date of law ²	Number insured ³
Australia (Queensland).....	Oct. 18, 1922.....	175,000
Austria ⁴	Mar. 24, 1920.....	1,012,000
Bulgaria.....	Apr. 12, 1925.....	280,000
Canada.....	June 28, 1935.....	1,784,000
Germany.....	July 16, 1927.....	⁵ 13,472,000
Great Britain and Northern Ireland.....	Dec. 16, 1911.....	14,003,000
Irish Free State.....	Aug. 9, 1920.....	380,000
Italy.....	Oct. 19, 1919.....	4,500,000
Poland.....	July 18, 1924.....	957,000
Switzerland (13 cantons).....	(⁶).....	245,000
United States:		
Alabama.....	Sept. 14, 1935.....	256,000
California.....	June 25, 1935.....	1,587,000
District of Columbia.....	Aug. 28, 1935.....	75,000
Massachusetts.....	Aug. 12, 1935.....	937,000
New Hampshire.....	May 29, 1935.....	107,000
New York.....	Apr. 25, 1935.....	3,000,000
Oregon.....	Nov. 15, 1935.....	200,000
Utah.....	Mar. 25, 1935.....	50,000
Washington.....	Mar. 21, 1935.....	250,000
Wisconsin.....	Jan. 29, 1932.....	400,000
Total, 10 jurisdictions.....		6,862,000
Yugoslavia.....	Dec. 15, 1935 ⁷	(⁸)
Total number insured.....		43,670,000

¹ A compulsory law was passed in Russia in 1922, but benefit payments were suspended in 1930.

² These are the dates upon which the laws were enacted, not the dates upon which they went into effect.

³ These are the most recent figures available.

⁴ Although the Austrian system is in many respects similar to unemployment insurance systems of other European countries, it is distinguished from them by requiring a means test of applicants for benefits.

⁵ The sharp decline from earlier years is due to the elimination of unemployed workers who have exhausted their rights to benefits and to new restrictions in coverage.

⁶ The first of the cantonal measures was passed in 1925.

⁷ Date of regulations issued by Yugoslav Minister of Social Policy and Public Health.

⁸ Data not yet available.

In the United States, Wisconsin enacted a law for compulsory unemployment compensation on January 29, 1932, which began to operate on July 1, 1934. Utah, Washington, New York, New Hampshire, California, Massachusetts, the District of Columbia, Alabama, and Oregon enacted compulsory legislation during 1935. Eighteen States had similar bills before their legislatures during that period.

Eleven European countries have unemployment insurance systems in operation under which government subsidies are paid to voluntary plans. These countries and the dates of enactment of their laws are: Belgium, December 30, 1920; Czechoslovakia, July 19,

1921; Denmark, April 9, 1907; Finland, November 2, 1917, repealed in 1934 and substitute legislation enacted in 1934; France, September 9, 1905; Greece (date not available); the Netherlands, December 2, 1916; Norway, August 6, 1915; Spain, May 25, 1931; Sweden, June 15, 1934; and 12 cantons of Switzerland, October 17, 1924. (See table 2.)

Accurate estimates of the total number of workers covered by the various compulsory and voluntary unemployment insurance laws are impossible to assemble since during the prolonged unemployment of recent years many persons have exhausted their rights to unemployment benefits. The estimates for 1935 shown in tables 1 and 2 place the number insured under compulsory systems at 43,670,000 and the number insured under voluntary schemes at 4,161,000.

TABLE 2.—Countries in which laws have been enacted subsidizing voluntary insurance systems and the number of workers covered in each, 1935

Country	Date of law ¹	Number insured ²
Belgium.....	Dec. 30, 1920.....	899,000
Czechoslovakia.....	July 19, 1921 ³	1,407,000
Denmark.....	Apr. 9, 1907.....	375,000
Finland.....	Nov. 2, 1917.....	⁴ 15,000
France.....	Sept. 9, 1905.....	192,000
Greece.....	(⁵).....	46,000
Netherlands.....	Dec. 2, 1916.....	564,000
Norway.....	Aug. 6, 1915.....	54,000
Spain.....	May 25, 1931.....	62,000
Sweden.....	June 15, 1934.....	⁶ 240,000
Switzerland (12 cantons) ⁷	Oct. 17, 1924 ⁸	307,000
Total.....	.....	4,161,000

¹ These are the dates for the enactment of the national laws, not the dates upon which they took effect.

² These are the most recent figures available.

³ This act came into effect on Apr. 1, 1925.

⁴ The 1917 law was repealed and replaced by a new law on Mar. 23, 1934. Number insured under the new law is not available.

⁵ There is no information available on the date of the law. Data from *Industrial and Labour Information*, Nov. 18, 1935, vol. 56, no. 7, indicates that insurance funds were in existence in the tobacco, milling, and baking industries and the Athens newspaper staffs.

⁶ Includes 190,000 persons under laws not yet approved.

⁷ Nine of these cantons specify that communes may enforce compulsory insurance within their borders.

⁸ This is the date of the national measure. The first of the cantonal acts was passed in 1925.

Only one country which has enacted nation-wide compulsory insurance against the hazards of unemployment has ever revoked the act. Rather, the tendency has been to extend the coverage of compulsory systems to larger groups of workers. Russia, the one country which has repealed unemployment insurance legislation, is reported to have taken this step because unemployment no longer existed.

The present depression has proved a severe test of unemployment insurance systems. The chief difficulty has been that, as unemployment became more and more extensive, workers exhausted their rights to benefits and were obliged to seek public relief. The magnitude of the relief problem has demanded funds beyond the resources of local governments. As a result, national governments

have, of necessity, assumed responsibility for the provision of work relief and direct relief. Reliance on insurance principles has in consequence been shaken; workers who had contributed to the insurance fund were allowed to draw on the fund beyond the time limit set in the original law if they had no means of subsistence. Thus an intermediary stage between insurance benefits and poor relief was introduced, the insurance fund financing benefits on a needs basis.

During this emergency period little attention has been given to the possibility of using the insurance system as a vehicle for prevention of unemployment, since this problem was overshadowed by the need for providing relief for those who were out of work. The necessity for large government subsidies to the insurance system has had the following results: the control of unemployment insurance and relief measures has been centralized; systems of public employment offices have been developed, strengthened, and centralized; and the tendency toward nation-wide compulsory legislation rather than local voluntary measures for unemployment insurance has received considerable impetus.

The optimism of a growing country, the long predominance of agriculture, and the relative breadth of employment opportunity have been factors in the slow development of an attack on unemployment in the United States. Here until 1932 all plans were entirely voluntary and, as in other countries, trade-unions were the initiators of the movement. Although the first union plan was established as early as 1831, less than 100,000 union members were covered by unemployment insurance reserves in 1934, some of which were supported by employers or jointly by employers and union members. Recurrent depressions in the last 20 years stimulated a few companies to initiate schemes which together affected about 88,000 employees, approximately two-thirds of which were in a single company.

INSURANCE PRINCIPLES IN UNEMPLOYMENT COMPENSATION

All forms of insurance represent attempts to evaluate the extent of loss incurred through commonly recognized contingencies (death, accident, fire, illness, invalidity, or unemployment) and to devise a scale of compensatory payments which shall be at least a partial restitution of the loss. Successful application of the insurance principle necessitates a fairly accurate measurement of the risk to be incurred, a pooling of reserves to meet the risks, and a scale of benefits which are calculated to maintain the solvency of the funds. The risk concept of insurance involves the coverage of many persons

under a single plan in order to reduce the cost of meeting the risk. Small periodic payments on behalf of a large number of persons, many of whom will not experience the catastrophe for which insurance is carried, are necessary to provide adequate financial resources which will afford compensation for the persons who suffer the catastrophe. Certain people will be less subject to the contingency than others, but the mechanism of shared risk is necessary to carry out the purposes of insurance. There is less variance from expected experience in a large exposure than in a small group.

Certain basic concepts determine whether the unemployed are to be provided for under an insurance system or a plan of public aid or out-of-work donation. An application of the insurance principle in unemployment compensation means that an employee who fulfills certain qualifying conditions becomes eligible for inalienable contractual rights. These rights are measured by computations of the incidence and duration of unemployment over a secular period, and over this period a balance is maintained between the income and expenditures of the fund. Large reserves must consequently be accumulated in good years if the anticipated drains of poor years are to be met.

In one sense unemployment "insurance" might be considered as devoid of humanitarian motives. Its structure would merely represent statistical answers to such a question as "given an expectancy of x periods of unemployment and of y weeks' duration during a specified period, how much will it cost to provide z weeks of benefit at so many dollars per week?" This cost, when computed, is merely figured in terms of weekly assessments upon the contracting individual.

Data are not available in this or any other country to compute accurately any of the factors in the equation. Even life tables of insurance companies are revised periodically to allow for differences in population characteristics and health conditions, as well as the progress of medical science. A purely insurance principle as a basis of an unemployment system would need constant revision with the accumulation of experience. These revisions would, however, be legally applicable only to new contracts.

The policy underlying an unemployment compensation plan determines to what extent insurance principles will be maintained. If the policy is to emphasize protection against seasonal and technological unemployment, with little attempt to accumulate reserves for periods of extended unemployment, insolvency of the fund is inevitable when a major depression occurs. This course may be deliberately chosen in the interests of providing more adequate protection in normal times. The maximum duration of benefits pro-

vided is in this case adjusted to short periods of experience (2 or 3 years), the exigencies of a major depression are left out of reckoning, and a pay-as-you-go principle adopted. When a fund of this character is faced by a period of severe unemployment, contribution and benefit rates must be adjusted, or the government must provide a subsidy or loan to meet the deficit incurred by maintaining higher benefit rates than the income of the fund would warrant. Reduction of benefits and increase of contributions meet with great opposition in periods of depression, hence resort to loans or government subsidy is the usual result of a compensation system of this kind.

A closer approximation to genuine insurance is possible if an unemployment compensation plan can be computed statistically on the basis of the experience of a business cycle, and as such cover a major depression as well as the minor fluctuations of employment. This basis establishes lower benefit rates and less liberal provisions with respect to qualifications than are possible when the experience of a major depression is ignored. Yet, basically, even this type of unemployment compensation plan cannot be termed pure "insurance", since its benefits are not granted on a mathematical basis as to amount and duration. Social good is placed above individual right, so that some classes of workers may be favored. For example, seasonal workers may be allowed to draw disproportionately on the fund, or a minimum benefit may be provided for the lower-paid worker and a maximum benefit for the higher-paid worker. Similarly workers with very long records of employment may not receive the full proportion of the contributions accumulated on their behalf even if additional credit is given them for long periods of steady employment under this system. Furthermore, the impossibility of accurately predicting rates of unemployment, particularly in severe depressions, may make it impossible to maintain indefinitely even this type of plan on a solvent basis without adjustment of benefit rates and contributions or by government loans or grants.

Most European countries, concerned with protection against unemployment rather than prevention, have provided for a wide pooling of risks. When in 1920 Great Britain extended unemployment insurance to practically the entire industrial population, the system adopted was a national pool. All contributions, whether received from England, Wales, Scotland, or Northern Ireland, were placed in one fund. It was provided, however, that industries submitting approved schemes might be permitted to operate them independently of the main system, and it was contemplated that perhaps one-third of the insured population might ultimately be covered by such plans. After the banking and insurance industries had established their own unemployment insurance systems, or "contracted out", the privi-

lege was withdrawn because of the high post-war unemployment rate, the persistence of which prevented any restoration of the original provision.

In contrast to the broad national pooling of risks in Great Britain, Germany in 1927 adopted a system which allowed the pooling of widely divergent risks by regions which cut across state lines. It was thought that this procedure would stimulate competition among the regional areas for reduction of the extent of unemployment with consequent lowering of contributions. The continuous high unemployment rate necessitated withdrawal of this provision, however, and Germany has actually pooled her resources in a manner similar to that of Great Britain.

In Belgium, because of its strong trade-union organization, unemployment insurance was initiated mainly by funds of small local unions. In part, the need for pooling of risk forced amalgamation of many of these funds into national organizations, and in 1920 the post-war unemployment situation prompted the Government to weld these units into the semblance of a national system with provision of national subsidies for further assistance during depressions. The assistance from the Federal treasury has recently been increased and control of all money centralized.

The experience of these three countries shows the necessity of wide application of the pooling principle, especially in periods of serious unemployment. In the absence of any form of adequate reserves the British and German limitations on pooling had to be withdrawn, and in Belgium the granting of subsidies from an emergency fund largely amounts to national pooling.

The social value and the practical simplicity of pooling the risk points to this method as the most desirable. At present adequate data are not available for differentiation among risks. Any attempt at establishing preferential rates for groups with the most favorable experience, or "merit rating", will create problems. The major danger will be that too great credence may be given to inadequate experience. Furthermore, the use of smaller units of coverage will tend to immobilize considerable portions of the general funds so that, while not needed by some of the units, they will not be available to other units with an adverse experience. To give adequacy of provision in separate funds, therefore, higher rates of contribution are required than if a comprehensive pool is provided. Certainly any limitation on the pooling principle must be carefully considered.

Unemployment compensation cannot protect the insured population against the entire risk of unemployment. It must be considered only as the first line of defense. Recognition of the need for social

insurance in the United States and other countries had its origin in a desire to segregate the risks of dependency from poor relief in general and to provide separate treatment for special problems. The risk of unemployment must similarly be broken down and its different parts must be given specialized treatment. Unemployment compensation must then be limited by strict definition to those persons who are ordinarily employed with a fair degree of regularity. Efforts to extend an unemployment insurance scheme beyond these proper limits have invariably converted it into a relief measure and brought it into disrepute.

Recognition of the limited function of unemployment compensation and the desirability of providing—outside of the insurance system—for those on the borderline of insurance and relief is the basis of the British Unemployment Act of 1934. Under this legislation unemployment insurance was restored to the original conception underlying the acts of 1911 and 1920, and transitional payments—the last of a long series of post-war provisions for benefits to those on the borderline of insurance and relief—were definitely severed from unemployment insurance. Transitional payments, linked to the insurance system, were replaced by a system of unemployment allowances administered by a new national agency on a basis slightly different from that of the former transitional payments. This change was effected by restricting unemployment benefits to a limited period and to those with a specified minimum of previous insured employment; at the same time, an independent system of unemployment allowances was provided for those who lacked the requisite amount of previous insured employment to qualify for benefits, for those who had drawn the maximum number of weeks of unemployment benefits permitted, and for a limited group of persons not covered by unemployment insurance. Unemployment allowances differ fundamentally from unemployment benefits in that they are not available as a contractual right but are given only on the basis of need to applicants who have passed a “means test.” The disqualifications also differ somewhat, but in the case of both unemployment allowances and unemployment benefits applicants must be registered for work at public employment offices and are disqualified when unemployment is due to a trade dispute. Financing also differs; unemployment benefits are jointly financed by the worker, the employer, and the National Government; unemployment allowances are entirely financed from public funds.

Unemployment allowances are administered by a new national authority—the Unemployment Assistance Board—which has largely taken over the functions performed by the local poor-law authorities in assessing need in connection with the earlier, temporary plan of

transitional payments. The relief aspect of unemployment allowances is evident in the detailed formulas for assessing need and in the disciplinary powers given the board for certain "difficult" cases, disciplinary powers which approach those exercised by the poor-law authorities in granting "out-door" relief to the able-bodied unemployed.

The Germans, too, felt that unemployment insurance could not cover the entire problem of unemployment. Setting up their scheme from the vantage point of more than a decade and a half of British unemployment insurance experience and after 9 years' experience with national unemployment relief, their approach consisted of a coordinated system including three kinds of protection: (1) unemployment insurance, financed from joint contributions of employers and employees, with limited benefits on a contractual basis for a specified period; (2) an emergency benefit scheme, providing benefits, financed four-fifths by the Federal and one-fifth by the local governments and applicable to those insured persons who had either exhausted their rights to insurance benefits or who had not yet qualified for them and who were in need; (3) beyond these two, a local relief system, first established in 1924, which assured maintenance to all needy persons who were willing to work. This relief system was designed for the care of the unemployables rather than the able-bodied unemployed.

After more than two decades of experience with unemployment insurance, the fact has finally been established, as the new British law recognizes, that a sound system must have strictly defined limits; that an insurance scheme must serve merely as the first line of defense, to be supplemented by other measures for able-bodied unemployed ineligible for statutory benefits.

RELATION OF UNEMPLOYMENT INSURANCE TO OTHER PROTECTIVE MEASURES

The various expedients to provide security against the hazards of unemployment, accidents, illness, and old age are interrelated from the standpoint of the employer, the employee, and society itself. So far as costs are imposed upon the employer, they all represent to him an increase of the labor cost of production. From the standpoint of the employee, each form of protection adds to his total measure of security. From the standpoint of society, they have an essential unity in that they sustain purchasing power, afford protection against destitution, and so promote economic and social stability.

It is inevitable that if protection is not afforded for all the industrial hazards, any one specific system will be made to carry some

of the burden of the other risks unprovided for. This is especially true during a period of industrial depression when the fact of unemployment impels many workers to make undue claims on other insurance funds if no unemployment insurance benefits exist. This principle is evident even in the limited American experience; Murray W. Latimer found in his study of industrial old-age pensions that the number of pensioners in some American companies rose almost 50 percent in the single year 1931, and in all companies by probably 14 percent. In short, with unemployment increasing during the depression, many workers were pensioned who would have been entitled to unemployment benefits if such a system had been in existence. Experience with the Ohio workmen's compensation fund in the depression years 1931-33 bears out this point. Increased unemployment brought increased claims on the fund and a greater number of revived compensation claims. During the year 1931-32 the cost of compensation exceeded that of any previous year. The catastrophe and general surplus fund which amounted to about \$3,250,000 in 1931 fell to approximately \$115,000 in August 1933. It was shown that in a prolonged compensation case the medical cost per claim during the second year of treatment was 67 percent higher in 1931 than in 1925, about 50 percent higher during the third year of treatment, and 150 percent higher in the fourth. With a system of unemployment insurance in operation, some of the risks now falling on workmen's compensation and industrial pensions in the United States would be removed, and the real cost of each of these types of compensation would be more properly allocated.

In the absence of a health-insurance system which provides benefits to compensate for a portion of the income loss resulting from illness, a worker who has been out of work because of illness may consider himself unemployed and claim benefits from the unemployment compensation system. Similarly, protection against old-age dependency is needed to prevent an unemployment compensation system from compensating for old-age risks which are outside its compass.

In Europe the different types of social insurance have developed separately and have only recently begun to be considered in their interrelationships. Under the German system, the unemployment insurance fund maintains the status of an unemployed person in the old-age, invalidity, and health-insurance systems. An unemployed worker receives in sick benefits the same amount that he would receive in unemployment benefits, so that he may not have a special advantage in either. When the system of sickness insurance in Germany was paralleled by a plan of unemployment insurance, expenditure on sick benefits was considerably reduced. In France,

too, the recent social insurance scheme made integrated provision for all the economic risks, except that of unemployment, but special provision was made to keep employees in good standing in the other social insurance systems when unemployed.

Quite recently thought has been directed in this country to the integration of all these measures into a broad program for economic security. The widespread unemployment that has characterized this country during the depression has prompted the view that direct assistance for the unemployed must become a part of a general program of protection in the interest of the individual as well as of the stability of business and the whole economic structure. This conception of integration is hampered by traditional thinking and the practical problems that must attend any effort to merge the separate administrations that have been built up. Since our own experience in the field of social insurance is almost entirely confined to accident compensation, the United States is in a strategic position to establish well-integrated social insurance programs.

As a supplementary measure in times of widespread and prolonged depression some form of emergency relief or transitional benefit has been deemed necessary in all foreign countries with unemployment insurance systems. In its report to the President, the Committee on Economic Security recommended that persons who remain unemployed after their benefit rights are exhausted be given work—an opportunity to support themselves and their families at work provided by the Government—rather than a cash benefit.

Chapter II

A SUMMARY OF FOREIGN EXPERIENCE WITH UNEMPLOYMENT INSURANCE

NINETEEN European countries, Canada, and Queensland, Australia, now have nation-wide unemployment insurance legislation adopted on either a compulsory or a voluntary basis. Since the compulsory systems of unemployment insurance in Great Britain and Germany are of particular interest because of their wide coverage and highly industrialized conditions, their provisions will be discussed in the present chapter. The voluntary systems of Belgium and Switzerland are also considered in some detail because of the interesting parallel between the local political autonomy of these countries and the Federal-State relations of the United States.

GREAT BRITAIN ¹

In its National Insurance Act passed by Parliament in 1911, Great Britain was the first country in the world to establish national compulsory unemployment insurance. The provisions of the insurance act were frankly experimental in nature. Political demands subsequently resulted in many amendments and, as a result of the recommendations of three commissions appointed to study the system, the act has been frequently and extensively revised in the years since the initiation of the plan. The latest modifications of the system were embodied in an act of June 28, 1934, later incorporated in a consolidated unemployment insurance act which was passed on February 26, 1935. The various revisions and amendments have had reference to coverage; amounts and rates of contribution;

¹ The principal sources of information on the provisions in Great Britain are as follows: Industrial Relations Counselors, Inc., *An Historical Basis for Unemployment Insurance* (The University of Minnesota Press, Minneapolis, 1934); "Unemployment-Benefit Plans in the United States and Unemployment Insurance in Foreign Countries", *Bulletin of the U. S. Bureau of Labor Statistics No. 544* (U. S. Government Printing Office, Washington, D. C., 1931); "Operation of Unemployment Insurance Systems in the United States and Foreign Countries", *Monthly Labor Review*, June, July, August, and September 1934; Hill, A. C. C., Jr., and Lubin, Isador, *The British Attack on Unemployment* (The Brookings Institution, Washington, D. C., 1934); *Final Report of the Royal Commission on Unemployment Insurance* (H. M. Stationery Office, London, 1932), Cmd. 4185.

amounts, rates, and duration of benefits; qualifications for benefits; length of waiting period; correction of anomalies and abuses; and coordination with other measures for the assistance of the unemployed during the critical post-war and depression periods. The provisions of the law cover England, Northern Ireland, Scotland, and Wales. The territory now comprising the Irish Free State, before its establishment in 1922, was also covered by the British act, but now has its own system of insurance.

Administration.—The British system of unemployment insurance was first administered by the board of trade through a series of employment exchanges established by the Labour Exchanges Act of 1909. Later, with the formation of a Ministry of Labour in 1917, the functions of both labor exchanges and unemployment insurance were transferred to the new government department. At present the Ministry of Labour is assisted by an unemployment insurance statutory committee, which has supervision over the financial aspects of the unemployment insurance scheme and acts in an advisory capacity on questions relating to the operation of the act. The statutory committee consists of a chairman and from four to six members appointed for periods of 5 years. At least one member must be a woman. The foremost duty of this committee is to assure the solvency of the scheme. It examines the finances at the end of each calendar year and proposes amendments to the act to restore and maintain a balance between contributions and expenditures.

The Ministry of Labour maintained, on January 1, 1933, 420 local employment offices or exchanges and 747 smaller branches throughout the area of its jurisdiction. For administrative purposes the local offices are grouped in seven territorial divisions, each with a divisional office intermediate between the other local offices of the district and a central record office for the whole system in the Ministry of Labour at Kew. The central office at Kew is under a chief insurance officer and each of the local offices is directed by a local insurance officer. All these officers are appointees of the Minister of Labour, and other personnel appointments are under the civil service. In branch offices the personnel are frequently on a part-time basis and are not civil-service appointees.

The local and branch employment offices are the administrative units of the system with responsibility for the registration of the unemployed and examination of their work qualifications; the maintenance of lists of industrial and other labor requirements and vacancies; job placements; investigation of eligibility for benefits; and payment of benefits.

The local employment office gives each insured worker an employment book which serves the threefold purpose of identification,

record of contributions, and employment history. The book is valid for 1 year and when it has expired is sent to the central office in Kew where it is filed for permanent record. While the book is current, it is kept by the employer as long as the worker is employed, and each week the employer affixes and date-cancels stamps to the value of the requisite contribution. When a worker loses his job he receives his insurance book from his employer and immediately takes it to his employment office where he leaves it until he is reemployed. The local office checks his contribution record, registers him as available for work, attempts to place him in suitable employment, inquires as to whether there are any disqualifying conditions, establishes the waiting period necessary to qualify him for unemployment benefits, requires him to report, usually once a day, to sign an unemployment register, and, when statutory conditions are fulfilled, pays the covenanted benefits.

Certain groups outside the official insurance scheme are established locally to carry on phases of administration. Local employment committees organized in 1917 in various districts, and composed of workers' and employers' representatives, and other interested individuals, cover the whole country. These committees advise the Minister of Labour on problems in connection with the administration of the insurance system and of the employment offices and assist the exchanges in maintaining contacts with employers, trade-unions, and local industry. Between 1921 and 1926 these committees also acted on behalf of the Minister of Labour in determining eligibility under the special conditions attached to the receipt of benefits for which the worker was not qualified on the basis of his record of previous contributions. Local courts of referees, consisting of a chairman appointed by the Minister of Labour and a workers' and an employers' representative, hear cases of dispute regarding ordinary benefits. If this local court decides against the claimant, an appeal may be made to the umpire who is appointed by the Crown with jurisdiction over the whole country.

Administration of unemployment insurance and placement for juveniles is the function of two separate bodies, (1) the juvenile advisory committees of the employment offices and (2) special juvenile bureaus which perform all the functions of employment exchanges.

When the national insurance act was made effective a number of trade-unions and other workers' associations were operating unemployment benefit schemes of their own. Under the original and subsequent acts these organizations were permitted to continue their insurance functions and to distribute the benefits to which their members were eligible under the national unemployment insurance system, provided that the unions or associations fulfilled certain re-

quirements. These requirements have been changed at frequent intervals but in the main consist of four general rules: (1) The union must have the machinery to keep constantly informed concerning wages and working conditions on jobs held by its members; (2) it must use an effective method for securing notices of vacancies from employers and for placing its unemployed members, including a register in each district under the charge of a qualified officer; (3) it must have a system, satisfactory to the Minister of Labour, for recording the unemployment of its members, by requiring members to register at an employment exchange or at the local union office and by providing a full-time official of the union for registration work; (4) it must pay benefits from its own funds in addition to state benefits. Since 1930 the minimum supplementary union benefits required have been at least 75s. for 25 weeks of unemployment to be paid over a period of not less than 10 weeks.

The rigid requirements imposed upon trade-union unemployment insurance plans, the involved technique of their administration of benefits, and the drain of the depression upon trade-union funds have tended to reduce the number of unions availing themselves of the permissive provisions of the law. Over 100 unions took advantage of the opportunity to act as agents for the insurance system in 1911, when the law became effective, and by 1915-16 nearly half of all state benefits were paid out through unions. Between 1920 and 1930, however, this percentage had dropped to less than 8 percent. In practice the unions which take advantage of the opportunity to distribute state unemployment benefits contain only one-third of the total union membership of the country.²

Coverage.—As first established, the British unemployment insurance system provided coverage for only 2,500,000 workers in a few selected manual trades (mechanical engineering, building, iron founding, shipbuilding, construction of vehicles, saw milling, and machine work) having a high and similar incidence of unemployment. In 1916 workers engaged on or in connection with munitions work in any trade, as well as workers in the metal, chemical, leather, rubber, and brick trades—a total of about 1,250,000 people—were added to the system. The following year, 1917, it was recommended that the insurance scheme be extended to all workers, and on November 8, 1920, the scheme became practically universal. All manual workers and all nonmanual workers earning less than at the rate of £250 a year were brought within the system, except agricultural workers, domestic servants, permanent employees on the railroads, certain employees of local authorities and of the

² Hill, A. C. C., Jr., and Lubin, Isador, *op. cit.*, pp. 294-299.

poor-law and asylum authorities, and certain employees in public-utility companies. Under amending legislation, the minimum age was set at the school-leaving age and the maximum at 64.

In July 1935, 14,003,000 persons 16 to 64 years of age, inclusive, were covered by unemployment insurance in Great Britain and Northern Ireland. On November 25, 1935, 1,788,182 insured persons were registered as unemployed in Great Britain. Of the insured unemployed in Great Britain 851,694, or slightly less than one-half, were claiming insurance benefits. The number of claims for unemployment allowances was 732,338 on November 25. Of these claims 34,572 were disallowed.³

The unemployment insurance statutory committee, in accordance with the provisions of the act of 1934, has studied the problem of agricultural coverage.⁴ A report issued by this statutory committee in January 1935 recommended the establishment of unemployment insurance for agricultural workers with lower rates of contribution and benefit than those which obtain for the general unemployment insurance system. The committee recommended further that unpaid family labor, special seasonal workers (unless the worker so employed is already covered by insurance), and private gardeners should be excluded from coverage. In the opinion of the committee special provisions exempting employees but not employers from contributions will be necessary for piece-work contracts and for Irish migratory labor.

The main reasons for the recommendation of a separate account for agricultural workers are the following: (1) The general level of money wages is lower than in other industries; (2) unemployment in agriculture, though substantial, is less than in the insured industries taken as a whole; (3) agriculture should not be made liable to the debt incurred by the unemployment insurance fund during the past 14 years.

On April 9, 1936, the unemployment insurance act for agricultural workers was enacted into law (26 Geo. 5. and 1 Edw. 8. Ch. 13). Contributions first became payable beginning May 4, 1936, and benefits will be paid beginning November 5, 1936. It is estimated that 750,000 agricultural workers will be covered by the act.

Contributions.—Three sources of contribution finance the unemployment insurance system; the National Government, the employer, and the employee are required to pay equal amounts to the insurance fund. The contributions are flat rates based on sex and age differen-

³ *The Ministry of Labour Gazette*, vol. XLIII, no. 12, December 1935, p. 481.

⁴ *Report of the Unemployment Insurance Statutory Committee*, in accordance with sec. 20 of the Unemployment Insurance Act, 1934, on the question of the insurance against unemployment of persons engaged in employment in agriculture (Cmd. 4786), January 1935.

tials rather than on wages. The following weekly amounts are paid by employers under the most recent act:

<i>Age</i>	<i>Males</i> <i>d.</i>	<i>Females</i> <i>d.</i>
Above 20-----	10	9
18 to 20-----	9	8
16 to 17-----	5	4½
Under 16-----	2	2

The employees pay the same amount as weekly contributions, employees 65 years of age or over being exempt, and the exchequer makes an equal payment to the insurance fund on behalf of each insured person.

The employer is made responsible for the employee's share of the contribution. He purchases stamps from the post offices and each weekly pay day affixes an unemployment insurance stamp to the employee's insurance book which has appropriate spaces for each calendar week from July 1 to June 30. The stamps are date-canceled by the employer when they are affixed. One-half the face value of each stamp is thereupon deducted from the weekly pay of each employee under 65 years of age for whom the contribution has been made.

This method of collecting income at source has many advantages, since the number of employers is small in comparison with the number of insured individuals. The money obtained by the post office from the sale of unemployment insurance stamps is turned over to the insurance fund.

The rates established for contributions and the resources available for payment of benefits have varied during the 24 years that the system has operated. In the main, contributions have increased, not only in amounts but also in proportion to wages. In 1931, when the rates now in effect were established, the total weekly contribution of worker, employer, and state for a man over 21 represented 4.6 percent of average weekly earnings.

Under the agricultural system contributions are to be paid in equal shares by employer, employee, and exchequer, each to pay weekly 4½d. for males 21 years of age and over and 4d. for females of the same age. The contributions for this age group are one-half of those under the general system. Younger age groups pay lower contributions. Rebates are to be given to employers and employees for agricultural labor hired on a yearly or half-yearly basis.

The 1911 Unemployment Insurance Act was based on actuarial calculations on the assumption that, on the average, 8.6 percent of the workers in the industries covered would be unemployed during a trade cycle of 10 to 15 years. During the first 9 years of the system, unemployment was less than the estimated average and reserves

were accumulated. In 1920, when 11,000,000 additional workers were covered by the Unemployment Insurance Act, the actuarial basis was lowered to 5.32 percent as an average rate of unemployment to represent more accurately the larger groups insured. Actually, since 1921, the average annual percentage of unemployment has only once fallen below the 10-percent average occurring in 1924 and has ranged from 10 to over 20 percent in the intervening years. Benefits were increased under the 1920 law to allow for higher costs of living, and contributions, though also increased, were not raised in proportion to benefits. Furthermore no provision was made for the accumulation of reserves for the newly admitted groups covered. Within a month the fund faced a depression, and by the middle of 1921 the surplus accumulated in the first 9 years had been exhausted. It was also found that the statutory benefit, available to those with a specified minimum of previous employment and payable in proportion to the amount of insured employment, was insufficient for the needs of many insured workers. For such workers benefits were extended to those who lacked the requisite contributions or who had exhausted their statutory benefit, provided that they fulfilled certain other special conditions. These additional benefits were known by various names at different times, "uncovenanted", "extended", and "transitional" benefits and "transitional payments." The history of the fund from 1921 to 1931 was characterized by increasing deficits except for the year ending July 1924. Finally, the cost of "transitional" benefits was thrown upon the exchequer, and beginning with the act of February 6, 1930, the insurance system was relieved of the responsibility for providing payments to insured persons who had exhausted their rights to statutory benefits or lacked sufficient contributions to qualify for these benefits. Under the 1934 act the borrowing power of the fund was repealed, although temporary advances were permitted, and the existing debt is to be repaid with interest to the exchequer, at the rate of £5,000,000 a year during a period of 37 years.⁵

Benefits.—The benefits paid to unemployed workers covered by unemployment insurance are, like contributions, flat rates based on sex and age differentials rather than on wages. Workers who qualify for statutory benefits must meet requirements related to definitions of unemployment, duration of contribution period, total amount of contributions, and duration of unemployment. The amounts and duration of benefits, the waiting period, and the statutory quali-

⁵ Hill and Lubin, *op. cit.*, chap. XIII, "The Story of the Unemployment Fund"; U. S. Department of Labor, "Unemployment-Benefit Plans in the United States and Unemployment Insurance in Foreign Countries," *Bulletin of the U. S. Bureau of Labor Statistics* No. 544 (U. S. Government Printing Office, Washington, D. C., 1931), p. 288.

fications for the receipt of benefits are described in the paragraphs which follow.

Amount of Benefits.—As pointed out in the discussion of contributions, the amount of benefits to which a qualified unemployed worker has been entitled has fluctuated in accordance with the provisions of various legislative amendments to the insurance acts.

Under the 1911 act benefit rates were low, being based upon trade-union out-of-work benefit practice. They were designed merely to bridge short gaps between jobs and to offer minimum subsistence rather than to afford compensation which would approximate ordinary wages except for low-paid unskilled laborers. In a period of high costs of living the benefits were increased, but were subsequently decreased partly as an economy measure and partly to permit extended benefits for unemployment of long duration. The most recent revision of the benefit schedule was the act of June 28, 1934, incorporated into the consolidated act of 1935. The new rates are 20 and 25 percent higher for men and for women, respectively, than were the provisions of the original act of 1911. The weekly rates for ordinary benefits are now as follows:

Age	Males		Females	
	s.	s.	s.	d.
21 to 64 (inclusive)-----	17		15	
18 to 20-----	14		12	
17 to 18-----	9		7	6
Under 17-----	6		5	

When an insured contributor, male or female, has a dependent child or dependent children, the weekly rate of benefits is increased by 2 shillings with respect to each child. A dependent child for the purpose of this act is defined as younger brother or sister, half brother or half sister, stepbrother or stepsister, stepchild, or offspring under 14 years of age. The age limit for a dependent child is raised to 16 years (*a*) if the child is receiving full-time school instruction, (*b*) if he is unable to find work after leaving school, or (*c*) if he is physically or mentally unable to receive school instruction.

Benefits are likewise increased by 9s. in respect of not more than one adult dependent. Female adult dependents are defined as: (1) a wife who resides with the insured contributor or is wholly or mainly supported by him; (2) a widowed mother, widowed stepmother, mother who has never been married, or mother whose husband is permanently disabled and unable to work, or person who has the care of the insured contributor's dependent children, where these persons reside with the insured contributor and are wholly or mainly supported by him; (3) a person employed at the

rate of not less than 9s. a week who assists in the care of the insured contributor's dependent children provided such person was engaged in these duties before the insured contributor became unemployed.

Adult male dependents are defined as follows: (1) a husband who is prevented by physical or mental infirmity from supporting himself and is wholly or mainly maintained by his wife; (2) a physically or mentally incapacitated father or stepfather who resides with the insured contributor and is wholly or mainly supported by him.

Benefits for agricultural workers are somewhat lower than those for industrial workers. The amount of benefits for agricultural workers is 14s. a week for a man aged 21 to 65 and 12s. 6d. for a woman between these ages. Allowances for dependents are 7s. a week for a dependent adult and 3s. a week for each dependent child. The maximum benefit is 30s. a week.

Duration of Benefits.—After statutory requirements have been fulfilled and the required waiting period has elapsed, an insured contributor is entitled to receive weekly cash benefits, the amount of which is determined by his age and sex. Under the Unemployment Act of 1934, these benefits are payable for 26 weeks (156 days) in the 12 months following the date of application. Special provisions relating additional benefits to contributions enable persons with good employment records in insured occupations to obtain benefits for the full 52 weeks in a 12-month period. Thus, if the contributor has been insured for 5 years previous to the date of application for benefits, he is allowed 3 additional days of benefits for each 5 weekly contributions made in his behalf during the 5-year period. From these additional days allowed is subtracted 1 day for every 5 days of benefits which he may have received during the 5 years. When a claimant has exhausted his right to benefits, ten contributions on his behalf are necessary before he may obtain benefits for another period of unemployment.

Since the insurance system has been in operation, the standard duration of benefits, like rates of contribution and of benefits, has been frequently revised. Ever since 1921 it has been felt necessary to make some special provision for persons who lost their jobs before they had the statutory number of contributions to their credit and for those who had exhausted their rights to benefits. Systems of "uncovenanted", "extended", and "transitional" benefits were established in the hope that during a temporary emergency the insurance fund would be able to pay benefits in advance of contributions. At one time uncovenanted and extended benefits were granted at the discretion of the Minister of Labour; at other times, they were granted as a right to all unemployed persons covered by insurance. As a

result of the National Economy Act of 1931 transitional payments were restricted to claimants who could prove their need.

The act of June 28, 1934, abolished transitional payments and made a complete separation of the insurance system and unemployment relief through the establishment of an unemployment assistance fund. However, the continuation of transitional payments through the labor exchanges was provided for until January 7, 1935, the date set by the Ministry of Labour for the transfer of these cases to the newly established unemployment assistance system. The cost of unemployment assistance is met almost entirely by the national treasury, though a small portion will be financed by local tax funds. The employment exchanges will continue to act as the paying agents.

Under the system for agricultural workers, contributions are collected for 6 months before payment of benefits, and each individual must have paid 20 contributions within 2 years before qualifying for benefits. In order to begin a benefit year, the contributor must have not less than 10 unexhausted contributions. The benefit period in a benefit year is defined as 2 weeks of benefits for the first 10 unexhausted contributions and 1 further week of benefits for each 2 unexhausted contributions beyond 10, subject to a maximum of 50 weeks of benefits in any benefit year.

Statutory Conditions for the Receipt of Benefits.—Four statutory conditions must be fulfilled before an insured contributor may become entitled to unemployment benefits: (1) Not less than 30 contributions must have been made to his credit during the 2 years previous to the date of claim for benefits; (2) his application for benefits must be made in the prescribed manner and he must have been continuously unemployed since the date of application; (3) he must satisfy the authorities that he is capable of and available for work; (4) he must, if a juvenile under 18 years of age, either attend or show good cause for not attending authorized courses of instruction designed to facilitate his chances for reemployment.

Waiting Period.—Six days must elapse between the date of application for unemployment insurance benefits and the date when the applicant first becomes eligible for benefit. Any 3 days of unemployment in 6 consecutive working days are considered as continuous 3-day periods of unemployment. Two such periods of unemployment satisfy the waiting-period requirement, provided they are not separated by more than 10 weeks.

Disqualification From Benefits.—Grounds for disqualification from benefits are failure or refusal to apply for a suitable job called to the attention of the unemployed contributor by the employment exchange or failure or refusal to carry out written instructions given him by an employment exchange officer with a view to assisting

him in finding suitable employment; misconduct; voluntarily leaving work without just cause; unemployment resulting from a trade dispute. The maximum period of disqualification is 6 weeks except that for trade disputes the applicant for benefits is disqualified for the duration of the dispute. Inmates of a prison or workhouse, persons residing outside the United Kingdom, and those who are in receipt of sickness-insurance benefits, invalidity benefits, or pensions for blindness are not eligible for unemployment benefits.

GERMANY ⁶

Although a pioneer in other forms of nation-wide, compulsory social insurance, Germany did not enact unemployment insurance legislation until July 1927, when an insurance system was developed as a substitute for and an adjunct to national emergency relief for the unemployed.

Post-war unemployment had far exceeded the financial resources of local public authorities. In November 1918 a national relief system was established and financed from communal, state, and Federal funds to assist all persons able and willing to work but in need because of unemployment resulting from the war. The system was an emergency measure intended for only 1 year of operation, but it remained in force, with minor revisions, until 1923, when a permanent system was set up.

The first step in the transformation of emergency relief into unemployment insurance was taken on October 15, 1923, when employers and employees were required to contribute toward the cost of relief. Their contributions, based on wages, were to provide four-fifths of the total unemployment relief expenditures and the remaining one-fifth was to be derived from communal appropriations, with supplementary aid from state and Federal Governments if these sources of income proved inadequate. At first communal authorities administered the relief fund, but control was gradually shifted to employment exchanges which had been consolidated

⁶ Sources: "Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung vom 16. Juli 1927," *Reichsgesetzblatt*, Teil I, Jahrgang 1927 (Verlag des Gesetzsammlungsamts, Berlin, 1927), p. 187; *Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung*, In der Fassung des Gesetzes vom 12. Oktober 1929 (*Reichsgesetzblatt* I, S. 162) und der Verordnungen des Reichspräsidenten vom 26. Juli und 1. Dezember 1930 (*Reichsgesetzblatt* I, S. 318 und S. 520) nebst der Verordnung des Reichsarbeitsministers über die Krisenfürsorge für Arbeitslose vom 11. Oktober 1930 (*Reichsgesetzblatt* I, Nr. 42); *Reichsarbeitsblatt*, Amtsblatt des Reichsarbeitsministeriums, Teil I, Amtlicher Teil, Jahrgang 1928–Jahrgang 1935 (incl.); Industrial Relations Counselors, Inc., *An Historical Basis for Unemployment Insurance* (The University of Minnesota Press, Minneapolis, 1934); "Operation of Unemployment Insurance Systems in the United States and in Foreign Countries, 1931 to 1934," *Monthly Labor Review*, vol. 39, no. 2, August 1934, pp. 273–307; Weigert, Oscar, *Administration of Placement and Unemployment Insurance in Germany* (Industrial Relations Counselors, Inc., New York, 1934); studies of the staff of the Committee on Economic Security.

into a national system in July 1922. In 1926 a severe crisis prompted an extension of the system beyond the time of previous regulations, with funds supplied by the Federal Government and communes in proportions of three-fourths and one-fourth, respectively.

The entire relief system was superseded by the Employment Exchange and Unemployment Insurance Act of July 16, 1927, to take effect on October 1. In framing this act German authorities foresaw that the payment of ordinary benefits would not afford the workers covered adequate protection during severe depressions. At the very outset, therefore, the system was a combination of insurance and relief, with provision for extended out-of-work benefits to insured persons whose unemployment was of longer duration than the period of covenanted benefits. Applicants for emergency benefits were required to pass a needs test, but this test was to be less strict than that applied for local public assistance.

Ordinary benefits were to be financed by contributions of employers and workers. The Federal and local governments were responsible for furnishing the funds for emergency benefits, given to workers who were not yet, or were no longer, qualified for ordinary benefits. The Federal Government was to pay four-fifths of such benefits, the local governments paying the remaining one-fifth. If the worker remained unemployed after having drawn the maximum amount of ordinary and emergency benefits allowed him under the law, he was then taken care of by the local poor-relief authorities. Thus there were three distinct steps in the help given an unemployed worker: First, he received insurance benefits. These were given to him as a matter of right, since he (or his employer) had paid for them by contributions to the insurance fund. Second, during severe depressions the Federal Government, in cooperation with the local governments, promised to continue making payments for a limited period of time to a worker after he passed a means test administered by the employment exchanges. Third, the local poor-relief authorities took care of all persons who were ineligible for both insurance and emergency benefits.

Industrial and employment conditions were rather favorable at the beginning of unemployment insurance operations, but in 1928 and 1929 Germany suffered a severe depression and a crisis in government finance. To relieve some of the strain upon the insurance system which resulted from widespread unemployment, the Federal Government made large loans to the insurance fund. A commission was appointed during the summer of 1929 to recommend reforms in the system. As a result, various measures to limit coverage, to prolong the waiting period, to prevent abuses, and to tighten restrictions were enacted. A month later (December 1929) the contribution rate was increased for a 4-month period in the hope of

removing the budget deficit. In the spring of 1930 the Reichstag was dissolved because of its rejection of a bill to increase contributions by an additional 1 percent and to decrease benefits. The measure became effective, however, by presidential decree. In October 1930 the contribution rate was again increased to a total of 6.5 percent of wages, shared equally by employer and employee.

Meanwhile the number of persons who had exhausted their rights to emergency as well as statutory benefits and who had claimed local poor relief had reduced many of the local governments to the verge of bankruptcy. The year 1931 brought an even more serious financial crisis, in withdrawal of foreign credit, large reparations payments, and reduced export trade. Uncertainty concerning the political stability and financial solvency of the country created a panic.

A commission appointed in January 1931 was called to recommend measures of economy. They unreservedly supported the continuance of the insurance principle for the relief of unemployment and rejected the application of a needs test to recipients of ordinary benefits; but, in order to balance the budget, they advocated a longer waiting period, reduction of benefit rates, stricter application of eligibility requirements, and greater Federal powers. They also recommended the continuance of emergency benefits as an intermediate stage between insurance and poor relief. The recommendations of the commission were incorporated in a presidential order and, to meet the cost of extended benefits, an emergency tax was levied on wages, salaries, and other income for a 2-year period. The various economy measures introduced in 1931 resulted in a surplus in the Federal insurance fund for the fiscal year ending March 31, 1933. But the financial burden of emergency benefits continued to increase beyond the financial capacity of local and National Governments. In 1932 the Federal Government was therefore empowered to revise benefit rates and to apply any surplus in the ordinary benefit account to other expenditures for unemployment relief. These measures destroyed many of the insurance features of the original act. An attempt was made to adjust benefits in accordance with the cost of living in communities of various size. Ordinary benefits were paid for only 36 days without proof of need, and a rigorous needs test was applied to claimants after they had received benefits for 6 weeks. The means test was similar to the test for recipients of poor relief. The tax on all wages and salaries was continued to help pay for emergency benefits.

Since the National-Socialist revolution other restrictions with respect to financing the system have been introduced. Emergency benefits are now entirely paid for by contributions from employers and employees. The new Government in Germany has addressed its major efforts to the prevention of unemployment through regulation

of employment, bonuses to the employers for hiring persons over 40 years of age, and work programs.

Administration.—The Federal Institute for Employment Exchanges and Unemployment Insurance (Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung), an autonomous organization supervised by the Ministry of Labor, is the central administrative authority for the unemployment insurance system, as well as for employment exchanges. Before 1933 the powers of the president of the institute were circumscribed in accordance with democratic principles of administration. The president carried out the decisions of the board in charge of administering the law (Verwaltungsrat), on which employers, employees, and the public were represented. In 1933, in keeping with the introduction of the "leadership principle" in other branches of the Government, the president took over the functions of the governing board and became solely responsible for the decisions made by him. The same fundamental change was made in the state and district employment exchange and unemployment insurance offices (Landesarbeitsämter und Arbeitsämter). The committees on which the interested parties were represented transferred their powers to the heads of the state and district offices, who were responsible only to the president of the Federal institute.

Thirteen district employment exchanges supervise the activities of the local offices, of which there are more than 360, direct the transfer of workers from one district to another, act as the depository of the moneys collected as contributions in their district, and, by making loans or granting subsidies from the funds of the Federal institution, promote relief work calculated to reduce unemployment.

Local health-insurance offices (10,000 in number) receive the employer-employee contributions for unemployment insurance at the same time that health-insurance contributions are collected. The sickness-insurance societies then transmit the insurance contributions to the district employment exchanges which, in turn, send part of the surplus to the central office and keep the remainder for disbursement to local employment exchanges of their jurisdictions in accordance with the local requirements for benefit payments.

The intermediary collection and transfer of contributions by the health-insurance funds is supervised by the Federal institution. The health-insurance societies retain as a collection fee a small percentage of the unemployment contributions which they collect. From the unemployment insurance contributions are also paid the costs of placement, vocational guidance, and administration of the local, district, and central offices of the Federal institution.

When unemployed, a worker registers at once at the placement department of his local employment exchange, where he receives a

control or report card. The qualifying period, waiting period, and duration of benefit all date from the time of this registration.

If the worker cannot be placed immediately in new employment, his case is at once transferred to the insurance department where he files his application for benefits. This application is accompanied by evidence that he has been in insured employment, together with statements of the duration of his last employment, his earnings during the preceding 6 months, and the reasons for terminating employment. He must also state the number of his dependents and the amount of money he has received as a discharge bonus or other benefits. His claim to benefits is investigated and his eligibility requirements are frequently checked during the course of his unemployment. Since the 1932 amendment went into effect, the applicant also has to furnish information on his resources. While the possession of income does not bar him from benefits for the first 6 weeks, continuance of payments is made contingent upon his need after that time. The local relief offices begin investigating the financial status of the unemployed and of his relatives shortly after the application is filed in order to determine whether benefits should be paid beyond the first 6 weeks. During the prescribed waiting period and while he is in receipt of benefits, the unemployed worker must report three times a week at the placement office to register his availability for work. Benefits are paid at the employment exchanges once a week in accordance with the wage class of the insured worker.

The appeals procedure was worked out on democratic principles in the original law. There were attached to the local employment offices committees which decided disputed points. Representatives of employers and employees had a voice in the decision. The appeals commissions attached to the district and state offices were organized in a similar manner, and so was the commission of last resort, which formed a part of the Federal insurance office (*Reichsversicherungsamt*).⁷ Under the National-Socialist Government, these committees and commissions went out of existence, and the decisions are now made by the heads of the local district and Federal offices in accordance with the "leadership principle."

Coverage.—The German compulsory system of unemployment insurance covers all manual workers between the school-leaving age and 65 and all salaried persons receiving no more than 8,400 marks a year, except that agricultural workers and domestic servants are excluded from the system.

The population of the country in June 1933 was 65,336,000, of whom 32,300,000 were gainful workers. The total number of those

⁷ This office also administers all forms of social insurance except unemployment insurance.

insured against unemployment was 13,472,000 in November 1935. During that month the Federal institution reported 1,984,452 as unemployed. Of these, 386,684 were receiving ordinary benefits, 666,466 were in receipt of emergency benefits, and 340,017 were receiving relief from local welfare authorities. The remaining 591,285 unemployed persons were receiving no form of unemployment benefits or assistance from public authorities.⁸

Contributions.—The insurance system is designed to operate solely with employer and employee contributions. A total payment of 6.5 percent of the first 300 marks per month in wages and salaries is shared equally by employer and employee. The insurance system has from time to time availed itself of its power to borrow from the Federal Government, but contributions and benefits are now adjusted to permit the funds to carry the entire load of ordinary and emergency benefits.

The insurance fund is completely pooled for all industries and all districts except that the Carl Zeiss Optical Works has been permitted to maintain its own system of unemployment insurance with participation in the administrative expenses of the national system. From time to time it has been recommended that contribution rates should be varied for districts and industries in accordance with their unemployment hazards, but it has been felt that departure from the uniform basis would tend to restrict the mobility of labor, as well as to handicap industries with high risks.

Benefits.—Ordinary benefits, like contributions, are graduated by the income class of the insured contributor and, in addition, are varied in accordance with the size of the community. The benefits paid are a higher percentage of the basic wage in the lower income groups than in the higher. Additional "family allowances" in respect of each dependent of the insured person are also paid. These benefits are subject to deduction for a portion of the income derived from temporary employment.

The emergency benefits and family allowances are the same as ordinary benefits but are payable only to those who pass a rigid means test and are reduced in proportion to any income which the worker may possess.

Amount of Benefits.—The following tabulation gives the range of maximum weekly benefits payable to various wage classes in three different types of communities:

<i>Group</i>	<i>Range of maximum benefits (Reichsmarks)</i>
No dependents	4. 50 to 11. 50
1 to 6 dependents.....	5. 70 to 27. 90
Partially unemployed (more than 3 days a week)	0. 90 to 21. 00

⁸ *Statistische Beilage zum Reichsarbeitsblatt*, 1936, Nr. 1, pp. 5-6.

Duration of Benefits.—Ordinary benefits are paid to a qualified person for a period of 20 weeks, except that after 6 weeks they are contingent upon a needs test. Emergency benefits, after exhaustion of the right to ordinary benefits, are payable up to a period of 38 weeks or, in exceptional cases for persons over 40 years old, for a period of 51 weeks.

Statutory Conditions for the Receipt of Benefits.—In order to qualify for the first benefit an insured person must have been employed and have paid his contributions for a period of 52 weeks in the 2 years preceding his benefit claim. For subsequent periods of unemployment he must have been employed and have paid contributions for 26 weeks in the 12 months preceding the filing of the new claim. Further statutory conditions for benefits are reporting for registration at the employment exchange, ability and willingness to accept work, performance of work or training, and in the case of persons under 21 years of age, married women, and workers who have received six weekly benefits, evidence of need. Additional eligibility requirements are imposed upon part-time workers.

Waiting Period.—After the claim for ordinary benefits has been filed, a waiting period must elapse before the first benefit is payable. The duration of this period is set at 14 days for persons with no dependents, at 7 days for persons with one to three dependents, and at 3 days for persons with four or more dependents. These waiting periods are reduced for persons who were employed only part time prior to their total unemployment and for those who found work after a period of unemployment but lost it before the end of 13 weeks.

Disqualification From Benefits.—If unemployment is the result of leaving work without just cause or of dismissal for just cause, the right to benefits is withheld for 6 weeks; if the benefit claimant refuses to submit to vocational training or retraining, he is disqualified for a period of 4 weeks; if unemployment is a direct result of a strike or a lockout, benefits are withheld for the duration of the labor dispute.

BELGIUM⁹

A voluntary system of unemployment insurance, except for a period of financial collapse during the World War, has been functioning in Belgium for nearly 35 years. This system had its origin

⁹ Data on the Belgian insurance system have been taken from: Industrial Relations Counselors, Inc., *An Historical Basis for Unemployment Insurance, op. cit.*; Kiehel, Constance A., *Unemployment Insurance in Belgium* (Industrial Relations Counselors, Inc., New York, 1932); "Operation of Unemployment Insurance Systems in the United States and in Foreign Countries, 1931 to 1934", *Monthly Labor Review*, vol. 39, no. 2, August 1934, pp. 273-307; Friedman, Gladys R., "Recent Developments in Unemployment Insurance in Belgium", *Personnel*, vol. 11, no. 2, November 1934, p. 51.

in the Liège (1897) and Ghent (1901) plans of communal subsidy to purely voluntary unemployment insurance established by trade-unions for their own members. As a subsequent development to the communal subsidy, the provincial and eventually the National Government contributed toward the benefits paid to the unemployed members of trade-union funds which met certain requirements with regard to methods of accounting. Communal funds under local political control with a minimum of Federal regulation were set up to distribute these Government subsidies and to extend insurance to nonunion members.

The population density of Belgium, the high degree of industrialization, the strong local autonomy of the communes, and the politically conscious character of trade-unionism have all conduced to the preservation of voluntary features in the insurance plan even with the participation of the National Government in the finances of the system. Recent developments have, however, tended to strengthen central as opposed to local control. Eventually, with Government participation and subsidy the need arose for uniformity of procedure and benefits throughout the country, but not until the evils of local political control had forced basic reorganization of the system were these results even approximated.

Just before the outbreak of the World War, 101 communes, or 4 percent of the total in the country, were affiliated with 39 communal funds. Approximately 130,000 workers were insured by trade-union and similar plans, representing an insurance coverage of about 10 percent of the working population. During this pre-war period industrial conditions were favorable and unemployment rarely exceeded 4 percent. The low rates of benefit paid for short periods were well within the financial limits of the systems. Almost 60 percent of the total amount of benefits paid was financed from member contributions, communal subsidies represented a little more than 25 percent, and national and provincial subsidies were responsible for about 15 percent.

Unemployment assumed staggering proportions with the outbreak of the war. Many trade-unions and communal governments were bankrupt and all attempts to pay benefits were abandoned. The National Government felt compelled to offer some form of relief to the unemployed, and in 1915 organized and financed the national relief committee to provide for all unemployed wage earners without regard to their participation in insurance plans. This responsibility, though assumed only as an emergency measure, brought to light many inadequacies of the trade-union insurance plans as measures designed to meet the hazards of unemployment. A Royal Decree of December 1920, while reviving the bankrupt insurance societies, amplified and unified to some extent the provisions for contributions

and benefits. At the same time a national emergency fund, similar in organization to the national relief committee, was established to distribute a Federal subsidy to societies that met Government requirements.

In general the trade-union insurance societies were permitted to conduct their affairs as they chose, provided they kept their unemployment insurance accounts separate from other finances. Unemployed members were required on the first day of unemployment to register for work at the employment exchanges which had been coordinated with emergency relief distribution. But, in the absence of detailed Federal regulations, societies varied greatly in their insurance provisions. The national emergency fund supplemented the grants of insurance societies by paying basic grants and family allowances to needy unemployed persons who had exhausted their rights to insurance benefits from the societies of which they were members, as well as to workers who belonged to societies that had exhausted their resources. The national emergency fund was supported (*a*) by a grant from the National Government; (*b*) by reimbursement, from societies which were not financially exhausted, of 15 percent of its payments to members in receipt of benefits; and (*c*) by reimbursement, from the communes, of 10 percent of its payments to beneficiaries residing in those communes. The communal funds distributed the basic grants and family allowances. These communal funds were controlled by communal governments.

In the decade from 1920 to 1930 the unemployment insurance system was changed only slightly. Benefit provisions, requirements, and records of the various societies and communal funds tended toward greater uniformity, and membership in societies was restricted to persons under 65 years of age. By 1929, 70 communal funds had been established; and although only about half of the Belgian communes were affiliated with these funds, the communes so affiliated contained four-fifths of the entire population of the country. In 1929 Federal expenditures for unemployment insurance and relief represented more than 40 percent of the total expenditures for benefits.

With the beginning of the depression in 1930 unemployment rapidly mounted until, by December, it reached 26 percent of the total insured population. A law was passed requiring all communes of the country to affiliate with a communal fund and to reimburse the national emergency fund for 10 percent of its grants to their residents. This law introduced the first element of nation-wide compulsion in the hitherto entirely voluntary insurance system. Communal and provincial governments, however, soon were in financial straits, and the National Government through loans and advances to local govern-

ments was carrying practically the entire load of unemployment insurance benefits and relief. In 1934 nearly all the insurance societies also became bankrupt, and the national emergency fund assumed their obligations.

Thoroughgoing reform of the insurance system was necessary. Even though the entire system was practically supported by Federal money, communal funds under local political control had the sole authority for benefit payments. Supervision of the unemployed was practically abandoned; no coordination existed between insurance and placement; and the protection afforded an insured person depended more upon the accident of his residence and the liberality of his commune than upon the severity of his employment risk. No attempt was made to safeguard funds by adherence to eligibility requirements, since the money was all furnished by the national treasury. Societies, for political reasons, preferred to retain the good will of the unemployed rather than to abide by administrative regulations, since they knew that their obligations would be assumed by the national emergency fund if their funds became insolvent.

As a result of this chaotic situation basic reorganization of the insurance and relief systems was undertaken. The National Government issued two decrees on May 31, 1933, amending and extending unemployment insurance, providing for rigorous control of the unemployed, defining membership, contributions, and benefit requirements on a uniform basis. The authority of the Central Government was greatly increased and local governments, though required to contribute a larger proportion of expenditures, were deprived of their long-cherished autonomy in the distribution of benefits. Although the present system of insurance in Belgium utilizes the old machinery of trade-unions and communal subsidy, the administrative functions of the Ministry of Labor and Social Welfare through reporting, supervisory, inspecting, and control procedures are as centralized as in countries where purely national agencies administer the system. The National Government has even deprived communes and provinces of their right to decide whether or not they are financially able to pay their share of relief and benefit expenditures. Assessments for the national emergency fund are deducted from the taxes collected by the Federal Government before the sums due to the provinces and communes are allocated to them.

More than a year after the basic reorganization of the insurance system, steps were taken to remedy two other outstanding defects, the lack of coordination with public employment offices and the multiplicity of communal funds. Accordingly, on July 27, 1934, an order to take effect within 6 months abolished communal funds and substituted in their stead nationally controlled placement and unemployment offices which, in addition to placement activities, super-

wise unemployment insurance societies and distribute to them sums placed at their disposal by the national emergency fund.

The history of the Belgian unemployment insurance system well illustrates the anomalies and inequalities which may exist in a country without the compulsion of a strong central control. The war and the depression there, as in England and on the rest of the European continent, created unemployment on a scale which swamped the existing insurance machinery. The need for emergency relief administered on a nation-wide basis as a means of preventing starvation and demoralization of its unemployed citizens inevitably strengthened central authority.

Administration.—The governing body of the national emergency fund and the labor office, two divisions of the Ministry of Labor and Social Welfare, are charged with the central administration of the unemployment insurance system in Belgium. The governing body of the national emergency fund is a permanent board which examines the statutes of unemployment insurance societies and recommends the societies for approval by the Minister. A director, a clerical staff, and an inspector comprise the personnel of the organization.

The labor office supervises and directs the work of labor exchanges and of the new placement and unemployment offices which, by a Royal Order of July 27, 1934, were to replace within 6 months the 72 local communal funds of the country. Each of the nine provinces of Belgium is required to have at least one and not more than three of these provincial employment offices with not more than six branches, except that the provinces of Luxembourg and Namur may share one provincial office. These offices are designed to take over the former functions of communal funds and to expand the work of the inadequate employment exchanges in order that the system may be unified and integrated with placement and emergency relief of unemployed workers.

The duties of the placement and unemployment offices are as follows: Determining eligibility for insurance of members of approved unemployment insurance societies; verifying the unemployment of workers who are receiving benefits; ascertaining the state of need; stamping unemployment cards; investigating the nonacceptance of work offered to unemployed persons; auditing the accounts of approved unemployment societies; distributing the funds allocated by the national emergency fund as subsidies to approved societies and their local branches; obtaining refunds from societies for unauthorized benefits paid to unemployed members; finding employment for idle labor, either directly or through the medium of employment exchanges established or approved by the Government. The 12 existing employment exchanges are placed under the authority of the

placement and unemployment offices in the district in which they are established. The administrative cost of these placement and unemployment offices was first to be borne by the national treasury. An order of September 12, 1934, however, decreed that provincial and communal authorities should contribute toward the administrative expenses of the offices in their jurisdictions.

Each placement and unemployment office and suboffice is to have an appeals board with chairman, members, and secretary constituting a committee to supervise its activities. Three members represent workers' organizations and three represent employers, all appointed by the Minister of Labor and Social Welfare. The seventh member is appointed by the Minister as chairman and must be a person who has never been an employer or a worker. This board must meet regularly at least once a month to settle disputes regarding eligibility for insurance or the right to benefits.¹⁰

The insurance societies themselves are of four types, central, autonomous, auxiliary, and official societies. The central societies are organized by central trade-unions with local unemployment insurance societies corresponding to local branches of the union. Autonomous societies are those of unions without local branches or subdivisions and societies established by individual companies or groups of companies. Auxiliary societies are branches of either central or autonomous societies formed for the distribution of additional benefits, usually upon the payment of additional contributions. Official societies are those organized for workers who are not members of any other societies.

Coverage.¹¹—Even though unemployment insurance in Belgium is a voluntary system, it has achieved coverage and uniform protection for practically the entire wage-earning population exposed to similar unemployment risks. The persons excluded are agricultural workers, domestic servants, musicians, dramatic and variety artists, independent workers, commercial travelers and insurance agents in the service of several employers, and part-time and seasonal workers. The age limits for insurance are set at 15 to 65 years. Belgium in December 1931 had a total population of 8,159,000. The number of gainfully occupied persons in December 1920 was 3,205,000. In September 1935 approved unemployment insurance funds had a total membership of 913,277 persons, of whom 14.9 percent were totally unemployed and 11.9 percent were intermittently unemployed.¹²

¹⁰ "Organization of Unemployment Insurance in Belgium," *Industrial and Labour Information*, International Labour Office, vol. LI, no. 9, Aug. 27, 1934, p. 276.

¹¹ *Industrial and Labour Information*, International Labour Office, vol. LIII, no. 7, Feb. 18, 1935, pp. 206-207.

¹² *Ministry of Labour Gazette* (Great Britain), vol. XLIII, no. 12, December 1935, p. 483.

Contributions.—Contribution rates throughout the early history of the insurance system have varied with individual societies and with age and occupation within a given society. A Royal Decree of May 31, 1933, doubled the rates then in existence and provided that contributions should be so calculated as to cover the risk of unemployment in normal times. The minimum rate was set at 2.50 francs per week. Early in 1935 the rates were again increased by a decree that existing rates were to be raised by 1 franc per week for all contributors except (a) those under 18 years of age and (b) those employed in public service and Government monopoly undertakings, where the rates were to be increased by 1 franc per month for manual workers, 1.25 francs for salaried employees, and 50 centimes for persons under 18 years of age. In other undertakings the rates for workers under 18 were to be increased by 50 centimes a week. The maximum contribution per member was limited to 3 francs a week. The increases, however, were not to be required of members of societies which were in a position to meet their liabilities for a year to come. The national treasury deposits with the national emergency fund an amount equal to two-thirds of the annual contributions of members of each approved unemployment insurance society, as the Government's financial share in contributions.

The unemployment insurance societies collect contributions from their members weekly, fortnightly, or monthly, according to the rules of the particular group. In some instances society agents collect at the homes or work places of their members; sometimes a central location is selected by a representative of the society for the receipt of contributions; but more often the member pays his insurance contribution weekly at the society headquarters together with his union dues. A stamp method is rather generally used as a receipt for payment.

Benefits.—Individual societies in Belgium are permitted to establish their own rates of benefit for unemployment. The National Government has, however, set a maximum to the amount and duration of benefits which a society may grant.

Amount of Benefits.—During periods of unemployment for a maximum period of 60 days in a year an eligible insured contributor is entitled to statutory benefits from his insurance society. Under certain conditions he is also entitled to family and supplementary allowances from the national emergency fund. The total of his benefits may not exceed two-thirds of his normal wages unless he has three children or more, in which case the maximum is set at three-fourths of the basic wages. If an insurance society is insolvent, the national emergency fund undertakes the responsibility of paying its covenanted benefits.

The statutory benefits of unemployment insurance societies vary with the societies themselves, but in no case may such benefits plus the benefits derived from membership in an auxiliary society exceed the basic grants of the national emergency fund which are established at different rates according to age and family responsibility, as shown in the following tabulation:

<i>Groups</i>	<i>Daily rate, francs</i>
Unemployed married person, head of family-----	9.00
Unemployed married woman, not head of family ¹³ -----	7.00
Unemployed person, single, divorced, or widowed without children:	
25 years of age or over-----	9.00
18-24 years-----	7.00
16-17 years-----	6.00
14-15 years-----	3.00

Supplementary allowances are granted by the national emergency fund to persons in receipt of statutory benefits in accordance with age, family responsibility, and size of community. These benefits are the following:

<i>Group</i>	<i>Daily rate, francs</i>
Unemployed persons over 18 years:	
Industrial and commercial localities:	
Population 50,000 and over:	
Brussels, Antwerp, and their environs-----	4.50
Other localities-----	4.00
Population under 50,000-----	3.00
Semi-industrial and commercial localities-----	2.00
Agricultural communes-----	1.00
Unemployed persons 16 to 18 years:	
Industrial and commercial communes-----	2.00
Semi-industrial and commercial communes-----	1.00

The national emergency fund also grants family allowances to unemployed persons in need, even though they are in receipt of statutory benefits. The rates for these family allowances as established on May 31, 1933, are payable in respect of an unemployed person's dependent children and of his wife if, without other work, she manages his household. The rates are as follows:

	<i>Daily rate, francs</i>
Wife-----	9.00
Children under 15 years ¹⁴ -----	3.00
Children 15 ¹⁴ to 16 years attending school or physically incapable of work_	3.00

A person is considered in a state of need if his maximum weekly income is below stated amounts which vary according to age, family

¹³ This rate applies to partially unemployed married women; totally unemployed married women are excluded from benefits.

¹⁴ The minimum age was raised from 14 to 15 years on July 14, 1933.

responsibility, and size of community in which the person resides. These are given in table 3.

Duration of Benefits.—The length of time during which benefits are payable varies with individual societies. The maximum stipulated duration of statutory benefits is 60 days a year divided equally between two 6-month periods.

Post-statutory benefits are payable normally for 30 days in a year but may be extended to a total of 300 days in a year for the combined statutory and post-statutory benefit period.

Waiting Period.—A waiting period of 3 days is required at the beginning of each 6-month benefit period, and, in addition, a regular

TABLE 3.—*Maximum weekly incomes below which a state of need exists, Belgium*

Groups	Weekly income in francs				
	Industrial and commercial communes			Semi-industrial and commercial communes	Agricultural communes
	50,000 inhabitants or over		Less than 50,000 inhabitants		
	Brussels, Antwerp, and their environs	Other communes			
Persons living alone:					
25 years of age or over.....	150	135	120	105	100
Under 25 years of age.....	110	105	95	85	80
Household of two or more persons:					
Two persons.....	210	190	170	150	140
Each additional child under 15 years of age.....	6	6	6	5	5
Each additional person over 15 years of age.....	9	9	9	7	7

SOURCE: Friedman, Gladys R., "Recent Developments in Unemployment Insurance in Belgium", *Personnel*, vol. 11, no. 2, November 1934, p. 62.

waiting period of 2 days a month is required for the receipt of benefits. The month is calculated as beginning with its first Monday and ending with the last Saturday preceding the first Monday of the next month. Sundays and legal and local holidays are not reckoned as days of benefits and are not counted in the waiting period.

An advance equal to statutory benefits for the 3-day waiting period or fraction thereof may be paid to persons who have been completely unemployed for at least 2 weeks. The advance must be repaid in full or in part when the beneficiary is again employed.

Statutory Conditions for the Receipt of Benefits.—Insured persons who are capable of work, who are under 65 years of age, and who have been employed for at least 6 months in the preceding calendar year are eligible for benefits in case of involuntary unemployment

if they have been regularly enrolled members of unemployment insurance societies for at least a year. If, however, the unemployment is the direct result of a strike or lockout, or of dismissal from employment with subsequent refusal to accept new work under conditions customary in the region, the insured person is not qualified to receive benefits until a month has elapsed since he showed willingness to resume work. Belgian nationals who accept employment abroad are also ineligible for benefits until a month after their return.

Transfer of membership from one society to another after the completion of 1 year's membership does not entail a further qualifying period unless the laws of the society to which the transfer is made require an additional period. But the transferred member is not entitled to receive benefits in excess of those authorized by the society with which he was formerly affiliated until 6 months of membership in the new society have elapsed.

A person who fails to pay contributions to the unemployment society for 13 weeks is struck from the membership rolls unless his delinquency of payment is the result of incapacity for work. Persons so incapacitated are bound to pay their arrears in full, except that their arrears shall not accrue for repayment beyond a period of 6 months.

In general, for eligibility to benefits an insured contributor is required to register for work at an employment office twice each day, but he is permitted to absent himself from this registration on not more than 3 half days a week if he utilizes this absence to seek work. Proof of the search for work must be offered in the application for such leave of absence.

When employment exchanges are notified of vacancies for unskilled labor, if the conditions of work and wages offered correspond to the conditions customary in the district, these positions are offered first to insured persons who have been unoccupied for the longest time and who do not appear to have made sufficient effort to obtain employment. If such offers are refused, the person may be deprived of benefits for at least a month even if the position offered is not in the insured person's usual occupation and is at a distance from his ordinary place of work.

Method of Payment.—Benefits are usually paid weekly by the society agent who collects contributions. The procedure is in general as follows: (1) The unemployed member presents a certificate from his employer as evidence that his unemployment is involuntary; (2) he presents his payment card for record of the date, period, amount, and character of all the benefits he has received and for certification of the fact that he has registered at an employment exchange; (3) he presents his membership card as a record

of his contributions; (4) he produces certification from the employment exchange that no suitable work is available.

The payment of benefits through the society includes in almost all instances the subsidy from the national emergency fund and its family and supplementary allowances.

SWITZERLAND ¹⁵

The first attempt at unemployment insurance in Switzerland was made in Basel Town in 1789. All workers in the lace and ribbon factories contributed 2 percent of their wages, which was turned over to officials chosen by the town council. Before any benefits could be distributed, however, the revolution of 1789 halted the operation of the fund, and the contributions were returned to the contributors.

Switzerland is also credited with the first attempt to introduce a compulsory unemployment insurance law. The Canton of St. Gall enacted a law in 1894 permitting communes in its territory to provide compulsory unemployment insurance for certain workers. The commune of St. Gall was the only one to establish a fund under this act. It began in 1895 and ceased to function in 1897 because workers with rather stable employment moved to neighboring towns to avoid joining the fund. Left with the bad risks the fund soon showed a considerable deficit.

At the opening of the twentieth century Switzerland had made but little progress in dealing with the recurrent problem of unemployment, although experimentation with public employment exchanges and private unemployment insurance funds provided the basis for further developments. The experience with relief measures during the war and post-war periods showed conclusively that some permanent method of dealing with unemployment was necessary. The voluntary unemployment insurance funds did not offer a sufficiently broad and stable basis to cope with the problem. The various unemployment insurance funds had functioned during the war period and had been informally and irregularly subsidized by public authorities. The Confederation, after consideration of the question, decided to formalize and place the subsidies on a permanent basis and thus encourage the development of funds.

Switzerland is a democratic country with a Federal constitution like that of the United States, in that the central authority is limited to delegated powers. The 25 cantons of the Confederation are en-

¹⁵ Data on the Swiss unemployment insurance system have been taken from Spates, T. C., and Rabinovitch, G. S., *Unemployment Insurance in Switzerland* (Industrial Relations Counselors, Inc., New York, 1931); Industrial Relations Counselors, Inc., *An Historical Basis for Unemployment Insurance*, *op. cit.*; "Unemployment Insurance in Switzerland", *Monthly Labor Review*, vol. 40, no. 5, May 1935, pp. 1203-1207.

tirely autonomous except with respect to powers delegated to the Federal Government. No provision in the constitution authorizes the Confederation to enact unemployment insurance legislation, much less to make it compulsory for the cantons, or even to subsidize unemployment insurance funds voluntarily created by the cantons. Any of these steps would require an amendment to the constitution by a vote of a majority of the Swiss electors and of the cantons.

The Confederation likewise had no power to set up a system of employment exchanges but in 1909 had subsidized exchanges as a method of stimulating the placement of the unemployed workers.¹⁶ This same principle was utilized, in view of the constitutional difficulties involved, to promote and assist the development of insurance funds.

The Federal Law of 1924.—The Federal act for the payment of subsidies to unemployment insurance funds was enacted by the Federal Assembly on October 17, 1924. The law provides that Federal subsidies are to be granted to funds based on the principles of insurance which comply with conditions specified in the act. These conditions relate to (1) the objectives, administration, and membership of the funds; (2) the benefits payable to members; (3) the conditions entitling members to benefits; (4) the repayment of any subsidies from unused balances upon the dissolution of any fund; and (5) the conditions under which partial unemployment benefits may be included in the insurance system. In addition to these provisions, the law specifies the amount of Federal subsidies to be granted to funds and the general provisions for Federal recognition and supervision of the funds.

Under the section of the act dealing with the conditions relating to the objectives, administration, and membership of the funds are found the following four conditions: (*a*) The fund shall not be carried on for profit or for any purpose other than the relief of unemployment; (*b*) it shall have its own books and accounts and shall give guaranties for the proper administration of its moneys; (*c*) it shall have precise regulations respecting the contributions of members, the benefits payable, and the utilization of the assets and surplus balance; and (*d*) no member of one fund shall be at the same time a member of another fund.

The act stipulates that the funds shall not pay more than a maximum of 50 percent of normal earnings to members who have no legal dependents and a maximum of 60 percent to members with legal dependents.

¹⁶ By virtue of the ratification of the first resolution adopted at the International Labor Conference at Washington in 1919 for the establishment of a system of free employment exchanges, Switzerland assumed an international obligation which became the authority for issuing in 1924 an order requiring each canton to set up the number of exchanges sufficient for the need and coordinated with a central exchange.

The 1924 act provides that the funds shall not pay benefits unless the insured person becomes unemployed through no fault of his own, registers at an employment exchange, is unable to find suitable employment, and produces a certificate from his last employer stating the reason for his unemployment. Subject to the approval of the Federal labor office registration at trade employment exchanges may be substituted for registration at public employment exchanges. The funds are eligible for subsidies only if they provide that members are not entitled to benefits unless they have belonged to the fund and paid contributions for at least 180 days and have served a waiting period of at least 3 days after registration. The maximum period of benefits allowable is 90 days in a period of 360 days, but by resolution of the Federal Council, the executive authority of the Government, the benefit period may be extended beyond 90 days during times of continued depression. The funds are required to provide that unemployment as a result of a collective labor dispute disqualifies the member for the period of the dispute and for 30 days thereafter; that incapacity for work disqualifies the member for the duration of the incapacity; and that members who refuse to accept suitable employment, who make insufficient effort to find employment, who fail to comply with regulations, who supply incomplete information, or who attempt to obtain benefits unlawfully shall not be entitled to benefits.

The act of 1924 contains a provision covering the conditions under which the funds may pay compensation for partial unemployment. In such cases, the combined income from unemployment compensation and the actual earnings of the insured person shall not exceed 80 percent of the normal earnings for those with dependents and 70 percent in the case of all others. The right to compensation shall cease when, during a period of 360 days, the combined compensation is equal to full benefit for 90 days.

The Federal subsidy to public funds organized by the cantons and communes, and to private funds administered jointly by employers and employees, is set at 40 percent of the benefits paid in conformity with the rules. The subsidy to trade-union funds is 30 percent. The variation in the amount of the subsidies was made on the assumption that public and joint funds would have poorer risks. The Federal Assembly specifically reserved the right to increase the subsidies temporarily by not more than 10 percent.

The legislation has additional provisions regarding the conditions under which Federal subsidies are to be obtained. The Federal labor office is given the right to inspect at any time the business operations of a fund subsidized by the Confederation and to receive statistical data. The Federal Council is empowered to make the rules and regulations necessary to administer the act and to designate

the authority competent to decide matters relating to subsidies. The act provides that the Federal Council may prescribe the minimum number of members which will entitle a fund to receive subsidies and that the subsidy may be reduced if it, together with other subsidies from public funds, would exceed a certain percentage of the benefits paid. The Federal Council may, in view of special circumstances, lay down further conditions for the payment of Federal subsidies or may grant certain relaxations temporarily. Advances from the Federal subsidy may be granted to the fund if necessity is shown. The payment of the Federal subsidy may be made conditional on its being used to increase the benefits or to prolong the period during which benefits are payable or to constitute a reserve fund. The Federal subsidy is not to cause any reduction in benefits or in contributions of the insured persons.

The Federal Orders of 1925 and 1929.—Federal orders, from time to time, have extended, modified, and more explicitly defined the provisions of the act of 1924. Order I of the Swiss Federal Council, issued April 9, 1925, became effective on April 15, 1925, and stipulated in greater detail the procedure by which recognition of funds was to be made by the Federal labor office. It provided that where recognition by the labor office is refused or withdrawn, by virtue of some alteration in the provisions of the fund, appeal may be made, within 14 days, to the Federal Council. Any decision of the labor office regarding subsidies and conditions upon which they are to be granted may be appealed, within 14 days, to the Federal Department of Public Economy, whose decision is final. The Federal labor office is given authority to lay down certain forms and principles of procedure relating to notification of unemployment, employer's certificate of dismissal, and statistical reports, which must be approved by the Federal Department of Public Economy.

The act of 1924 merely states that an insured person should receive benefits if unemployed through "no fault of his own" and if he is "unable to find suitable employment." Section IV of the first order defines in greater detail the scope of these two terms. Dismissal on account of gross or deliberate negligence, refusal to work, disregard of rules or a contract, and voluntarily leaving without good cause (except when continued employment would be contrary to a collective agreement or to the usual wages or conditions of work in the trade) are to be regarded as faults of the insured. Suitable employment is defined so that the capacity of the insured, the future exercise of his trade, and his health and morals are safeguarded. It is provided that exceptions may be made with regard to accepting either employment made available through a strike or employment under conditions contrary to a collective agreement covering the insured, as well as employment which is unacceptable in view of the conditions

and wages in the trade. In cases of reduced working capacity, employment at a correspondingly reduced wage may be regarded as suitable. In allotting employment away from home, insured persons with dependents must be given special consideration. The Federal Department of Political Economy is authorized to prescribe further provisions for the definition of the two terms.

The order provides that the rules governing partial unemployment should be applied to any insured person who becomes temporarily unemployed without terminating his employment contract and therefore suffers a loss of earnings.

Notification to and supervision by the employment exchange is necessary for partial unemployment only when there is a loss of full working days, when the loss of earnings is more than half the normal wage, and when no other adequate system of supervision exists. These provisions also apply to homeworkers. If an unemployed worker accepts relief work or other employment outside his trade, he may be compensated for the loss of earnings according to the provisions for partial unemployment. He must nevertheless register at the employment exchange and accept any suitable employment in his trade.

The order provides that public funds must accept members of other recognized funds who have voluntarily resigned or have been released through no fault of their own, provided they have fulfilled their obligations to the fund and are not unemployed at the time of transfer. Such members must be granted the same rights as other members after they have paid contributions for 4 weeks. The qualifying period to elapse before a member is entitled to benefits in such a case is to be reduced according to the period during which the insured has paid contributions in the former fund.

Order II, dated December 20, 1929, came into force January 1, 1930. Among other things it provides that Federal subsidies shall not be granted to funds with a membership of less than 200, except in special cases and that recognition may be withdrawn from funds whose financial position does not guarantee the payment of benefits. The amount of the Federal subsidy is to be reduced in proportion if the total subsidies granted by public authorities exceed 80 percent of the benefits paid. Exceptions may be made to permit the creation of an adequate reserve fund.

In addition to the provisions in the previous law and regulations, unemployment caused by holidays, loss of earnings resulting from regularly recurrent work, such as stock-taking, cleaning or repairs to the plant, or unemployability, is not compensable. Where unemployment results from a slight fault of the insured, benefits may be paid him after the expiration of not less than 4 weeks. Where the insured has received the maximum benefits for 3 consecutive

years, the maximum shall be reduced by at least one-half in the fourth year, excepting in times of depression or other special circumstances.

The Federal Department of Public Economy is authorized to enact special provisions for members belonging to seasonal occupations and shall provide for a special waiting period, reduction in the period of benefits during seasons when there are good possibilities of getting employment, and establishment of special rates of contributions.

Unemployment Insurance During the Depression.—The depression necessitated significant changes in the unemployment insurance laws and regulations in Switzerland. It was soon found necessary to increase the amount of Federal subsidies. On September 23, 1931, the Federal Assembly authorized the Federal Council to increase the subsidies 10 percent in certain specified industries for the calendar year 1931 and for any other industries seriously affected by the crisis for the period October 1 to December 31, 1931. The next year, on September 29, 1932, the Assembly authorized the Council to pay subsidies to seriously affected industries for 1932 of not more than 45 percent of benefits paid to public and joint funds and 40 percent to trade-union funds. A law enacted October 5, 1933, authorized the Federal Council to subsidize funds in certain industries for the year 1933 and in other seriously affected industries for the months between October 1 and December 31, 1933. This subsidy to public and joint funds was not to exceed 43 percent, and to trade-union funds 38 percent of benefits paid. The increases in the subsidies were made on the condition that cantonal and communal subsidies were not to be decreased and that when the subsidies paid by Federal, cantonal, and communal authorities exceeded 90 percent of benefits, the Federal subsidy would be reduced in proportion.

In addition to these changes, the continuation of unemployment necessitated both the extension of the statutory period of benefits as well as the introduction of crisis relief to those individuals who had exhausted their rights to benefits. Beginning in 1930, temporary measures increased the statutory duration of benefits from time to time. An order of November 4, 1933, authorized the Federal authorities to extend the benefit period from 90 to 120 days during the year 1933 to certain classes of workers, on condition that, during the period of extension, benefits did not exceed certain rates varying between 4 francs a day for unmarried persons under 22 years of age living at home, and 8.10 francs a day for married persons with dependent children.¹⁷

Besides the extension of the statutory period of benefits, the Federal Assembly found it necessary, by a law of December 31, 1933,

¹⁷ *Industrial and Labour Information*, vol. L, no. 7, May 14, 1934, pp. 242-243.

to set up a relief scheme to supplement the insurance system by offering a special subsidy for the cantons and for intercantonal associations of workers in certain occupations paying emergency allowances to the unemployed. Workers who had exhausted their statutory right to benefits and who were in need might receive such allowances, although exceptions were made to these rules for those individuals who had not completed the required qualifying period or who were not insured for other formal reasons. The duration of the relief was fixed at 150 days a year. The subsidy was set at one-third the amount of crisis relief given but could be increased, under certain circumstances, to three-fifths of the expenditures.

A number of measures dealing with crisis relief were enacted thereafter. An order of the Federal Council of October 23, 1933, went into effect December 1, 1933,¹⁸ and stipulated that the maximum period for which emergency benefits were to be payable in the course of a year be raised to 190 working days. This period might be extended, however, to 310 working days for unemployed persons who, through no fault of their own, were not entitled to benefits from any insurance fund.

Emergency benefits may be paid only to unemployed persons in need, in an amount not to exceed 50 percent of the earnings of persons without dependents, or 60 percent for those with dependents, provided that such benefits do not exceed certain maximums established on the basis of locality, age, number of dependents, and the time of year. Emergency benefits may be replaced wholly or in part by benefits in kind. The payment of benefits is conditional upon legislation by the cantons, 18 of which had taken action, dealing principally with the unemployed in those industries most seriously affected by the depression.¹⁹

A more basic revision of the Swiss system was put into effect for the duration of the depression by Order IV of the Federal Council, enacted February 27, 1934, and effective April 1, 1934.²⁰

The act of 1924 provides that funds should not pay benefits to exceed 50 percent of earnings for wholly unemployed persons without dependents, and 60 percent for those with dependents; 70 and 80 percent of earnings, respectively, were set as the maximum benefits for persons partially employed. The actual amount of benefits granted was paid according to the provisions of the fund of which the insured was a member. Order IV, however, fixes the maximum amount of wages to be taken into consideration for the purpose of

¹⁸ *Recueil officiel des lois et ordonnances de la confédération suisse*, nouvelle série, Tome 49, année 1933 (Imprimerie des Hoirs K.—J. Wyss, S. A., Berne, 1934), p. 873.

¹⁹ *Industrial and Labour Information*, vol. L, no. 7, May 14, 1934, pp. 244-245.

²⁰ *Recueil officiel des lois et ordonnances de la confédération suisse*, nouvelle série, Tome 50, année 1934 (Imprimerie des Hoirs K.—J. Wyss, S. A., Berne, 1934), p. 191; cf. *Industrial and Labour Information*, vol. L, no. 7, May 14, 1934, p. 243.

calculating total and partial unemployment benefits. Thus, unemployed persons with more than one dependent are to be considered as receiving a maximum wage of 16 francs a day; those with one dependent, 12 francs; and those with no dependents, according to whether they are over or under 22 years of age, 10 or 8 francs, respectively. Any earnings in excess of these limits give rise to a supplementary benefit calculated at a reduced rate of 30 percent. Modifications of the waiting period and disqualification provisions of the previous law made by this order are discussed below.

Administration.—Administrative coordination exists in Switzerland only insofar as the public authorities specify forms and procedures, audit accounts, and collect information from the various funds. Simplification and uniformity are obtained through standards established by the legislation providing for the granting of subsidies. The public funds, of course, are administered directly by the public authorities creating them. Each public authority treats separately with each fund. Since the public employment exchanges function for both the insured and noninsured portions of the population, no data are available on the real administrative cost of the Swiss insurance system. It is the endeavor of all funds to limit the costs of administration to not more than 15 percent of receipts, but during the depression this proportion has probably been exceeded.²¹ Administrative costs have been generally low but are highest in the public funds which require the organization of a special staff.

There is no provision in the Federal law regarding procedure for the settlement of grievances or disputes which may arise from conflicting interpretations of the law regarding claims to benefits. Disputes and appeals are settled in different ways by the different funds and by cantonal or communal regulations. In some funds, disputes are heard by the cantonal courts, whose decision is recognized as final by the Federal labor office.

Coverage.—At the end of September 1934 there were, in addition to the Federal law, orders, and regulations respecting unemployment insurance, the laws of 24 cantons on the subject, the regular subsidies of 1,620 communes, and the rules and regulations of 197 funds. These laws and these relationships constitute the unemployment insurance system of Switzerland.²²

Since the enactment of the Federal law all the 25 Swiss cantons have enacted legislation based upon and supplementing the Federal law. Thirteen cantons now have compulsory unemployment insurance legislation, for specified classes of persons; eight cantons grant to the communes the right to decree compulsory insurance;

²¹ "Unemployment Insurance in Switzerland", *Monthly Labor Review*, vol. 33, no. 1, July 1931, p. 28.

²² "Dix ans d'assurance—Chômage en Suisse", *La vie économique*, septième année, no. 11, novembre 1934, p. 507.

and four cantons have voluntary insurance. All cantons except one grant regular subsidies to recognized funds,²³ in addition to the Federal and any communal subsidies.

All the cantons which have adopted compulsory insurance have found it necessary to create public funds as the only possible method of covering all the eligible persons. The public fund is essential to permit all workers not already members of a trade-union or a joint fund to become insured as demanded under the terms of the cantonal law. The compulsory laws specify the extent of coverage, exempting certain groups from compulsory insurance for such reasons as age, occupation, income, apprenticeship, and employment tenure.

It should be noted that even in the cantons and communes which have extended the compulsory features of the law beyond the workers subject to the factory laws the act does not apply to professional workers. Many wage earners or salaried workers whose situation is too difficult of coverage by the normal insurance organization are excluded. This group includes those whose situation leaves them more or less on the verge of unemployment or in need of assistance. Homeworkers are nearly everywhere excluded as well as persons working by the day in the employer's home, peddlers, commercial travelers, members of the liberal or intellectual professions, employees in the administrative and public services, and employees with incomes above a certain limit.

The development of unemployment insurance in Switzerland has resulted in large part from the initiative of trade-unions and associations of employers. Some of the central employers' associations founded joint funds open to the personnel of certain branches of activity over all Swiss territory. In addition, numerous regional employers' associations established joint associations open to many establishments having the same type of activity or located in the same region.

There were 149,650 insured members of 60 funds at the end of September 1925. This number increased to 539,830 in 197 funds in 1934.²⁴

At the end of September 1934 the Federal Office of Industry, Arts and Crafts, and Labor estimated that 62.6 percent of the wage earners in the most important occupational classes usually covered by unemployment insurance were members of unemployment insurance funds, as compared with only 28.6 percent at the end of September 1927.²⁵

²³ "Le développement de l'assurance—Chômage dans les cantons", *La vie économique*, 8^e année, no. 1, janvier 1935, pp. 36-37.

²⁴ *Ibid.*, p. 36.

²⁵ "Les chômeurs assurés contre le chômage", *La vie économique*, 8^e année, no. 2, février 1935, p. 95.

A majority of the persons covered by unemployment insurance in Switzerland are covered through membership in trade-union funds. At the end of September 1934, 51 percent of the total number of persons insured in Switzerland were enrolled in trade-union funds, 30.6 percent in public funds, and 18.4 percent in joint employer-employee funds, as compared with 64.2, 17.7, and 18.1 percent, respectively, in 1927.²⁶ Membership in all types of funds has steadily increased, but the rate of increase for public funds has been faster than that for trade-unions.

The depression no doubt led many previously uninterested persons to join insurance funds. Probably in most cases they have joined municipal funds, since the joint and trade-union funds would be less inclined to accept new members at such a time, and in cantons with compulsory insurance all workers covered by the laws would already be members of some fund. The joint funds have experienced the most rapid rise during the depression both in number of funds and membership. There are three main reasons for this. Federal subsidy to these funds is higher than to trade-union funds; employers' contributions lead to a reduction in the contributions of the insured; and the workers have learned that employees who are not members of the joint fund are dismissed first.

The fund which has the largest number of members is the Swiss Federation of Metal Workers and Watch Workers, a trade-union fund, consisting of 65,699 members at the end of December 1934. The largest public fund had a membership of 40,999—the Zürich communal fund, in which insurance is compulsory by communal law. The largest joint fund is the Basel general joint fund consisting of 6,970 members. In December 1934 there were only 77 funds out of the 199 existing which had 1,000 members or more, but these 77 funds (representing 37 percent of the number of funds existing) include nearly 85 percent of all members insured in Switzerland.²⁷

Contributions.—Although most of the funds have increased their members' rates of contribution greatly during the depression, the average of the members' contributions has declined until in 1933 it was 23.1 percent of benefits paid out, somewhat below the 30 percent required by law. Certain funds in which members are in activities suffering from little unemployment still contribute amounts equal to 50 percent and more of benefits.²⁸

²⁶ "Le développement de l'assurance—Chômage dans les cantons", *La vie économique*, 8^e année, no. 1, janvier 1935, pp. 39-40.

²⁷ "Les chômeurs assurés contre le chômage", *La vie économique*, 8^e année, no. 2, février 1935, p. 97.

²⁸ "Dix ans d'assurance—Chômage en Suisse", *La vie économique*, septième année, no. 11, novembre 1934, p. 506.

The ratio of members' contributions to their wages, however, is extremely small, representing only from one-tenth to three-tenths of 1 percent of wages in many funds.²⁹ The average annual contribution of the worker was 10.59 francs in 1929. In that year employees' contributions amounted to more than 50 percent of benefits paid out. In 1933, when the average annual contribution per worker was 27.6 francs—or over two and one-half times more than the average for 1929—employees' contributions totaled only 23 percent of benefits, or less than one-half as much as in 1929.³⁰ These figures testify to the expenditures during the depression.

The subsidies of the various public authorities now amount to more than 80 percent of all benefits paid out.³¹ During the years 1925–29 the average proportion of public subsidies to benefits paid was slightly more than 65 percent.³² The increase during the depression resulted, of course, from the increase in subsidies during this time, both Federal and local. The percentage of subsidies paid by the cantons and communes averaged 42 percent for 1933 as against 35.5 percent for 1929.³³

Benefits.—Although the actual amount of benefits paid to an unemployed individual is determined by the provisions of the fund of which he is a member, a limit is set by the Federal law. As previously stated the maximum payable may not be in excess of 60 and 50 percent of normal earnings for persons with and without legal dependents, respectively. The average amount of benefits paid in 1933 was 5.34 francs per day.³⁴ The average amount of benefits was much higher during the depression years 1930–33 than during the previous years.

Over 215,000 individuals were compensated for loss of earnings through the Swiss unemployment insurance system during 1933. This number represented 40.5 percent of the total number insured. In 1930, 25.7 percent of the total number insured received compensation during the year.

Duration of Benefits.—The Federal law provides that the maximum period for which benefits are payable is 90 days within 360 days, but the Federal Council is given authority to extend this period

²⁹ Cf. Spates and Rabinovitch, *op. cit.*, pp. 224–260.

³⁰ "Dix ans d'assurance—Chômage en Suisse", *La vie économique*, septième année, no. 11, novembre 1934, p. 506.

³¹ The amount of the subsidies plus the amount of members' contributions need not total an even 100 percent. If more money goes into the fund in a certain year than is paid out in benefits, this merely means that a portion is set aside as reserve for the following year.

³² Metropolitan Life Insurance Co., *Unemployment Insurance*, Monograph one (revised edition) (New York, February 1935), p. 59.

³³ "Dix ans d'assurance—Chômage en Suisse", *La vie économique*, septième année no. 11, novembre 1934, p. 505.

³⁴ *Ibid.*, p. 507.

in times of depression. During the year 1933 the statutory period of benefits to certain groups of workers was extended to 120 days under certain conditions. The average duration of benefits per beneficiary per year was 59 days for the year 1933. While the average duration of benefits has increased steadily during the operation of the system, the largest increase took place in 1932 when the average duration increased from 48.1 days in 1931 to 61.2 in 1932. The average duration of benefits per member was 23.9 days in 1933 as against only 4.8 in 1929 and 9.7 days in 1930.³⁵

Waiting Period.—The minimum waiting period required by the Federal Law of 1924 was 3 days after registration, although some of the various funds specified longer periods under certain conditions. Order IV in 1934 liberalized this regulation by providing that the insured person need not serve another waiting period if he has not had full-time employment for at least 3 consecutive months. The waiting period for partial unemployment is only 24 hours with the same condition that if the insured has not had 3 consecutive months of full-time employment an additional waiting period is not to be required.

Qualifications for Receipt of Benefits.—The 1924 act provided that the funds should not pay benefits unless the insured person became unemployed through no fault of his own, had registered at an employment office, was unable to find suitable employment, produced a certificate from his last employer stating the reason for his unemployment, and paid contributions for at least 180 days. Order II of 1929 required individuals to be employed 150 days during the year preceding application for benefits in order to qualify under the definition of a person “normally employed in regular work.” Special circumstances such as depression, sickness, or military service serve to modify the 150-day requirements.

Disqualification From Benefits.—Order IV of 1934 modified the provisions of previously existing laws by providing that any person who becomes unemployed through his own fault or does not take advantage of suitable employment is excluded from benefits for at least 4 weeks in minor cases and 12 weeks in serious cases, and, in addition, the maximum duration of benefits for the individual is reduced at least 20 days for the benefit year or following year.

The definitions of “fault” and “suitable employment” were contained in Order I of 1925 discussed above.

³⁵ *Ibid.*

Chapter III

ESTIMATES OF UNEMPLOYMENT IN THE UNITED STATES

ADEQUATE statistics of unemployment can be obtained only by complete censuses or a compulsory system of registration in connection with an unemployment compensation system covering the entire industrial population. Present data on the extent of unemployment in this country are so incomplete that it is necessary to resort to estimates of the number out of work. Such figures as are available indicate the existence of a large volume of unemployment in both good years and bad, with a concentration of unemployment in the years of cyclical depression. The estimates of unemployment set forth in this chapter indicate that about 70 percent of the unemployment from 1922 to 1933, inclusive, occurred in the years 1930 to 1933.

TOTAL VOLUME OF UNEMPLOYMENT

Adequate statistics of unemployment are lacking in the United States for a number of reasons. The trade-union movement has not maintained satisfactory records of unemployment among its members; a Nation-wide public employment service is only now in process of development; and unemployment compensation with its corollary of registration of unemployed persons has not been in existence except on a limited basis. Even employment figures, which, until recently, have been collected much more widely than unemployment figures, are chiefly in the field of manufacturing as reported to the United States Bureau of Labor Statistics and to some State labor departments by representative firms. The national census of unemployment in April 1930 and occasional censuses in a few localities constitute practically the only other sources of information.

The lack of accurate data has necessitated recourse to estimates, among which are the studies of William A. Berridge in *Cycles of Unemployment in the United States, 1903-1922*, and of Hornell Hart in *Fluctuations in Employment in Cities of the United States, 1902-1917*, the estimate of Leo Wolman and Meredith B. Givens of unem-

ployment among nonagricultural labor from 1920 to 1927 in *Recent Economic Changes*, and Paul H. Douglas' estimate of unemployment in manufacturing, transportation, building trades, and mining from 1897 to 1926 in *Real Wages in the United States, 1890-1926*. Douglas' estimate, which covers the longest period of years, is given in table 4. Unfortunately, it does not include the most recent years and is limited in industrial scope. The estimate of Wolman and Givens is wider in coverage, including all employees except those attached to agricultural pursuits, but does not go beyond 1927. Comprehensive estimates of the unemployment in the United States from 1929 through 1933 have been published by Robert R. Nathan.¹ His

TABLE 4.—*Unemployment in manufacturing, transportation, building trades, and mining, 1897-1926, as estimated by Paul H. Douglas*

Year	Percent unem- ployed	Year	Percent unem- ployed	Year	Percent unem- ployed
1897.....	18.0	1907.....	6.9	1917.....	6.0
1898.....	16.9	1908.....	16.4	1918.....	5.5
1899.....	10.5	1909.....	8.9	1919.....	6.9
1900.....	10.0	1910.....	7.2	1920.....	7.2
1901.....	7.5	1911.....	9.4	1921.....	23.1
1902.....	6.8	1912.....	7.0	1922.....	18.3
1903.....	7.0	1913.....	8.2	1923.....	7.9
1904.....	10.1	1914.....	16.4	1924.....	12.0
1905.....	6.7	1915.....	15.5	1925.....	8.9
1906.....	5.9	1916.....	6.3	1926.....	7.5

SOURCE: Douglas, Paul H., and Director, Aaron, *The Problem of Unemployment* (Macmillan Company, New York, 1931), p. 28.

estimates, together with those of Wolman and Givens, are shown in the following tabulation:

Estimated volume of unemployment 1922-1933

[In thousands]

1922 Minimum volume ²	3,441
1923 Minimum volume ²	1,532
1924 Minimum volume ²	2,315
1925 Minimum volume ²	1,775
1926 Minimum volume ²	1,669
1927 Minimum volume ²	2,055
1928.....	(³)
1929 Average volume ⁴	1,813
1930 Average volume ⁴	4,921
1931 Average volume ⁴	8,634
1932 Average volume ⁴	12,803
1933 Average volume ⁴	13,176

¹ Nathan, Robert R., "Estimates of Unemployment in the United States, 1929-1935", *International Labour Review*, vol. XXXIII, no. 1, January 1936, p. 49.

² Committee of the President's Conference on Unemployment, *Recent Economic Changes* (McGraw-Hill Book Co., New York, 1929), vol. II, p. 478. Excludes employees engaged in agricultural pursuits.

³ No estimate available.

Nathan, Robert R., *op. cit.*, table 1.

In addition to the above estimates of the average annual volume of unemployment, month-to-month estimates are now issued regularly by the American Federation of Labor and the National Industrial Conference Board. The monthly estimates of the former date back to January 1930; those of the latter to January 1933. Both are based on the census of unemployment of 1930, but have deviated considerably, primarily because of differing estimates as to the number of new workers who have entered industry since this census was taken and because of differences in the definition of unemployment. The American Federation of Labor estimates are published regularly in its official monthly magazine, *The American Federationist*; those of the National Industrial Conference Board have appeared in newspaper releases issued from its offices in New York.

VARIATIONS BY INDUSTRIES

The extent of unemployment varies greatly among different industrial groups. Wolman and Givens in *Recent Economic Changes* estimated that unemployment in 1921 was 23.7 percent in manufacturing; 26.6 percent in construction; 14.4 percent in transportation and communication; 38.1 percent in mines, quarries, and oil wells; and only 3.7 percent in public service, mercantile, and miscellaneous industries. In July 1934, on the basis of the American Federation of Labor estimates, 64.9 percent of all persons engaged in construction industries were unemployed, 38.1 percent in service industries, 37.4 percent in mining, 36.2 percent in railroads, 27.4 percent in manufacturing, 19.5 percent in trade, 5.1 percent in public service, and 1.1 percent in agriculture.

Within the manufacturing group a wide dissimilarity is also found among the different branches. An analysis of the fluctuations in the employment indexes of the Bureau of Labor Statistics, taking the 1929 and the 1933 averages, indicates decreases in employment since 1929 ranging from 53.7 percent in the lumber industry, 53.2 percent in the machinery industries, and 52 percent in the stone, clay, and glass products industries to 15.4 percent in the leather industries, 16.1 percent in textiles, and 16.3 percent in food manufacturing. Higher unemployment rates are found for industries manufacturing durable goods and lower rates for those manufacturing nondurable goods. For these groups as a whole the decline in employment between 1929 and 1933 was 48.4 percent in the durable goods industries and only 19.4 percent in the nondurable goods industries. Over a period of years, however, the relative divergences between these industries would not be so great.

Individual establishments within a branch of any industry also vary widely in their employment experience. Some companies in

any given year are expanding and consequently increasing their working force, whereas others are losing business or possibly extending mechanization and cutting down employment.

VARIATIONS BY STATES

Virtually no data on unemployment by States are available except those in the April 1930 census of unemployment and some occasional State or city unemployment censuses or surveys. Prior to 1930 the compilation of employment statistics was very limited. Several States published employment indicators of factory employees, representative of manufacturing industries only, but most of these do not go back beyond the 1920's.

During the last 4 or 5 years more complete and reliable employment statistics have been gathered. Not only have States recognized the need for such data, but the United States Bureau of Labor Statistics has been compiling national employment indexes month by month, since 1929, for the following industrial groups: Manufacturing, wholesale trade, retail trade, mining, transportation, telephone and telegraph, light and power, and hotels. In 1933 the scope of the field covered was enlarged by the addition of real estate, banking, insurance, and canning and preserving industries. Since 1932 these indexes have been broken down by States, resulting in the first comprehensive monthly State employment indexes.

Utilizing the Bureau of Labor Statistics indexes, the United States census of occupations, and the census of unemployment of April 1930, the yearly average employment and unemployment by States was estimated for each year, 1930 through 1933, the results of which are shown in table 5. The dependability of these estimates is subject to question, at least for part of the period, because of the inadequacy of the data upon which they were based and also because of the crude statistical methods by which they were necessarily treated in the limited time available. Several checks with other information indicate, however, that these estimates are at least fair approximations. They, therefore, may be used as a guide in the absence of better data. More accurate indicators could probably be obtained from the statistical treatment of city surveys of unemployment where such are available or from an examination of actual employment records within a State.

It is at least immediately clear from the estimates that there has been a wide variation in the degree of unemployment in individual States during a cyclical decline. To illustrate this, the States were arrayed according to the rate of unemployment in April 1930, the average for 1933, and the average for 1930-33. (See table 6.) Comparing the extremes of the array, the rate in Michigan was more

Percent of gainful workers

State	Employed			Unemployed				
	1931	1932	1933	1930-33 average	1930	1931	1932	1933
United States	76.8	65.5	66.8	25.8	12.1	23.2	34.5	33.2
Alabama.....6	79.8	66.1	70.9	23.2	10.4	20.2	33.9	29.1
Arizona.....3	75.8	64.3	61.4	27.7	11.7	24.2	35.7	38.6
Arkansas.....5	81.5	63.1	60.8	25.6	9.5	18.5	36.9	39.2
California.....3	76.1	71.1	70.8	24.0	12.7	23.9	29.9	29.2
Colorado.....3	79.3	67.2	64.7	25.1	11.7	20.7	32.8	35.3
Connecticut.....9	75.7	62.5	68.3	26.4	12.0	24.3	37.5	31.7
Delaware.....7	79.1	73.7	83.3	18.3	9.3	20.9	26.3	16.7
District of Columbia.....	87.3	80.9	85.0	13.2	5.8	12.7	19.1	15.0
Florida.....3	77.0	63.6	63.4	27.1	12.2	23.0	36.4	36.6
Georgia.....9	81.7	71.9	87.4	17.0	9.0	18.3	28.1	12.6
Idaho.....5	81.0	70.7	71.5	21.8	10.5	19.0	29.3	28.5
Illinois.....2	75.2	62.5	64.3	28.0	13.8	24.8	37.5	35.7
Indiana.....7	76.4	62.7	66.6	26.6	12.3	23.6	37.3	33.4
Iowa.....5	81.5	70.5	69.0	21.8	8.5	18.5	29.5	31.0
Kansas.....7	80.1	72.0	73.1	21.0	9.3	19.9	28.0	26.9
Kentucky.....3	79.2	71.6	77.3	20.8	11.7	20.8	28.4	22.7
Louisiana.....3	77.7	67.5	69.4	24.1	11.2	22.3	32.5	30.6
Maine.....9	76.6	68.4	79.7	21.8	12.0	23.4	31.6	20.3
Maryland.....4	78.6	78.6	70.6	23.4	9.6	21.4	33.0	29.4
Massachusetts.....3	75.3	65.0	65.2	27.0	13.2	24.7	35.0	34.8
Michigan.....9	70.3	56.9	54.1	34.3	18.0	29.7	43.1	45.9
Minnesota.....3	77.9	70.2	69.7	23.4	11.5	22.1	29.8	30.3
Mississippi.....9	83.5	72.3	74.9	19.4	10.0	16.5	27.7	25.1
Missouri.....9	78.2	67.5	68.5	24.2	11.1	21.8	32.5	31.5
Montana.....4	77.0	59.3	63.6	28.4	13.7	23.0	40.7	36.4
Nebraska.....2	81.3	71.5	69.8	21.5	8.8	18.7	28.5	30.2
Nevada.....5	73.8	64.3	64.6	27.8	13.5	26.2	35.7	35.4
New Hampshire.....9	76.0	70.2	78.7	21.8	12.0	24.0	29.8	21.3
New Jersey.....5	74.5	62.9	61.2	28.8	13.2	25.5	37.1	38.8
New Mexico.....3	79.3	65.2	61.7	26.2	10.7	20.7	34.8	38.3
New York.....3	65.2	63.6	61.9	27.8	12.4	24.0	36.4	38.1
North Carolina.....2	77.4	67.7	81.6	21.3	11.8	22.6	32.3	18.4
North Dakota.....3	82.2	78.2	72.7	18.9	9.4	17.8	21.8	27.3
Ohio.....5	75.2	62.7	67.8	26.9	13.3	24.8	37.3	32.2
Oklahoma.....4	76.7	66.8	70.8	24.2	11.2	23.3	33.2	29.2
Oregon.....3	75.7	72.2	78.7	21.7	13.5	24.3	27.8	21.3
Pennsylvania.....2	76.5	62.7	59.8	28.3	11.8	23.5	37.3	40.2
Rhode Island.....7	73.0	60.6	63.4	29.7	15.3	27.0	39.4	36.6
South Carolina.....4	81.7	70.7	87.1	17.2	8.6	18.3	29.3	12.9
South Dakota.....4	83.4	76.1	77.3	17.5	7.0	16.6	23.9	22.7
Tennessee.....2	80.3	70.2	77.4	20.4	9.8	19.7	29.8	22.6
Texas.....4	78.6	67.2	68.4	24.0	10.2	21.4	32.8	31.6
Utah.....2	77.3	66.1	65.7	25.7	11.8	22.7	33.9	34.3
Vermont.....3	77.0	68.7	69.1	24.1	11.2	23.0	31.3	30.9
Virginia.....4	80.6	69.3	74.4	21.1	9.2	19.4	30.7	25.6
Washington.....9	76.9	68.6	69.3	24.4	12.1	23.1	31.4	30.7
West Virginia.....9	78.7	68.0	70.6	23.2	10.1	21.3	32.0	29.4
Wisconsin.....7	77.1	67.8	71.2	23.8	11.6	22.9	32.2	28.8
Wyoming.....7	80.9	65.6	66.1	24.2	9.3	19.1	34.4	33.9

any given year are expanding and consequently increasing their working force, whereas others are losing business or possibly extending mechanization and cutting down employment.

VARIATIONS BY STATES

Virtually no data on unemployment by States are available except those in the April 1930 census of unemployment and some occasional State or city unemployment censuses or surveys. Prior to 1930 the compilation of employment statistics was very limited. Several States published employment indicators of factory employees, representative of manufacturing industries only, but most of these do not go back beyond the 1920's.

During the last 4 or 5 years more complete and reliable employment statistics have been gathered. Not only have States recognized the need for such data, but the United States Bureau of Labor Statistics has been compiling national employment indexes month by month, since 1929, for the following industrial groups: Manufacturing, wholesale trade, retail trade, mining, transportation, telephone and telegraph, light and power, and hotels. In 1933 the scope of the field covered was enlarged by the addition of real estate, banking, insurance, and canning and preserving industries. Since 1932 these indexes have been broken down by States, resulting in the first comprehensive monthly State employment indexes.

Utilizing the Bureau of Labor Statistics indexes, the United States census of occupations, and the census of unemployment of April 1930, the yearly average employment and unemployment by States was estimated for each year, 1930 through 1933, the results of which are shown in table 5. The dependability of these estimates is subject to question, at least for part of the period, because of the inadequacy of the data upon which they were based and also because of the crude statistical methods by which they were necessarily treated in the limited time available. Several checks with other information indicate, however, that these estimates are at least fair approximations. They, therefore, may be used as a guide in the absence of better data. More accurate indicators could probably be obtained from the statistical treatment of city surveys of unemployment where such are available or from an examination of actual employment records within a State.

It is at least immediately clear from the estimates that there has been a wide variation in the degree of unemployment in individual States during a cyclical decline. To illustrate this, the States were arrayed according to the rate of unemployment in April 1930, the average for 1933, and the average for 1930-33. (See table 6.) Comparing the extremes of the array, the rate in Michigan was more

than twice as high as in South Dakota in 1930, and more than three times as high as in Georgia in 1933.

Over a period of years, of course, the deviation from average unemployment tends to diminish. For example, Michigan, with the highest rate of unemployment in the 4-year period, was 39.2 percent above the country as a whole in April 1930, but its average unemployment for the 4 years (1930-33) was only 30.5 percent greater than that of the country. South Dakota's unemployment, at the other extreme in the array, rose from 38.5 percent below the average in April 1930 to within 30.2 percent of the average for the 4 years. If data for a complete cycle could be included, it is evident that the variation would be reduced still further. However, it is equally apparent that even over a long period, the individual States will experience fairly large differences in unemployment rates, because of the individuality of their industrial structures.

In general, the more highly industrialized States experienced the worst unemployment over the period. Unemployment was most severe in 1933 in Michigan, which also stands at the head of the array of the 1930-33 average with a rate of 35.9 percent. Michigan, Rhode Island, New Jersey, Illinois, Pennsylvania, New York, Massachusetts, and Ohio are among the States with the highest percentage of unemployment, ranging from 28.7 to 35.9. Unemployment in Georgia, South Dakota, and South Carolina, at the lowest end of the array, averaged about 19 percent from 1930 to 1933. Delaware is probably most highly industrialized of the States found at the lower end of the array. Mississippi, Kansas, North Dakota, Tennessee, and Virginia also had low percentages of unemployment. A part of the tendency toward less unemployment in agricultural States is probably explained by the fact that these States presented better opportunities for unemployed city workers to move to farms and out of the industrial labor market. In part, of course, the tendency in some States results from relatively smaller decreases in employment.

It should be remembered, then, that these estimates are most reliable as indicators of the relative intensity of unemployment in the States over the 4-year period. The estimates of the actual volume of unemployment are subject to the limitations outlined above and are presented here as crude approximations to the actual figures, which may serve as a basis for some of the "informed guess work" necessarily attendant on planning for unemployment compensation. The unemployment variable is a function of two other estimated variables, the average number of gainful workers and the average number of employed workers. The estimates of employment, which are essential to unemployment compensation legislation, are probably the most reliable of the three variables.

TABLE 6.—States arrayed by average percentage of unemployment within the compensable labor force, April 1930; 1933 average; and 1930-33 average

April 1930			1933 average			1930-33 average		
State	Percent of compensable labor force unemployed	Ratio to average of all States (percent)	State	Percent of compensable labor force unemployed	Ratio to average of all States (percent)	State	Percent of compensable labor force unemployed	Ratio to average of all States (percent)
United States	14.3	100.0	United States	34.8	100.0	United States	27.5	100.0
1. Nevada	20.0	139.9	1. Michigan	47.2	135.6	1. Michigan	35.9	130.5
2. Michigan	19.9	139.2	2. Pennsylvania	41.5	119.3	2. Nevada	32.5	118.2
3. Rhode Island	17.4	121.7	3. New Mexico	40.8	117.2	3. Rhode Island	31.5	114.5
4. Illinois	15.9	111.2	4. New Jersey	40.3	115.8	4. New Jersey	30.5	110.9
5. Ohio	15.4	107.7	5. Arkansas	40.3	115.8	5. Pennsylvania	30.0	109.1
6. Oregon	15.3	107.0	6. Nevada	40.0	114.9	6. Illinois	29.7	108.0
7. New Jersey	15.3	107.0	7. New York	39.5	113.5	7. Montana	29.5	107.3
8. Massachusetts	15.2	106.2	8. Arizona	39.5	113.5	8. New York	29.5	107.3
9. Montana	15.2	106.2	9. Florida	38.3	110.1	9. Arizona	29.3	106.5
10. Vermont	15.0	104.9	10. Montana	38.2	109.8	10. Florida	28.9	105.1
11. California	14.8	103.5	11. Rhode Island	38.0	109.2	11. Ohio	28.7	104.4
12. Utah	14.7	102.8	12. Illinois	37.2	106.9	12. Massachusetts	28.7	104.4
13. New York	14.6	102.1	13. Colorado	36.6	105.2	13. Indiana	28.4	103.3
14. Indiana	14.5	101.4	14. Massachusetts	36.4	104.6	14. Connecticut	28.2	102.5
15. Washington	14.2	99.3	15. Wyoming	36.1	103.7	15. New Mexico	28.2	102.5
16. Connecticut	14.2	99.3	16. Utah	36.0	103.4		27.4	99.6
17. Maine	14.1	98.6	17. Indiana	35.0	100.6	17. Arkansas	27.3	99.3
18. New Hampshire	14.1	98.6	18. Ohio	33.9	97.4	18. Colorado	27.0	98.2
19. Florida	14.0	97.9	19. Texas	33.3	95.7	19. Washington	26.2	95.3
20. Colorado	14.0	97.9	20. Missouri	33.2	95.4	20. Vermont	26.1	94.9
21. Pennsylvania	14.0	97.9	21. Connecticut	33.2	95.4	21. Oklahoma	26.0	94.5
22. Wisconsin	13.8	96.5	22. Iowa	32.8	94.3	22. Missouri	26.0	94.5
23. North Carolina	13.7	95.8	23. Washington	32.5	93.4	23. Louisiana	26.0	94.5
24. Minnesota	13.7	95.8	24. Louisiana	32.2	92.5	24. Wyoming	25.9	94.2
25. Kentucky	13.7	95.8	25. Vermont	32.2	92.5	25. California	25.8	93.8
26. Arizona	13.7	95.8	26. Minnesota	32.1	92.2	26. Texas	25.8	93.8
27. Oklahoma	13.5	94.4	27. Nebraska	31.8	91.4	27. Wisconsin	25.7	93.5
28. Louisiana	13.3	93.0	28. West Virginia	31.1	89.4	28. Minnesota	25.3	92.0
29. Missouri	13.2	92.3	29. Maryland	31.1	89.4	29. West Virginia	25.2	91.6
30. Alabama	12.5	87.4	30. California	30.9	88.8	30. Alabama	25.1	91.3
31. Idaho	12.5	87.4	31. Alabama	30.8	88.5	31. New Hampshire	24.3	88.4
32. West Virginia	12.5	87.4	32. Oklahoma	30.8	88.5	32. Iowa	23.8	86.5
33. New Mexico	12.2	85.3	33. Wisconsin	30.5	87.6	33. Idaho	23.8	86.5
34. Texas	12.2	85.3	34. Idaho	29.6	85.1	34. Maine	23.7	86.2

35. Tennessee.....	12.1	84.6	35. North Dakota.....	28.8	82.8	35. Oregon.....	23.5	85.5
36. Kansas.....	11.9	83.2	36. Kansas.....	28.6	82.2	36. Nebraska.....	23.3	84.7
37. Mississippi.....	11.8	82.5	37. Virginia.....	27.4	78.7	37. North Carolina.....	23.2	84.4
38. Maryland.....	11.7	81.8	38. Mississippi.....	27.2	78.2	38. Virginia.....	23.1	84.0
39. Arkansas.....	11.6	81.1	39. Kentucky.....	25.6	73.6	39. Kansas.....	23.0	83.6
40. Virginia.....	11.4	79.7	40. Tennessee.....	24.7	71.0	40. Kentucky.....	22.7	82.5
41. Georgia.....	11.3	79.0	41. South Dakota.....	24.6	70.7	41. Tennessee.....	22.4	81.5
42. North Dakota.....	11.3	79.0	42. Oregon.....	23.3	67.0	42. Mississippi.....	21.2	77.1
43. Wyoming.....	11.1	77.6	43. District of Columbia.....	23.1	66.4	43. Maryland.....	21.2	77.1
44. Iowa.....	10.7	74.8	44. New Hampshire.....	23.0	66.1	44. North Dakota.....	20.7	75.3
45. South Carolina.....	10.7	74.8	45. Maine.....	22.1	63.5	45. District of Columbia.....	20.6	74.9
46. Nebraska.....	10.6	74.1	46. North Carolina.....	22.05	58.9	46. Delaware.....	20.3	73.8
47. Delaware.....	10.6	74.1	47. Delaware.....	19.1	54.9	47. South Carolina.....	19.4	70.5
48. District of Columbia.....	10.6	74.1	48. South Carolina.....	15.3	44.0	48. South Dakota.....	19.2	69.8
49. South Dakota.....	8.8	61.5	49. Georgia.....	14.9	42.8	49. Georgia.....	19.1	69.5

SOURCE: Table I-17, p. 400.

LONG-TIME TRENDS IN EMPLOYMENT

Distinct trends may be discerned in employment in different industries over a period of years, with employment increasing in some industries and decreasing in others. This results from a variety of causes such as shifts in consumer demand, new products, displacement of labor by technological improvements, and the effects of tariff policy. During the 1920's there was much talk of technological unemployment, since in those relatively prosperous years employment was decreasing in agriculture, manufacturing, railroading, and coal mining. Most of the labor dispensed with because of mechanization was reabsorbed by manufacturing through an enormous in-

TABLE 7.—*Estimated numbers of employees attached to the various industries, 1920-27*

[In thousands]

Industry	1920	1921	1922	1923	1924	1925	1926	1927
All industries.....	29,948	30,753	31,284	32,129	33,105	33,106	34,678	35,573
Industries with decreasing employment:								
Agriculture.....	2,490	2,473	2,372	2,328	2,328	2,329	2,329	2,308
Manufacturing.....	11,183	10,754	10,737	10,713	10,487	10,488	10,677	10,598
Industries with increasing employment:								
Transportation ¹	4,235	4,149	4,431	4,691	4,658	4,582	4,744	5,204
Mines, quarries, and oil wells....	1,217	1,234	1,250	1,254	1,196	1,182	1,278	1,285
Construction.....	932	932	1,199	1,277	1,352	1,613	1,594	1,563
Mercantile.....	3,215	3,298	3,694	4,237	4,015	4,297	4,412	4,623
Banking.....	228	243	249	262	267	274	284	288
Government.....	2,719	2,689	2,618	2,633	2,674	2,736	2,785	2,819
Unclassified.....	3,729	4,981	4,734	4,734	6,128	6,345	6,575	6,885

¹ Including bus and truck transportation.

SOURCE: King, Willford Isbell, *The National Income and Its Purchasing Power* (National Bureau of Economic Research, New York, 1930), pp. 56-61.

crease in the volume of physical output. David Weintraub, when with the National Bureau of Economic Research,⁵ estimated that of a total of 2,832,000 workers who were displaced by technological improvements from 1920 to 1929, a total of 2,416,000 were brought back into other manufacturing employment, so that there were only 416,000 fewer workers in manufacturing in 1929 than in 1920. At the same time, however, employment was increasing in transportation other than railroading, in communication, in mining other than coal, in quarrying and oil-well drilling, in construction, in mercantile trades, in banking and government, and in various unclassified industries including the service trades (table 7). There is,

⁵ Weintraub, David, "The Displacement of Workers Through Increases in Efficiency and Their Absorption by Industry, 1920-1931", *Journal of the American Statistical Association*, vol. XXVII, no. 180, December 1932, pp. 383-400.

therefore, no clear evidence that unemployment was increasing on the whole as a result of technological improvements, although there was undoubtedly a lag in reabsorption into the same industry or transfer to other industries on the part of those displaced, with much attendant unemployment.

Opposite trends in employment will also be found in different branches of manufacturing. During the 1920's, while there was a downward trend in employment in manufacturing as a whole and in most industries in that group, a few branches of manufacturing showed an increase in employment. Thus, in contrast to decreased

TABLE 8.—Average annual indexes of employment in selected manufacturing industries, 1923-28

[Monthly average for 1926=100]

Industry	1923	1924	1925	1926	1927	1928
General index.....	108.8	98.2	99.2	100.0	96.4	93.8
Selected industries with a decreasing trend in employment:						
Slaughtering.....	122.9	115.1	104.4	100.0	99.5	99.5
Woolen goods.....	124.5	113.3	110.7	100.0	99.7	95.0
Clothing, men's.....	118.6	106.9	103.1	100.0	97.8	92.2
Stoves.....	116.3	100.3	97.8	100.0	91.2	87.6
Sawmills.....	115.1	108.0	103.6	100.0	91.0	86.7
Shoes.....	111.1	101.6	102.9	100.0	97.7	91.9
Cement.....	109.0	108.9	105.3	100.0	95.8	87.7
Metal stamped ware.....	105.2	94.7	99.0	100.0	88.9	88.8
Cigars and cigarettes.....	118.3	110.4	109.0	100.0	98.1	96.0
Carriages.....	108.8	90.8	100.2	100.0	78.7	76.7
Pianos.....	105.3	99.9	98.9	100.0	90.4	77.1
Selected industries with an increasing trend in employment: ¹						
Newspapers.....	89.5	93.1	95.4	100.0	103.4	105.2
Automobiles.....	93.0	87.0	99.0	100.0	91.2	111.3
Automobile tires.....	91.1	88.6	102.2	100.0	97.3	103.3

¹ The number of industries shown as reporting an increasing trend in employment was limited because of the fact that the Bureau of Labor Statistics, until recently, did not secure adequate representation of new and growing industries in its employment reports.

SOURCE: *Monthly Labor Review*, vol. 32, no. 2, February 1931, pp. 158-167.

employment in carriage making, there was an increase in employment in automobile manufacture (table 8). Likewise, employment was declining on steam railroads, in express companies, and in water transportation, and increasing on street railways, in the Pullman Company, in bus and truck transportation, and in the telephone, telegraph, and electric light and power industries (table 9).

It should also be pointed out that geographical shifts take place within an industry so that employment decreases in one area while it is increasing in another. For example, combined employment in the 13 leading branches of the textile industry declined in New England from 322,946 in 1914 to 265,313 in 1929, and increased over the same period in the southern States of North and South Carolina, Georgia, Alabama, and Tennessee from 111,611 to 253,379.

PART-TIME EMPLOYMENT

The record of total unemployment does not represent the entire unemployment problem. Account must also be taken of unemployment resulting from working short time. Information on partial or under employment is even more fragmentary than for total unemployment. The few data which have been collected provide little definite information about part-time unemployment, other than a general substantiation of the commonplace observation that there is a considerable volume of part-time work in "normal" times, and that this volume increases materially in depression years.

Ideally, it would be desirable to know (1) the number of part-time workers; (2) the proportion of full time worked by part-time workers; (3) the proportion of total full-time man-hours lost through part-time employment; (4) the incidence of part-time employment by industries. Detailed information of this character is

TABLE 9.—*Estimated numbers of employees attached to transportation and communication industries, 1920-27*

[In thousands]

Industry	1920	1921	1922	1923	1924	1925	1926	1927
All industries.....	4, 235	4, 149	4, 431	4, 691	4, 658	4, 582	4, 744	5, 204
Industries with decreasing employment:								
Steam railroads, switching, and terminal companies.....	2, 163	2, 122	2, 097	2, 080	2, 041	1, 891	1, 903	1, 856
Express companies.....	91	82	77	75	70	68	68	65
Water transportation.....	399	394	392	388	369	355	354	341
Industries with increasing employment:								
Street railways.....	307	308	308	319	318	317	319	322
Pullman.....	23	23	21	22	25	26	27	28
Bus and truck transportation.....	750	700	1, 000	1, 220	1, 220	1, 275	1, 400	1, 900
Telephone.....	311	318	322	350	370	377	381	385
Telegraph.....	75	75	75	76	77	86	86	86
Electric light and power.....	116	127	139	161	168	187	206	221

SOURCE: Committee of the President's Conference on Unemployment, *Recent Economic Changes*, vol. II (McGraw-Hill Book Company, New York, 1929), p. 476.

available for only four cities in the country—Columbus, Buffalo, Syracuse, and Philadelphia. Virtually no information exists about part-time work in the country as a whole.

Until late in 1933, the United States Bureau of Labor Statistics published a monthly report on the average percent of full time reported by all operating manufacturing establishments and reported by establishments operating part time only. This series, however, is only a rough index of plant operating time and has no relation to actual part-time hours worked by employees. The reporting firms indicate to the Bureau simply the proportion of full-time hours during which the doors of the plant are open. Thus, if any one department of an establishment were running full time, that plant would report 100 percent full-time operation, regardless of short hours in any of its other departments. Finally, the figures as pub-

lished for the several manufacturing industries are simple averages of the percentages reported by the individual plants; that is, the averages are not weighted by the number of wage earners in each establishment or department.

The series was discontinued by the Bureau in 1933, chiefly because of the impossibility of determining actual full-time hours from one period to another. Although the National Recovery Administration codes of fair competition theoretically established standard hours of operation, at the same time they made numerous allowances for extending the hours during peak production periods and for contracting them below the code standard when orders were slack. The confusion in reporting the proportion of full time which

TABLE 10.—*Proportion of full time worked by all employed workers in 29 industries, United States, 1922-33*

Industry	1922	1924	1926	1927	1928	1929	1930	1931	1932	1933
Nonmanufacturing:										
Air transportation.....								98.1		97.5
Coal mining (bituminous).....	62.0	58.7	66.0		62.7		50.0		50.7	
Gasoline filling stations.....								99.2		
Metalliferous mining.....								80.6		
Automobile garages.....								95.5		
Manufacturing:										
Aircraft engines.....						102.9				
Aircraft.....						98.7				
Bread and bakeries.....									97.5	
Boots and shoes.....					91.0		86.7		82.6	
Cane-sugar refining.....							92.3			
Cigarettes.....							89.6			
Cotton goods.....					78.3		80.0		83.0	
Textile dyeing and finishing.....							96.9		97.3	
Foundries.....				91.2		95.5		66.6		59.6
Furniture.....						96.5		79.3		
Glass.....									74.1	
Hosiery.....					90.4		80.3		79.6	
Iron and steel.....										47.0
Leather.....									83.3	
Men's clothing.....					92.0		85.3		84.0	
Motor vehicles.....					95.0		70.7		65.9	
Portland cement.....						93.1		77.5		
Sawmills.....							86.0		71.9	
Rayon and synthetic yarns.....							89.2		96.3	
Rubber tires.....					91.0		86.0		71.9	
Silk and rayon goods.....								89.7		86.4
Slaughtering and meat packing.....						97.6		92.3		
Knitted underwear.....					86.8		80.7		75.0	
Wool and worsted goods.....					81.9		82.1		81.3	

SOURCE: "Wages and Hours of Labor Series", bulletins of the U. S. Bureau of Labor Statistics.

resulted from this situation left the reports of the individual firms incomparable with reports of other firms and with their own earlier reports.

The United States Bureau of Labor Statistics from time to time has made sample studies of wages and hours of labor in some 24 manufacturing and 5 nonmanufacturing industries. In these studies data have been collected indicating actual and full-time man-hours in the sample plants covered. These data were used to compute the average percentage of full-time man-hours worked by all employees, which is reported by the Bureau in the bulletins of the "Wages and Hours of Labor" series. (See table 10.)

These averages have the advantage of representing actual, observed employee working hours. Their chief disadvantages derive from the fact that the surveys have been spot studies and no industry has been covered more frequently than at 2-year intervals. Because of this fact and because not more than two or three observations, at periods of varying comparability, are available for most of the industries, it is difficult to make legitimate chronological comparisons with the data.

One general tendency in the individual industries covered is apparent: The proportion of part-time employment, which was relatively small until 1929, showed a considerable increase during the subsequent depression years.

Volume II of the unemployment section of the Fifteenth United States Census includes a brief section estimating the number presumably working part time in April 1930. The estimates are based on the report of "days worked last week" by persons having a job but on lay-off without pay, excluding those sick or voluntarily idle.⁶

The length of the full-time week, of course, varies, and the census estimates were made on the basis of 5-, 5½-, 6-, or 7-day full weeks. The combined estimates, therefore, indicate only the number of persons presumably working part time in April 1930, and they include no indication of the proportion of full time or number of working days lost.

The most complete information on part-time employment is found in sample unemployment surveys made in three cities under the direction of Fred C. Croxton. A survey of Columbus, Ohio, covers the years from 1921 to 1925; a Buffalo, N. Y., study has been conducted each year since 1929; and a survey of Syracuse, N. Y., was made in 1931. The surveys all were made about the first of November, and, since they cover carefully selected sections of the respective cities, they probably present fairly accurate results for the particular areas. (See table 11.)

Tabulations were made of the employment status (full time, part time, or wholly unemployed) of all gainful workers enumerated. Part-time workers were tabulated also according to the proportion of full time worked, the frequency class intervals ranging as follows: Less than one-third time; one-third to one-half time; one-half to two-thirds time; two-thirds but less than full time. Table 12 displays this distribution of part-time workers for the three cities.

⁶ U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, "Unemployment", vol. II, General Report (U. S. Government Printing Office, Washington, D. C., 1932), pp. 355-360.

The industrial research department of the Wharton School of Finance and Commerce has compiled estimates of part-time unemployment in Philadelphia at four different periods since April 1930. (See table 11.) However, it has released no estimates of the proportion of full time worked on these dates.

From the several reports listed above the statistical and actuarial staff of the Committee on Economic Security constructed estimates of the proportion of full time worked by all workers and by part-time workers in all of these cities except Philadelphia. In general,

TABLE 11.—*Employment status of gainful workers enumerated in four areas*

Area and date of survey	Gainful workers enumerated				Employed workers			Percent of full time worked ¹	
	Total number	Full time	Part time	Unemployed	Total number	Full time	Part time	All workers	Part-time workers
Columbus: ²		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>		
Oct. 31, 1921-----	10,758	78.2	10.3	11.5	9,601	88.3	11.7	95	60
Oct. 31, 1922-----	11,725	87.9	6.8	5.1	11,261	92.8	7.2	97	62
Oct. 31, 1923-----	12,156	88.0	6.3	5.7	11,527	93.3	6.7	98	66
Oct. 31, 1924-----	10,593	80.8	12.2	7.0	9,889	86.8	13.2	95	65
Oct. 31, 1925-----	12,075	82.7	9.7	7.6	11,191	89.5	10.5	96	66
Buffalo: ³									
November 1929-----	14,476	87.6	6.7	5.7	13,655	93.2	6.8	97	63
November 1930-----	13,475	66.0	17.3	16.7	11,221	79.4	20.6	93	64
November 1931-----	15,039	54.5	21.8	23.7	11,479	71.5	28.5	88	58
November 1932-----	14,909	46.3	22.5	31.2	10,256	67.3	32.7	86	57
November 1933-----	15,729	58.2	13.6	28.2	11,301	81.0	19.0	92	59
Syracuse: ⁴									
November 1931-----	7,302	58.7	19.2	22.1	5,684	75.4	24.6	89	54
Philadelphia: ⁵									
April 1930-----	890,000	79.8	5.2	15.0	757,000	93.8	6.2	-----	-----
December 1930-----	894,000	51.1	24.0	24.9	671,000	68.1	31.9	-----	-----
April 1931-----	896,000	60.7	13.8	25.5	668,000	70.8	29.2	-----	-----
May 1932-----	902,500	39.0	21.2	39.8	543,500	64.8	35.2	-----	-----

¹ Computed from weighted averages of midpoints of part-time frequency intervals.

² "Unemployment in Columbus, Ohio, 1921-25", United States Bureau of Labor Statistics, Bulletin 409, June 1926.

³ "Unemployment in Buffalo", New York Department of Labor Bulletin 179, 1932; "Buffalo Unemployment Survey, November 1933, Revised Report", *Monthly Labor Review*, vol. 38, no. 3, March 1934, p. 526.

⁴ "Unemployment in Syracuse", New York Department of Labor Bulletin 173, 1932.

⁵ "Unemployment in Philadelphia," Special Report No. 6, Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania, 1932.

it appeared that part-time work tended to increase in close proportion to the increase in unemployment. In Columbus the proportion of part-time work and unemployed workers tended to move together from the depression of 1921 through the winter recession of 1924. In Buffalo the same similarity was apparent during the depression until November 1932, when unemployment increased at a faster rate than part-time employment. The average loss from total full-time man-hours apparently reached about 15 percent in 1932 compared with 3 or 4 percent from 1921 to 1925.

The proportion of employed workers on part time remained fairly constant from 1921 to 1925 in Columbus and increased in Buffalo from 7 percent in 1929 to 33 percent in 1932. Similar distributions occurred in the other cities.

TABLE 12.—Employment status of employed workers in three areas

Area and date of survey	All employed workers				Part-time workers								
	Total number	Full time		Part time		$\frac{2}{3}$ to full time		$\frac{1}{2}$ to $\frac{2}{3}$ time		$\frac{1}{3}$ to $\frac{1}{2}$ time		Less than $\frac{1}{3}$ time	
		Number	Percent	Number	Percent	Percent of all employed workers	Percent of part-time workers	Percent of all employed workers	Percent of part-time workers	Percent of all employed workers	Percent of part-time workers	Percent of all employed workers	Percent of part-time workers
Columbus: ¹													
October 1921.....	9,601	8,482	88.3	1,119	11.7	2.9	25.0	6.6	57.4	1.4	11.5	0.7	6.1
October 1922.....	11,261	10,454	92.8	807	7.2	2.4	33.5	3.5	48.4	.7	10.5	.5	7.6
October 1923.....	11,527	10,758	93.3	769	6.7	2.8	42.3	3.0	45.6	.7	9.8	.2	2.3
October 1924.....	9,889	8,587	86.8	1,302	13.2	5.4	41.4	5.4	40.7	1.8	13.9	.5	4.0
October 1925.....	11,191	10,012	89.5	1,179	10.5	4.7	44.2	4.3	40.5	1.1	10.4	.5	4.9
Buffalo: ²													
November 1929.....	13,655	12,720	93.2	935	6.8	3.1	45.1	2.7	39.8	.7	10.4	.6	4.7
November 1930.....	11,221	8,908	79.4	2,313	20.6	8.6	41.9	8.1	39.0	2.7	13.3	1.3	5.8
November 1931.....	11,479	8,209	71.5	3,270	28.5	9.6	33.6	10.7	37.4	4.3	15.0	4.0	14.0
November 1932.....	10,256	6,902	67.3	3,354	32.7	9.6	29.4	12.9	39.5	5.5	16.7	4.7	14.4
November 1933.....	11,301	9,157	81.0	2,144	19.0	5.2	27.5	7.6	39.9	3.4	18.1	2.8	14.3
Syracuse: ³ November 1931.....	5,684	4,285	75.4	1,399	24.6	7.2	30.1	8.5	35.6	4.0	16.4	4.9	17.9

¹ "Unemployment in Columbus, Ohio, 1921-25", *United States Bureau of Labor Statistics, Bulletin 409*, June 1926.

² "Unemployment in Buffalo", *New York Department of Labor Bulletin 179*, 1932; "Buffalo Unemployment Survey, November 1933, Revised Report", *Monthly Labor Review*, vol. 38, no. 3, March 1934, p. 526.

³ "Unemployment in Syracuse", *New York Department of Labor Bulletin 173*, 1932.

While the number of part-time workers tended to increase with unemployment, the variation in the proportion of full time worked by part-time workers was surprisingly small. Averaging about 65 percent from 1921 to 1925 in Columbus, it fell no lower than 57 percent in Buffalo in 1932 and 54 percent in Syracuse in 1931. The distribution of part-time workers according to proportion of full time worked indicated that roughly 85 percent of them worked half time or more in Columbus. The percentage working half time or more had fallen to 70 percent in Buffalo and Syracuse in 1931.

PERIODIC AND SEASONAL FLUCTUATIONS IN UNEMPLOYMENT

It is common knowledge that unemployment fluctuates widely from year to year. It is evident also that a large proportion of the total volume of unemployment over a considerable period of years appears in depressions. In the 16-year period 1900-1915 the unemployment of 5 of those years—1900, 1904, 1908, 1914, and 1915—constituted approximately 45 percent of the total, and about 70 percent of the unemployment in the years 1922-33, inclusive, was concentrated in the years 1930-33. There is also considerable fluctuation in employment from month to month during any year. During the year 1928, for example, employment in manufacturing for the United States as a whole was 7.5 percent higher in September than in January, and the total number of persons employed in Ohio was 13.8 percent greater in the best month than in the poorest month.⁷

The estimates by Simon Kuznets in *Seasonal Variations in Industry and Trade* indicate that during the period 1923 to 1931 the range in monthly fluctuations in pay rolls from a yearly average index of 100 was 55 in women's clothing, 35 in automobiles, 25 in cement, 19 in steamfitting, 19 in furniture, and 17 in cigars and cigarettes (table 13).

Fluctuations in seasonal employment are especially marked in the construction industries. The 1930 census of the construction industry showed that the number employed in January 1929 was only 56.2 percent of the maximum number employed in August of that year. Large seasonal fluctuations in employment also occur in mining, railroading, and retailing. All industries have some form of seasonal variation; the difference is one of degree. Some measure must be established to select for special study those industries evidencing seasonal variation in employment of sufficient amplitude to be especially expensive in the operation of a plan of

⁷ "Fluctuations in Employment in Ohio, 1914 to 1929", *U. S. Bureau of Labor Statistics, Bulletin No. 553*.

unemployment compensation. Of chief concern here is the industry which has a definite period of the year when employment is materially curtailed, such as is true for the fertilizer or the canning and preserving industries. On the other hand, the employment record which tends to be level for most of the year but rises rapidly and for a very brief time, such as might be reflected by department-store employment at Christmas, is of no significance or importance for present purposes.

TABLE 13.—Indexes of seasonal variations in factory pay rolls in the United States, 1923-31

Industry	Seasonal index: Yearly average=100												Average deviation	Range
	January	February	March	April	May	June	July	August	September	October	November	December		
Flour.....	99	99	98	94	95	96	100	103	105	107	103	100	3.1	13
Slaughtering and meat packing.....	105	102	96	95	97	100	100	98	99	100	102	105	2.4	10
Cane-sugar refining.....	91	98	104	102	104	105	105	105	101	100	96	93	4.0	14
Cigars and cigarettes.....	92	93	97	93	98	101	99	99	105	108	109	107	4.9	17
Cotton goods.....	103	105	104	104	101	98	92	92	96	100	101	104	3.7	13
Dyeing and finishing textiles.....	101	106	106	103	100	94	91	94	98	102	102	103	3.8	15
Hosiery and knit goods.....	98	103	104	102	102	99	89	94	97	105	105	104	4.0	16
Woolen and worsted manufactures.....	102	103	100	97	98	98	94	98	99	103	104	105	2.8	11
Silk manufactures.....	97	105	105	102	101	97	92	98	98	104	100	102	3.1	13
Men's clothing.....	103	109	106	90	88	101	103	107	103	99	92	99	5.3	21
Women's clothing.....	102	116	128	107	89	77	73	91	110	116	95	96	13.2	55
Leather.....	101	103	102	99	98	98	98	100	101	101	99	101	1.4	5
Boots and shoes.....	99	105	105	96	93	94	103	112	109	105	89	92	6.3	23
Furniture (lumber).....	96	101	102	99	96	94	90	98	103	109	108	105	4.6	19
Automobile tires and tubes.....	95	103	104	107	110	104	102	102	100	95	87	91	5.3	23
Petroleum refining.....	97	99	99	100	101	102	101	102	100	100	99	98	1.2	5
Glass.....	94	101	104	103	103	102	92	97	98	103	103	100	3.2	12
Automobiles.....	81	105	112	116	115	103	95	98	97	100	89	88	8.6	35
Clay products.....	87	91	96	103	106	107	102	104	103	104	101	98	4.8	20
Cement.....	85	87	93	100	105	107	106	110	107	106	100	95	6.8	25
Lumber, sawmills.....	90	93	97	100	104	105	101	102	105	105	92	98	3.8	15
Steel works and rolling mills, etc.....	97	105	107	107	105	101	93	96	95	99	97	98	4.2	14
Structural iron works.....	94	97	97	98	101	103	101	105	102	103	99	101	2.6	11
Steam fitting.....	91	102	102	101	101	99	91	98	101	110	103	100	3.4	19

SOURCE: Kuznets, Simon, *Seasonal Variations in Industry and Trade* (National Bureau of Economic Research, New York, 1933), pp. 414-415.

DURATION OF UNEMPLOYMENT

The staff of the Committee on Economic Security studied all available data for the purpose of determining the most probable distribution of the unemployed in the United States by the duration of unemployment from 1922 to 1933, inclusive. Appendix II gives the sources of available information on the duration of unemployment and describes the procedures by which the various data were adjusted to comparable bases for computation purposes.

In an analysis of 92 available surveys, covering about 5,000,000 persons, 5 groups were segregated according to the percentage of gainful workers unemployed at the time the surveys were made. Surveys in which the percentage of employment ranged from 3.0

to 6.9 percent of the total gainful workers were included in the first group. For the second, third, fourth, and fifth groups the percentages of gainful workers unemployed fell within the ranges of 7.0-10.9, 11.0-19.9, 20.0-29.9, and 30.0-43.0 percent, respectively. The percentage distribution of the unemployed was tabulated by duration of unemployment for each of these five groups. (See table 18, p. 84, and appendix II, fig. II-3.)

These five duration distributions were then applied to national employment, on the basis of two assumptions: (1) That the duration curve varies with the degree of unemployment and (2) that a distribution curve at a certain percentage of unemployment is representative of the duration experience of the unemployed in the United States when a corresponding percentage of unemployment exists in that group. Since a fair correlation was found between the degree and the duration of unemployment, it was possible to construct estimates of duration for the United States as a whole for each of the years 1923-33, even though no surveys were available for 1926 and 1927, and for all years except 1929, 1930, and 1931 only a limited area had been covered in the sample studies. The fairly close agreement between the average rate of unemployment calculated for the assumed total compensable labor force of the United States and for the cities in which there were surveys in the corresponding years indicates that employment conditions in these cities were representative of the conditions in the country as a whole in the same period.

The estimated time lost by the unemployed in each of the years 1923-33 was calculated on the assumption that the estimated percentage of the compensable labor force unemployed each year and the percentage distribution of duration of unemployment assigned to each year represented the average unemployment and duration situations throughout the year. This assumption disregards seasonal fluctuations except as they are reflected in the situation at the time of the surveys utilized as basic data. It is also recognized that the individuals who comprise the average number of unemployed shift constantly throughout the year, but for purposes of computing total benefit costs it was not considered essential, even if it were possible, to trace the history of separate unemployed individuals who experience unemployment of specific duration.

If a census of the unemployed were taken every week in a year, a set of consecutive duration distributions would result which would give a picture of the shifting in the size of the duration intervals. This also would afford more accurate means of determining the total weeks lost by the unemployed in each different duration classification for the entire year.

Chapter IV

THE ACTUARIAL BASIS FOR UNEMPLOYMENT COMPENSATION

FOR an established type of insurance it is customary to use the most comparable results of past experience within the group insured and to weigh their applicability to the problem of cost estimates for the future. Well-designed, accurate record keeping is basic to this procedure. The ability to recognize changes or trends, to evaluate the credence which can be given to past experience while applying it to the future is supplemental to the simpler process of accumulation of experience.

In the analysis of a new type of insurance, since no exact data are available, accuracy of past records is less important than judgment in the selection of the data to be analyzed. In the experimental advance procedure, any accurate determination of scope of coverage and rate and duration of benefits is difficult but fundamental and is reached through the method of successive trials to determine what benefits can be given as a result of various rates of advance contribution. Especially must the immeasurable factors be recognized as such and allowed for by a careful contingency margin. The need of such a margin has been most thoroughly demonstrated in the administration of workmen's accident compensation where the failure to provide sufficiently for the unknown has created more trouble than any other factor. It has been pointed out by numerous serious students of the problem that in unemployment compensation there is less random chance and more possibility that individual businesses in time can create the contingency insured against than is common in life insurance, but sufficient margin must be left so that faulty cost calculations will not impair the protection given to the insured.

Even in that simplest form of insurance—life insurance—there are marked differences by regions, by industrial categories, and by time periods. In order to obtain uniformity of protection, it is, therefore, necessary to secure as broad a view as possible so as to determine what may be regarded as long-term over-all probabilities of unemployment, and the value of unemployment statistics will be seriously

limited if too small an area, too short a period of time, or too little industrial differentiation enters into the statistical compilations.

While unemployment insurance has been carried on for more than 20 years in Great Britain and for several years in other European countries, no foreign country has maintained a uniform plan for any long term of years without drastic modifications either in coverage or benefits; therefore, little satisfactory actuarial experience is available from other countries.

In the United States neither exact unemployment rates nor exact data as to what proportion of the apparent unemployment would have been compensated are available. The measure of protection afforded by an unemployment compensation law will depend to a large extent on the behavior of the employment curve, and experience has shown that no unemployment insurance system in existence has ever made a sufficiently adequate estimate of benefit requirements. The government actuary in Great Britain, in 1919, using trade-union records of unemployment and material collected by the Ministry of Labour, estimated the average rate of unemployment before the war at a little over 4.5 percent for the trades to be covered by the Unemployment Insurance Act of 1920. In the following decade, however, Britain's unemployment average was about 12 percent and even higher from 1930 on. The British law of 1920 provided certain definite benefits which were based on estimates of unemployment in pre-war years. The 1921 depression which immediately confronted the newly established scheme was more extreme than any other similar crisis in British industrial history. With the upturn in business conditions Great Britain was faced with chronic unemployment in certain heavy industries, of a type that the unemployment insurance scheme had not been designed to cover. The recognition that this was a permanent condition was stubbornly resisted with the result that the fund was usually in financial difficulties until 1934, when contributions and benefits were finally brought into balance. The German system, begun in 1927, was soon affected by a depression, which necessitated doubling the contribution rate and revising benefits downward in an effort to keep the scheme intact. The Swiss Federal scheme established in 1924 did not make proper allowance for depressions, and as a result a greatly increased amount of Federal aid was inevitable. A growing volume of benefit claims has also been the experience of every voluntary plan in the United States.

The inherent limitations which accompany the application of data accumulated in the past to future conditions are greatly accentuated when the past data are inadequate. It is necessary to estimate what has occurred in the past, and to be even more cautious in the application of this material to the future than when

the past is a matter of accurate record. It has been suggested that a single 10-year period is only a part of a much longer employment cycle. Since unemployment is the result of intricate forces—individual, industrial, and social—and since a complete understanding of these forces is impossible at present, not even the hardest would venture to claim that the course of future unemployment can be foretold. The insurance technique, however, allows for this inadequacy by drawing from past experience as well as possible and by adjusting for the contingency factors involved. The smaller the unit of observation, the larger the essential loading to cover contingencies, and, in addition, the greater its fortuitous variation in one portion of the exposure from the aggregate experience on the whole.

MAINTENANCE OF AN ACTUARIAL BASIS

The British system was originally intended to take care of normal unemployment in certain selected trades. The eligibility requirements were framed so as to keep from benefit those not genuinely unemployed through lack of work. The act worked well. When, however, coverage was extended to the vast majority of the British working population almost simultaneously with the beginning of the serious post-war depression, before adequate reserves had been accumulated, difficulties immediately set in. From then on, the many changes in the British law and, in particular the introduction of uncovenanted benefits, grew out of the basic fact that the British Government did not wish to require insured persons who had either exhausted their right to, or were not qualified for, insurance benefits to seek aid from poor-relief authorities.

The British actuary, Sir Alfred Watson, has pointed out that, while he had established successive actuarial bases for the system in Great Britain, they were soon broken down by action of Parliament in changing rates without relation to experience. In periods of serious unemployment, legislators are under social pressure to liberalize the compensation terms, and they frequently do so at a time when it is difficult to increase income proportionately. The balance between contributions and benefits is therefore destroyed, the system is soon forced into insolvency, and the legislators are compelled to provide other measures of relief outside insurance which should have been established as supplementary to insurance at the outset.

Recognizing the importance of these considerations, the new law of Great Britain, passed in 1934, provided for an unemployment insurance committee of experts, of which Sir William Beveridge has been appointed chairman. The committee is to report to the

Minister of Labour early in each year on the financial condition of the fund at the end of the preceding year, and, in addition, to report whenever it is felt that the fund is likely to become inadequate to meet its liabilities. In any such case the committee is to suggest amendments to the law and estimate their effect on the fund. The Minister is required to report to Parliament on such recommendations within a specified time. The Minister may modify the proposed amendments but not to the extent of changing the anticipated effect on the fund; he must also give Parliament his reasons for altering the committee's suggestions.

Foreign experience has shown that the authorities administering unemployment insurance, especially in the early years of the systems, are confronted with many unexpected problems and questions affecting the solvency of the fund and the just treatment of the insured. It is quite impossible to anticipate all situations and to provide for them in the initial legislation. Obviously as much discretion as possible must be vested in the administrative agency so that prompt adjustment can be made to changing conditions, thus keeping the fund solvent. Yet without some limitations, flexibility may prove a definite liability. It is probable that such important changes as altering the amount or duration of benefits should be left to legislative action, even if a special session of the legislature becomes necessary in emergency situations.

ACTUARIAL ESTIMATES OF AN UNEMPLOYMENT COMPENSATION PLAN

In building a scheme of unemployment compensation on an actuarial basis, estimates may take two forms: (1) The rate and duration of benefits may be set, and contributions sufficient to meet the costs of such standards may be levied, or (2) contributions may be set, and benefit rates and duration may be estimated within these financial and other limitations. The first type of estimate is that commonly used in insurance schemes of all kinds; the second is based on the principle that industry can assume only a certain additional cost without suffering undue hardship, resulting, perhaps, in contraction of employment, and that consequently employers' contributions should be limited. The second type of estimate has been made at contribution rates set at 3, 4, and 5 percent of pay rolls.

In order to judge the validity of the actuarial estimates of unemployment compensation it is necessary to analyze the interrelationship of the constituent elements. The choice of which elements are used depends upon the available data. The British and Canadian actuaries could estimate the number of claims over a period of time, the average duration of claim, and the average total benefits, and from these factors could obtain an estimate of the total

cost and rates of contribution. In this study approximate figures on the number of unemployed at any one time, the proportion of those unemployed eligible for benefits, an assumed rate of benefits for the unit of time selected, and an anticipated income based upon a specified pay-roll tax were available.

The estimates that follow are based on the United States as a whole, because of the more comprehensive statistics available on this basis. Adjustments will be necessary for individual States to meet their particular conditions and unemployment experience.

Since a tentative estimate of the probable duration of the maximum benefit period is based upon a hypothetical experience in the past, such estimates have been prepared covering the operation of several types of plans for the United States as a whole for the period 1922 through 1933, the summary of which will be presented herein.

The period 1922 through 1933 was chosen because it included what might be called a complete business cycle, covering the initiation of recovery after the depression of 1921, the subsequent years of normal conditions, the crash of 1929, and the 4 years of major depression which may be said to have swung into recovery in 1933. The place of these years in a longer cycle cannot as yet be appreciated. Nevertheless, during the combined period a wide range of unemployment rates has been experienced and in the aggregate there is reason to believe that the period is a fair background from which to predict the future.

The dearth of data concerning all phases of employment and unemployment as well as of income necessitated the use of much indirect methodology in deriving the estimates presented. A word of caution is therefore injected to warn against too literal an application of the figures which appear, although it is felt that they are the best indications obtainable of what would have happened had an unemployment compensation system been in force in the United States in the past. It should be definitely noted that the statistics presented are representative of the United States as a whole and cannot be accepted without further research as typical of any State.

COVERAGE

For the purposes of calculating the number of persons who would be covered by a uniform Nation-wide unemployment compensation system in the United States on the basis of the April 1930 census, it was assumed that all persons employed in establishments with 8 or more employees during at least 20 different calendar weeks of the year would comprise the compensable labor force, except that the following occupations were excluded from coverage: agricultural labor; domestic service in a private home; service performed as an

officer or member of the crew of a vessel on the navigable waters of the United States; service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under 21 in the employ of his father or mother; service performed in the employ of the United States Government or of an instrumentality of the United States; service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions; service performed in the employ of a nonprofit corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals. These exclusions are the same as the exclusions from the Federal tax on pay rolls imposed by title IX of the Federal Social Security Act.

TABLE 14.—*Estimated compensable labor force in the United States, April 1930*

Category	Total		Employed		Unemployed	
	Number	Percent	Number	Percent	Number	Percent
All gainful workers.....	48,829,920	100.00	44,441,333	100.00	4,388,587	100.00
Number of workers excluded from plan by occupation ¹	20,133,669	41.30	20,045,131	45.11	88,538	2.02
Size of firm ²	6,416,138	13.10	5,293,224	11.91	1,122,914	25.58
Total number of workers excluded from plan.....	26,549,807	54.40	25,338,355	57.02	1,211,452	27.60
Compensable labor force.....	22,280,113	45.6	19,102,978	42.98	3,177,135	72.40

¹ Occupational exclusions eliminate all employments excluded by title IX of the Social Security Act.

² Size-of-firm exclusion eliminates workers employed by firms with 7 or less employees not eliminated by occupation.

The Fifteenth Census of the United States, taken in 1930, reported approximately 48,800,000 gainful workers, of whom about 54 percent would be excluded by the above provisions—some 20,134,000 because of occupation, and approximately 6,416,000 because of the “size-of-firm” exclusion—leaving about 22,280,000 as the total compensable labor force. (See table 14.) These eliminations result in the total exclusion of workers in public service, agriculture, construction and maintenance of roads, independent hand trades, and preserving and canning, and leave in the covered group only about 338,000 in domestic and personal service, of whom none would be in private homes. About 90 percent of all persons engaged in professional service are excluded. (See also table I-12 in appendix I.)

The division of the gainful workers who would have been covered had an unemployment compensation system been in operation in April 1930 between those employed and those unemployed is also shown in table 14. Employment and unemployment by industries were estimated from figures in the unemployment census of that year

and from other data. Deductions of the unemployed by socio-economic classes—managerial, professional, clerical, skilled, and unskilled—yielded an estimated distribution of the employed in each industry and made possible the approximation of the number of employed and unemployed eliminated from the plan by virtue of the exclusions stated above. The fact that on this basis 72 percent of the unemployed and only about 43 percent of the employed are included in the compensable group indicates that the coverage assumed would apply to the group obviously most in need of it.

TABLE 15.—*Estimated compensable labor force, United States, 1922-33*[Index: April 1930=100¹]

Year	Total gainful workers	Compensable labor force					
		Total		Employed		Unemployed	
		Number	Percent of gainful workers	Number	Percent of April 1930 compensable labor force ¹	Number	Percent of compensable labor force
1922	43,160,792	² 18,789,145	43.53	16,055,289	84.046	2,733,856	14.55
1923	43,934,064	19,225,240	43.76	17,645,994	92.373	1,579,246	8.21
1924	44,707,336	19,661,335	43.98	17,685,537	92.580	1,975,798	10.05
1925	45,480,608	20,097,430	41.19	18,417,372	96.411	1,680,058	8.37
1926	46,253,880	20,533,525	44.39	18,962,189	99.263	1,571,336	7.65
1927	47,027,152	20,969,620	44.59	19,275,287	100.902	1,694,333	8.08
1928	47,800,424	21,405,715	44.78	19,629,074	102.754	1,776,641	8.30
1929	48,573,700	21,841,810	44.97	20,660,062	108.151	1,181,748	5.41
1930	48,903,200	² 22,277,905	45.56	18,743,460	98.118	3,534,445	15.87
1931	49,227,700	22,714,000	46.14	16,385,579	85.775	6,328,421	27.86
1932	49,554,700	23,150,096	46.72	13,783,563	72.154	9,366,532	40.46
1933	49,881,700	23,586,190	47.28	13,782,608	72.149	9,803,582	41.56

¹ 100.00=19,102,978.² For any given year between 1922 and 1930 the number of the total compensable labor force=

$$22,277,905 - (1930 - \text{year}) \left[\frac{\text{gainful workers 1920} - \text{gainful workers 1930}}{10} \right]$$

$$\Sigma \left(\frac{\text{gainful workers in agriculture 1922-28} - \text{gainful workers in agriculture 1930}}{8} \right)] 79.2\%$$

The extension of this coverage inquiry on the basis of yearly employment estimates applied to the compensable employed labor force of April 1930 made possible the computation of the insured employed labor force for each year from 1922 to 1933.¹ Estimates of the change in the number of gainful workers from year to year applied to the total coverage of April 1930 resulted in the derivation of the total compensable labor force for the period. Table 15 displays the changes in the number included in the compensable labor force for

¹ For the period 1922-27 employment estimates were derived from the unemployment estimates of Leo Wolman in Committee of the President's Conference on Unemployment, *Recent Economic Changes* (McGraw-Hill Book Co., New York, 1929), vol. II, p. 478. For the years 1928-33 Robert R. Nathan's estimates were used. These estimates by Mr. Nathan have appeared in slightly revised form in "Estimates of Unemployment in the United States, 1929-35", *International Labour Review*, vol. XXXIII, no. 1, January 1936, p. 49.

each of these years and the estimated employment and unemployment in the compensable labor force. This table, as well as the general experience of other countries, indicates the wide variation in unemployment rates year by year. Unemployment in the covered group appears in greater proportion than in the general population; in this discussion consideration is given to the unemployment rates believed to occur in this group.

It should be noted in this connection that the estimated unemployment rate of the covered group averages about 15 percent for the period 1922-33, from a low of 5.41 percent in 1929 to a high of 41.56 percent in 1933. Since contributions increase with employment and expenditures increase with unemployment, a ratio of contributions to benefits must be maintained over periods of prosperity and depression, and the reserves in good years must be very sizable in order to carry the fund through bad ones. Viewing the unemployment as a cumulative total throughout the whole period, a little less than two-thirds of the entire unemployment in the compensable labor force is found in the 4 years 1930-33 of the depression, averaging a little over 30 percent of unemployment per year, whereas the 8 years prior to the depression comprise only approximately one-third of the total unemployment, averaging less than 9 percent unemployment per year. This indicates a rate of unemployment almost four times as great in a stage of depressed business activity as in a period of normal business conditions in the insurable group.

CONTRIBUTIONS

In this inquiry estimates are made of contribution levies of 3, 4, or 5 percent on the total weekly wage or salary of the compensable labor force.

The estimates of total contributions were based on national income figures found for the period 1922 through 1928 in W. I. King's study, *The National Income and Its Purchasing Power*, and for the remaining years 1929-32 in *National Income, 1929-32*, Senate Document 124. The income for 1933 was estimated by the staff of the Committee on Economic Security.

Table 16 shows that the application of a 1-percent levy in 1922, a 2-percent levy in 1923, and a 3-percent levy thereafter would have resulted in a total income to the fund of approximately \$8,746,000,000 for the period 1922 through 1933, ranging from a high of about \$991,000,000 in 1929 to a low of about \$517,000,000 in 1933. During the 6 years, 1924 through 1929, contributions would have averaged approximately \$890,000,000 per year. Contributions would

have greatly diminished, however, with the depression, during 4 years of which an average of only about \$664,500,000 per year would have been collected. The variation in annual income is the result not only of the variation in the number of employed contributing but also of the fluctuations in wage rates.

BENEFITS

The amount that can be paid in unemployment compensation benefits, according to the method of approach employed, is limited by the income available. This income was assumed to be that calculated in the preceding section, based on 3 percent of pay roll. The entire

TABLE 16.—*State cumulated contributions available for benefits at 3-, 4-, and 5-percent contribution rates, United States, 1922-33*

[In millions of dollars]

Year	Total assessable pay roll	3 percent		4 percent		5 percent	
		Yearly contributions ¹	Total funds available for benefits	Yearly contributions ²	Total funds available for benefits	Yearly contributions ³	Total funds available for benefits
1922.....	26, 638	226	226	453	453	679	679
1923.....	26, 028	521	747	781	1, 234	1, 041	1, 720
1924.....	26, 883	806	1, 553	1, 075	2, 309	1, 344	3, 064
1925.....	28, 123	844	2, 397	1, 125	3, 434	1, 406	4, 471
1926.....	29, 694	891	3, 288	1, 188	4, 622	1, 485	5, 955
1927.....	30, 532	916	4, 204	1, 221	5, 843	1, 527	7, 482
1928.....	29, 758	893	5, 097	1, 190	7, 033	1, 488	8, 970
1929.....	33, 035	991	6, 088	1, 321	8, 355	1, 652	10, 622
1930.....	29, 483	884	6, 972	1, 179	9, 534	1, 474	12, 096
1931.....	24, 202	726	7, 698	968	10, 502	1, 210	13, 306
1932.....	17, 685	531	8, 229	707	11, 209	884	14, 190
1933.....	17, 229	517	8, 746	689	11, 899	861	15, 051

¹ 1 percent first year, 2 percent second year, 3 percent third year and thereafter.

² 2 percent first year, 3 percent second year, 4 percent third year and thereafter.

³ 3 percent first year, 4 percent second year, 5 percent third year and thereafter.

income was assumed to be available for benefits, since the Social Security Act requires that all income from contributions be used for the payment of compensation. Administrative expenses are to be defrayed through grants by the Social Security Board to approved State plans. The rate of benefits was assumed to be 50 percent of the loss of average earnings not to exceed a \$15 weekly maximum. On this basis, a computation was made of the total benefits that would be paid if no other limitations on benefits payable were set. This was termed the "compensable wage loss." The total compensable wage loss was then computed by multiplying the total man-years of unemployment in each year from 1924 to 1933 by the average compensa-

ble wage loss per man-year.² (See table 17.) With these fixed assumptions of the amount of total income and the rate of benefits it remained to calculate the length of the period during which benefits might be paid. Unlimited payment of benefits is, of course, impossible with the limited income available, as well as undesirable from the standpoint of social policy. The time during which benefits are payable must be definitely limited, in order to keep income and outgo in balance over a period of years.

The first limitation in the time for which benefits are payable is made by the waiting period. The limitations secured through 2-, 3-, and 4-week waiting periods were considered.

For the purpose of determining the proportion of the unemployed who would have been ineligible to compensation by virtue of the

TABLE 17.—*Estimates of the compensable wage loss of the covered unemployed in the United States, 1923-33*

Year	Total man-years of unemployment (in thousands)	Average wage loss per man-year ¹	Average compensable wage loss per man-year ²	Average compensable wage loss (in millions of dollars)	
				Amount	Cumulated
1924	1,975	\$1,520	\$684	\$1,351	\$1,351
1925	1,680	1,527	687	1,154	2,505
1926	1,511	1,566	705	1,065	3,570
1927	1,694	1,584	713	1,208	4,778
1928	1,776	1,516	682	1,211	5,989
1929	1,181	1,599	720	850	6,840
1930	3,534	1,573	708	2,502	9,342
1931	6,328	1,477	665	4,208	13,550
1932	9,366	1,283	577	5,404	18,954
1933	9,803	1,250	563	5,519	24,472

¹ Table III-1, column 2.

² 45 percent of third column.

waiting period as well as of determining what benefit period could be allowed, a study of the duration of unemployment in the United States was conducted, estimating the distribution of the unemployed according to their duration of unemployment for each year, 1922 through 1933. This study utilized some 92 censuses or surveys in 46 cities and 10 different and nonconsecutive calendar years, involving over 5,000,000 personal records. The 92 surveys were segregated into 5 groups according to the percentage of gainful workers unemployed at the time the survey was made. Surveys for which the percentage of unemployment ranged from 3.0 to 6.9 were included

² No computation was made for 1922 and 1923, since it was assumed that no benefits would be paid during the first 2 years of contributions. This is in line with the Social Security Act, which requires delay of 2 years before benefits commence, in order to increase the reserve available for the payment of benefits.

in the first group. For the second, third, fourth, and fifth groups, the range was 7.0-10.9, 11.0-19.9, 20.0-29.9, and 30.0-42.9, respectively. Ten censuses fell into the first group; 24 fell into the second; 36 in the third; 16 in the fourth; and 6 in the fifth. The percentage and cumulative percentage from these groupings are shown in table 18, together with the composite distribution for the group.

The five cumulative percent distributions shown in table 18 are presumably descriptive of the length of time that the unemployed remained idle at five different ranges of unemployment. Thus, to the years when the average unemployment for the United States was 5 percent of the total gainful workers, the distribution with limits of 3 to 7 percent would be applied. To the years when the intensity of unemployment was between 7 and 11 percent, the distribution with those limits would be used, etc. The compensable wage loss for each year from 1924 through 1933 was then distributed according to the distribution of the duration of unemployment applicable to that year. The resulting distributions were cumulated for the period 1923-33 (table 19).

This made possible a short-cut method of selecting the maximum duration of benefits possible, by adding the compensable wage loss in the waiting period to the income available for benefit and reading down the column showing the distribution of wage loss until the figures approximately coincide.³

This method is now applied to the estimates so far obtained which are not corrected for inadequacies. (Actuarial adjustments will follow later in the discussion.) Assuming a 3-percent contribution rate, a benefit rate of 50 percent of average earnings not to exceed a \$15 weekly maximum, and a 2-week waiting period, it appears that benefits could have been paid during a 13-week period, maintaining the system in solvency to the end of 1933. On the basis of a 4-percent contribution, benefits could have been paid for 23 weeks.

At this point adjustments may be brought into the discussion to evaluate those factors in the assumed plan for which no reliable supporting data can be found and for those which are contingent upon the operation of the plan. Mr. W. R. Williamson estimated the extent to which the following assumed provisions and other factors would affect the volume of wage loss compensable:

(1) Savings through the requirement that benefits will be paid only to employees for whom contributions have been paid for at least 40 weeks in the preceding 2 years;

(2) Savings through 3-week disqualification from benefits for employees who voluntarily quit their work or who are discharged for proven misconduct;

³ This method was devised by W. R. Williamson, actuary of the Committee on Economic Security.

TABLE 18.—Percentage and cumulative percentage distribution of the unemployed able and willing to work, by duration of unemployment at date of census or survey, according to various magnitudes of unemployment

Interval	Percent distributions at magnitudes of unemployment ¹						Interval	Cumulative percent distributions at magnitudes of unemployment ¹						
	Com- posite ²	3.0-6.9 per- cent	7.0-10.9 per- cent	11.0- 19.9 per- cent	20.0- 29.9 per- cent	30.0- 43.0 per- cent		Com- posite ²	3.0-6.9 per- cent	7.0-10.9 per- cent	11.0- 19.9 per- cent	20.0- 29.9 per- cent	30.0- 43.0 per- cent	
Total.....	100.0	100.0	100.0	100.0	100.0	100.0								
1 week or less.....	7.2	8.7	4.2	5.0	9.8	10.0	1 week or less.....	7.2	8.7	4.2	5.0	9.8	10.0	
2 weeks or less but more than 1 week.....	5.8	6.8	9.6	6.5	4.5	2.6	2 weeks or less.....	13.0	15.5	13.8	11.5	14.3	12.6	
3 weeks or less but more than 2 weeks.....	4.5	5.8	7.1	5.1	3.7	1.8	3 weeks or less.....	17.5	21.3	20.9	16.6	18.0	14.4	
4 weeks or less but more than 3 weeks.....	3.9	5.5	5.3	4.5	3.1	2.2	4 weeks or less.....	21.4	26.8	26.2	21.1	21.1	16.6	
5 weeks or less but more than 4 weeks.....	3.5	5.0	4.7	4.1	3.0	1.7	5 weeks or less.....	24.9	31.8	30.9	25.2	24.1	18.3	
6 weeks or less but more than 5 weeks.....	3.3	4.4	4.4	3.9	2.8	1.7	6 weeks or less.....	28.2	36.2	35.3	29.1	26.9	20.0	
7 weeks or less but more than 6 weeks.....	3.2	4.2	3.9	3.7	2.6	1.7	7 weeks or less.....	31.4	40.4	39.2	32.8	29.5	21.7	
8 weeks or less but more than 7 weeks.....	3.0	3.7	3.7	3.6	2.5	1.7	8 weeks or less.....	34.4	44.1	42.9	36.4	32.0	23.4	
9 weeks or less but more than 8 weeks.....	3.0	3.7	3.6	3.6	2.5	1.6	9 weeks or less.....	37.4	47.8	46.5	40.0	34.5	25.0	
10 weeks or less but more than 9 weeks.....	2.9	3.3	3.3	3.5	2.4	1.5	10 weeks or less.....	40.3	51.1	49.8	43.5	36.9	26.5	
11 weeks or less but more than 10 weeks.....	2.7	3.0	3.1	3.3	2.4	1.5	11 weeks or less.....	43.0	54.1	52.9	46.8	39.3	28.0	
12 weeks or less but more than 11 weeks.....	2.6	2.9	3.0	3.1	2.2	1.5	12 weeks or less.....	45.6	57.0	55.9	49.9	41.5	29.5	
13 weeks or less but more than 12 weeks.....	2.5	2.6	2.9	3.0	2.1	1.4	13 weeks or less.....	48.1	59.6	58.8	52.9	43.6	30.9	
14 weeks or less but more than 13 weeks.....	2.4	2.5	2.5	2.8	2.1	1.5	14 weeks or less.....	50.5	62.1	61.3	55.7	45.7	32.4	
15 weeks or less but more than 14 weeks.....	2.3	2.1	2.5	2.7	1.9	1.4	15 weeks or less.....	52.8	64.2	63.8	58.4	47.6	33.8	
16 weeks or less but more than 15 weeks.....	2.2	2.1	2.3	2.5	2.0	1.4	16 weeks or less.....	55.0	66.3	66.1	60.9	49.6	35.2	
17 weeks or less but more than 16 weeks.....	2.0	1.9	2.3	2.4	1.8	1.3	17 weeks or less.....	57.0	68.2	68.4	63.3	51.4	36.5	
18 weeks or less but more than 17 weeks.....	2.0	1.7	2.1	2.4	1.9	1.2	18 weeks or less.....	59.0	69.9	70.5	65.7	53.3	37.7	
19 weeks or less but more than 18 weeks.....	1.9	1.7	2.1	2.3	1.8	1.2	19 weeks or less.....	60.9	71.6	72.6	68.0	55.1	38.9	
20 weeks or less but more than 19 weeks.....	1.8	1.6	1.9	2.1	1.8	1.2	20 weeks or less.....	62.7	73.2	74.5	70.1	56.9	40.1	
21 weeks or less but more than 20 weeks.....	1.8	1.4	1.8	2.0	1.7	1.3	21 weeks or less.....	64.5	74.6	76.3	72.1	58.6	41.4	
22 weeks or less but more than 21 weeks.....	1.7	1.3	1.6	1.9	1.6	1.2	22 weeks or less.....	66.2	75.9	77.9	74.0	60.2	42.6	
23 weeks or less but more than 22 weeks.....	1.6	1.2	1.6	1.8	1.5	1.2	23 weeks or less.....	67.8	77.1	79.5	75.8	61.7	43.8	
24 weeks or less but more than 23 weeks.....	1.5	1.0	1.4	1.6	1.5	1.2	24 weeks or less.....	69.3	78.1	80.9	77.4	63.2	45.0	
25 weeks or less but more than 24 weeks.....	1.4	.9	1.3	1.5	1.4	1.3	25 weeks or less.....	70.7	79.0	82.2	78.9	64.6	46.3	
26 weeks or less but more than 25 weeks.....	1.2	.7	1.1	1.3	1.3	1.2	26 weeks or less.....	71.9	79.7	83.3	80.2	65.9	47.5	
27 weeks or less but more than 26 weeks.....	1.0	.6	.8	1.1	1.1	1.2	27 weeks or less.....	72.9	80.3	84.1	81.3	67.0	48.7	
28 weeks or less but more than 27 weeks.....	.9	.6	.8	.9	1.0	1.1	28 weeks or less.....	73.8	80.9	84.9	82.2	68.0	49.8	
29 weeks or less but more than 28 weeks.....	.9	.6	.7	.9	.9	1.0	29 weeks or less.....	74.7	81.5	85.6	83.1	68.9	50.8	
30 weeks or less but more than 29 weeks.....	.8	.6	.6	.8	.9	1.0	30 weeks or less.....	75.5	82.1	86.2	83.9	69.8	51.8	
31 weeks or less but more than 30 weeks.....	.7	.5	.6	.7	.8	1.1	31 weeks or less.....	76.2	82.6	86.8	84.6	70.6	52.9	
32 weeks or less but more than 31 weeks.....	.7	.4	.5	.6	.8	.9	32 weeks or less.....	76.9	83.0	87.3	85.2	71.4	53.8	
33 weeks or less but more than 32 weeks.....	.7	.5	.4	.6	.7	1.0	33 weeks or less.....	77.6	83.5	87.7	85.8	72.1	54.8	
34 weeks or less but more than 33 weeks.....	.7	.4	.4	.6	.7	1.0	34 weeks or less.....	78.3	83.9	88.1	86.4	72.8	55.8	
35 weeks or less but more than 34 weeks.....	.6	.3	.4	.6	.7	.9	35 weeks or less.....	78.9	84.2	88.5	87.0	73.5	56.7	
36 weeks or less but more than 35 weeks.....	.6	.3	.4	.5	.7	1.0	36 weeks or less.....	79.5	84.5	88.9	87.5	74.2	57.7	

37 weeks or less but more than 36 weeks.....	.6	.3	.3	.5	.7	1.0	37 weeks or less.....	80.1	84.8	89.2	88.0	74.9	58.7
38 weeks or less but more than 37 weeks.....	.6	.3	.3	.5	.7	1.0	38 weeks or less.....	80.7	85.1	89.5	88.5	75.6	59.7
39 weeks or less but more than 38 weeks.....	.6	.3	.3	.5	.7	1.0	39 weeks or less.....	81.3	85.4	89.8	89.0	76.3	60.7
40 weeks or less but more than 39 weeks.....	.6	.3	.4	.5	.7	.9	40 weeks or less.....	81.9	85.7	90.2	89.5	77.0	61.6
41 weeks or less but more than 40 weeks.....	.6	.3	.4	.5	.8	1.0	41 weeks or less.....	82.5	86.0	90.6	90.0	77.8	62.6
42 weeks or less but more than 41 weeks.....	.6	.3	.3	.5	.8	.9	42 weeks or less.....	83.1	86.3	90.9	90.5	78.6	63.5
43 weeks or less but more than 42 weeks.....	.6	.3	.4	.5	.8	.9	43 weeks or less.....	83.7	86.6	91.3	91.0	79.4	64.4
44 weeks or less but more than 43 weeks.....	.6	.2	.4	.5	.9	1.0	44 weeks or less.....	84.3	86.8	91.7	91.5	80.3	65.4
45 weeks or less but more than 44 weeks.....	.6	.2	.4	.5	.8	1.0	45 weeks or less.....	84.9	87.0	92.1	92.0	81.1	66.4
46 weeks or less but more than 45 weeks.....	.7	.2	.4	.5	.9	1.0	46 weeks or less.....	85.6	87.2	92.5	92.5	82.0	67.4
47 weeks or less but more than 46 weeks.....	.7	.2	.4	.6	.9	1.1	47 weeks or less.....	86.3	87.4	92.9	93.1	82.9	68.5
48 weeks or less but more than 47 weeks.....	.7	.2	.4	.6	.9	1.2	48 weeks or less.....	87.0	87.6	93.3	93.7	83.8	69.7
49 weeks or less but more than 48 weeks.....	.7	.2	.4	.5	1.0	1.2	49 weeks or less.....	87.7	87.8	93.7	94.2	84.8	70.9
50 weeks or less but more than 49 weeks.....	.8	.2	.5	.6	1.0	1.3	50 weeks or less.....	88.5	88.0	94.2	94.8	85.8	72.2
51 weeks or less but more than 50 weeks.....	.8	.1	.5	.7	1.0	1.4	51 weeks or less.....	89.3	88.1	94.7	95.5	86.8	73.6
52 weeks or less but more than 51 weeks.....	.9	.2	.5	.8	1.2	1.5	52 weeks or less.....	90.2	88.3	95.2	96.3	88.0	75.1
Over 52 weeks.....	9.8	11.7	4.8	3.7	12.0	24.9	Over 52 weeks.....	100.0	100.0	100.0	100.0	100.0	100.0

¹ The selection of these intervals was determined by the distribution of percentages of gainful workers unemployed in the United States, 1923-33, for the purpose of applying this table to the unemployment occurring in each of these years.

² Composite distribution=distribution of the totaled samples utilized in the succeeding 5 columns. The distributions represent 92 surveys or censuses in 46 cities and in 10 years

(3) Savings through suspension of benefits during trade disputes or while accident compensation or other compulsory benefits are being received ;

(4) Savings resulting from the requirement that the employee is able to work and available for work ;

(5) Savings through compensation for partial unemployment in excess of \$1 more than 50 percent of full-time wages ;

(6) Savings through limitation of benefits in the ratio of 1 week of benefits to 4 weeks of contributions ;

(7) Allowance of an additional maximum week of benefits for each 20 weeks of contributions without drawing benefits, up to a maximum of 10 additional weeks of benefits ;

(8) Increase in costs through commutation of benefits to a lump sum ;

(9) Estimated increases in costs resulting from the fact that benefits will be paid on a full-time wage basis while the contributions are made on actual pay roll, including much part time.

TABLE 19.—*Cumulative distribution of the total compensable wage loss, 1923-33*

Duration of unemployment	Distribution of wage loss (1923-33)		Duration of unemployment	Distribution of wage loss (1923-33)	
	Amount (in millions)	Percent		Amount (in millions)	Percent
1 week or less	\$1, 955	8.0	28 weeks or less.....	\$16, 131	65.9
2 weeks or less.....	3, 224	13.2	29 weeks or less.....	16, 347	66.8
3 weeks or less.....	4, 178	17.1	30 weeks or less.....	16, 555	67.6
4 weeks or less.....	5, 026	20.5	31 weeks or less.....	16, 766	68.5
5 weeks or less.....	5, 765	23.6	32 weeks or less.....	16, 948	69.3
6 weeks or less.....	6, 467	26.4	33 weeks or less.....	17, 129	70.0
7 weeks or less.....	7, 123	29.1	34 weeks or less.....	17, 309	70.7
8 weeks or less.....	7, 758	31.7	35 weeks or less.....	17, 479	71.4
9 weeks or less.....	8, 375	34.2	36 weeks or less.....	17, 656	72.1
10 weeks or less.....	8, 953	36.6	37 weeks or less.....	17, 829	72.9
11 weeks or less.....	9, 511	38.9	38 weeks or less.....	17, 999	73.5
12 weeks or less.....	10, 049	41.1	39 weeks or less.....	18, 172	74.3
13 weeks or less.....	10, 563	43.2	40 weeks or less.....	18, 338	74.9
14 weeks or less.....	11, 055	45.2	41 weeks or less.....	18, 521	75.7
15 weeks or less.....	11, 523	47.1	42 weeks or less.....	18, 685	76.4
16 weeks or less.....	11, 979	48.9	43 weeks or less.....	18, 856	77.1
17 weeks or less.....	12, 410	50.7	44 weeks or less.....	19, 042	77.8
18 weeks or less.....	12, 821	52.4	45 weeks or less.....	19, 224	78.6
19 weeks or less.....	13, 226	54.0	46 weeks or less.....	19, 408	79.3
20 weeks or less.....	13, 612	55.6	47 weeks or less.....	19, 606	80.1
21 weeks or less.....	13, 996	57.2	48 weeks or less.....	19, 816	81.0
22 weeks or less.....	14, 347	58.6	49 weeks or less.....	20, 027	81.8
23 weeks or less.....	14, 657	59.9	50 weeks or less.....	20, 258	82.8
24 weeks or less.....	15, 020	61.4	51 weeks or less.....	20, 502	83.8
25 weeks or less.....	15, 344	62.7	52 weeks or less.....	20, 768	84.9
26 weeks or less.....	15, 634	63.9	Over 52 weeks.....	24, 472	100.0
27 weeks or less.....	15, 893	64.9			

To these were added an adjustment upward in the estimates of man-years of unemployment resulting from inadequacy of data; and allowances for various contingencies, among them the probability of increased costs in the course of time, as is the experience in all other forms of insurance. Weighting all these factors, Mr. Williamson arrived at a loading of 30 percent above the unadjusted estimates of compensable wage loss.

Applying this increase of 30 percent to the total compensable wage loss of the unemployed in each year resulted in an increase in the cumulative wage loss from 1924 to 1933 to \$31,815,000,000. (See tables 17 and 20.) This allowance causes a wider disparity between

income available for benefits and the total compensable wage loss than was evidenced prior to the corrections. Consequently, after the wage loss is adjusted, the maximum benefit period must be shortened if the amount of income and outgo are to balance.

Using adjusted data as the unadjusted were used, 10 weeks of benefits could be allowed for the United States as a whole with a 3-percent contribution rate and a 2-week waiting period. Benefits could be increased in duration to 11 weeks, with a 3-week waiting period, and to 12 weeks with a 4-week waiting period. Other es-

TABLE 20.—Adjusted cumulative distribution of the total compensable wage loss, 1923-33

Duration of unemployment	Distribution of wage loss (1923-33)		Duration of unemployment	Distribution of wage loss (1923-33)	
	Amount (in millions)	Percent		Amount (in millions)	Percent
1 week or less.....	\$2,542	8.0	28 weeks or less.....	\$20,970	65.9
2 weeks or less.....	4,191	13.2	29 weeks or less.....	21,251	66.8
3 weeks or less.....	5,431	17.1	30 weeks or less.....	21,522	67.6
4 weeks or less.....	6,534	20.5	31 weeks or less.....	21,796	68.5
5 weeks or less.....	7,495	23.6	32 weeks or less.....	22,032	69.3
6 weeks or less.....	8,407	26.4	33 weeks or less.....	22,268	70.0
7 weeks or less.....	9,260	29.1	34 weeks or less.....	22,502	70.7
8 weeks or less.....	10,085	31.7	35 weeks or less.....	22,723	71.4
9 weeks or less.....	10,888	34.2	36 weeks or less.....	22,953	72.1
10 weeks or less.....	11,639	36.6	37 weeks or less.....	23,178	72.9
11 weeks or less.....	12,364	38.9	38 weeks or less.....	23,399	73.5
12 weeks or less.....	13,064	41.1	39 weeks or less.....	23,624	74.3
13 weeks or less.....	13,732	43.2	40 weeks or less.....	23,839	74.9
14 weeks or less.....	14,372	45.2	41 weeks or less.....	24,077	75.7
15 weeks or less.....	14,980	47.1	42 weeks or less.....	24,291	76.4
16 weeks or less.....	15,573	48.9	43 weeks or less.....	24,513	77.1
17 weeks or less.....	16,133	50.7	44 weeks or less.....	24,755	77.8
18 weeks or less.....	16,537	52.4	45 weeks or less.....	24,991	78.6
19 weeks or less.....	17,194	54.0	46 weeks or less.....	25,230	79.3
20 weeks or less.....	17,696	55.6	47 weeks or less.....	25,488	80.1
21 weeks or less.....	18,195	57.2	48 weeks or less.....	25,761	81.0
22 weeks or less.....	18,651	58.6	49 weeks or less.....	26,035	81.8
23 weeks or less.....	19,054	59.9	50 weeks or less.....	26,335	82.8
24 weeks or less.....	19,526	61.4	51 weeks or less.....	26,653	83.8
25 weeks or less.....	19,947	62.7	52 weeks or less.....	26,998	84.9
26 weeks or less.....	20,324	63.9	Over 52 weeks.....	31,814	100.0
27 weeks or less.....	20,661	64.9			

timates of the duration of benefits possible with a still longer waiting period or with income from a 4- or 5-percent contribution rate can be readily computed. A summary of alternative plans possible for the United States follows, based on solvency from 1922 through 1933:

Estimated maximum weeks of benefits

Waiting period	Rate of contributions		
	3 percent	4 percent	5 percent
2 weeks.....	10	15	21
3 weeks.....	11	17	24
4 weeks.....	12	18	26

A word of warning should be injected, however, that the reliability of these estimates decreases as longer duration periods are reached. It should also be borne in mind that the relationships shown in this summary are not applicable to the political or industrial subdivisions of this country. Each area for which a system is to be evolved must make its own estimates in order to approximate the probable financial behavior of any plan considered.

TABLE 21.—*Adjusted cumulative distribution of the total compensable wage loss, 1923-30*

Duration of unemployment	Distribution of wage loss (1923-30)		Duration of unemployment	Distribution of wage loss (1923-30)	
	Amount (in millions)	Percent		Amount (in millions)	Percent
1 week or less.....	\$586	4.83	28 weeks or less.....	\$10,179	83.82
2 weeks or less.....	1,620	13.34	29 weeks or less.....	10,269	84.56
3 weeks or less.....	2,402	19.78	30 weeks or less.....	10,348	85.22
4 weeks or less.....	3,023	24.89	31 weeks or less.....	10,422	85.83
5 weeks or less.....	3,578	29.46	32 weeks or less.....	10,486	86.35
6 weeks or less.....	4,095	33.72	33 weeks or less.....	10,542	86.81
7 weeks or less.....	4,556	37.60	34 weeks or less.....	10,596	87.26
8 weeks or less.....	5,012	41.27	35 weeks or less.....	10,651	87.71
9 weeks or less.....	5,450	44.88	36 weeks or less.....	10,700	88.12
10 weeks or less.....	5,857	48.23	37 weeks or less.....	10,745	88.48
11 weeks or less.....	6,239	51.38	38 weeks or less.....	10,786	88.82
12 weeks or less.....	6,605	54.39	39 weeks or less.....	10,830	89.19
13 weeks or less.....	6,959	57.31	40 weeks or less.....	10,880	89.59
14 weeks or less.....	7,271	59.88	41 weeks or less.....	10,932	90.02
15 weeks or less.....	7,576	62.39	42 weeks or less.....	10,975	90.38
16 weeks or less.....	7,861	64.74	43 weeks or less.....	11,025	90.79
17 weeks or less.....	8,138	67.02	44 weeks or less.....	11,075	91.20
18 weeks or less.....	8,398	69.16	45 weeks or less.....	11,125	91.62
19 weeks or less.....	8,615	71.28	46 weeks or less.....	11,174	92.01
20 weeks or less.....	8,889	73.20	47 weeks or less.....	11,227	92.45
21 weeks or less.....	9,110	75.02	48 weeks or less.....	11,280	92.89
22 weeks or less.....	9,309	76.66	49 weeks or less.....	11,330	93.30
23 weeks or less.....	9,507	78.29	50 weeks or less.....	11,391	93.80
24 weeks or less.....	9,680	79.71	51 weeks or less.....	11,453	94.32
25 weeks or less.....	9,840	81.03	52 weeks or less.....	11,521	94.87
26 weeks or less.....	9,975	82.14	Over 52 weeks.....	12,143	100.00
27 weeks or less.....	10,080	83.01			

It should be again emphasized that the above estimates of the maximum possible duration of benefits with varying contribution rates and waiting periods are based on the assumption of the conservation of expenditures of accumulated reserves throughout the first 7 years of the system in order to continue paying benefits to eligible employees throughout the depression.

It is possible to estimate the maximum duration of benefits on another basis, assuming that all funds contributed during normal years and years of minor depression are expended within those years. This will mean that the emergency of a major depression with its reduced contributions from lowered pay rolls and its increased obligations for the payment of benefits to the eligible unemployed will bankrupt the unemployment compensation fund. Government subsidy or borrowing to restore the solvency of the fund or other Government provisions for the unemployed will then be necessary.

The adjusted cumulative distribution of the wage loss from 1922 through 1930 is shown in table 21. This table can be used to compute the maximum duration of benefits possible with the maintenance of solvency up to but not including a major depression. Thus from table 16 it may be ascertained that the total estimated contributions to the unemployment compensation fund would be \$6,972,000,000 at the end of 1930, with a 3-percent contribution rate. This would permit the following durations of benefits with 2-, 3-, and 4-week waiting periods as indicated below:

<i>Waiting period</i>	<i>Maximum duration of benefits</i>
2 weeks-----	17 weeks
3 weeks-----	19 weeks
4 weeks-----	22 weeks

Chapter V

THE ROLE OF THE FEDERAL GOVERNMENT IN UNEMPLOYMENT COMPENSATION

CONSIDERATION of legislation for unemployment compensation in the United States began many years before the appointment of the Committee on Economic Security. As far back as 1916 an unemployment insurance bill was introduced in the Massachusetts Legislature. Five years later, Wisconsin followed with a second bill, the well-known Huber bill, drafted by Prof. John R. Commons. Although it never passed, it was reintroduced, regularly, with some modifications, in each Wisconsin Legislature during the following 10 years.

Meanwhile, interest in unemployment compensation was growing. Bills were introduced in Connecticut, Massachusetts, Minnesota, and New York in the twenties, but apart from the establishment of a small number of voluntary plans, little progress was made. Although the number of unemployment insurance bills increased considerably in the depression years after 1929, the Wisconsin law, passed in 1932, was the only legislation enacted. Many factors accounted for this record of almost complete failure, but the most important was the fear of the States that passage of an unemployment compensation law would put their employers at a competitive disadvantage with employers in States which had no similar law.

Because of this block to State action proponents of unemployment compensation began to feel that the Federal Government should take some action. Meyer London, a representative from New York, had introduced a resolution in Congress in 1916 to create a committee to draft a bill for a national unemployment insurance plan, but not till 12 years later, in 1928, did the subject come up again. In that year Senator Couzens introduced a resolution for an investigation of unemployment insurance by the committee on labor. After hearings, the committee reported that legislation for compulsory unemployment insurance was premature, but it favored the voluntary establishment of unemployment reserve funds by employers.

Little voluntary activity resulted. Under a resolution introduced by Senator Wagner in 1931, an investigation of foreign experience with unemployment insurance was conducted. The committee endorsed compulsory unemployment insurance but felt that the Federal Government's role should be limited to allowing credit against Federal income taxes for contributions by employers to State unemployment reserve funds. Although Senator Wagner introduced several bills embodying this principle, none of them ever came to a vote.

In February 1934 Senator Wagner and Representative Lewis jointly offered a bill which would both raise revenue and encourage the States to pass unemployment compensation laws. This bill attempted to remove the stumbling block to State action by levying an excise tax of 5 percent on the pay rolls of all employers of 10 or more (with certain exceptions) in the country. Against this tax an offset was to be allowed equal to the contributions of employers to State unemployment reserve funds meeting the standards laid down in the Federal act. Although this bill received high praise from many experts, labor officials, and employers, it was not reported out of committee.

In part, the failure of legislative action was attributable to the belief of many sincere supporters of unemployment compensation that further study of the subject was necessary. Recognizing the need for thorough investigation of the subject the President, on June 28, 1934 (Executive Order 6757), created the Committee on Economic Security "to study problems relating to economic security" and "report to the President not later than December 1, 1934, the recommendations concerning proposals which in its judgment will promote greater economic security."

ALTERNATIVES IN UNEMPLOYMENT COMPENSATION LEGISLATION

The Committee on Economic Security gave long and careful consideration to the possible alternative procedures in the approach to unemployment compensation in the country. For obvious reasons it soon discarded the ideas of voluntary operation and of leaving the States to deal with this problem without Federal assistance. The fact that only one State had passed a law in the face of the serious depression of the last years was deemed sufficient reason to warrant action by the Federal Government. Some way would have to be found to remove the interstate competitive disadvantages in States having unemployment compensation laws.

Once the Committee was convinced that the problem of unemployment compensation was of concern to the Federal Government, the next approach was to determine what the role of the Federal Gov-

ernment should be. Should it establish a compulsory national system of unemployment compensation, or should the Federal Government confine its activity to promoting State action and developing a Federal-State cooperative system? A Federal plan which would set up a complete system for the administration of unemployment compensation, specifying all benefit conditions, had much to recommend it. It offered a chance for the pooling of the risk of unemployment over an area wider than could be possible under State action; it would permit forecasts of costs on a national basis—at present the only adequate basis, since unemployment statistics available by States are too incomplete to furnish sound actuarial estimates for each State; it provided uniformity of protection to all employees in the United States exposed to the same risks of unemployment; and it furnished an easy and uniform method of handling the problem of interstate employees—a problem that was practically impossible of solution by State action alone, and one which would inevitably be extremely complicated even in a Federal-State system. A Federal plan would be preferable for the large employers of the country whose operations cut across State lines and who would be definitely opposed to the necessity for functioning under the different regulations of many States.

The advocates of the Federal system argued that both Germany and Great Britain, two highly industrialized countries, had both adopted national unemployment compensation systems and that the other countries which had begun on a local basis had gradually broadened their systems into closer approach to national plans. Although these national plans in foreign countries have been subjected to numerous amendments dictated sometimes more by political considerations than by the needs of the scheme, the possibilities of confusion from changes in a Federal system would rank small in comparison with the result of having 48 separate plans subjected to alteration by 48 State legislatures.

On the other hand, against these many considerations was weighed the fact that an exclusively Federal system would be cumbersome and would result in centralization of administrative functions and bureaucratic methods which might paralyze action. In the absence of experience with unemployment compensation in this country, it was thought that it might be desirable to allow wide latitude for experimentation, which would provide uniformity where essential and diversity where necessary. This could best be accomplished by a Federal-State cooperative system where the Federal Government would assume the leadership by removing the disadvantages in interstate competition that are always raised against purely State legislation involving costs to industry. The States for their part

should assume responsibility for State administration and thus prevent the formation of a large bureaucracy in Washington.

An exclusively Federal system, too, would necessitate decisions at the very outset on all points which could not be left to administrative discretion, such as whether or not employee contributions should be collected, whether there should be employer-reserve accounts, etc. Even among persons who strongly believed in the Federal plan and among other advocates of unemployment compensation there was wide difference of opinion on many of these most fundamental questions. Furthermore, a Federal system left little or no room for experimentation; instead, mistakes in a Federal plan would have much more serious consequences and wider repercussions than would mistakes under individual State legislation.

Two types of Federal-State cooperation were given principal consideration: (1) A plan in which the Federal Government would grant funds to the States to pay unemployment compensation benefits if they passed laws which complied with definite Federal standards; and (2) a tax-credit plan in which a Federal tax would be levied on the pay rolls of all employers and a credit against the tax allowed to all employers who contributed to State unemployment compensation systems. In both these Federal-State cooperative systems, the Federal Government was to impose a uniform excise tax on pay rolls, and the States were to pass their own unemployment compensation laws.

Under the plan for Federal grants of all funds the entire amount of the Federal tax was to be collected by the Federal Government and an amount equal to the tax so collected from each State returned to it as a Federal grant if its unemployment compensation law complied with standards prescribed by Federal law. The advocates of this procedure argued that it would make possible the writing of definite standards into the Federal legislation; Federal standards would result in more uniform State legislation and administration. To its proponents the plan had all the advantages of a Federal system except that it did not provide for complete centralization, since it was to be administered by the States; if found desirable, it could most readily evolve into a Federal system. On the other hand, if this were true, the procedure of entire Federal financing through grants had the disadvantage of requiring immediate and important decisions in relation to the entire unemployment compensation program, even before agreement had been reached on the best policies. In addition, there was the danger that the States would constantly look to the Federal Government to increase Federal grants, since they would have no part in the collection of the Federal tax contributions.

The second type of Federal-State system considered was the tax-offset plan, under which a Federal tax was levied on the pay rolls of

all employers and a credit up to 90 percent of the tax allowed for contributions paid by employers into a State unemployment compensation fund. This plan provides for an equal burden on all employers by the imposition of a Federal pay-roll tax. While the "subsidy" plan makes certain that all funds for unemployment compensation would first reach the Treasury, it has the disadvantage of encouraging State laws that would include no revenue-raising features. Therefore, the plan for Federal grants could survive only if it received an adequate annual appropriation by Congress, whereas a self-supporting State law (taking advantage of the tax-offset device) would not depend directly on Federal appropriations, since the source of income for benefit purposes would continue irrespective of Federal action relative to appropriations. In this connection it should also be noted that under the tax-offset plan there would be no pressure for increased expenditures by the Federal Government, since benefits would come solely from contributions paid into a State fund. The tax-offset plan was the type recommended by the Committee on Economic Security and enacted into law in the Social Security Act.

UNEMPLOYMENT COMPENSATION PROVISIONS IN THE FEDERAL SOCIAL SECURITY ACT¹

Four objectives are sought by the provisions relating to unemployment compensation in the Social Security Act. These are (1) to raise revenue which can be used, among other things, to meet needs arising out of unemployment; (2) to encourage the States to enact unemployment compensation laws and to protect those which do so by equalizing the competitive costs in different States so far as employer contributions to unemployment compensation funds are concerned; (3) to insure that unemployment compensation reserves are so invested that they will not adversely affect the general credit situation and can be liquidated without depressing the investment market; and (4) to assist the States financially in the administration of their unemployment compensation acts. The provisions of the Federal Social Security Act are summarized in table 22 and described in the following paragraphs.

Federal Tax on Employers.—The first and second of these objectives is sought through the imposition in title IX,² of an excise tax on the pay rolls of employers with respect to employments most suitably covered by unemployment compensation. Credits will be allowed for contributions made to State unemployment compensation systems meeting certain minimum conditions. Therefore, if an employer in one State is contributing to an approved unemployment

¹ Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305.

² 49 Stat. 639; 42 U. S. C. (1935 Supp.), §§ 1101-1110.

compensation system he will not be at a competitive disadvantage with an employer in another State that has none, since the latter employer will be paying approximately as much through the Federal pay-roll tax as the former is paying in contributions under the State unemployment compensation act. The Federal pay-roll tax should therefore remove the major reason for hesitation on the part of the States considering unemployment compensation laws and, instead, should stimulate the States to enact them.

The Federal tax will be equal to 1 percent of the total wages of all employees in employments covered during the calendar year 1936; 2 percent during 1937; and 3 percent in 1938 and thereafter. Wages taxed will include all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.³

*Coverage.*⁴—All employers who employ eight or more persons within 20 or more weeks in a calendar year in employments covered by the act will be subject to the Federal tax.

The employments covered include any service, of whatever nature, performed within the United States by an employee for his employer, except:

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States;
- (4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;
- (5) Service performed in the employ of the United States Government or of an instrumentality of the United States;
- (6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;
- (7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Interstate Commerce.—No employer required under a State law to make payments to an unemployment fund will be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce; States will therefore be free to cover employees of common carriers engaged in interstate commerce.⁵

³ 49 Stat. 639, § 901; 42 U. S. C. (1935 Supp.), § 1101.

⁴ 49 Stat. 643, § 907 (c); 42 U. S. C. (1935 Supp.), § 1107 (c).

⁵ 49 Stat. 642, § 906; 42 U. S. C. (1935 Supp.), § 1106.

If the Social Security hearing to the State entitled to compensation failed to comply with the Board shall notify such the Board is satisfied that

COMMERCE ¹⁵

¹ 49 Stat. 635; 42 U. S. EMPLOYERS OF EIGHT OR MORE
² 49 Stat. 626, §§ 301-303; 42 U. S. C. 4051-4053; 42 U. S. C. 4051-4053
³ 49 Stat. 626, § 301; 42 U. S. C. 4051

⁴ The Social Security Act, FEDERAL TAX ¹⁷
 appropriation bill, fiscal year 1937, the Seventy-fourth Congress, Public, No. 440, 74th Congress, appropriation of \$2,250,000

- is employed on each of some 20 days in different calendar week, in employments except the following employments:
- ⁵ 49 Stat. 626, § 302 (a)
 - ⁶ 49 Stat. 626, § 303 (a)
 - ⁷ 49 Stat. 639; 42 U. S. C. 4061; the crew of a vessel on the navigable
 - ⁸ 49 Stat. 627, § 303 (b)
 - ⁹ 49 Stat. 626; 42 U. S. C. 4051; spouse; employment of child under 21
 - ¹⁰ 49 Stat. 639, § 902; 42 U. S. C. 4061; at or its instrumentalities, or for State
 - ¹¹ 49 Stat. 644, § 910; 42 U. S. C. 4061; instrumentalities or subdivisions;
 - ¹² 49 Stat. 640, § 903 (a); 42 U. S. C. 4061; (a) instrumentalities or subdivisions;
 - ¹³ 49 Stat. 640, § 903 (b); 42 U. S. C. 4061; (b) instrumentalities or subdivisions;
 - ¹⁴ 49 Stat. 640, § 904; 42 U. S. C. 4061; (c) instrumentalities or subdivisions;
 - ¹⁵ 49 Stat. 642, § 906; 42 U. S. C. 4061; (d) instrumentalities or subdivisions;
 - ¹⁶ 49 Stat. 639, §§ 901-903; 42 U. S. C. 4061; (e) instrumentalities or subdivisions;
 - ¹⁷ 49 Stat. 642, § 907; 42 U. S. C. 4061; (f) instrumentalities or subdivisions;
 - ¹⁸ 49 Stat. 639, § 901; 42 U. S. C. 4061; (g) instrumentalities or subdivisions;

ON EMPLOYERS ¹⁸

percent in 1937, 3 percent thereafter.

compensation system he will not be at a competitive disadvantage with an employer in another State that has none, since the latter employer will be paying approximately as much through the Federal pay-roll tax as the former is paying in contributions under the State unemployment compensation act. The Federal pay-roll tax should therefore remove the major reason for hesitation on the part of the States considering unemployment compensation laws and, instead, should stimulate the States to enact them.

The Federal tax will be equal to 1 percent of the total wages of all employees in employments covered during the calendar year 1936; 2 percent during 1937; and 3 percent in 1938 and thereafter. Wages taxed will include all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.³

*Coverage.*⁴—All employers who employ eight or more persons within 20 or more weeks in a calendar year in employments covered by the act will be subject to the Federal tax.

The employments covered include any service, of whatever nature, performed within the United States by an employee for his employer, except:

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States;
- (4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother;
- (5) Service performed in the employ of the United States Government or of an instrumentality of the United States;
- (6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;
- (7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Interstate Commerce.—No employer required under a State law to make payments to an unemployment fund will be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce; States will therefore be free to cover employees of common carriers engaged in interstate commerce.⁵

³ 49 Stat. 639, § 901; 42 U. S. C. (1935 Supp.), § 1101.

⁴ 49 Stat. 643, § 907 (c); 42 U. S. C. (1935 Supp.), § 1107 (c).

⁵ 49 Stat. 642, § 906; 42 U. S. C. (1935 Supp.), § 1106.

TABLE 22—State grants for unemployment compensation administration and conditions for credit allowance against tax on employers of eight or more

(To be administered by the Social Security Board established by title VII¹ of the act)

(Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305)

FEDERAL GRANTS TO STATES FOR ADMINISTRATION OF UNEMPLOYMENT COMPENSATION²

AMOUNT OF FEDERAL APPROPRIATION AUTHORIZED³

Fiscal year ending June 30, 1936.....	\$4,000,000
Fiscal years thereafter.....	49,000,000

AMOUNT OF GRANT TO EACH STATE⁵

Such amount granted from time to time as the Social Security Board determines to be necessary for the proper administration of the State law during the fiscal year in which payment is to be made, taking into account:

1. Population of the State;
2. Number of persons covered by the State law and the cost of proper administration thereof;
3. Such other factors as the Social Security Board finds relevant.

The Secretary of the Treasury, upon receipt of certification of the Social Security Board, shall pay, prior to audit or settlement by the General Accounting Office, the amount certified to the State agency charged with the administration of the law.

The Social Security Board shall not certify payments in excess of the amount appropriated for any fiscal year.

STATE MATCHING REQUIRED

None.

REQUIRED PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAW FOR RECEIPT OF FEDERAL GRANTS⁴

1. Approval of State law by Social Security Board under title IX;⁷
2. Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and
3. Payment of unemployment compensation solely through public employment offices in the State or such other agencies as the Board may approve; and
4. Opportunity for a fair hearing before an impartial tribunal for all individuals whose claims for unemployment compensation are denied; and
5. The payment of all money received in the unemployment fund of such State immediately upon such receipt to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and
6. Expenditure of all money requisitioned by the State agency from the Unemployment Trust Fund, in the payment of unemployment compensation, exclusive of expenses of administration; and
7. The making of such reports in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and
8. Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law.

SUSPENSION OF GRANTS⁸

If the Social Security Board finds, after reasonable notice and opportunity for hearing to the State agency, either (1) that a substantial number of persons entitled to compensation are being denied compensation, or (2) that the State has failed to comply substantially with the provisions required in section 303a,⁹ the Board shall notify such State agency that further payment will not be made until the Board is satisfied that there is no longer any such denial or failure to comply.

CREDIT ALLOWED FOR CONTRIBUTIONS UNDER APPROVED STATE UNEMPLOYMENT COMPENSATION LAW

AMOUNT AND CONDITIONS OF ALLOWANCE

1. Not to exceed 90 percent of Federal tax.¹⁰
2. After 1937 credit is also allowable to any employer who because of favorable employment experience or adequate reserves is permitted by the State law to reduce his payments, subject to the following conditions:¹¹
 - (a) If the employer contributes to a State pooled fund, the lower rate is based upon not less than 3 years' compensation experience;
 - (b) If the employer contributes to a guaranteed-employment account, the lower rate is permitted only if the guaranty was fulfilled during the preceding year and the account amounts to not less than 7½ percent of total wages paid during the preceding calendar year;
 - (c) If the employer contributes to a separate reserve account, the lower rate is permitted only if (1) compensation has been payable from the account throughout the preceding calendar year, (2) the account amounts to not less than five times the largest amount of compensation paid during any 1 of the 3 preceding calendar years, and (3) such account amounts to 7½ percent of the wages paid during the preceding year.

REQUIRED PROVISIONS OF STATE UNEMPLOYMENT COMPENSATION LAW FOR ALLOWANCE OF CREDIT¹²

- "1. All compensation is to be paid through public employment offices in the State or such other agencies as the Board may approve;
- "2. No compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;
- "3. All money received in the unemployment fund shall immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904;
- "4. All money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation, exclusive of expenses of administration;
- "5. Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;
- "6. All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time."

REVOCATION OF APPROVAL OF STATE LAW¹³

The Social Security Board may, at the end of any year, after reasonable notice and opportunity for hearing, refuse to certify a State whose law has been previously approved in case the State law has been changed so that it no longer contains the above conditions, or if the State has failed to comply substantially with these conditions. If at any time the Board has reason to believe a State law may not be certified, it shall promptly notify the Governor.

UNEMPLOYMENT TRUST FUND¹⁴

All moneys received in the State unemployment fund must be deposited in the Unemployment Trust Fund maintained by the United States Treasury, subject to requisition of the State. These funds are invested by the Treasury and bear interest at the average rate paid by the United States upon all interest-bearing obligations. A separate account is maintained for each State.

INTERSTATE COMMERCE¹⁵

No person required by State law to make payments to an unemployment compensation fund shall be relieved on the ground that he is engaged in interstate commerce or that the State law does not distinguish between employees engaged in interstate and intrastate commerce.

FEDERAL EXCISE TAX UPON EMPLOYERS OF EIGHT OR MORE EMPLOYEES¹⁶

COVERAGE OF FEDERAL TAX¹⁷

Employers of eight or more individuals employed on each of some 20 days in a calendar year, each day being in a different calendar week, in employments performed within the United States, except the following employments:

1. Agricultural labor;
2. Domestic service in a private home;
3. Service as an officer or member of the crew of a vessel on the navigable waters of the United States;
4. Employment by son, daughter, or spouse; employment of child under 21 years of age by parent;
5. Service for the Federal Government or its instrumentalities, or for State or local governments or their instrumentalities or subdivisions;
6. Employment by nonprofit institutions operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

RATE OF TAX ON EMPLOYERS¹⁸

One percent of wages paid in 1936, 2 percent in 1937, 3 percent thereafter.

¹ 49 Stat. 635; 42 U. S. C. (1935 Supp.), §§ 901-904.

² 49 Stat. 626, §§ 301-303; 42 U. S. C. (1935 Supp.), §§ 501-503.

³ 49 Stat. 626, § 301; 42 U. S. C. (1935 Supp.), § 501.

⁴ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$2,250,000 for the remainder of the fiscal year ending June 30, 1936.

⁵ 49 Stat. 626, § 302 (a); 42 U. S. C. (1935 Supp.), § 502 (a).

⁶ 49 Stat. 626, § 303 (a); 42 U. S. C. (1935 Supp.), § 503 (a).

⁷ 49 Stat. 639; 42 U. S. C. (1935 Supp.), §§ 1101-1110.

⁸ 49 Stat. 627, § 303 (b); 42 U. S. C. (1935 Supp.), § 503 (b).

⁹ 49 Stat. 626; 42 U. S. C. (1935 Supp.), § 503 (a).

¹⁰ 49 Stat. 639, § 902; 42 U. S. C. (1935 Supp.), § 1102.

¹¹ 49 Stat. 644, § 910; 42 U. S. C. (1935 Supp.), § 1110.

¹² 49 Stat. 640, § 903 (a); 42 U. S. C. (1935 Supp.), § 1103 (a).

¹³ 49 Stat. 640, § 903 (b); 42 U. S. C. (1935 Supp.), § 1103 (b).

¹⁴ 49 Stat. 640, § 904; 42 U. S. C. (1935 Supp.), § 1104.

¹⁵ 49 Stat. 642, § 906; 42 U. S. C. (1935 Supp.), § 1106.

¹⁶ 49 Stat. 639, §§ 901-910; 42 U. S. C. (1935 Supp.), §§ 1101-1110.

¹⁷ 49 Stat. 642, § 907; 42 U. S. C. (1935 Supp.), § 1107.

¹⁸ 49 Stat. 639, § 901; 42 U. S. C. (1935 Supp.), § 1101.

*Collection of Tax.*⁶—The Federal tax is to be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury. A return must be made for any calendar year not later than January 31 of the following year. The tax may be paid in quarterly installments. Interest at the rate of one-half of 1 percent a month is charged on overdue payments, and when any installment becomes overdue the whole amount of the unpaid tax becomes due. Extension of time for payment up to 6 months may be allowed, provided interest is paid at the rate of one-half of 1 percent a month.

*General Credit Against the Federal Tax.*⁷—The employer may credit against the pay-roll tax the amount he has actually paid in contributions into an unemployment compensation fund under an approved State law. The total credit allowed may not exceed 90 percent of the tax against which it is credited, so that at least 10 percent of the Federal tax must be paid in any case.

*Additional Credit.*⁸—If an employer is allowed a lower contribution rate by the State than (1) the highest rate applicable to any employer in the State during the year or (2) 2.7 percent of his pay roll on which contributions are payable under the State law, under specific conditions he may receive an additional credit for the difference between 90 percent of the pay-roll tax and (1) or (2), whichever is the lesser. This makes it possible for the State to give the employer a lower contribution rate if he has a favorable employment experience whether under (1) a State-wide pooled-fund plan, (2) an employer-reserve account plan, or (3) a guaranteed-employment plan. The conditions that must be met to receive "additional credit" against the Federal tax are given as follows:⁹

An employer will be allowed such additional credit for a lower contribution rate only if the Federal Social Security Board finds that under such law (1) with respect to contributions to a pooled fund, such lower rate is permitted on the basis of not less than 3 years of compensation experience; (2) with respect to contributions to a guaranteed-employment account, such lower rate is permitted only when his guaranty of employment was fulfilled in the preceding calendar year, and such guaranteed-employment account amounts to not less than 7.5 percent of the total wages payable by him, in accordance with such guaranty, with respect to employment in such State in the preceding calendar year; or (3) with respect to contributions to a separate reserve account, such lower rate is permitted only when (a) compensation has been payable from such account

⁶ 49 Stat. 641, § 905 (a)-(f); 42 U. S. C. (1935 Supp.), § 1105 (a)-(f).

⁷ 49 Stat. 639, § 902; 42 U. S. C. (1935 Supp.), § 1102.

⁸ 49 Stat. 643, § 909 (a)-(c); 42 U. S. C. (1935 Supp.), § 1109 (a)-(c).

⁹ 49 Stat. 644, § 910 (a)-(c); 42 U. S. C. (1935 Supp.), § 1110 (a)-(c).

throughout the preceding calendar year, and (b) such account amounts to not less than five times the largest amount of compensation paid from such account within any 1 of the 3 preceding calendar years, and (c) such account amounts to not less than 7.5 percent of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

Such additional credit will be reduced, if any contributions under such State law are made by the employer at a lower rate under conditions not fulfilling the above requirements, by the amount bearing the same ratio to such additional credit as the amount of contributions made at such lower rate bear to the total of his contributions paid for the year under such law.

The term "guaranteed-employment account", as defined in the Federal act, means a separate account, in an unemployment fund, of contributions paid by an employer (or group of employers) who (a) guarantees in advance 30 hours of wages for each of 40 calendar weeks (or more, with 1 weekly hour deducted for each added week guaranteed) in 12 months, to all the individuals in his employ in one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period included within 12 or less consecutive calendar weeks, and (b) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties. From this account compensation shall be payable with respect to the unemployment of any such individual whose guaranty is not fulfilled or renewed and who is otherwise eligible for compensation under the State law.

*Conditions of Federal Approval.*¹⁰—The employer can receive credit against the Federal tax only if the State law is approved by the Federal Social Security Board. In order to secure such approval, the State law must provide that:

(1) Compensation is to be paid solely through public employment offices in the State or such other agencies as the Social Security Board may approve;

(2) No compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;

(3) All money received in the unemployment fund shall immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the unemployment trust fund;

(4) All money withdrawn from the unemployment trust fund by the State agency shall be used solely in the payment of compensation, exclusive of expenses of administration;

(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following condi-

¹⁰ 49 Stat. 640, § 903 (a) (1-6); 42 U. S. C. (1935 Supp.), § 1103 (a) (1-6).

tions: if the position offered is vacant due directly to a strike, lockout, or other labor dispute; if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6) All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

These requirements are considered to be the minimum that will insure that the State law is a bona fide unemployment compensation law and that the investment objectives of the Federal act are secured. The last provision is required so that if at any time either the State or Federal Government desires to change its law, no vested interest in the existing law can be claimed.

*Certification of State Plans.*¹¹—Within 30 days of application for Federal approval, the Social Security Board shall approve any State law submitted to it if the State law meets the requirements of the Federal act. On December 31 of each taxable year the Social Security Board shall certify to the Secretary of the Treasury each State whose law it has previously approved. If the Board finds, after reasonable notice and opportunity for hearing to the State administrative agency, that the State has changed its law so that it no longer contains the provisions given above or has failed during any calendar year to comply with any such provision, it must promptly notify the Governor of the State and at the end of the calendar year refuse to certify approval of such law to the Secretary of the Treasury. In this event, employers in that State can receive no credits against the Federal tax, but must pay it in full. It will therefore be to the interest of the employers in the State to see that the State law is properly framed and administered.

Federal Unemployment Trust Fund.—The Federal Social Security Act makes it one of the conditions for the approval of State unemployment compensation laws (for purposes of credit against the tax levied in title IX¹²) that all moneys which they collect for unemployment compensation purposes shall immediately upon receipt be paid over to the Secretary of the Treasury (or to a Reserve bank or designated national bank) to the credit of the unemployment trust fund established in section 904.¹³

This trust fund will be under the control of the Secretary of the Treasury as trustee, with the respective State agencies administering the State unemployment compensation laws as beneficiaries of the trust. The fund is to be treated for investment purposes as a single

¹¹ 49 Stat. 640, § 903 (a), (b), (c); 42 U. S. C. (1935 Supp.), § 1103 (a), (b), (c).

¹² 49 Stat. 639, §§ 901–910, 42 U. S. C. (1935 Supp.), §§ 1101–1110.

¹³ 49 Stat. 640, § 903 (a) (3); 42 U. S. C. (1935 Supp.), § 1103 (a) (3).

fund, but the Secretary of the Treasury is required to keep separate accounts with each State agency, crediting each account quarterly with a proportionate part of the earnings of the fund.

It is made the duty of the Secretary of the Treasury to invest the unemployment trust fund in securities which are direct obligations of the United States or which are guaranteed as to principal and interest by the United States. All such investments are required to be made on a basis which will yield a return to the fund equal to the current average rate of interest on all interest-bearing obligations of the United States (adjusted to the multiple of one-eighth of 1 percent next higher or lower than such average rate, if this is not itself a multiple of one-eighth of 1 percent). In making such investments the Secretary of the Treasury is authorized to buy new Government securities at par or outstanding issues at the current market price, or may, in his discretion, issue special, nonnegotiable obligations to the unemployment trust fund bearing the specified rate of interest.

Upon requisition of the proper State agency (under regulations to be prescribed by him) the Secretary of the Treasury is required to pay out to the States amounts standing to their credit in the unemployment trust fund as needed by them for the payment of unemployment compensation. The Secretary of the Treasury may either sell on the open market the ordinary Government securities belonging to the unemployment trust fund or may redeem at par, with accrued interest, any of its special obligations.

Summarizing these several provisions in a brief paragraph, the Social Security Act: (1) Requires unemployment compensation funds collected by and belonging to the States to be deposited in the United States Treasury, for investment purposes; (2) gives the Secretary of the Treasury complete control over the investment and liquidation of these funds; and (3) through the device of special, nonnegotiable obligations issued to the unemployment trust fund makes it possible to liquidate these funds, when needed, without necessitating the sale of any securities on the open market.

The provisions outlined above have two major purposes: (1) Safeguarding the unemployment compensation reserve funds, and (2) investment and liquidation of these funds in such a manner that unemployment compensation will promote industrial stability rather than the reverse.

The desirability of safeguarding the unemployment reserve funds as completely as is humanly possible is obvious. It, likewise, will not be disputed that the maximum possible degree of security is assured through the requirement that these funds shall be invested exclusively in obligations of the United States or in securities which

are guaranteed, as to both principal and interest, by the United States. The necessity for this requirement is shown by the sad experience of many State accident compensation insurance funds during this depression. In large part these funds have been invested in municipal, public-utility, and industrial bonds—as unemployment compensation funds very probably would also be invested if no restrictions upon this point were included in the Federal act. At least in Ohio and Oregon, State accident compensation funds have suffered serious losses on such securities in recent years. Section 904 of the Federal Social Security Act prevents a similar experience with unemployment compensation funds.

The need for investing and liquidating the unemployment reserve funds so as to promote industrial stability is less obvious but equally important. A problem arises in this respect because demands for payment of unemployment compensation fluctuate greatly, being largest in periods of depression. Unemployment compensation might almost be described as a plan under which reserves are accumulated in periods of prosperity, and out of which payments are made to workmen who become unemployed in periods of depression. The reserves which are accumulated in periods of prosperity must be invested in securities, and compensation can be paid to unemployed workers, when needed, only through the liquidation of these securities. The sale of a large volume of securities in a depression period, particularly when depression first sets in, which is the time when the heaviest demands will come upon the unemployment compensation funds, is bound to have a depressing effect upon the market and to increase the tendency toward deflation. Payment of compensation to unemployed workers when depression sets in has of itself a stabilizing effect, since it tends to keep up purchasing power, but this may be more than offset through the deflationary effects of dumping on the markets the securities in which the unemployment compensation funds are invested. The net effect may well be that the unemployment compensation system will operate to increase the volume of unemployment.

That such a result should be avoided everyone will concede. As President Roosevelt stated in his address at the National Conference on Economic Security on November 14, 1934: "Unemployment insurance must be set up with the purpose of decreasing rather than increasing unemployment."

The plan for handling unemployment compensation reserve funds prescribed in section 904 will accomplish this purpose. Under this plan, it is contemplated that a considerable part of the moneys in the unemployment trust fund will be invested in the special non-negotiable obligations which are authorized in section 904. Liqui-

dation of these special obligations will not involve the sale of any securities on the open markets but only the redemption of these securities at par with interest. Similarly, the Treasury can avoid the sale of the other Government securities held by the unemployment trust fund on the markets when it becomes necessary to liquidate these securities, through buying them itself or selling them to the Federal Reserve banks.

In this way the unemployment trust fund can become an instrumentality for stabilizing credit conditions. The total amounts which will be collected for unemployment compensation purposes will, after the 3-percent rate has come into effect and pay rolls have been restored to pre-depression levels, total above \$800,000,000 per year. This is a sum sufficiently large so that its investment and liquidation may seriously endanger any control which the Government may attempt to exercise over credit conditions. This is likely to be true especially at the onset of a depression. At such times the Government, through its open-market operations, will seek to check the deflationary tendencies. If at such a time the securities in which the unemployment compensation funds are invested are dumped on the markets—as they are bound to be unless a plan like section 904 is adopted—the effect will be to offset completely the Government's efforts to uphold the market.

All such evil consequences can be avoided under section 904. Since the Secretary of the Treasury will control the investments and liquidation of the unemployment trust fund, he can use this fund to strengthen the efforts of the Government in seeking to establish stable credit and industrial conditions. In times when it is desirable to check inflationary tendencies, he can avoid increasing these tendencies (as will inevitably be the result of the purchase of Government securities on the open markets) by investing the funds received from the States in the special obligations to the unemployment trust fund authorized by section 904. In times when it becomes necessary to liquidate the funds, for payment of unemployment compensation, evil deflationary tendencies can be avoided through withholding the securities in which these funds are invested from the open market. Instead, the special obligations and other securities held by the unemployment trust fund may be redeemed. As the President stated: "It is, of course, clear that because of their magnitude the investment and liquidation of reserve funds must be within the control of the Government itself."

Grants to States for Unemployment Compensation Administration.—Even with the competitive costs of unemployment compensation removed through the Federal pay-roll tax, States may still hesitate to enact legislation because of the increased appro-

priations that may be necessary for its administration. In order to assist the States in defraying the cost of the administration of their unemployment compensation laws, the Social Security Act in title III¹⁴ authorizes the appropriation of \$4,000,000 for the fiscal year ending June 30, 1936, and of \$49,000,000 for each fiscal year thereafter for grants to the States for their administrative expenses in connection with their unemployment compensation laws. Such laws must be approved by the Social Security Board under title IX¹⁵ and must include provisions for:¹⁶

(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payment of unemployment compensation solely through public employment offices in the State or such other agencies as the Board may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State, immediately upon the receipt of such money, to the Secretary of the Treasury to the credit of the unemployment trust fund established by section 904; and

(5) Expenditure of all money requisitioned by the State agency from the unemployment trust fund, in the payment of unemployment compensation, exclusive of expenses of administration; and

(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law.

*Payments to States.*¹⁷—For each State in which such conditions are met the Board will certify to the Secretary of the Treasury for payment to the State such amounts as the Board determines to be necessary for the proper administration of such law during the fiscal year in which payment is to be made. The Board's determination is to be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper administration of such law; and (3) such other factors as the Board finds relevant. The Board is, of course, limited to the amounts appropriated therefor for each fiscal year in making such grants.

¹⁴ 49 Stat. 626, §§ 301-303; 42 U. S. C. (1935 Supp.), §§ 501-503.

¹⁵ 49 Stat. 626, § 301; 42 U. S. C. (1935 Supp.), § 501.

¹⁶ 49 Stat. 626, § 303 (a); 42 U. S. C. (1935 Supp.), § 503 (a).

¹⁷ 49 Stat. 626, § 302 (a); 42 U. S. C. (1935 Supp.), § 502 (a).

*Suspension of Grants.*¹⁸—Whenever the Board, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the law, finds that in the administration of the law there is (1) a denial, in a substantial number of cases, of unemployment compensation to individuals entitled thereto under such law; or (2) a failure to comply substantially with any provision required as a condition for receiving a grant for administration, the Board may refuse to certify further payments to the State until the Board is satisfied that there is no longer any such denial or failure to comply. This should insure honest and proper administration of the State unemployment compensation laws.

Federal Cooperation With States.—It is planned, however, that the Federal Social Security Board will not merely perform the review function of securing proper administration but will give expert advice and assistance to the States in their legislative and administrative problems. Under title VII¹⁹ of the Federal act the Board is given the “duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy concerning * * * unemployment compensation * * *.”²⁰ The Board should be of material assistance to the States if it conscientiously performs this duty.

¹⁸ 49 Stat. 627, § 303 (b); 42 U. S. C. (1935 Supp.), § 503 (b).

¹⁹ 49 Stat. 635, §§ 701–704; 42 U. S. C. (1935 Supp.), §§ 901–904.

²⁰ 49 Stat. 636, § 702; 42 U. S. C. (1935 Supp.), § 902.

Chapter VI

STANDARDS OF UNEMPLOYMENT COMPENSATION: STRUCTURAL PROVISIONS

THE SOCIAL SECURITY ACT,¹ as outlined in the preceding chapter, establishes a Federal-State system of unemployment compensation which leaves to the States the option and initiative of passing unemployment compensation laws, permits the States wide latitude with regard to the type of system they establish, and offers encouragement and inducement to the States to meet certain minimum requirements which limit Federal approval to those State systems which provide actual compensation as distinct from mere relief. When the Social Security Board has approved a State law, the State becomes eligible for grants from the Federal Government for the administrative expenses of the State unemployment compensation system.

Except for these requirements, the States will have freedom to set up any unemployment compensation system they wish, without restriction from the Federal Government. The State may or may not add employee contributions to those required from the employers. States may also make provision for State contributions to the system if they so desire. Likewise, the States must determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential, because the rate of unemployment varies widely in different States, in some being twice as great as in others. It is in accordance with the entire spirit of the Social Security Act that the Federal Government should not attempt to dictate to the States the form or provisions of the unemployment compensation law they may adopt. The discussion of standards in unemployment compensation in this chapter is intended to be suggestive only and is not to be taken as a statement of requirements with which the States must comply.

Any unemployment compensation system must, of course, designate the broad groups protected by its provisions, the conditions under which the individuals within these groups may receive benefits, the provisions concerning contributions, the amount and duration of benefits, and the administrative features for the operation of the system. At the beginning of its study and in advance of the actual adoption of State unemployment compensation plans (except in Wis-

¹ Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305.

consin), it was found necessary to make certain general assumptions concerning the probable features of State plans. Otherwise it would have been impossible to make any quantitative estimates of coverage and costs such as those presented in tables 23 to 25, in the tables in chapter IV, and in appendixes I, II, and III. A uniform plan for the whole United States was assumed. The coverage and estimates are based upon the provisions contained in titles III and IX of the Federal Social Security Act.² While, in a general way, the estimates of cost are based upon these assumed provisions, they would not be affected by many variations. If these estimates (see tables 23 to 25, the tables in chapter IV, and appendixes I to III, inclusive) are used in devising an unemployment compensation plan, care must be exercised to make allowance for variations from the structural provisions, such as waiting period, ratio of contributions to benefits, and amount of benefits that have been assumed.

This chapter deals with the various features of unemployment compensation plans which must be covered by State legislation. These features are discussed in the light of the Federal Social Security Act and European experience. Where pertinent, reference is also made to available data on unemployment compensation and to the recommendations of the Committee on Economic Security.³

COVERAGE

Since no form of unemployment compensation offers protection to the entire working population, the categories to be included and excluded must be clearly specified at the outset. An unemployment compensation plan can cover only persons ordinarily employed by others. Self-employed persons, such as farmers and farm tenants, business and professional men, are obviously not properly within the scope of unemployment compensation protection. The anticipated administrative difficulties in collecting contributions have led to the exclusion, in the Social Security Act, of workers attached to small concerns, although there is no precedent in European experience for such a practice.

An employer is defined in the Social Security Act as any person who employs eight or more persons for some part of 1 day (whether or not at the same moment of time) in each of 20 weeks within any calendar year.⁴ In order to take full advantage of the tax credit allowable against the Federal tax, States will obviously desire to include under their unemployment compensation plans all employees

² 49 Stat. 626, §§ 301-303, 639, §§ 901-910; 42 U. S. C. (1935 Supp.), §§ 501-503, §§ 1101-1110.

³ The Staff of the Committee on Economic Security prepared "model State bills" embodying many of the suggestions that follow. These bills have been superseded by draft State bills prepared by the Social Security Board.

⁴ 49 Stat. 642, § 907 (a); 42 U. S. C. (1935 Supp.), § 1107 (a).

covered by the Federal tax. The State law may well have a broader coverage, but in no case should it be narrower. The Federal law does not cover the following classes:⁵ (1) Agricultural labor, (2) domestic service in a private home, (3) service performed by officers and crews of vessels on the navigable waters of the United States, (4) service performed by an individual in the employ of his son, daughter, or spouse, or by a child under 21 years in the employ of his father or mother, (5) employment by Federal, State, or local governments, and (6) employment by nonprofit institutions which are operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. The first, second, and fourth classes were exempted for administrative reasons; while public employees of State and local governments were exempted because they are beyond the taxing power of the Federal Government. Employment on navigable waters is under Federal jurisdiction. Employees of religious, charitable, and other types of institutions enumerated in class 6 above were not exempted in the social security bill as originally introduced, but the bill was later amended to exempt them. Many employees within the group are subject to the hazard of unemployment and might well be covered by State plans. The same is true of public employees of State and local governments who are not employed upon an annual basis.

Table 23 shows by States and Territories a rough approximation of the number of gainful workers who would have been covered in April 1930 by a plan with the coverage of the Federal tax had one been in operation for some years. The figures indicate the total number of workers (the employed plus the unemployed) who would have come within the scope of the plan at that date. If adjusted to account for the natural increase in the population, the figures would represent the maximum number of gainful workers who would be covered by the assumed plan in the various States at any time.

The proportion of the total number of gainful workers that would have been covered by such a plan varies considerably from State to State and from the national average. Massachusetts would have had a maximum of about 56 percent of its working population covered, in contrast to Mississippi, which would have had only 20 percent of its workers participating in the plan. These variations exist because of differences in the industrial make-up of the States. States having a large agricultural population, for example, would have a smaller proportion covered than would States whose populations are primarily engaged in the manufacturing industries. It should be borne in mind, however, that the groups included in the coverage are those

⁵ 49 Stat. 643, § 907 (c); 42 U. S. C. (1935 Supp.), § 1107 (c).

which suffer the largest burden of unemployment. For the United States as a whole, over 70 percent of all unemployment is estimated to occur within the group which would be covered by the assumed plan on which table 23 is based, although that group represents less than one-half of the working population.⁶

TABLE 23.—*Estimated coverage of assumed unemployment compensation system, by States, average for 1930*

State	Gainful workers		Compensable labor force	
	Total April 1930	Nonagricultural (in thousands)	Number (in thousands)	Percent of total gainful workers
United States.....	48,832,590	38,505	22,279	45.6
Alabama.....	1,026,320	540	312	30.4
Arizona.....	165,304	127	73	44.2
Arkansas.....	667,870	283	164	24.6
California.....	2,500,969	2,189	1,267	50.7
Colorado.....	402,894	297	172	42.7
Connecticut.....	677,292	643	372	54.9
Delaware.....	98,104	81	47	47.9
District of Columbia.....	243,859	243	112	46.0
Florida.....	599,010	469	271	45.2
Georgia.....	1,162,174	660	382	32.9
Idaho.....	162,223	96	56	34.5
Illinois.....	3,184,875	2,843	1,645	51.7
Indiana.....	1,251,177	1,003	580	46.4
Iowa.....	912,832	583	337	36.9
Kansas.....	694,276	466	270	38.9
Kentucky.....	907,166	553	320	35.3
Louisiana.....	815,725	521	301	36.9
Maine.....	308,617	258	149	48.3
Maryland.....	672,906	590	341	50.7
Massachusetts.....	1,814,422	1,762	1,019	56.2
Michigan.....	1,927,498	1,691	978	50.7
Minnesota.....	992,847	691	400	40.3
Mississippi.....	844,877	294	170	20.1
Missouri.....	1,458,054	1,089	630	43.2
Montana.....	216,471	137	79	36.5
Nebraska.....	507,022	310	179	35.3
Nevada.....	42,885	34	20	46.6
New Hampshire.....	192,671	171	99	51.4
New Jersey.....	1,712,125	1,657	959	56.0
New Mexico.....	142,866	85	49	34.3
New York.....	5,523,085	5,279	3,084	55.8
North Carolina.....	1,141,129	642	371	32.5
North Dakota.....	240,317	107	62	25.8
Ohio.....	2,615,938	2,311	1,337	51.1
Oklahoma.....	828,029	525	304	36.7
Oregon.....	409,680	329	190	46.4
Pennsylvania.....	3,722,428	3,479	2,013	54.1
Rhode Island.....	297,168	289	167	56.2
South Carolina.....	687,721	341	197	28.6
South Dakota.....	247,688	117	68	27.5
Tennessee.....	958,209	587	340	35.5
Texas.....	2,207,118	1,374	795	36.0
Utah.....	170,013	129	75	44.1
Vermont.....	141,191	103	60	42.5
Virginia.....	880,276	608	352	40.0
Washington.....	664,813	562	325	48.9
West Virginia.....	570,459	454	263	46.1
Wisconsin.....	1,129,546	841	487	43.1
Wyoming.....	92,451	62	36	38.9

⁶ See table 14, p. 78.

For a rough approximation of the number of employed workers who would be covered if such a plan were initiated now, see table 24, which presents estimates of the size of coverage under a plan assumed to have been initiated in 1933. Employment conditions have since improved and coverage would consequently be considerably increased. A plan initiated now would, of course, exclude from immediate coverage all persons now unemployed, but they will be covered when reemployed in occupations and establishments to which the State law is applicable. Eventually the maximum coverage estimated in table 23 will probably be exceeded through the increase in the number of employables since 1930. The speed with which this may happen depends largely upon the rapidity of industrial recovery.

TABLE 24.—*Estimated number of employed workers covered, by States, 1933*

State	Number of employed workers covered	State	Number of employed workers covered
United States.....	14, 611, 000	Nebraska.....	120, 000
Alabama.....	204, 000	Nevada.....	12, 000
Arizona.....	46, 000	New Hampshire.....	76, 000
Arkansas.....	89, 000	New Jersey.....	591, 000
California.....	900, 000	New Mexico.....	29, 000
Colorado.....	109, 000	New York.....	1, 892, 000
Connecticut.....	254, 000	North Carolina.....	291, 000
Delaware.....	38, 000	North Dakota.....	42, 000
District of Columbia.....	110, 000	Ohio.....	894, 000
Florida.....	171, 000	Oklahoma.....	207, 000
Georgia.....	303, 000	Oregon.....	148, 000
Idaho.....	38, 000	Pennsylvania.....	1, 215, 000
Illinois.....	1, 048, 000	Rhode Island.....	106, 000
Indiana.....	375, 000	South Carolina.....	155, 000
Iowa.....	221, 000	South Dakota.....	49, 000
Kansas.....	190, 000	Tennessee.....	244, 000
Kentucky.....	229, 000	Texas.....	531, 000
Louisiana.....	202, 000	Utah.....	48, 000
Maine.....	116, 000	Vermont.....	40, 000
Maryland.....	237, 000	Virginia.....	246, 000
Massachusetts.....	658, 000	Washington.....	222, 000
Michigan.....	531, 000	West Virginia.....	182, 000
Minnesota.....	269, 000	Wisconsin.....	335, 000
Mississippi.....	107, 000	Wyoming.....	23, 000
Missouri.....	419, 000		
Montana.....	47, 000		

UNEMPLOYMENT COMPENSATION FUND

The first step in legislation for unemployment compensation is the establishment of an unemployment compensation fund. This fund is customarily defined to include all contributions and money paid into and received by the fund, and property and securities acquired by and through the use of moneys belonging to the fund, and of interest earned upon the moneys belonging to the fund, and is administered without liability on the part of the State beyond the amounts paid into and earned by the fund.

The stipulation that the fund be used solely to pay benefits is necessary to conform to the requirements for Federal approval.⁷ Administrative expenses will have to be paid from Federal allotments for this purpose or from other sources and should be kept in a separate fund. Attention is called to the fact that the number of benefit payments to be made from the State funds will be extremely large in most States, though the amount of the individual payments will be small. It is, therefore, advisable to utilize a method of withdrawals from the funds which will involve a minimum of administrative expense consistent with adequate protection of the fund. In some States the customary procedure now used for payment from public funds would be unnecessarily expensive and would make prompt payment of benefits difficult. Where this is the case and the customary procedure is not adapted to unemployment compensation payments and can be modified without violating constitutional requirements, a suitable procedure should be specified in the State unemployment compensation law.

In order to meet conditions for Federal approval, all contributions under the State act must, upon collection, be deposited in the "unemployment trust fund" maintained by the Treasury of the United States Government.⁸ The State agency of an approved State unemployment compensation system may requisition from the unemployment trust fund such amounts from time to time as are required for the payment of benefits.

The wording of State laws creating State unemployment compensation funds is important because of constitutional provisions concerning the custody and management of State funds in several States. Four States (California, New Mexico, Wyoming, and Michigan) require the deposit of State funds or public funds in State or national banks. Since it is anticipated that the United States Treasury will designate banks within the State to act as its agents, constitutional provisions of these States should not conflict with the requirements of the Federal Social Security Act for the deposit of State unemployment compensation funds with the unemployment trust fund of the United States.

Other details of State legislation concerning the deposits, investments, management, and payments out of the State unemployment compensation fund must be adapted to the fiscal organization of the State.

Types of State Funds.—Two main methods of organizing the State unemployment compensation fund have been proposed: (1)

⁷ 49 Stat. 626, § 303 (a) (5); 640, § 903 (a) (4); 42 U. S. C. (1935 Supp.), § 503 (a) (5), § 1103 (a) (4).

⁸ 49 Stat. 626, § 303 (a) (4); 640, § 903 (a) (3); 42 U. S. C. (1935 Supp.), § 503 (a) (4), § 1103 (a) (3).

State-wide pooling of funds with or without adjustment of contribution rates according to experience, and (2) separate reserve accounts within the fund for all employers (or groups of employers) to which contributions would be credited and from which benefits would be paid only to the eligible employees of the employer.

The employer-reserve account type of fund has been advocated as a device to stimulate employers to stabilize their employment. Under this plan the employer's contributions are paid into his own account, which is used to pay benefits to his own employees, or his former employees. Since his contributions may be reduced or discontinued when his reserve account reaches specified levels, it is to his interest to keep withdrawals from his account to a minimum by keeping his employees steadily employed. It is argued that not only the financial incentive of reduced contributions, but also the psychological effect of having the costs of irregular employment brought directly to his attention will lead the employer to bend his efforts to stabilize his production and thereby his employment as much as possible and, when this is not possible, to distribute equitably available employment among all employees. On the other hand, if all funds are pooled, the employer may actually increase the irregularity of his operations if this is advantageous to him or his employees, since he knows that the employees he lays off will receive unemployment compensation. Particularly will he be more ready to reduce his force during depressions rather than to reduce hours and spread work.

Those who advocate pooling all contributions maintain that the important thing in building an unemployment compensation fund is to provide protection against unemployment. It is argued that the financial incentive contained in the possible reduction in contributions is too small to have much effect upon employers—that other factors in the cost of production, such as storage charges and the risks of style and price changes, may far outweigh any savings to be gained by stabilizing employment; or if these factors are immaterial, the savings that would be effected in overhead charges if plant production, and, therefore, personnel, could be stabilized, would have long since caused the employer to stabilize his business without waiting for the cost of unemployment compensation to supply the incentive. It is also argued that the differences between employers in the stability of their employment could be recognized (insofar as desirable) through variations in their rates of contribution to the pooled fund, as is now the practice in accident compensation. The great advantage in the pooled fund, according to its advocates, is that it gives equal protection to all workers, inasmuch as it spreads the risks of unemployment over a large group of employers and a

wide variety of industries, thus utilizing the principle of insurance with the broadest possible spread of the risks. In the reserve-account system, on the other hand, the reserve accounts of employers with a high rate of lay-offs may at times be inadequate to provide benefits to all their workers, while funds may be immobilized in the reserve accounts of other employers not subject to such fluctuations in business. It is held that, since the employees, and often the employer, are not responsible for such high rates of unemployment they should not be penalized. Under a pooled-fund plan, the reserves are available to any employee irrespective of his employer.

The Committee on Economic Security recommended that Federal legislation recognize both types of plan, or combinations of the two types. Feeling, however, that the favored employer in a stable business should make some contribution to the general burden, the Committee recommended partial pooling of contributions, i. e., that employers with individual-reserve accounts be required to contribute at least 1 percent of pay roll (when the 3-percent tax becomes effective) to a general pooled fund. This fund would constitute a reinsurance fund to pay benefits when an employer's reserve account had been exhausted. The Social Security Act does not require employers having individual accounts to contribute to a general State fund, as outlined above, but it is permissible under the Federal act to do so.

It has also been proposed that employers be permitted to adopt systems of guaranteed employment in lieu of unemployment compensation. This is permissible for the tax credit under the Social Security Act under the following conditions: Plans must guarantee in advance 30 hours of wages for each of 40 calendar weeks (or more, with 1 hour per week deducted for each added week guaranteed) in 12 months⁹ to all employees in one or more distinct establishments of an employer, who must give security—satisfactory to the State agency—for the fulfillment of such guarantee. Employees may be required to serve a probationary period of 12 weeks before they are included under the guaranteed-employment plan. Employers having such plans must contribute to a guaranteed-employment account in the State fund until such account reaches 7.5 percent of the employer's annual pay roll.¹⁰

Guaranteed-employment plans have been voluntarily adopted by several employers in this country who have stabilized their employment and recently by a number of employers under the Wisconsin law. Although a substitute for unemployment compensation, guaranteed employment has many dissimilar characteristics. The protection which it affords the worker at the beginning of a contract year

⁹ 49 Stat. 644, § 910 (c) (3); 42 U. S. C. (1935 Supp.), § 1110 (c) (3).

¹⁰ 49 Stat. 644, § 910 (a) (2); 42 U. S. C. (1935 Supp.), § 1110 (a) (2).

is superior to unemployment compensation, since the worker is guaranteed a specified income during the year. As time goes on, however, the guarantee means less and less during the year until at the end of the specified number of weeks it expires entirely and unemployment after that date is uncompensated. Furthermore, at the end of a contract year, if the contract is not renewed, the worker has no protection derived from his past employment unless provision is so made.

The employers who would elect to set up a guaranteed-employment account are those who, because of the stability of their employment, will feel confident that they can fulfill the guarantee by providing work, thus avoiding payment out of their guaranty fund. Care, however, must be exercised to assure actual protection fully as adequate as unemployment compensation. The employee should not be left stranded at the end of a contract year without any protection derived from long periods of employment.

The Social Security Act allows any of these methods of organization of State funds.¹¹ The act, however, does not permit credit offset against the Federal excise tax imposed by title IX¹² for contributions to a reserve-account or guaranteed-employment plan exempted from a State unemployment compensation system.

CONTRIBUTIONS

The Federal Social Security Act imposes taxes on the pay rolls of employers who employ eight or more workers at some time in at least 20 weeks of the calendar year for all employees in the occupations covered. These taxes are effective on and after January 1, 1936, at the rate of 1 percent of pay roll for the first year, 2 percent for the second year, and 3 percent thereafter, and are payable into the Federal Treasury.¹³ States which establish unemployment compensation systems approved by the Social Security Board will be given grants from the Federal Government for administrative expenses, and, in addition, the employers in the State will be permitted to credit the amount they have paid as contributions to a State plan up to 90 percent of the Federal tax due.

The Social Security Act not only allows the employer credit against the Federal tax for the contributions he has actually paid under the State plan but also, if he has been permitted a lower contribution rate by the State, allows him "additional credit" after 1937 up to a maximum of the 90-percent permissible offset against the Federal excise tax under the following conditions:

¹¹ 49 Stat. 643, 644, §§ 909, 910; 42 U. S. C. (1935 Supp.), §§ 1109, 1110. This will be more fully discussed in connection with the section on contributions.

¹² 49 Stat. 639, §§ 901-910; 42 U. S. C. (1935 Supp.), §§ 1101-1110.

¹³ 49 Stat. 640, § 903 (a) (3); 42 U. S. C. (1935 Supp.), § 1103 (a) (3).

(a) If the employer contributes to a State pooled fund, the lower rate is based upon not less than 3 years' compensation experience.

(b) If the employer contributes to a guaranteed-employment account, the lower rate is permitted only if the guaranty was fulfilled during the preceding year and the account amounts to not less than 7.5 percent of total wages paid during the preceding calendar year.

(c) If the employer contributes to a separate reserve account, the lower rate is permitted only if (1) compensation has been payable from the account throughout the preceding calendar year, (2) the account amounts to not less than five times the largest amount of compensation paid during any one of the 3 preceding calendar years, and (3) such account amounts to 7.5 percent of the wages paid during the preceding year.¹⁴

The State law may provide for contributions by the employer only, by employer and employee, or by the State from general taxes. Foreign compulsory unemployment compensation plans generally provide for contributions from employer and employee. In England the division is one of "equal thirds" between employers, employees, and the Government. The Federal tax, however, is limited to employers, who may credit against this tax their own payments to the State plan. It will be recalled that this uniform Federal tax with its credit allowance is designed to remove any disadvantage in interstate competition from which an employer might suffer in having to contribute to a State unemployment compensation system. The Federal law does not tax employees, since there is no element of interstate competition involved. The decision as to whether employees are to contribute to the State plan is left entirely to the States.

Upon the question of employee contributions the Committee on Economic Security made no recommendation, except that employees should not be taxed by the Federal law and that the matter be left entirely to the States for decision. This policy was followed in drafting the Social Security Act. The customary arguments for and against employee contributions are as follows:

For

Against

(1) Employee contributions justify giving employees a greater voice in the administration of unemployment compensation and a feeling of responsibility which will help to prevent abuse of the benefit provisions.

(2) They will remove the taint of charity from benefits.

(3) They will permit more adequate benefits. Benefits made possible by a 3-percent levy can be paid 50 percent longer if employees contribute an additional 1 percent.

(1) Wage rates of many employees are so low that even a small rate of contribution will constitute a serious burden.

(2) Employer contributions can be passed on to the consumer; this is not possible for employee contributions. Exclusive employer contributions are a recognition of the fact that unemployment is a legitimate cost of production.

(3) The employee as a consumer will pay the large part of employer

¹⁴ 49 Stat. 644, § 910; 42 U. S. C. (1935 Supp.), § 1110.

For

(4) Employer contributions in the long run tend to be deducted from wages; the employee will gain by making a small direct contribution.

(5) Employee contributions are almost universally required in foreign unemployment insurance systems.

Against

contributions; it is unfair to require him to pay an additional amount directly out of his wages.

(4) The employee necessarily bears the greater part of the economic burden of unemployment even when compensated; he is not compensated during the required waiting period and, when he qualifies for benefits, he receives usually only about 50 percent of wages and for only a limited period. He should therefore not be asked to bear part of the cost of unemployment compensation.

The District of Columbia law is the only one in the United States which provides for Government contributions in addition to its contributions as an employer. The amounts are \$100,000 for the calendar year 1936, \$125,000 for 1937, and \$175,000 for 1938. In the House report on the District bill for unemployment compensation, the reason for District contributions was set forth as follows: "Since unemployment benefits will materially reduce the relief burden on the community, it is considered that part of the cost of unemployment benefits should be levied on the entire community through taxation."¹⁵

Instead of a flat rate for all employers, the State law may provide for different rates in future years, depending upon the unemployment experience of the particular employer. This may be provided in several different ways.

If a State chooses the pooled type of fund it may wish to defer decision as to whether it will vary contribution rates in accordance with benefit experience. The Social Security Act does not allow additional credit against the Federal tax for reduced contributions to a pooled fund until the employer has had 3 years of experience after compensation is payable, hence 1941 would be the first year for which such additional credit would be allowable. A State, however, may wish to provide in its basic act for a system of rating contributions.

If the State desires to adopt an employer-reserve account system, it will want to require at least the reserve necessary to obtain "additional credits" under the Federal Social Security Act. In other words, the State law should not allow a reduction in contributions from the standard rate until (1) compensation has been paid throughout the preceding year, (2) the employer's reserve account equals 7.5 percent of the employer's pay roll in the preceding year,

¹⁵ *Unemployment Compensation for the District of Columbia*, Rept. No. 858 (to accompany H. R. 7167), 74th Cong., 1st sess., House of Representatives, p. 10.

and (3) at the start of the calendar year in which such reduction is made his reserve account equals at least five times the largest amount of benefits paid from such account within any 1 of the 3 most recently completed calendar years. When these conditions are met, the State is free to reduce the employer's contributions to zero. However, the "model" bill prepared by the staff of the Committee¹⁶ suggested that when the employer's reserve account reaches 7.5 percent of his pay roll for the preceding calendar year, the contribution rate be reduced only to 1.5 percent of his pay roll throughout the given calendar year; and, if his account reaches at least 12 percent of such preceding pay roll, his total contribution rate be reduced to 0.5 percent of his pay roll.

It was further suggested that, if the benefits payable from an employer's reserve account within any calendar year are greater than his contributions to such account for such year, his contribution rate for the next calendar year be increased by 1 percent of his pay roll, unless his reserve account then equals at least 7.5 percent of his pay roll for the last completed calendar year, or be increased to the standard rate of contributions, whichever is higher.

The suggested bill further provided for a contribution of 1 percent to a pooled account by employers having individual-reserve accounts. This pooled account would serve as a reinsurance fund for reserve accounts that may become exhausted and would provide compensation for employees when they have credits for benefits based on employment with a specified employer and only on the basis of employment with such employer. If such a pooled account is provided, the employer should in any case be required to make a contribution to it, no matter what his reserve account amounts to.

If a State wishes to allow guaranteed-employment plans, it will wish to follow the standards required in the Federal act so as to permit employers with such plans to obtain "additional credit."

Table 25 gives by States a rough approximation of the total income that would have been collected in 1933 if a 3-percent tax on pay rolls had been in effect. State collections under unemployment compensation systems will vary year by year according to fluctuations in the number of covered persons employed as well as in their earnings. Both factors will have an important bearing on the total amount raised. Tracing the estimated income through the years 1922-33 for the United States as a whole (see table 16), a peak in yearly amounts collected appeared in 1929 which was nearly 92 percent higher than the low reached in 1933. Since low rates of pay tend to accompany high rates of unemployment, the years when the income of the fund is smallest will also be the years when the number of unemployed eligible for benefits is greatest. Unless reserves are

¹⁶ See footnote 3, p. 106.

accumulated during less adverse times to meet depression emergencies, drastic measures may be necessary to maintain the system on a solvent basis during prolonged and widespread unemployment.

TABLE 25.—*Estimated wages and salaries of compensable labor force and income from a 3-percent contribution, by States, 1933*

State	Total wages and salaries of gainful workers, 1929 (in millions)	Wages and salaries of total compensable labor force (in millions)		3-percent contributions for total compensable labor force, 1933 (in thousands)
		1929	1933	
United States.....	\$59, 797	\$33, 785	\$17, 602	\$528, 060
Alabama.....	1 589	2 333	3 173	5, 190
Arizona.....	209	118	61	1, 830
Arkansas.....	320	181	94	2, 820
California.....	3, 738	2, 112	1, 100	33, 000
Colorado.....	445	251	131	3, 930
Connecticut.....	995	562	293	8, 790
Delaware.....	122	69	36	1, 080
District of Columbia.....	400	226	118	3, 540
Florida.....	528	298	155	4, 650
Georgia.....	654	370	193	5, 790
Idaho.....	147	83	43	1, 290
Illinois.....	5, 024	2, 839	1, 479	44, 370
Indiana.....	1, 512	854	445	13, 350
Iowa.....	819	463	241	7, 230
Kansas.....	658	372	194	5, 820
Kentucky.....	689	389	203	6, 090
Louisiana.....	622	351	183	5, 490
Maine.....	326	184	96	2, 880
Maryland.....	800	452	235	7, 050
Massachusetts.....	2, 709	1, 531	798	23, 940
Michigan.....	3, 000	1, 695	883	26, 490
Minnesota.....	1, 032	583	304	9, 120
Mississippi.....	300	170	89	2, 670
Missouri.....	1, 614	912	475	14, 250
Montana.....	237	134	70	2, 100
Nebraska.....	449	254	132	3, 960
Nevada.....	61	34	18	540
New Hampshire.....	217	123	64	1, 920
New Jersey.....	2, 752	1, 555	810	24, 300
New Mexico.....	120	68	35	1, 050
New York.....	9, 906	5, 596	2, 915	87, 450
North Carolina.....	632	357	186	5, 580
North Dakota.....	153	86	45	1, 350
Ohio.....	3, 855	2, 178	1, 135	34, 050
Oklahoma.....	748	423	220	6, 600
Oregon.....	492	278	145	4, 350
Pennsylvania.....	5, 481	3, 096	1, 613	48, 390
Rhode Island.....	404	228	119	3, 570
South Carolina.....	300	170	89	2, 670
South Dakota.....	161	91	47	1, 410
Tennessee.....	676	382	199	5, 970
Texas.....	1, 855	1, 048	546	16, 380
Utah.....	203	115	60	1, 800
Vermont.....	145	82	43	1, 290
Virginia.....	733	414	216	6, 480
Washington.....	891	503	262	7, 860
West Virginia.....	657	371	193	5, 790
Wisconsin.....	1, 309	740	386	11, 580
Wyoming.....	108	61	32	960

¹ Leven, Moulton, and Warburton, *America's Capacity to Consume* (Brookings Institution, Washington, D. C., 1934), p. 175, table 19 (Income from Occupation).

² Index = 0.565 = $\frac{\text{Employed compensable labor force for United States}}{\text{Total employed gainful workers for United States}}$

³ Index = 0.521 = $\frac{\text{Total assessable pay roll, 1933}}{\text{Total assessable pay roll, 1929}}$

BENEFITS

The Social Security Act prescribes as a condition for the allowance of credit against the Federal pay-roll tax for contributions to approved State unemployment compensation plans that 2 calendar years must elapse between the initial collection of contributions and the initial payment of benefits.¹⁷ This requirement is designed to provide adequate reserves before benefits are paid. This is essential since the Federal pay-roll tax will not reach 3 percent until the third year, and most States will probably levy their contributions accordingly.

Unemployment insurance benefits are necessarily limited by the amounts that are raised in contributions. Within this limit there can be considerable variation in the benefit provisions. The benefit may be paid in flat amounts or as a proportion of earnings. A high rate may be paid for a short period or a low rate for a longer period. Seasonal and part-time employment may be compensated differently, and dependents' allowances may or may not be paid. A number of such considerations enter into the formulation of a plan, but the chief determinant should always be that assistance be given to the greatest number of unemployed with a minimum of discrimination in favor of minority groups.

Rate of Benefits.—Benefits paid as flat amounts are geared to the wage of the lowest-paid worker and provide no more than a subsistence income. European experimentation with this device has resulted in considerable modification of the original flat rate, and, except in Great Britain, some adjustment of benefit to wages is now the general rule. This latter procedure enlists a larger interest on the part of the higher wage groups who would regard flat benefits mainly as a relief measure. The greater spread between the highest and lowest wages here as compared with European countries also provides an argument for making benefits proportionate to wages.

Two alternative methods are available—establishment of a number of wage groups with a flat amount or proportion of earnings for each, as in Germany, or a fixed percentage of wages for all eligibles. In the former procedure the percentage rate for the lower-paid employees may be higher than that for those receiving the higher wages. This wage-group method is vulnerable in periods of rapid wage changes, which necessitate frequent administrative revisions as workers move from one wage group to another. It is almost universally proposed in this country that benefits be a uniform percentage of full-time wages. This is considered the more equitable policy for all groups since regional differences in the cost of living are reflected in the varying wage rates and the same amount of protection would be provided

¹⁷ 49 Stat. 640, § 903 (a) (2); 42 U. S. C. (1935 Supp.), § 1103 (a) (2).

for all. Increases and decreases in wages would be automatically reflected in benefits without resort to the administrative difficulties present in the German use of wage categories. This rule, however, is usually modified by the stipulation of minimum and maximum benefits.

The rate of benefits may be low, permitting a longer duration, or high with a shorter duration. If a low rate is adopted it will not yield a subsistence benefit for the low-wage groups and their payments will have to be supplemented from relief sources. On the other hand, a high rate may reduce the incentive to seek employment. Practically all the special State commissions which have studied unemployment compensation in this country have recommended that the benefit rate be placed at 50 percent of full-time weekly earnings. With contributions of 3 or even 4 percent of pay rolls, this is virtually the maximum weekly rate of benefits which can be provided without unduly shortening the duration of benefits.

It is probable that each State in establishing an unemployment compensation system will desire to fix a maximum weekly benefit which is appropriate to its own conditions. States may also desire to establish a minimum weekly benefit for total unemployment. It is impracticable to suggest a minimum benefit applicable to all States by reason of the wide difference in the earnings of the lower-wage groups in different parts of the country.

Dependents' Allowances.—European laws generally provide dependents' allowances. Such provision is open to the objection that it introduces the element of need with all its implications of investigation and administrative detail; it prevents relating benefits closely to contributions and favors racial or other groups with high birth rates. The theoretical problem involved is whether it is more socially desirable to pay a slightly higher benefit rate to all unemployed persons, or to redistribute the cost in such a way as to benefit to a higher degree those persons having family responsibilities. This is a matter of social policy on which the State must make its own decision. Only one law in the United States provides for dependents' allowances. The District of Columbia law, enacted on August 28, 1935, provides for an additional benefit allowance of 10 percent of the employee's wages for a dependent spouse, and of 5 percent for each other dependent relative in his household, up to a maximum of 65 percent of wages. Dependent relatives are limited in the definitions to "mother, father, stepmother, stepfather, brother, or sister, who, because of age or physical disability, is unable to work, or a child under 16 years of age who is wholly or mainly supported by the employee."

Partial Unemployment.—The question whether partial and total unemployment shall be differently defined and compensated must be decided. In foreign countries where the labor supply is usually less mobile than in the United States total unemployment arises when the contract of service ends, and partial unemployment is a temporary stoppage of work while the employee still possesses a labor contract. In the United States total unemployment has usually been considered unemployment of a full week and partial unemployment as loss of work or wages for shorter periods. The distinction, however, is not always valid. One firm may work an employee 1 week and lay him off the next; another may give him half time each week. To the employee, unemployment is all lost time involving decreased wages, whether in units of hours, days, or weeks. If, however, it is thought that the scheme should provide an incentive to employers to spread work, compensable total unemployment may be defined as total loss of weekly earnings from lack of work and partial unemployment as reduction of weekly earnings from lack of work below a specified proportion of regular earnings. In no case should partial unemployment involving more than 50 percent loss of wages go uncompensated.

The suggested "model" bills of the Committee¹⁸ recommended that an employee who involuntarily suffers partial unemployment in any week be paid sufficient benefits so that when his compensation is added to his week's wages and any other pay for personal services, including net earnings from self-employment, the total will be \$1 more than the weekly benefit to which he would be entitled if totally unemployed in that week. Unless larger contributions than a rate of 3 percent of pay roll are required, it is probable that partial benefits cannot greatly exceed this amount. Whereas the provision gives only a slight advantage in total weekly income to the partially unemployed person as compared with the totally unemployed, and consequently offers only a slight incentive to an eligible benefit claimant to seek odd jobs or part-time sources of income, it has the advantage to the recipient of partial benefits that he will not exhaust his benefit rights as rapidly as the one who draws total benefits. Although it would be desirable to give more liberal benefits to partially employed persons, the primary purpose of the fund is to provide protection to employees who are totally unemployed. To avoid excessive administrative costs it is also desirable to avoid large numbers of claims for small amounts of partial unemployment.

Seasonal Unemployment.—Unless special provisions are made for highly seasonal industries by the payment of a lower rate of benefits, by the requirement of a higher rate of contribution, or by the exclu-

¹⁸ See footnote 3, p. 106.

sion of seasonal industries from the system, employees in these industries will draw from a general pooled unemployment compensation fund far in excess of the contributions paid by the industry. There have been cases in Great Britain where workers in a particular seasonal industry were on the average drawing benefits which amounted to more than three times the contributions made on their behalf. This, of course, is unfair to employees in stable industries who may find the funds depleted when they become unemployed. It also forces stable industries to subsidize unduly the unstable ones. Foreign countries have been forced to take special measures to safeguard the fund against undue drain from this group of employees. The problem at best is a very knotty one and will require considerable study and experimentation before a solution satisfactory to conditions in this country can be found. Possibly the wisest legislative step at this time is to postpone definite action until the State agency can investigate the problem in the particular State and make recommendations to a later session of the legislature before benefits are payable.

One method of dealing with seasonal unemployment is to limit benefits to employees in seasonal industries to the customary busy season. Foreign experience indicates a disposition to compensate only the latter type of unemployment. Unless this course is followed, and in the absence of other restrictions, a large proportion of the workers in seasonal industries would draw the maximum duration of benefits annually and thus participate unduly in the fund to the prejudice of other workers who might subsequently be unemployed. A ratio of benefits to contributions such as 1 week of benefits to 4 weeks of prior employment limits to some extent the annual benefit outlay for these persons, but the restriction is probably not sufficient. Similarly, the requirement of a specified number of weeks of employment during the preceding year or 2 years will operate to exclude the most highly seasonal workers. A possible solution, following British experience, is to empower the administrative authority in the State to decide which are seasonal industries, indicate the normal slack period for each, and provide that unemployment in such period shall not be compensable unless the worker's record indicates that in the slack season during several preceding years he has usually obtained other employment in industries covered by unemployment compensation.

Ratio of Benefits to Employment.—Plans proposed in this country usually provide that the aggregate number of weeks of benefits an employee may at any time receive should be determined by a specified ratio to the number of his past weeks of employment. This ratio serves to guard the fund against excessive payment of benefits

to those with only a limited amount of previous employment to their credit. The ratio most often proposed is 1 week of benefits for each 4 weeks of employment in a specified period. The ratio may be lowered to 1 week of benefits to 3 weeks of insured employment if it is desired to liberalize this provision, or it may be raised to 1 to 5 if it is desired to make benefit requirements more stringent. The actuarial considerations would be different under each of these ratios.

Maximum Weeks of Benefits in Any Year.—According to estimates for the United States as a whole, with a 3-percent contribution rate and a 4-week waiting period, 12 weeks of benefit could be granted under a scheme designed to remain solvent throughout periods of severe depression. (See p. 87.) The scarcity of employment and unemployment statistics by States makes it impossible to calculate accurately the extent of benefits which can be allowed within each State. It may seem desirable to some State legislatures to increase the rate of contribution (either by increasing the employer's rate above the Federal tax, by requiring employee contributions, or by providing a contribution by the State) in order to provide longer durations of benefits than those indicated as possible with a 3-percent contribution. For example, with the assumptions of solvency through major depressions and a 4-week waiting period, the 3-percent contribution would roughly have permitted the payment of 12 weeks of benefits, whereas on the same assumptions, a 4-percent contribution rate would have increased the duration of benefits to 18 weeks, and a 5-percent contribution would have made possible the payment of 26 weeks of benefits. Thus the increase in the length of benefits is greater in proportion than the increase in the contribution rate. This is explained by the distribution of the unemployed according to the duration of their unemployment taken from surveys or censuses of unemployment, which show that a larger proportion of the idle are unemployed for short periods of time than are unemployed for long periods. For example, on the basis of the tables on duration of unemployment (table 18) of 5,000,000 unemployed, 21 percent were unemployed 4 weeks or less, 13 percent were unemployed 5 to 8 weeks, while only 6 percent were unemployed from 18 to 20 weeks. Therefore, as the duration of benefits is increased, each additional week added will require a proportionately smaller addition to the rate of contributions necessary to finance the benefits. As a result, an additional 1- or 2-percent contribution will make possible an extension of benefits to a duration that will more adequately protect the unemployed against long periods of unemployment.

Additional Benefits.—Owing to the short duration of regular benefits that is possible, a State may wish to provide more generously

for those who have had stable employment records and have not previously drawn upon the fund. The suggested "model" bills prepared by the staff of the Committee¹⁹ contained a plan whereby an eligible employee who had received the maximum benefits permitted by statute might receive additional benefits in the ratio of 1 week of total unemployment benefits (or its equivalent) to each unit of 20 aggregate weeks of employment within the 260 weeks preceding the close of the employee's most recent week of employment, against which benefits have not been charged. For the employee with a steady record of employment over the preceding 5 years as much as 10 weeks of additional benefits could be provided. This provision of additional benefits was suggested because foreign experience indicates that a large proportion of employees will draw no benefits for a number of years. These employees will have an especially valid claim to the additional benefits thus provided when, because of a depression or technological change, they lose their jobs and are unable to find other work.

ELIGIBILITY FOR BENEFITS

An unemployment compensation system must define clearly the conditions of eligibility to receive benefits, covering such matters as previous employment required, the waiting period, the character of unemployment to be compensated, and the statutory requirements of registration and availability for work.

Qualifying Period.—Unemployment compensation systems universally require the employee to have been employed for a minimum period in compensable employment in order to qualify for benefits. A requirement of this kind is necessary to prevent the fund from being depleted at the expense of the regularly employed worker by the payment of benefits to persons who work only intermittently, spasmodically, or for brief seasonal periods in compensable employment. The State may, at its option, modify or even eliminate this provision, but account would need to be taken of the actuarial effect of such modification or elimination.

Availability and Registration for Work.—It is universal practice in compulsory systems of unemployment compensation that an employee is not eligible for benefits in any week of unemployment unless in such weeks he is physically able to work and available for work, whenever duly called for work through a public employment office. To prove such availability for work, every applicant for benefits is required to register for work at the nearest public employment office and to report from time to time as required by the gen-

¹⁹ See footnote 3, p. 106

eral rules of the administrative authority. No employee is eligible for benefits for any week in which he fails without good cause to comply with such requirements. As with accident compensation laws, the administrative rules covering such requirements should be furnished to each employer, who should be required to inform his employees of the terms thereof when they become unemployed.

In foreign systems the unemployed person who has otherwise proved his eligibility for benefits must also prove that he has not obtained other employment, by reporting at a specified place, such as a public employment office, within ordinary working hours. Provisions for the frequency of such reporting vary greatly. During periods of severe unemployment, congestion has often resulted at the public employment offices abroad, and various methods of rotating registrants by sex, occupation, or industry have been adopted. It is suggested that the State administrative authority be given power to work out methods by which such overcrowding can be prevented by allowing it to prescribe by general rule the frequency and manner (whether in person or in writing) by which the claimant shall register for work.

The fact that a person has been working and is able to report at the employment office is generally taken as proof that he is able to work, unless he is in receipt of such other types of benefit as old-age, invalidity, or sickness allowance. Provision is customarily made that no person shall receive two benefits at the same time. The States, in their legislation, will wish to avoid duplicate payments by providing that no unemployed person may receive unemployment benefits while he is in receipt of accident compensation or other types of social insurance benefits.

Waiting Period.—Every system of compulsory unemployment compensation requires a waiting period before benefit payments begin, in order to allow time for establishing the applicant's right to benefits. Such a period may also serve to limit the financial expenditures without inflicting undue hardship on the unemployed person. If no waiting period were exacted, the minor ebbs and flows of employment in normal times would result in large drains on the resources of the system for a type of unemployment that causes least hardship to the worker. Provisions concerning the waiting period vary greatly in existing plans and are often different for total and partial unemployment.

Recently, as a result of the depression experience, opinion in the United States has favored a relatively long waiting period in order to conserve the resources of the system for prolonged unemployment. A waiting period of 4 weeks in a year for both total and partial unemployment seems to fit these needs, since estimates reveal that the

unemployment concentrated in the first 4 weeks constitutes a considerable portion of the total, varying from about 30 percent in good times to about 15 percent in times of depression. A 4-week waiting period would, therefore, make possible considerable increase in the duration of benefits without subjecting the unemployed to undue hardship before their benefits begin. The States, of course, are free to impose shorter or longer waiting periods. Decision will rest upon whether or not it is desired to emphasize conservation of funds for serious periods of unemployment. It is customary to require the employee to register for employment before his waiting period is started, and he must be unemployed and available for work, under the same rules as for the payments of benefits, in order to have the time counted in satisfaction of the waiting period.

Since the cost of compensating the earlier weeks of unemployment is greater than that of compensating the later weeks, it follows that the length of the waiting period has a considerable effect upon the duration for which benefits can be paid. According to actuarial estimates for the United States as a whole, a change of 1 week either way from a 3-week period would result in a corresponding change of from 1 to 5 weeks in the length of benefits permissible, depending upon the rate of contributions.

Labor Disputes.—In order that the unemployment compensation fund may not be used as an instrument for or against labor disputes, most European systems of unemployment insurance disqualify from benefits for the duration of a strike or lockout those employees whose unemployment is a direct result of the labor dispute still in active progress in the establishment in which he is or was last employed. The States will no doubt want to include a similar provision. This should be carefully defined so as to avoid injustice or discrimination.

Voluntary Unemployment.—Considerable difference of opinion exists as to the treatment of an employee who leaves his employment voluntarily without good cause. European laws usually disqualify such an employee for a limited period. The suggested "model" bills prepared by the staff of the Committee²⁰ proposed that employees quitting without good cause be considered ineligible for benefits for the week in which such leaving occurred and for the 3 following weeks. This period of ineligibility would be in addition to the required waiting period. The penalty, therefore, consists in effect in a prolongation of the waiting period for those who leave work without just cause. If a State so desires, persons who leave work voluntarily may be entirely disqualified from benefits or the period of ineligibility may be lengthened or varied according to the reason for quitting.

²⁰ See footnote 3, p. 106.

Discharge for Misconduct.—A State may wish to provide for flexibility in its regulations with regard to unemployment resulting from discharge for misconduct, or it may desire to establish rigid restrictions. A flexible provision suggested in the “model” bills prepared by the Committee’s staff²¹ provided a penalty which could be varied by the administrative agency to suit the circumstances of each individual case by a prolongation of the waiting period for an additional 3 to 6 weeks, as determined by the administrative agency in each individual case.

On the other hand, there is considerable opinion, especially on the part of employers, in favor of complete disqualification from benefits in cases of discharge for misconduct. The State should give serious consideration to the injustice of such entire disqualification if employee contributions are required.

Refusal of Suitable Employment.—Although an insured person has proved the involuntary character of his unemployment, there must be some test of his willingness to accept new employment before he is entitled to benefits. The only satisfactory test of willingness is an offer of a job, and successful administration of unemployment compensation depends largely on an adequate system of public employment offices. Even so, the test can be effective only to the degree that work exists and that employers make use of the employment service. If a worker is known to refuse an offer of suitable employment, he is considered unwilling to work and disqualified for benefits, usually for a limited period. All European schemes make such a provision.

Protection of Labor Standards.—With the aim to protect labor standards, all foreign measures define suitable work similarly. Generally, it is considered employment at a reasonable distance, which would not endanger the individual’s health, safety, or morals, at wages and working conditions prevailing in the locality, and in situations not vacant by a trade dispute. In this country it has also been recommended by the American Federation of Labor that work be considered unsuitable if acceptance would abridge or limit the right of the employee either to refrain from joining a labor organization or association of workmen, or to retain membership in and observe the rules of such an organization. All these provisions are designed to protect the skill and standard of living of the worker. The Federal Social Security Act defines very specifically the conditions under which an employee may be considered justified in refusing work which offers serious threat to labor standards. According to section 903 (a) (5) “Compensation shall not be denied * * * to any otherwise eligible individual for refusing to accept new work

²¹ See footnote 3, p. 106.

under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization."²²

Wage Disqualifications.—Unemployment compensation systems abroad generally do not apply either the taxes or the benefits to higher-paid employees. Because of the fact that the Federal tax applies to all employees, regardless of wages received, it will probably not be feasible to limit to lower-wage groups the benefits provided under State systems. A maximum limit upon benefits will necessarily penalize more or less severely the higher-paid employee. The States may, if they deem it appropriate, go further and debar higher-paid employees from benefits, but it should be remembered that employers are required to pay taxes on this group of employees.

CLAIM AND APPEALS PROCEDURE

The staff of the Committee on Economic Security embodied in its suggested bills ²³ general flexible arrangements for the settlement of benefit claims. The recommended procedures were so framed that they could be set up and changed by the State administrative authorities on the basis of further study and experience without the necessity of legislative amendments. The procedure outlined provided that claims for benefit should first be filed at the local employment office or other designated agency, and disputed claims should be heard locally, either by a deputy of the administrative authority or by an appeals tribunal consisting of representatives of employers and employees with a deputy of the administrative authority as chairman. Appeals were to be allowed to the State administrative authority if the decision of the compensation office were reversed. On points of law, a further appeal was to be allowed to the civil courts. All persons delegated to handle claims or appeals would be given authority to administer oaths, to take depositions, and to compel the attendance of witnesses and the production of necessary papers and records.

In its unemployment compensation act each State will need to draft provisions consistent with its judicial structure and procedure to specify (a) the type of legal action to be used for judicial review of contested cases; (b) the court or courts to be used; (c) transmission

²² 49 Stat. 640, § 903 (a) (5); 42 U. S. C. (1935 Supp.), § 1103 (a) (5).

²³ See footnote 3, p. 106.

by the administrative agency of the record in the case; (*d*) assessment of court costs, etc.

Some States have found it desirable, under their accident compensation laws, to have a single court handle all such cases, thereby developing a tribunal with specialized knowledge and experience in this field. Such procedure might well be followed in the new field of unemployment compensation.

ADMINISTRATION AND FINANCE

The Federal Social Security Act leaves to the States the determination of the administrative organization for unemployment compensation, as well as of the substantive provisions of the State law. This latitude will doubtless give rise to many variations in types of control and administrative procedures, though certain similarities will obviously occur because of Federal requirements with regard to the payment of compensation and the deposit and withdrawal of funds if the State law is to be approved by the Social Security Board.

The work involved in the administration of a State unemployment compensation law will be very considerable, and the administrative expenses (including the operation of public employment offices) will, judging by experience abroad, be at least an amount equal to 10 per cent of the annual contribution. Title III of the Social Security Act provides for grants to States for administrative expenses.

Administrative Agency.—The type and size of the agency created or designated to administer the State unemployment compensation act will be dependent to a large extent on the size and degree of industrialization of the State. The bodies designated to administer the unemployment compensation system may conceivably be of two different types, as follows:

(1) A separate division for unemployment compensation under the existing State labor department with a full-time salaried director subject to the supervision of the chief officer of the labor department. If this procedure is adopted, there should be two coordinate sections of the division, the employment service section and the unemployment compensation section, with separate administrative functions, personnel, and budgets. If the existing State labor department is administered by a single commissioner, a special board of review should be created to review disputed claims for benefit.

(2) A new, salaried, full-time commission of three members may be established with power to determine policies, adopt necessary rules and regulations, act as the board of review for appealed cases, and have general supervision of the routine administration through a director or a secretary.

General Rules.—Because of the complicated administrative problems which cannot be foreseen and which are not amenable to legislative prescription, the administrative agency for unemployment compensation will need authorization to adopt such rules and regulations as may be necessary for the interpretation and application

of the intent of the act. Administrative practices with regard to such matters as collection of contributions, payment of benefits, and procedure for the establishment of claims will have to be developed and should be defined by administrative rules and regulations rather than by statutes. General rules, interpreting or applying the unemployment compensation act and affecting all or classes of employers, employees, or other persons or agencies, will be necessary. The manner of their adoption by the administrative agency, including official notice of their adoption and content, will need to be set forth in the statutes.

Personnel.—No phase of the administration of unemployment compensation is more important than personnel. It must be recognized that unemployment compensation is a large undertaking. A large part of the work requires highly trained persons, such as actuaries, auditors, accountants, attorneys, economists, statisticians, persons with training and experience in personnel work, employment placement, etc. The administrative work will be similar to that of a large insurance corporation, requiring the adoption of sound personnel policies and the selection of capable personnel, chosen wholly on the basis of qualifications for the work. Nothing would so greatly discredit the whole system of unemployment compensation as poor administration which would inevitably result from the use of untrained, poorly qualified, politically appointed, and constantly shifting personnel.

Each State will have to deal with the personnel problem in the light of its own institutions and traditions. If the State has a civil-service system, employees of the unemployment compensation system, with possibly a very few exceptions, should be placed under this system with a permanent status and be selected upon a competitive merit basis. In States which have no civil-service system, it would be appropriate to authorize or to require the administrative agency in charge to prepare and adopt a standard classification of its personnel positions and to make appointment thereto upon a strictly merit, nonpartisan basis.

A reasonable degree of security against arbitrary and political removals should also be provided. The statute might provide that all appointments should be made for an indefinite term and that after a reasonable probationary period, fixed by the rules of the agency, the employee should be subject to removal only for cause, after written notice and opportunity for hearing. These provisions would constitute some protection against future political manipulation of the personnel and would help to build up a tradition against this practice.

Advisory Councils.—The provision of a State-wide advisory council and also of local advisory councils, composed of employer and

employee representatives and of members representing the public generally, will be of great assistance to the administrative agency (a) in formulating policies and discussing problems related to the administration of the unemployment compensation act, and (b) in assuring impartiality, neutrality, and freedom from political influence in the solution of such problems. Advisory councils of this kind usually serve without compensation but are reimbursed for any necessary expenses.

Employment Stabilization.—It should be one of the functions of an unemployment compensation system to promote the regularization of employment.

Ways by which the administrative agency could accomplish this would be to publish studies of the methods utilized by employers to stabilize employment; to encourage and assist in the adoption of practical methods of vocational training, retraining, and vocational guidance; to investigate, recommend, advise, and assist in the establishment and operation (by municipalities, counties, school districts, and the State) of reserves for public works to be used in times of business depression and unemployment; and to these ends to employ experts and to carry on and publish the results of investigations and research studies.

Records and Reports.—Every employer of any person in the State should be required to keep true and accurate employment records of all persons employed by him, of the weekly hours worked by each, and of the weekly wages paid to each employee. Such records should be open to inspection by the administrative agency or its authorized representative at any reasonable time and as often as necessary. The administrative agency should have authority to require from any employer any reports relative to employment, wages, hours, unemployment, and related matters, which are considered necessary for effective administration. Information thus obtained should not be published or open to public inspection in any manner revealing the employer's identity, and any employee of the administrative agency guilty of violating this provision should be subject to appropriate penalties.

Representation in Court.—The administrative agency will need authority to call upon the attorney general or the equivalent officer in the State to represent it in any court action relating to unemployment compensation or its administration and enforcement. It may also be advisable, in unusual cases, to permit it to employ special counsel with the approval of the governor.

State-Federal Cooperation.—In view of the advantages that will accrue to the State from the Federal Social Security Act and the Wagner-Peyser Act (providing for a Federal-State system of public employment offices), the administrative agency should be authorized

and directed to cooperate in all necessary respects with the appropriate agencies and departments of the Federal Government in the administration of unemployment compensation and of free public employment offices, to make all reports requested by any directly interested Federal agency or department, to accept any sums allotted or apportioned to the State for such administration, and to comply with all reasonable Federal regulations governing the expenditures of these sums.²⁴

Employment Offices.—The Federal Social Security Act requires that unemployment compensation be paid solely through public employment offices or such other agencies as the Social Security Board may approve.²⁵ It will be necessary for the State to establish and maintain free employment offices throughout the State for the proper administration of unemployment compensation. Appendix IV, entitled "The History and Development of the United States Employment Service", gives a brief summary of the development of public employment offices in the United States and outlines their functions and activities.

Unemployment compensation laws everywhere provide as a condition to qualification for benefits that the employee register with the employment exchange and accept suitable employment if available. He is entitled to benefits only in case it is impossible to find other employment. This is the only effective provision which makes it possible to ascertain willingness to work. It is almost inconceivable that any State would ever attempt to administer unemployment compensation except through public employment offices. There must, accordingly, be the closest possible connection between the employment offices and the administration of unemployment compensation. It is doubtful whether this can be accomplished without unification or merger of these two activities.

The Committee on Economic Security strongly recommended the acceptance by the State of the provisions of the Wagner-Peyser Act of June 6, 1933,²⁶ so that the State employment service would be affiliated with the United States Employment Service. This would establish a Nation-wide system of employment offices that could facilitate the interstate transfer of workers to places where a labor shortage exists and would make possible national statistics on the state of the labor market.

²⁴ This will be necessary in order to receive Federal grants for unemployment compensation administration.

²⁵ 49 Stat. 626, 640, §§ 303 (a) (2), 903 (a) (1); 42 U. S. C. (1935 Supp.), §§ 503 (a) (2), 1103 (a) (1).

²⁶ 48 Stat. 114, § 4; 29 U. S. C., § 49 (c); entitled "An act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such systems, and for other purposes."

Protection of Rights and Benefits.—In State unemployment compensation legislation it will be necessary to have a section which will provide legal protection of the employee's rights and benefits. Such a section should declare void any waiver of rights by an employee, should limit the fees charged by the employee's counsel or agents in claim proceedings or court action, and should prohibit assignment or garnishment of benefits.

Any employee claiming a violation of this section should have recourse to the method and procedures provided for deciding benefit claims; and the administrative agency should have power to take any steps necessary or suitable to correct and prosecute any such violation.

No employee should be charged fees of any kind by the administrative agency or its representatives, in any claim or appeal proceedings. Any employee claiming benefits in any proceeding or court action should be allowed representation by counsel or other duly authorized agent; but the State may desire to limit the fees that such counsel or agent should together charge or receive for such services in the proceeding or court action. Unemployment compensation benefits which are due or may become due should not be assignable before payment. When awarded, adjudged, or paid, the benefits should be exempt from all claims of creditors, and from levy, executions, and attachments, or other remedy provided for recovery or collection of debt. It should be stipulated that this exemption may not be waived.

Collection of Delinquent Contributions.—State unemployment compensation statutes must necessarily make some provision for delinquent collection, covering such matters as interest payments, bankruptcy, and court actions for recovery.

Penalties.—The unemployment compensation law in the States will need to establish penalties for misrepresentation or fraud on the part of employees and employers. Fraudulent practices to be guarded against include: (1) False statements or representations by employees or others to obtain or increase any benefit or other payment; (2) false statements or representations by an employer to avoid liability to the tax for unemployment compensation or to reduce the amount of contribution or payment to which he is legally liable; (3) willful failure or refusal to make contributions or payment due and failure or refusal to furnish reports or to testify or produce records; (4) the requirement of employees, by wage deductions, to pay all or any part of the required employer contributions, or to waive any right established by the unemployment compensation act.

Administration Fund.—Since the Federal Social Security Act has established as a requisite for Federal approval that all money with-

drawn from the Federal unemployment trust fund be used for the payment of unemployment compensation, a special administration fund should be created to consist of all money received by the State for administrative purposes. This special fund may be handled by the State treasurer as other State moneys are handled, but the amounts in the administration fund should be expended only for the specified purpose of paying administrative expenses in connection with unemployment compensation. A separate employment service account should be maintained in the fund, containing any sums received under the Wagner-Peyser Act or segregated to pay for the operation of the State employment service, if this service is placed under the unemployment compensation system.

To enable the State to receive its full share of the Federal money now available on a matching basis from the United States Employment Service under the Wagner-Peyser Act, it will be necessary for the State to appropriate about 3 cents per capita of the State population. Such an appropriation will be relatively small, as compared to the total cost of the State's employment service, in view of its enlarged functions under an unemployment compensation act. The larger part of administrative costs will be financed from Federal money authorized to be appropriated under title III²⁷ of the Social Security Act, but an effective State-wide employment service will benefit not only employees covered by the unemployment compensation act but also the entire community.

Saving Clause.—As a requisite to Federal approval of a State unemployment compensation system, the Federal Social Security Act has stipulated that State laws shall include a saving clause providing that all the rights, privileges, or immunities conferred by such law or by acts pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.²⁸ This provision is designed to permit flexibility in the relation of State laws to possible subsequent amendments to the Federal act which may, as more experience is accumulated, be revised or amended.

²⁷ 49 Stat. 626; 42 U. S. C. (1935 Supp.), §§ 501-503.

²⁸ 49 Stat. 640, § 903 (a) (6); 42 U. S. C. (1935 Supp.), § 1103 (a) (6).

Part II

OLD-AGE SECURITY

The basic data for part II are drawn from staff reports on old-age security, prepared by Barbara Nachtrieb Armstrong, J. Douglas Brown, Murray W. Latimer, and Otto C. Richter, actuary, and a consulting group of actuaries

Part II

GOLD-AGE SECURITY

The book is for part II. It
shows how to report on old-age security, proposed by
Barbara Yonah of Armstrong, J. Douglas Smith,
Henry W. Palmer, and Geo. C. Hibbard,
and a consulting group
of authors.

Chapter VII

THE ECONOMIC PROBLEMS OF OLD AGE

OLD-AGE noncontributory pensions and contributory old-age insurance are two forms of social legislation designed to prevent destitution among the aged in lower-income groups. The approaches of the two are different in principle, for a noncontributory old-age pension system provides a small periodic payment from public funds to old persons after they have become destitute, whereas an insurance plan permits workers, through the periodic payment of a small percentage of their wages and with the assistance of their employers, to build up a modest retirement income guaranteed by the government. On the one hand aged persons who are without resources are recognized as the responsibility of the community; on the other hand machinery is provided for savings on the part of the worker and his employer for old-age security, with government control of the investment of his savings. In the majority of countries where old-age insurance systems are in operation, government funds and employer contributions supplement the wage earner's periodic payments to his old-age annuity fund.

For society as a whole, provision to enable the voluntary retirement of the aged from the labor market appears justified by at least three strong arguments: (1) The worker, after years of productive effort, has earned the right to rest; (2) his advanced age or invalidity renders him incapable of an effective part in productive enterprise; (3) his continuance at work prevents a younger man from filling his place and gaining occupational skill, experience, and promotion. Retirement of the older worker at a specified age is usually made compulsory under a contributory old-age insurance system. When no provision is made for an assured retirement income, the majority of elderly wage earners continue to work or to seek employment until they are ultimately forced to dependency, either upon their children or upon the community in which they live.

The effect of destitution and dependency is enormously expensive not only in the cost of actual assistance rendered by governments, private charity, and the generosity of relatives and friends but also in

the psychological results of the loss of self-respect and the constant fear of insecurity. Therefore, recognizing both the tangible and intangible values of an earned retirement income, the principal countries of Europe have provided that worker, employer, and state shall contribute toward a fund for old-age annuities. In one sense, this merely represents the diversion of funds from channels of charitable assistance or public relief to channels of insurance against the hazard of dependency. This step would be justified from the standpoint of sound economic policy even if the net cost of insurance were far in excess of the future relief which it replaces, for the quality of self-respect and the relative freedom from fear of old age engendered by old-age insurance have a dollar-and-cents value to worker, employer, and government alike. In view of the fact that the health, morale, and standard of living of the wage earner have definitely improved under social insurance wherever it has been in force, it is easy to understand the great development of social insurance institutions in the civilized world today. The United States, entirely alone among industrialized countries, has lagged behind in social insurance legislation.

In actual money value the old-age annuity provided in foreign countries, even with generous government contributions, is small in comparison with American standards. But even a small, steady income earned as a right bridges the wide gap between complete dependency and independence.

The conditions of modern society, especially in highly urbanized and industrial areas, do not permit the wage earner, unaided, to provide for his old age. Unless wages are increased, thrift encouraged, and savings safeguarded by the government, the community as a whole will inevitably have to meet an increasing problem in the care of the dependent aged. A man's productive, wage-earning period is rarely more than 45 years. Under present conditions he must earn enough in this period to contribute toward the support of aged parents, rear and educate children, maintain his family at a standard of living more or less consistent with American ideals, and save enough in the form of insurance or absolutely safe investment to provide a modest income until death, if he survives his working period. This last item of his budget is the one least urgent, least stressed by advertising propaganda, and most easily disregarded among the many financial demands.

For a given individual the problem of old-age dependency may begin when he is 60 or 65 years old and may last until he is 80 or 90. His health or that of his family may or may not complicate the problem. Moreover, his economic, occupational, marital, or family status may each contribute in turn to make his situation different

from that of his neighbor. Hence the date and conditions of the ultimate interruption of his earning power, when the head of a family or a single person must face the fact that he is no longer able to earn a living, is unpredictable for an individual. For a large enough group of wage earners, however, calculations can reveal with reasonable accuracy the number who will survive to old age and the amount of weekly, monthly, or annual contribution on behalf of each member of the group which will provide a given retirement income for each. It is, therefore, possible and practicable through social insurance to provide a safe, adequate income for the period when the individual will be no longer able to earn a living.

When he has the assurance that each day's work builds up an investment for his old age, permitting independence of the charity of the community or financial aid from sons and daughters already overburdened by the cost of maintaining their own families, much of the wage earner's haunting fear of insecurity is removed.

The increase in the proportion of older persons in the population of the United States, the mounting ratio of dependency in old age, and the difficulties which an older worker meets in his attempt to find and hold employment make it imperative that legislative and collective action be taken in this country to avoid ever-mounting costs of relief to the aged and the humiliation of subsistence upon charity.

INCREASE OF AGED PERSONS IN THE UNITED STATES

At the time of the 1930 census there were 6½ million people 65 years of age and over in the United States, representing 5.4 percent of the population. As a result of a declining birth rate in this country, which manifested itself about 1820 and persisted from that time, the ratio of aged persons to the total population has shown a continuous increase for more than a century. The increase was very slow for 40 years, more rapid from 1860 on, and noticeably accelerated between 1920 and 1930, resulting from a rather sharp decline in birth rate which set in about 1920. This decline is expected to persist, moreover, and will, of course, produce a correspondingly sharp increase in the ratio of the aged to the population as a whole. The restriction of immigration, curtailing as it has the influx of younger persons to this country, likewise tends to increase the proportion of older age groups in the population.

As table 26 shows, while the percentage of persons over 65 rose from 2.7 to 4.7 percent of the total population (a 74-percent increase) in the 60 years from 1860 to 1920, it is expected to rise to 11.3 percent (a 140-percent increase) in the 60-year period following 1920. Figure 1 gives the actual and estimated number of

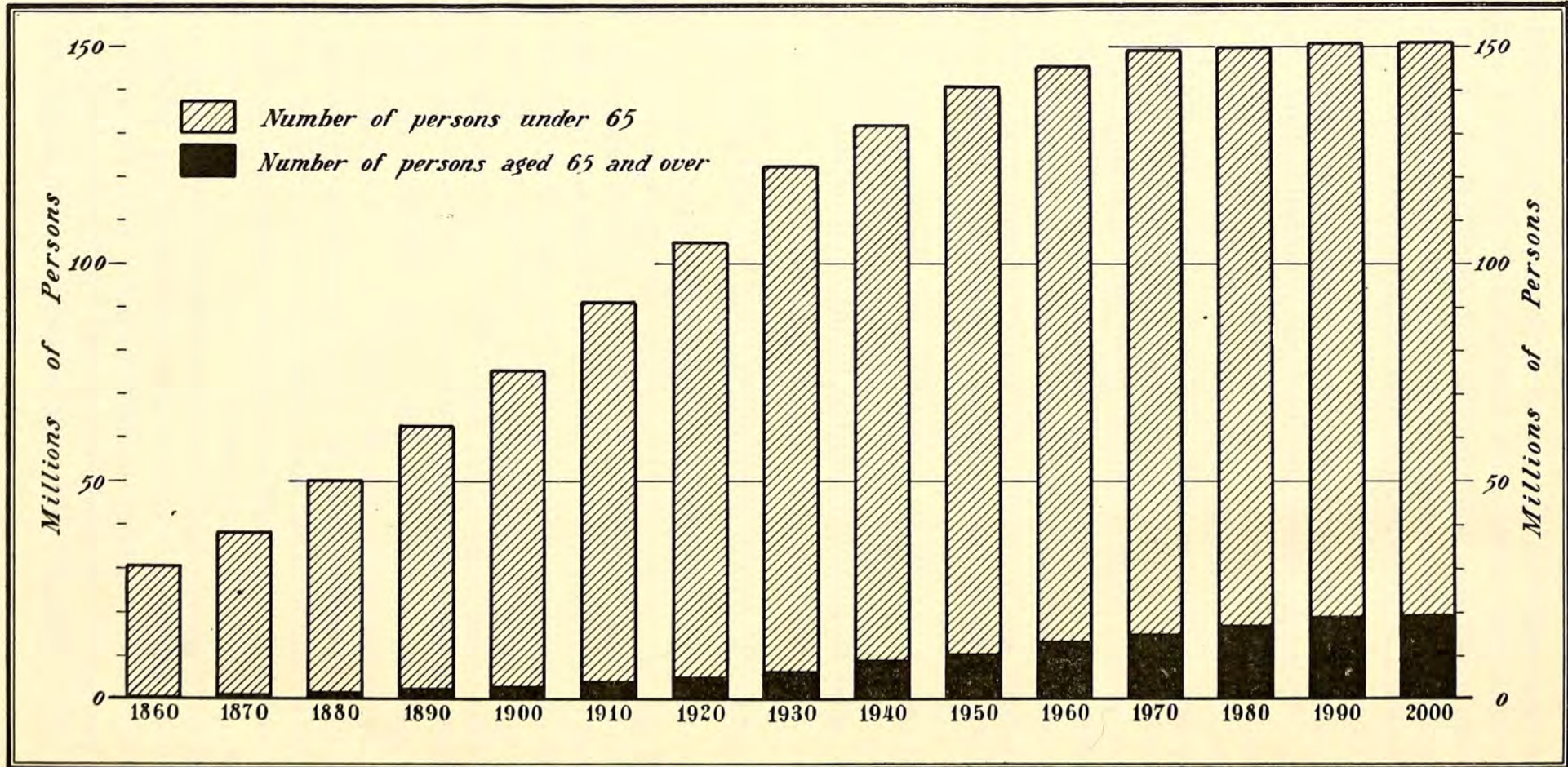


FIGURE 1.—Actual and estimated number of persons aged 65 and over compared to total population, 1860–2000.

persons aged 65 and over, compared to the total population from 1860 to the year 2000.

Since 1870 the three older age groups (30-44, 45-64, and 65 and over) have been increasing faster than the total population. This fact is brought out in table 27. Whereas the total population in 1930 was only 16.2 percent greater than in 1920, the proportions of persons aged 45 to 64 and 65 and over increased, respectively, by 25.7 and 34.5 percent during the decade.

TABLE 26.—*Actual and estimated number of persons aged 65 and over compared to total population, 1860-2000*

Year	Number aged 65 and over	Total population	Percent aged 65 and over	Year	Number aged 65 and over	Total population	Percent aged 65 and over
1860.....	849,000	31,443,000	2.7	1940.....	8,311,000	132,000,000	6.3
1876.....	1,154,000	38,558,000	3.0	1950.....	10,863,000	141,000,000	7.7
1880.....	1,723,000	50,156,000	3.4	1960.....	13,590,000	146,000,000	9.3
1890.....	2,424,000	62,622,000	3.9	1970.....	15,066,000	149,000,000	10.1
1900.....	3,089,000	75,995,000	4.1	1980.....	17,001,000	150,000,000	11.3
1910.....	3,958,000	91,972,000	4.3	1990.....	19,102,000	151,000,000	12.6
1920.....	4,940,000	105,711,000	4.7	2000.....	19,338,000	151,000,000	12.7
1930.....	6,634,000	122,775,000	5.4				

SOURCE: Data for years 1860 to 1930 from the United States censuses. Estimates for subsequent years by the actuarial staff of the Committee on Economic Security. These forecasts are made on the assumption of a net immigration of 100,000 annually in years 1935-39, and 200,000 annually in 1940 and thereafter.

TABLE 27.—*Rate of increase of population by age groups for the United States, 1870-1930*

Years	Total population	Age groups			Years	Total population	Age groups		
		30-44	45-64	65 and over			30-44	45-64	65 and over
1870-1880.....	30.1	29.6	37.0	49.4	1900-1910.....	21.1	26.2	29.1	28.2
1880-1890.....	24.5	31.6	29.9	40.3	1910-1920.....	15.0	19.1	26.9	24.9
1890-1900.....	21.3	27.0	27.0	27.4	1920-1930.....	16.2	18.6	25.7	34.5

SOURCE: Thompson, Warren S., and Whelpton, P. K., *Population Trends in the United States, 1933*, p. 110.

Table 28 gives further details of the age distribution of the United States population in 1920 and 1930, with a breakdown between urban and rural groups. In 1930 it appears that 5.4 percent of the total population of the country was 65 years of age or over, and that 5.1 percent of the urban and 5.8 percent of the rural population was in this age group. Persons over 40 years of age represented 29.3 percent of the total 1930 population, 30.4 percent of the urban group, and 28 percent of the rural.

TABLE 28.—Age distribution of the total, urban, and rural population of the United States, 1920 and 1930

Age group	Total population			Urban population			Rural population		
	1920	1930		1920	1930		1920	1930	
	Number	Number	Accumulated percentage ¹	Number	Number	Accumulated percentage ¹	Number	Number	Accumulated percentage ¹
Under 5.....	11, 573, 230	11, 444, 390	-----	5, 275, 751	5, 626, 360	-----	6, 297, 479	5, 818, 030	-----
5 to 9.....	11, 398, 075	12, 607, 609	90. 6	5, 050, 276	6, 211, 141	91. 7	6, 347, 799	6, 396, 468	89. 1
10 to 14.....	10, 641, 137	12, 004, 877	80. 3	4, 664, 312	5, 949, 693	82. 7	5, 976, 825	6, 055, 184	77. 3
15 to 19.....	9, 430, 556	11, 552, 115	70. 5	4, 445, 963	6, 015, 411	74. 1	4, 984, 593	5, 536, 704	66. 0
20 to 24.....	9, 277, 021	10, 870, 378	61. 1	5, 102, 099	6, 420, 308	65. 4	4, 174, 922	4, 450, 070	55. 7
25 to 29.....	9, 086, 491	9, 833, 608	52. 2	5, 319, 058	6, 171, 951	56. 1	3, 767, 433	3, 661, 657	47. 4
30 to 34.....	8, 071, 193	9, 120, 421	44. 2	4, 726, 556	5, 773, 476	47. 1	3, 344, 637	3, 346, 945	40. 6
35 to 39.....	7, 775, 281	9, 208, 645	36. 8	4, 453, 437	5, 773, 764	38. 8	3, 321, 844	3, 434, 881	34. 4
40 to 44.....	6, 345, 557	7, 990, 195	29. 3	3, 602, 119	4, 932, 386	30. 4	2, 743, 438	3, 057, 809	28. 0
45 to 49.....	5, 763, 620	7, 042, 279	22. 8	3, 190, 639	4, 222, 829	23. 2	2, 572, 981	2, 819, 450	22. 4
50 to 54.....	4, 734, 873	5, 975, 804	17. 1	2, 613, 070	3, 491, 257	17. 1	2, 121, 803	2, 484, 547	17. 1
55 to 59.....	3, 549, 124	4, 645, 677	12. 2	1, 895, 847	2, 656, 416	12. 0	1, 653, 277	1, 989, 261	12. 5
60 to 64.....	2, 982, 548	3, 751, 221	8. 5	1, 528, 090	2, 120, 260	8. 2	1, 454, 458	1, 630, 961	8. 8
65 to 69.....	2, 068, 475	2, 770, 605	5. 4	1, 000, 986	1, 527, 724	5. 1	1, 067, 489	1, 242, 881	5. 8
70 to 74.....	1, 395, 036	1, 950, 004	3. 1	660, 731	1, 031, 232	2. 9	734, 305	918, 772	3. 5
75 to 79.....	856, 560	1, 106, 390	1. 6	398, 637	563, 217	1. 4	457, 923	543, 173	1. 8
80 to 84.....	402, 779	534, 676	. 7	185, 455	267, 715	. 6	217, 324	266, 961	. 8
85 to 89.....	156, 539	205, 469	. 2	² 69, 012	102, 133	. 2	² 87, 527	103, 336	. 3
90 to 94.....	39, 980	51, 664	. 1	² 17, 626	25, 147	(³)	² 22, 354	26, 517	. 1
95 to 99.....	9, 579	11, 033	(³)	² 4, 223	5, 007	(³)	² 5, 356	6, 026	(³)
100 and over.....	4, 267	3, 964	(³)	² 1, 881	1, 360	(³)	² 2, 386	2, 604	(³)
Unknown.....	148, 699	94, 022	. 1	98, 835	66, 036	. 1	49, 864	27, 986	. 1
Total population.....	105, 710, 620	122, 775, 046	100. 0	54, 304, 603	68, 954, 823	100. 0	51, 406, 017	53, 820, 223	100. 0

¹ Accumulated percentage based on all over first age mentioned in each age group.

² Estimated.

³ Less than $\frac{1}{10}$ of 1 percent.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, vol. II, "Population," tables 7 and 16, pp. 576, 587-589.

EMPLOYMENT DIFFICULTIES OF THE OLDER WORKER

The increase in the number and proportion of older persons in the population has been accompanied by an increase in the percentage of gainfully occupied persons who are 45 years of age and over, as table 29 indicates. In 1930 some 300 in every 1,000 gainfully occupied persons in the population were 45 or over, whereas in 1890 only 244 out of every 1,000 were in this age group.

This increase of older persons in the group which is employed or seeking work means that, unless the number of employment opportunities increases at the same rate, the competition for employment will become keener and more difficult as time goes on. In such competition the position of older persons tends to become more and more unfavorable.

TABLE 29.—Percentage of persons 45 years of age and over among gainfully occupied, by sex, for the United States, 1890-1930

Year	All gainfully occupied	45 years and over			Year	All gainfully occupied	45 years and over		
		Total	Male	Female			Total	Male	Female
1890.....	100.0	24.4	26.4	15.1	1920.....	100.0	27.9	30.4	18.1
1900.....	100.0	24.1	26.0	15.7	1930.....	100.0	30.0	32.7	20.3
1910.....	100.0	24.0	26.1	16.0					

SOURCE: Barkin, Solomon, *The Older Worker in Industry*, Report of Joint Legislative Committee on Unemployment Transmitted to the Legislature Feb. 20, 1933 (J. B. Lyon Co., Albany, 1933), p. 48.

Much has been written on the employment difficulties of the older worker, yet no comprehensive or authoritative data are available for the country as a whole. Definitions of the age limit which divides the "younger" from the "older" wage earner are lacking, and conditions which determine the relative advantages of youth and vitality over maturity and experience must obviously vary with different types of occupation as well as with sex. The problem of the older worker is not of recent origin, though it has undoubtedly been intensified by the severity of the depression. Ever since the beginning of the industrial revolution the dynamics of a machine civilization have necessitated constant employment adjustments for all workers. Mechanization has placed an increasing emphasis upon youth, physical strength, and ability to stand nervous strain. Over the past century it has been increasingly difficult for all workers to maintain their skill, their employment, and their security. The burden of unemployment has fallen with great severity on "older" workers—individuals whose obligations, training, and capabilities in general cannot keep pace with the speed demands of modern industry. The older-worker problem is most acute in those industrial and manufacturing processes where age entails a physical liability rather than an experience asset.

Surveys of hiring-age policies in specific localities help to throw some light on the nature and extent of the employment difficulties of the older worker. Age distributions of persons in receipt of unemployment relief as well as of those registered for work at employment offices give further evidence of the handicaps of middle or advanced age. And the unemployment census of 1930 reveals significant data on the qualitative and quantitative aspects of the problem. Thus, despite the lack of comprehensive, direct data, certain broad conclusions can be drawn for the United States as a whole.

The general conviction that the older worker finds difficulty in either obtaining or keeping employment, and that his problem is a growing one, is supported by findings of several official investigations, such as those made in New York, California, and Maryland.¹ Although such graphic phrases as "old at 40" and the "scrap heap at 45" suggest an exaggeration of the actual facts, there is undeniable evidence of the progressive use of maximum hiring-age limits in industry. These limits automatically cut off employment opportunities of men who find themselves competing in the labor market in middle life. There seems to be no proof of a general policy of dismissal of older workers. It is likely that the statement made in the New York report on the older worker in industry is a fair statement of the general dismissal and employment system, to wit: If the worker has reached middle age with a long service record, he is less likely to be dismissed than the younger worker. This is because he possesses positive value for his firm. If, however, the older employee has served only short periods in the employ of any one firm in his years under 40, he is just as likely to be dismissed as any younger worker.² In all cases the older man is far less apt than the younger worker to secure new employment.

Both the Maryland and California surveys of age distribution in their local industries indicated that, beginning with the age distribution 40-44 years, there is a tendency toward lessened employment for wage earners in mechanical and manufacturing industries and in retail trade. With each 5-year age group after 40 years, the ratio

¹ See Maryland Commissioner of Labor and Statistics, *The Older Worker in Maryland* (Allied Printing Trades Council, Baltimore, 1930), pp. 8-10; also State of California Department of Industrial Relations, Special Bulletin No. 1, *Middle Aged and Older Workers* (California State Printing Office, San Francisco, 1930), pp. 8-11; State of California Department of Industrial Relations, Special Bulletin No. 2, *Middle Aged and Older Workers in California* (California State Printing Office, San Francisco, 1930), pp. 11-13; also Solomon Barkin, *The Older Worker in Industry*, State of New York Report of the Joint Legislative Committee on Unemployment, Transmitted to the Legislature Feb. 20, 1933 (J. B. Lyon Co., Albany, 1933), chs. X and XI.

² See Barkin, Solomon, *The Older Worker in Industry*, *op. cit.*

in each employment group is less than that in the corresponding population age group.³

Surveys of the unemployed in Philadelphia indicate that age is an increasingly important characteristic in the employability of unemployed workers. Among employment office applicants, 34.5 percent of the men and 23.6 percent of the women were over 40 years of age. In a sample survey of the unemployed, a larger proportion of men (39 percent) but a smaller proportion of women were over 40. Among employable persons on relief, a large percentage of both sexes (39.2 percent for men and 25.3 for women) were over 40 years of age. This cumulation of older unemployed workers on the rolls of the employment and relief offices in Philadelphia is paralleled in other cities. When data for relief and nonrelief applicants in five reemployment and three State employment offices in Pennsylvania are separated, a higher proportion of older workers is found on relief rolls than among nonrelief employment office applicants throughout the State.

Age is, next to occupation, the most important factor of economic significance in the employment or unemployment situation of the individual. The squeeze which has occurred in the upper and lower hiring-age limits has brought the mass of the working population within the ages of 20 and 40. Forty years may therefore be taken as a convenient line of division for measuring the relative employability of the registrants at employment offices. In 10 counties in Pennsylvania and 2 in New York, the proportion of women over 40 years of age ranged from slightly less than one-fifth to one-fourth of the total number of women registered for work. Among men applicants in these counties the proportion over 40 years old ranged from 30 to 38 percent. When registrants on relief are separated from the self-sustaining unemployed, higher proportions in the age groups over 40 are found for both sexes among the work applicants in the relief as compared with the nonrelief files.

It is significant to note that the proportion of applicants over 40 years of age for both sexes in the city of Philadelphia has increased during the 3 consecutive years of the depression, 1932, 1933, and 1934. In 1932, 31.8 percent of the men and 22.8 percent of the women were over 40 years old. In October 1934, when three-fourths of the

³ See Maryland Commissioner of Labor and Statistics, *op. cit.*, pp. 13-14, and pp. 30-31. Also State of California Department of Industrial Relations, Special Bulletin No. 1, *op. cit.*, pp. 16-20. Cf. U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, vols. I and V (U. S. Government Printing Office, Washington, D. C., 1933).

registrants were also applicants for relief, 42.4 percent of the men and 26.1 percent of the women applicants were over 40.⁴

The depression quickly increased the quantitative dimensions of the problem. The unemployment census of 1930 showed that the rate of unemployment among males began to rise most significantly in the older age groups, beginning with 40 to 44 years. (See table 30.)

Even in 1930 it was evident that older workers were bearing the heaviest burden in terms of duration of unemployment. It is believed that a census of unemployment taken at the present time would reveal a greater incidence of unemployment among middle-aged and older workers.

TABLE 30.—Percentage of unemployment (14 weeks and over) among males and females in each age group for the United States, 1930¹

Age group	Males		Females		Age group	Males		Females	
	Class A ²	Class B ³	Class A ²	Class B ³		Class A ²	Class B ³	Class A ²	Class B ³
All ages.....	41.2	14.1	31.3	10.2	45-49.....	43.5	14.3	35.1	12.3
10-19.....	35.8	12.2	27.5	9.0	50-54.....	46.3	15.7	35.7	13.4
20-24.....	37.1	13.4	29.4	8.9	55-59.....	49.4	18.5	37.1	14.6
25-29.....	35.9	12.1	30.5	9.1	60-64.....	52.3	20.6	37.5	16.0
30-34.....	37.4	12.1	31.9	9.6	65-69.....	54.7	23.3	37.5	16.8
35-39.....	39.5	12.1	32.9	9.9	70 and over.....	54.2	26.0	35.7	20.4
40-44.....	41.4	13.0	34.7	11.4					

¹ U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States, 1930*, "Unemployment", vol. II, General Report (U. S. Government Printing Office, Washington, D. C., 1932), pp. 329-330. For each sex and age group total unemployment equals 100 percent for each class.

² Persons out of work, able to work, and looking for work.

³ Persons having jobs but on lay-off without pay, excluding those sick or voluntarily idle.

Once unemployed, older workers tend to have great difficulty in finding reemployment and their chances of reabsorption become less and less with advancing age. Analysis of relief figures clearly shows that older employable persons remain on relief rolls longer and experience longer "relief" periods between jobs than do younger workers. The percentage of persons that had been unemployed for long periods of time was progressively larger with each group beyond the age of 44, as is indicated in table 31.

The same general conclusions are reached by an analysis of census data. Beginning with the age group 40 to 45 the ratio of employed persons to the estimated total number of wage earners and salaried employees other than principal officers is progressively smaller in each successive 5-year age group than the corresponding ratio of the age group in the general population. (See fig. 2.)

⁴ Palmer, Gladys L., *Thirty Thousand in Search of Work*, Pennsylvania Department of Labor and Industry, 1933; Palmer, Gladys L., *The Applicants at Three Pennsylvania State Employment Offices in 1933*, Special Report A-3, Wharton School of Finance and Commerce, Industrial Research Department, University of Pennsylvania, Oct. 31, 1934, and unpublished material for 1934. See also appendix IV.

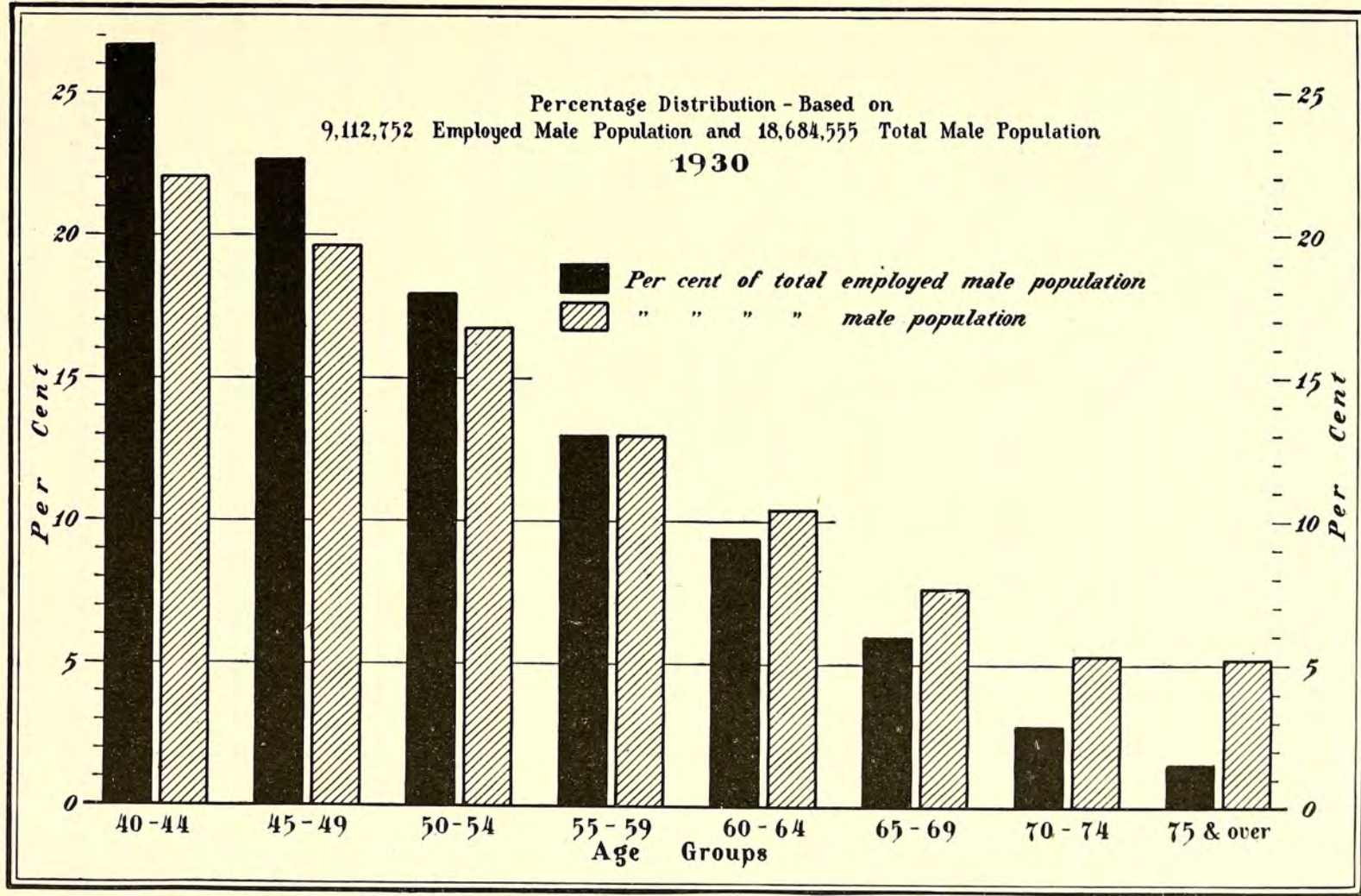


FIGURE 2.—Employed male population 40 years and over compared to total male population 40 years and over.

With the enormous shrinkage in employment brought about by the recent severe depression, it is clear that large groups of normally secure, competent older workers have been discharged. The small shop and business, moreover, which formerly absorbed a considerable percentage of older workers, who dropped out of more strenuous industrial pursuits, are becoming less and less prevalent. This trend reduces the economic opportunities previously open to men and women after their peak of physical activity was passed. As a result of these industrial trends, what may be described as "economic old age"—i. e., permanent inactivity and consequent cessation of earnings—begins in many cases early in middle life, often antedating by a considerable number of years the period of physiological old age.

TABLE 31.—Persons with previous work experience at nonrelief employment seeking work, classified by length of time since last nonrelief employment of 4 weeks or more and by age¹

Time since last non-relief employment	Age											
	All ages		16-24		25-44		45-54		55-64		65 and over	
	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent	Num-ber	Per-cent
Total.....	10,058	100.0	1,854	100.0	4,958	100.0	1,934	100.0	972	100.0	340	100.0
Under 6 months.....	1,609	16.1	467	25.4	788	16.0	230	12.0	98	10.1	26	7.7
6 to 11 months.....	1,611	16.1	414	22.5	803	16.2	252	13.1	105	10.8	37	10.9
12 to 23 months.....	1,873	18.7	378	20.6	943	19.1	333	17.3	172	17.8	47	13.9
24 to 35 months.....	1,809	18.1	269	14.6	906	18.3	385	20.0	182	18.8	67	19.8
36 to 47 months.....	1,364	13.6	165	9.0	654	13.2	320	16.6	168	17.3	57	16.9
48 months and over.....	1,750	17.4	146	7.9	851	17.2	405	21.0	244	25.2	104	30.8
Unknown ²	42	-----	15	-----	13	-----	9	-----	3	-----	2	-----

¹ Based on 5-percent sample of "Survey of Occupational Characteristics of Persons Receiving Relief" May 1934, furnished by the Research Section, Division of Research, Statistics, and Finance, Federal Emergency Relief Administration.

² Unknown distributed in computation of percentage.

Obviously, if the earning period is to be shortened by earlier onset of economic old age, earnings must be higher during working years and savings increased to avoid old-age dependency. Analyses of wage trends, however, such as those made by Prof. Paul H. Douglas in his *Real Wages in the United States*, offer little hope of such increase on the basis of our American experience between 1890 and 1928.⁵ When real rather than nominal earnings are analyzed, popular impressions of greatly increased earnings in this country during the last four decades prove to be based more upon fiction than upon fact.

⁵ Douglas, Paul H., *Real Wages in the United States, 1890-1926* (Houghton Mifflin Co., Boston, 1930); Douglas, Paul H., and Jennison, Florence Tye, *The Movement of Money and Real Earnings in the United States, 1926-28* (The University of Chicago Press, Chicago, 1930).

EXTENT OF OLD-AGE DEPENDENCY IN THE UNITED STATES

It must be pointed out from the very beginning that there are no figures available indicating the extent of old-age dependency for the United States as a whole, although a number of surveys of old people have been made in individual States. Very often these State commissions limited themselves to estimating the number of people who would become eligible under a proposed State law, which, in addition to requiring a means test, made children and relatives responsible for the support of aged dependents. These estimates give no true picture of the economic status of the old people. There are some surveys, however, which classify old people according to property and income, without taking into account the economic status of children and relatives. These surveys give a more accurate picture of the extent of old-age dependency than do the reports which estimate the number of old people who will be eligible for old-age assistance under the State laws.

The simplest method of measuring the economic status of the aged is to ascertain their annual income. It has been customary to place a person with an annual income below \$300 in the dependent class. In comparing the estimates of old people who have an income of less than \$300 a year (without taking into account any property they might possess), there is close agreement between the two available surveys. As will be seen by the following tabulation, they both place this number at slightly below 50 percent of the aged:

Percentage of aged people with less than \$300 annual income

	<i>Percent</i>	<i>Percent</i>
Connecticut, 1932 (persons 65 and over) ⁶ -----	49.2	{ 51.3 urban 45.7 rural
Wisconsin, 1915 (persons 60 and over) ⁷ -----	47.1	

The Connecticut survey of 1932 brought out the fact that 33.5 percent of the old people over 65 years old in that State had no income whatsoever. The Wisconsin report of 1915 indicated that 21 percent of the old people over 60 had incomes below \$100. Only 29 percent of the old people surveyed in Wisconsin had incomes above \$500.⁷

An evaluation of the property which the old person possesses provides a less satisfactory classification. Obviously, it is difficult

⁶ Connecticut Commission to Investigate the Subject of Old Age Pensions, *Report on Old Age Relief* (Hartford, 1932), appendix tables 13 and 14, pp. 70-71.

⁷ Industrial Commission of Wisconsin, *Report on Old Age Relief* (Madison, 1915), p. 7.

to estimate the true value of a home, and even if this were possible, the ownership of a dwelling house does not keep an old person from becoming dependent. The tabulation below indicates the findings of the two surveys with respect to the value of property:

Aged persons classified by property

<i>Property</i>	<i>Percent</i>
No property-----	34.9
Below \$1,000-----	47.6
Below \$1,500-----	-----
Below \$3,000-----	58.7

Wisconsin⁹ (65 years and over)

No property-----	-----
Below \$1,000-----	41.5
Below \$1,500-----	49.8
Below \$3,000-----	-----

As in the income classification, the Connecticut survey indicates that old people living in cities are considerably worse off than those in rural areas. The percentage of old people owning property worth less than \$3,000 is 61.1 percent for urban areas, while it is 54.1 percent for rural areas.

More important for the purposes of this report than the above classification by income or property separately are the attempts on the part of a number of commissions to combine income and property of the old people, and then place persons with property and income below a specified amount in the dependent group. It is quite arbitrary where this "danger line" is drawn, and different commissions have drawn it at different points. The New York Commission of 1930¹⁰ was anxious to make a comparison of its findings with those of the Massachusetts survey of 1925¹¹ and the National Civic Federation study of 1926-27,¹² hence the danger line was placed at property below \$5,000 and income below \$300 a year. In order to furnish a comparison, the Connecticut figures were placed on the same basis. It will be seen that the figures of the Massachusetts Commission and of the National Civic Federation study are much lower than they are for the other two surveys. This, at least in part, results from the fact that the Massachusetts and National Civic Federation surveys counted the amount of property and income owned jointly by an old couple at the full value for each member of the couple. It is felt that because of this pro-

⁸ See footnote 6 on p. 149.

⁹ See footnote 7 on p. 149.

¹⁰ New York State Commission on Old Age Security, *Old Age Security* (J. B. Lyon Co., Albany, 1930).

¹¹ Massachusetts Commission on Pensions, *Report on Old-Age Pensions* (Wright & Potter Printing Co., Boston, 1925).

¹² National Civic Federation, Industrial Welfare Department, *Extent of Old Age Dependency* (New York City, 1928).

cedure they do not give a true picture. The Connecticut Commission tried to solve this difficulty by analyzing data separately for old persons living by themselves and for those living with others. Their samples were large enough to enable the Commission to make generalizations for the entire State. The New York samples, on the other hand, were extremely limited, and for this reason no generalization was attempted.

The dependency figures given in table 32 show a very great divergency. They range from 10 percent for old couples in Canton Village, N. Y., to 74.5 percent for single individuals in New York City. The Connecticut report would indicate that rural communities are better off than urban communities. The New York survey does not bear out this conclusion, though it must be remembered that its sample was extremely small. Otsego County, a strictly rural area, has a very high percentage of poor old people.

TABLE 32.—Percentage of persons 65 and over having property less than \$5,000 and income less than \$300 annually

Survey	Individuals	Households	Total
	Percent	Percent	Percent
Connecticut, 1932: ¹			
Total.....	45.7	19.8	-----
Urban.....	49.6	21.7	-----
Rural.....	39.2	16.5	-----
New York, 1930: ²			
Canton Village.....	36.9	10.0	25.0
Selected cities.....	46.5	18.2	33.5
Otsego County.....	69.2	31.8	50.2
New York City.....	74.5	48.4	65.1
Massachusetts, 1925 ³			32.8
National Civic Federation, 1926-27 ⁴			22.7

¹ Connecticut Commission, *op. cit.*, appendix, tables 11 and 12, pp. 68 and 69.

² New York State Commission on Old Age Security, *op. cit.*, pp. 52 to 65.

³ "Care of the Aged", *Monthly Labor Review*, vol. 30, no. 4, April 1930, p. 13.

⁴ New York State Commission on Old Age Security, *op. cit.*, p. 61.

It becomes clear from the above figures that old married couples or people living with other families are in a better economic situation than are single individuals. In some localities the percentages for dependency of single individuals are two or three times as high as for households with old people.

It might be interesting to investigate what percentage of old people own absolutely nothing and have no income. The National Civic Federation study estimated that 17 percent of the old people surveyed were without income or property,¹³ while the Connecticut Commission puts this figure at 25 percent for single individuals and at 7 percent for households with persons over 65.¹⁴

A somewhat different classification of old-age dependency was made in New York. The Commission estimated the number of old

¹³ National Civic Federation, *op. cit.*, p. 34.

¹⁴ Connecticut Commission, *op. cit.*, appendix, tables 11 and 12, pp. 68-69.

people who were self-supporting and those who were dependent on relatives, friends, and charity. Table 33 gives these figures. The outstanding fact disclosed is the very high percentage of old people who are dependent upon relatives and friends. This figure increases considerably between the ages of 65 and 70, when there is a proportionate decline in the number of people who earn their own living. It must be borne in mind that these are predepression figures and that at the present time the situation is probably more unfavorable.

TABLE 33.—*Old-age dependency in the State of New York, July 1, 1929*

Category	Percentage distribution	
	Persons 65 and over	Persons 70 and over
Self-dependent:		
Public pensioners.....	8.3	11.0
Private pensioners.....	1.8	3.0
Self-support on current earnings.....	28.5	17.0
Self-support on income.....	5.0	5.0
Total.....	43.6	36.0
Dependent:		
On private homes for the aged.....	1.0	1.5
On relatives and friends.....	49.4	55.6
On public and private charity.....	3.5	4.5
Confined by Government.....	2.5	2.4
Total.....	56.4	64.0

SOURCE: New York State Commission on Old Age Security, *op cit.*, p. 39.

TABLE 34.—*Economic status of aged studied in the District of Columbia, 1934*

Status	Percentage distribution		
	White	Negro	Total
Independent.....	63	30	52
Supported by relatives.....	30	50	37
Other means of support (friends, public or private relief).....	2	15	6
Dependent, but source of support not reported.....	1	2.5	1
Status not reported.....	4	2.5	4
Total.....	100	100	100

SOURCE: "Study of the Aged in the District of Columbia", *Monthly Labor Review*, vol. 39, no. 2, August 1934, p. 328.

A similar study has recently been made in the District of Columbia. Table 34 is interesting because it gives a breakdown of the aged into white and colored. The dependency of old Negroes at 65 runs as high as 67.5 percent, while that for the white people is only 33 percent, which is considerably lower, it will be noticed, than the predepression figures of the State of New York. The District of Columbia, however, is not a typical example.

Scattered estimates of the extent of old-age dependency thus indicate that a large proportion of the aged have made no adequate provision for the period when self-support by working is impossible.

The growth of savings accounts in the United States cannot be cited as contrary evidence, for the savings-account situation has been popularly misrepresented. Even were the gain in the number of savings depositors attributable to wage earners' savings accounts (no proof of this is available), there would be no basis for a claim that the reserves of workers had increased in the 15 years prior to the depression. As a matter of fact, the average savings account decreased 29 percent between 1913 and 1928, and the value of the dollar likewise decreased almost 60 percent during this same interval.¹⁵

The New York Commission on Old Age Security's study of deposits in mutual savings banks (considered the chief depository of wage earners) presents similar evidence. The gain in the size of deposits in the decades before the 1929 crash was more than counterbalanced by the drop in the value of money. Consequently, the average real deposit decreased rather than increased during this period.¹⁶

The accumulations of many wage earners' families were lost in the business and bank failures of 1929. These losses have been extended by the inroads made upon savings caused by the widespread unemployment since that time. This situation is not only reflected in the figures of contemporary old-age dependency but will also augment the economic problems of old age for at least 30 or 35 years in the future. The workers who have lost their life savings at 40 will have small prospect of accumulating new reserves before their earning period is over.

The chief support of old people is furnished by their children or by relatives. The Massachusetts investigation of 1925 had estimated that of the dependent aged, 74 percent were supported by their children, while another 14 percent were supported by relatives or friends.¹⁷ This is the reason why the estimates for eligibility to old-age assistance are much lower than the dependency figures would indicate, for it is assumed that most old people will continue to be supported by their children. The following is a tabulation of the estimates of eligibility to old-age assistance. It must be remembered that a certain number of people are excluded under the old-age

¹⁵ See American Bankers Association, savings banks division, *Savings Deposits and Depositors for the Years 1915, 1920, 1925, 1930* (New York, 1930), p. 7:

Year	Total savings deposits	Total number of savings depositors	Average savings account
1913-----	\$8,548,345,000	11,295,931	\$757
1928-----	28,412,961,000	53,188,348	534

And see "Change in the Cost of Living in the United States", *Monthly Labor Review*, vol. 30, no. 2, February 1930, p. 241, or cost-of-living index number 1913=100; 1928=170+.

¹⁶ New York State Commission on Old Age Security, *op. cit.*, p. 182.

¹⁷ "Care of the Aged", *Monthly Labor Review*, vol. 30, no. 4, April 1930, p. 13.

assistance laws because of the fact that they do not fulfill citizenship or residence requirements.

Estimated eligibility for old-age assistance under State laws

	<i>Percent of persons over 65</i>	<i>Percent of persons over 70</i>
New Jersey ¹⁸ -----	9.9	11.4
New York ¹⁹ -----	12.7	14.5
New York—projected by Connecticut commission ²⁰ -----	-----	15.9
Connecticut ²¹ -----	11.2	11.0

How many of the aged persons at present in this country are without sufficient means of self-support is, therefore, a question which can be answered only with estimates. Like all other statistics of major social problems, those bearing on old-age dependency must be built up for the country as a whole from meager samplings.

Beyond the fact that about 700,000 old people are members of families that received Federal emergency relief in May 1934, and 230,000 were in receipt of old-age assistance grants at the end of 1934, it is not known how many aged persons in the United States are being supported from public funds. No almshouse survey has been made for more than 10 years, and recent estimates of the public poorhouse population are not available. The United States Children's Bureau records of the almshouse population in a small group of urban areas, however, indicate a sharp increase of nearly 75 per cent between 1929 and the end of 1933.²² Of the aged in private institutions, endowed and semiendowed, there is no count. No clearing house exists to furnish statistics of either private or public local charitable assistance to old people not in institutions.

Despite lack of complete statistics, however, it can be said with conviction that for some years old age has presented a very substantial economic problem in the United States—a problem which has directed public interest toward old-age security legislation.

¹⁸ State of New Jersey Pension Survey Commission, report no. 1 (MacCrellish and Quigley Co., Trenton, 1931), p. 18.

¹⁹ New York State Commission on Old Age Security, *op. cit.*, p. 77.

²⁰ Connecticut Commission, *op. cit.*, p. 41.

²¹ *Ibid.*, pp. 42 and 43.

²² U. S. Department of Labor, Children's Bureau, *Monthly Bulletin on Social Statistics*, vol. I, no. 2, August 1933, pp. 1-2.

Chapter VIII

PROVISIONS FOR THE AGED IN THE UNITED STATES

THE AGED in the United States may be classified in 10 groups, as follows: (1) The old person who is still engaged in some occupation until 70 or perhaps even until 80. (2) The fortunate minority which may rest on its economic laurels, drawing upon inherited wealth or upon savings of a successful economic life. (3) Those who have earned and receive a satisfactory pension from their former private or public employer. (4) The large, though gradually decreasing, number of recipients of war pensions, whose number may perhaps increase if the pension principle is applied to the veterans of the World War. (5) The very large, perhaps the largest, number of those who are supported by their children or other relatives. (6) A rather limited number of persons receiving regular relief from private philanthropic agencies. (7) Guests or inmates of private homes for the aged, showing a very great variety of standards of comfort. (8) The aged population of our poorhouses or almshouses or county farms. (9) The aged in homes for incurables or insane asylums. (10) The recipients of State old-age assistance, the latest development in the care of the aged.

Unfortunately, there are no figures to indicate the distribution of the 6½ million persons over 65 years of age among those ten classes. At least approximate estimates, however, can be made of recipients of public and war pensions, inmates of public almshouses, private old folks' homes, and hospitals for incurable and mental disease, and fairly complete data are available showing the number of recipients of old-age assistance in the several States. The total number of these classes, however, amounts to considerably less than a million. Only rough guesses can be made of those still employed, living on savings, or living in children's homes. And the population of cheap lodging houses and the utterly destitute are an absolutely unknown quantity. A few local investigations which have been made are not sufficiently trustworthy. No study made in the predepression era

can serve as a guide because of the tremendous changes which have taken place in the value of savings, in the employment of the aged, and in the ability of the majority of workingmen's families to support their parents. Perhaps a thorough investigation of the distribution of our aged population among these classes should be the first task in a scientific study of the old-age problem.

DEVELOPMENT OF STATE OLD-AGE ASSISTANCE LAWS

A series of State commissions began almost 30 years ago to investigate the plight of the aged, and shortly thereafter the American Association for Labor Legislation and the fraternal orders led by the Eagles, began to urge legislation on behalf of the needy aged. Until 10 years ago the only permanent provision for the needy aged in nearly all the States was through the medium of the so-called "almshouse" or "poor farm." The shocking conditions existing in the majority of these institutions were described in a book by Harry Carroll Evans, published in 1926 by a group of fraternal organizations.¹ This book summarized the findings of the surveys of American almshouses conducted by these organizations, with the aid of special examiners from the United States Department of Labor. Insufficient and unfit food, filth, and unhealthful discomfort characterized most of them. Even in institutions with sanitary and physically suitable buildings, it was found that feeble-minded, diseased, and defective inmates were frequently housed with the dependent aged.

The cost of maintaining old people in these institutions, as was revealed by a financial survey of almshouses made by the Federal Department of Labor in 1925, was high, principally because of inefficient "overhead."²

Stimulated by the facts disclosed in these two reports, the drive for regular noninstitutional aid for needy old people made more progress. A series of measures variously described as "old-age pensions," "old-age assistance," "old-age relief," and "old-age security" were passed by State after State, beginning with Montana in 1923, totaling 18 by the middle of 1931, and 28, with two additional Territorial laws, by January 1, 1935. These measures offer citizens of long residence, who have small assets and no financially competent relatives, monthly grants to enable them to maintain themselves outside institutions. The maximum monthly sums authorized range from \$15 to \$30 (the latter being the commonest figure). New York

¹ Evans, Harry C., *The American Poor-Farm and Its Inmates* (Des Moines, 1926).

² Stewart, Estelle M., "The Cost of American Almshouses", *Bulletin of the U. S. Bureau of Labor Statistics No. 386* (U. S. Government Printing Office, Washington, D. C., 1925).

and Massachusetts put no maximum on their possible grants. From January 1 to July 1, 1935, 7 additional States enacted old-age assistance laws, and about 10 other States revised and liberalized their old-age assistance laws in anticipation of Federal aid.

The early measures made the county the fiscal unit. The trend now is toward State aid to the counties or State assumption of the entire responsibility.

The old-age assistance statutes mentioned above mark the first legislative attempts to remedy the complete and shameful neglect of the old-age problem in the United States. Even with their limited functioning they have enabled 236,000 destitute old people, who have no family able to support them, to escape the miserable almshouse

TABLE 35.—*Years of residence in State of persons 65 and over on relief*¹

Total years of residence	Boston, Mass.		Dallas, Tex.		Rockford, Ill.		Salt Lake City, Utah		Newark, N. J.		Los Angeles, Calif.	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Total.....	886	100.0	587	100.0	827	100.0	1,076	100.0	443	100.0	738	100.0
Less than 1 year.....	0	-----	0	-----	0	-----	0	-----	0	-----	3	.4
1 year.....	0	-----	1	.2	1	.1	2	.2	1	.2	2	.3
2 years.....	1	.1	0	-----	0	-----	3	.3	0	-----	7	1.0
3 years.....	1	.2	0	-----	3	.4	0	-----	1	.2	13	1.8
4 years.....	2	.2	6	1.0	2	.2	4	.4	3	.7	25	3.5
5 to 9 years.....	11	1.3	10	1.7	41	5.0	31	2.9	22	5.0	106	14.7
10 to 14 years.....	21	2.4	15	2.6	42	5.1	56	5.2	33	7.5	207	28.7
15 to 19 years.....	19	2.2	19	3.2	52	6.3	50	4.6	39	8.9	94	13.0
20 years and over.....	823	93.7	536	91.3	685	82.9	930	86.4	341	77.5	264	36.6
Unknown.....	8	-----	-----	-----	1	-----	-----	-----	3	-----	17	-----

¹ Furnished from a sample study made through courtesy of the Federal Emergency Relief Administration, Division of Research, Statistics, and Finance.

existence to which many needy aged persons previously were doomed. One of the serious limitations of these measures is the long residence qualification, 15 years or more, which characterizes most of them. In this regard a sampling survey made in six cities by the Research Section of the Federal Emergency Relief Administration, Division of Research, Statistics, and Finance, is pertinent. Table 35 presents the results of this survey. While the residence requirements of the various States differ widely, it would appear from this sampling investigation that a reduction of required residence to 5 years in the last 9 before applying for assistance would include practically all the old people on relief at the time of the survey and yet not fasten upon the States the burden of providing special assistance for mere transients.

It must be conceded, however, that the maximum possible grants in some of the acts are inadequate for comfortable existence and that

actual grants, as information recently gathered indicates, in some States are even below general relief standards. In only 16 of the States were the measures functioning at all at the end of 1933, and only 9 more States started to give pensions in 1934. Moreover, during 1934 the grants were given throughout the whole State in only 11 States and 1 Territory. To quote from the recent report made by the United States Bureau of Labor Statistics, "sharply curtailed benefits and refusal to take on new pensioners, even the discontinuance of the system altogether until times improve, these are some of the measures to which the pension officials have been forced. In certain other jurisdictions, the result has been to crystallize the plan and to build up a waiting list as large or larger than the number of actual beneficiaries."³

The history of the old-age assistance movement in the United States⁴ indicates that the American States were slow to enact legislation giving aid to the destitute aged. Long before they took action, European countries, industrial as well as nonindustrial, had recognized the problem of old-age dependency by making provisions for old people. In Australasia, public old-age relief systems had become well established before the World War. In the United States, on the other hand, the movement for old-age assistance did not get under way until after the depression of 1920-21.

This indifference to the problem of the aged can be explained only partially by the American public's lack of confidence in State action. The fact is that a large portion of the American people were convinced that persons who had been hard working and thrifty all their lives would not become destitute in their old age; only shiftless and lazy people were faced with dependency in their later years. This meant that to give State old-age relief was tantamount to rewarding the one who had not done his duty toward society. In addition to this philosophy of thrift and self-reliance, there was—and there still is—extant in the United States a conviction that it is the duty of the children, and not of the State, to take care of the old. It is assumed that if the State relieves the children of this responsibility, family ties are loosened, and, since the family is one of our most highly valued institutions, this danger is to be avoided at all costs.

Investigations on the extent of old-age dependency made by a number of State commissions in the twenties and early thirties disrupted

³ Parker, Florence E., "Experience Under State Old-Age Pension Acts in 1933", *Monthly Labor Review*, vol. 39, no. 2, August 1934, p. 257.

⁴ The following summary of the history of the old-age assistance movement is based on chap. III of *Report on Old Age Relief* by Connecticut Commission to Investigate the Subject of Old Age Pensions (Hartford, 1932).

once and for all the comfortable belief that "deserving" citizens do not become dependent in their old age. But the laws which were passed following the recommendations of the commissions made it clear that even though the States instituted a system of old-age relief, children and relatives were not to be relieved of the responsibility to provide for their aged parents. All laws, with the exception of those of Arizona and Hawaii, exclude from State assistance all those who have financially competent children or relatives.

The movement for State old-age relief began in Massachusetts, where, in 1903, the Bureau of Statistics of Labor made an investigation in which it attempted to calculate the cost of a system of old-age assistance. The next step in the history of the movement was again taken by Massachusetts, where, in 1907, the legislature appointed a commission which was instructed to investigate old-age dependency. The report of this commission was not made until 1910. From that time on a number of old-age survey commissions investigated the problem.⁵

There are to be distinguished in these investigations two periods—one period before the depression of 1920–21 and the other since then. In the first period the commissions held very divergent views on the reasons for old-age dependency. A number of them recommended health insurance as a solution to the problem of old age; others were opposed to State action in the field, while only two were sympathetic toward old-age assistance grants. The Pennsylvania report of 1919–21 marked the beginning of a new trend. In it, the attitude that poverty and pauperism were the direct consequences of laziness and deliberate transgressions was abandoned for the first time, and the State was urged to grant old-age assistance. From that time on the many commissions which were appointed to study the question all reached the conclusion that it is the responsibility of the State to provide for its dependent aged if no children or relatives are able to do so.

The brief history of legislation in the various States, given in the following paragraphs, is based on Bulletin No. 561 of the Bureau of Labor Statistics, *Public Old-Age Pensions and Insurance in the United States and in Foreign Countries*. The first State law was passed in Arizona in 1915 by an initiative act, which abolished almshouses and established provisions for old-age assistance and aid to

⁵ The following is a list of these commissions and the years in which their investigations were started: 1910, Massachusetts; 1914, Massachusetts; 1915, Wisconsin; 1917, New Jersey (two commissions), California, Massachusetts; 1919, Ohio, Connecticut; 1919–21, Pennsylvania; 1922, Montana; 1925, Massachusetts, Nevada, Indiana; 1926, Virginia; 1928, California; 1929, New Jersey, Minnesota, Maine; 1930, New York; 1932, Connecticut.

dependent children in their stead. However, it was worded so loosely that it was declared unconstitutional on account of its vagueness. In the same year Alaska passed a law providing assistance to its aged pioneers. This law, though it has been amended on different occasions, is still in effect at the present time.

No action was taken by any State until 8 years later, in 1923. In that year three States (Montana, Pennsylvania, and Nevada) passed old-age assistance laws, but only one of them, that of Montana, has remained on the statute books. In 1925 the Nevada State Legislature passed a bill repealing the 1923 law and putting another one in its place. The Pennsylvania law was declared unconstitutional in 1924 on the ground that it was in conflict with a provision in the State constitution, which prohibited the legislature from making appropriations for charitable, benevolent, and educational purposes. A movement was started immediately to amend the constitution, but it was not until 1931 that the amendment passed the legislature. Since this amendment had to be repassed in 1933 and then submitted to a referendum vote for approval, it was not until 1934 that Pennsylvania secured action. Thus the decision of the court deferred legislation for 10 years in Pennsylvania.

Ohio, too, took some first steps in the year 1923. The question of old-age assistance was submitted to a referendum vote, but it was decided adversely by a vote of almost 2 to 1.

By 1925 the movement had gained considerable impetus. Although only Wisconsin enacted a law in that year, there was much activity in a number of the States. California passed a law, which, however, was vetoed by the Governor. Bills were introduced in the legislative sessions of Illinois, Indiana, Kansas, Maine, Michigan, Minnesota, New Jersey, Ohio, and Texas. In Indiana and Illinois the bills passed the lower house but were not acted upon by the upper chamber. In four States (Colorado, Minnesota, Pennsylvania, and Utah) commissions were appointed.

In 1926 one law was added, that of Kentucky. In the same year the Washington State Legislature approved a bill, which was vetoed by the Governor. In 1927 Maryland and Colorado enacted old-age assistance laws.

At the end of 1928, after 6 years of agitation, there were only six States and one Territory which had made provision for their aged. They were Colorado, Kentucky, Maryland, Montana, Nevada, Wisconsin, and Alaska. All the State laws were of the optional type, i. e., they left the adoption or rejection of an old-age assistance system to the discretion of the counties. For this reason these laws had very limited effect. In these six States there were slightly

provided by—	Frequency of payment	Maximum amount of pension	Other provisions (see separate pages)	Notes
County	Quarterly	\$125 a month	B	Administrative
	Monthly	\$75 a month	B, C	Age pension
	Do	\$1 a day	A	Board of supervisors
and liquor tax revenues	Monthly or quarterly	Do	A, B, C	Board of supervisors
cities	Monthly	\$25 a month	D	Stationary
	Do	\$15 a month	A, B, C	General comm.
County	Do	\$25 a month	A, B, C, D	General comm.
	Do	\$15 a month	A, B, C	General comm.
	Monthly or quarterly	\$25 a month	A, B, C, D	Stationary
as yet	Do	\$250 a year	B	Commissioners
	Not specified	\$1 a day	A, B, C	General comm.
; liquor tax	Do	Do	C	Commissioners
	Do	Adequate assistance	A	Age pension
town, village	Monthly	\$20 a month	A, B, C, D	Stationary
fund	Monthly or quarterly	\$15 a day	A, B, C	Stationary
tax	Monthly	\$25 a month	A, B, C	Stationary
	Do	\$20 a month	A, B, C	Stationary
	Monthly or quarterly	\$15 a day	A, B, C, D	Stationary
ance tax	Weekly or monthly	\$250 a week	A, B, C	Commissioners
l.	Monthly	\$15 a day	A, C	Stationary
, city	Not specified	Not specified	A	Stationary
tax	Monthly	\$150 a year	A, B	Stationary
	Do	\$25 a month	A, B, C, D	Stationary
tax; county g	Monthly or quarterly	\$20 a month	A, B, C, D	Stationary
	Monthly	Do	C	Stationary
	Do	\$25 a month	A, B, C, D	Stationary
	Do	\$20 a month	A, B, C	Stationary
	Do	\$1 a day	B	Stationary
, local	Monthly or quarterly	Do	A, B, C	Stationary
fund	Monthly	\$20 a month	A, B, C	Stationary

...vagrant, or ... at least \$1 per ... ren able to fu ... me involving ... o work accord ... olent, charita ... parent, or chi ... nd able to su ...

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TABLE 36.—Principal features of the old-age assistance laws of the United States (as of Jan. 1, 1935)

State	Date enacted	Date amended	In effect	Nature of law	Administration		Degree of State supervision	Allocation of expenses			Fund provided by—	Qualifications for recipients					Disqualifications (see explanatory footnotes)	Other provisions (see explanatory footnotes)	Maximum amount of pension	Period of payments		
					State	Local		State	County	Town		Age	Citizenship	Residence		Property limit					Annual income limit	
												State (years)	County (years)									
Alaska	1915	1917, 1919, 1925, 1929	1915	Mandatory	Alaska Pioneers Home	No local administration	Territory administration	All	None	None	Territory	M 65 W 70	Required	(1)	None	Insufficient means of support.	d, n	B	M \$35 a month. W \$45 a month.	Quarterly.		
Arizona	1933		1933	do.	State auditor	County old-age pension commission	Duplicate certificate to auditor; annual report.	67 percent.	33 percent.	None	State and county	do.	do.	35	Required	(2)	\$300	a, f	B, C	\$30 a month.	Monthly.	
California	1929	1931, 1933	1929	do.	Department of social welfare, Division of State aid for the aged.	County board of supervisors, local department of public welfare.	Complete supervision; monthly reports.	One-half	One-half	None	do	70	15 years	15	1	\$3,000	365	a, f, n, o	A	\$1 a day	Do.	
Colorado	1927	1931, 1933	1927	do.	Right of appeal to district court and supreme court.	County court; board of county commissioners, trustees.	Annual report to Secretary of State.	State fund allocated to counties in proportion to population.	All	None	None	State estate and liquor tax; local liquor tax.	65	do.	15	5	\$2,000	365	a, b, c, d, f, n	A, B, C	do.	Monthly or quarterly.
Delaware	1931	1933	1931	do.	State old-age welfare commission.	State administration	State administration	All	None	None	State current revenues	65	Not required.	5	None	300	300	a, d, f, i, n	C	\$25 a month.	Monthly.	
Hawaii	1933	1933	1934	Optional	Territorial auditor	Old-age pension commission	Annual report to Territorial auditor.	None	Shared by county and city.	None	Counties and cities	65	30 years	15	None	300	e, i, t	A, B, C	\$15 a month.	Do.		
Idaho	1931		1931	Mandatory	Department of public welfare.	do	Annual report only	None	All	None	County	65	15 years	10	3	(2)	300	a, b, c, d, e, f, i, m	A, B, C, D	\$25 a month.	Do.	
Indiana	1933		1934	do.	State auditor	Board of county commissioners.	Annual report; duplicate certificate to auditor.	One-half	One-half	None	State and county	70	do.	15	15	\$1,000	180	a, b, c, d, e, f, i, n	A, B, C	\$15 a month.	Do.	
Iowa	1934		1934	do.	Old-age assistance commission.	Old-age assistance boards	Complete supervision	All	None	None	State poll tax	65	do.	10	2	(2)	\$365	a, b, c, d, f, i, j	A, B, C, D	\$25 a month.	Monthly or quarterly.	
Kentucky	1926		1926	Optional	None	County commissioners	None	None	All	None	County	70	do.	10	10	2,500	400	a, d, f, h, j, n	B	\$250 a year.	Do.	
Maine	1933		(9)	Mandatory	Department of health and welfare.	Old-age pension boards	Complete supervision	One-half	One-half	None	No provisions as yet.	65	Required	15	1	700	365	a, b, c, e, f, i, k	A, B, C	\$1 a day	Not specified.	
Maryland	1927	1931	1927	Optional	None	County commissioners	Annual report to Governor	None	All	None	County	65	15 years	10	10	None	365	a, c, d, e, f, i, n	C	do.	Do.	
Massachusetts	1930	1932, 1933	1931	Mandatory	State department of public welfare.	Bureau of old-age assistance.	Complete supervision	One-third	Two-thirds	cities and towns.	State poll tax; liquor tax	70	Required	20	None	None specified.	do.	d, "Deserving citizens."	A, B, C, D	Adequate assistance.	Do.	
Michigan	1933		1933	do.	State welfare department, old-age pension bureau.	Old-age pension board	do	All	None	None	State poll tax	70	15 years	10	None	\$3,500	\$365	a, b, c, d, f, i	A, B, C, D	\$30 a month.	Monthly.	
Minnesota	1929	1931, 1933	1929	Optional	None	Board of county commissioners.	None	None	All	Reimburse county.	County, city, town, village.	70	do.	15	15	\$3,000	365	a, c, d, e, f, i, n	A, B, C	\$1 a day	Monthly or quarterly.	
Montana	1923		1923	do.	None	Old-age pension commission	Annual report to State auditor.	None	All	None	County poor fund.	70	do.	15	None	(2)	300	b, c, d, e, f, i	A, B, C	\$25 a month.	Monthly.	
Nebraska	1933		1933	Mandatory	Auditor of public accounts	do	do	None	All	None	County poll tax	65	do.	15	None	(2)	300	b, c, d, e, f, i	A, B, C	\$30 a month.	Do.	
Nevada	1925		1925	Optional	None	Board of county commissioners.	Annual report to Governor.	None	All	None	County	65	do.	10	None	\$3,000	390	a, b, c, d, e, f, i	A, B, C, D	\$1 a day	Monthly or quarterly.	
New Hampshire	1931		1931	Mandatory	None	County commissioners	None	None	All	Reimburse county.	do	70	do.	15	15	2,000	360	a, c, d, e, f, i, n	A, B, C	\$7.50 a week.	Weekly or monthly.	
New Jersey	1931	1932, 1933	1932	do.	Department of institutions and agencies, division of old-age relief.	County welfare board	Complete supervision	Three-fourths	One-fourth	None	State inheritance tax and county fund.	70	Required	15	1	3,000	(2)	d, e, f, g.	A, C	\$1 a day	Monthly.	
New York	1930	1934	1930	do.	State department of social welfare.	Public welfare district official.	do	One-half	One-half	public welfare district.	State, county, city	70	do.	10	1	Unable to support self.	150	a, d, f, g.	do.	Determined by official.	Not specified.	
North Dakota	1933		1933	do.	Secretary of agriculture and labor.	Board of county commissioners	do	All	None	None	State special tax	68	do.	20	None	(2)	150	a, f, i, m, n, p.	A, B	\$150 a year.	Monthly.	
Ohio	1933		1934	do.	Department of public welfare, division of aid for the aged.	Board of aid for the aged.	do	All	None	None	State	65	15 years	15	1	\$3,000; couple \$4,000	300	a, b, c, d, f	A, B, C, D	\$25 a month.	Do.	
Oregon	1933		1934	do.	State board of control	Old-age pension commission	Annual report to State board of control.	Part of State fund distributed to counties, balance paid by counties.	State fund allocated to counties according to number of people on pension rolls.	None	State liquor tax; county general fund.	70	do.	15	2	\$3,000	360	a, b, c, d, f, i, l	A, B, C, D	\$30 a month.	Monthly or quarterly.	
Pennsylvania	1934		1934	do.	Department of welfare	Board of trustees of old-age assistance fund.	Complete supervision	do	do	do	State	70	do.	15	None	Indigent	do.	a, b, c, d, i	C	do.	Monthly.	
Utah	1929		1929	do.	None	Board of county commissioners.	None	None	All	None	County	65	do.	15	5	(2)	300	a, b, c, d, e, f, i	A, B, C	\$25 a month.	Do.	
Washington	1933		1933	do.	None	do	None	None	All	None	do	65	do.	15	5	(2)	360	a, d, e, f, i	A, B, C	\$30 a month.	Do.	
West Virginia	1931		1931	Optional	None	County court	Annual audit by tax commissioner.	None	All	None	do	65	do.	10	10	None	300	a, b, c, d, e, f, g, h, i, n	B	\$1 a day	Do.	
Wisconsin	1925	1929, 1931, 1933	1925	(9)	State board of control	County judge	Annual report	One-third	Two-thirds	Reimburse county.	State, county, local.	70	do.	15	15	\$3,000	365	a, c, d, e, f, i, n	A, B, C	do.	Monthly or quarterly.	
Wyoming	1929	1931	1929	Mandatory	None	Old-age pension commission	Annual report to State auditor.	None	All	None	County poor fund.	65	do.	15	5	(2)	360	b, c, d, e, f, i	A, B, C	\$30 a month.	Monthly.	

¹ Since 1906.
² Annual income of any property to be computed at 3 percent of its value.
³ Annual income of any property to be computed at 5 percent of its value.
⁴ Required residence in United States, 15 years.
⁵ Earnings and gifts up to \$100 exempt.
⁶ When Governor can raise funds.
⁷ Home in which applicant lives not to be considered property.
⁸ Unable to maintain self.
⁹ Mandatory from July 1, 1935, on.

Disqualifications:
a. Inmate of any prison, jail, insane asylum, or correctional institution.
b. Deserter of spouse.
c. To have failed without just cause to provide support for wife and minor children.
d. Relatives legally liable and able to support.
e. Sentence for crime.
f. Disposed of or deprived oneself of property to qualify for pension.
g. Need of institutional care.
h. Recipient of pension from Federal, State, or foreign government.

i. Habitual tramp, vagrant, or beggar.
j. Unable to earn at least \$1 per day.
k. Spouse and children able to furnish support.
l. Convicted of crime involving moral turpitude.
m. To have failed to work according to ability.
n. Inmate of benevolent, charitable, or fraternal institution.
o. Husband, wife, parent, or child able and responsible for support.
p. Children liable and able to support.

Other provisions:
A. Transfer of applicant's property to pension authority may be demanded before pension is granted.
B. Amount of payments to be collected from estate on death of pensioner or the survivor of a married couple.
C. Allowances for funeral expenses.
D. Payments may be made to charitable or benevolent institution if pensioner is inmate.

Source: Compiled from State laws.

more than 1,000 recipients of old-age assistance grants, and these were found almost exclusively in Montana and Wisconsin, the former having 884, the latter 295 old people on their old-age assistance rolls. The total amount spent by the six States in 1928 was, in round numbers, \$200,000.⁶

From 1929 on the trend in legislation has been toward making the adoption of the old-age assistance systems mandatory upon the counties. This type of legislation proved much more effective, especially when it was accompanied by a provision by which the State shared in the expense of the county. Of this latter type was the California law which was passed in 1929. In the same year Minnesota, Utah, and Wyoming passed laws which did not provide such State assistance, although those of Utah and Wyoming made the adoption of the system mandatory upon the counties.

In 1930 the Massachusetts and New York laws were passed which not only were of the mandatory type but also provided that the State share in the expense of the locality.

In 1931 and 1933 State legislatures were very active in the field of old-age assistance. It is estimated that 100 bills were introduced in the legislatures of 38 States in 1931. In that year five new laws were enacted in Delaware, Idaho, New Hampshire, New Jersey, and West Virginia. Of these, all except the West Virginia law were of the mandatory type, but only Delaware and New Jersey provided for State funds. Colorado and Wisconsin amended their laws making them mandatory upon the counties as well as making State funds available for the purpose of old-age assistance.

Ten more laws were added in 1933 in Arizona, Indiana, Maine, Michigan, Nebraska, North Dakota, Ohio, Oregon, Washington, and Hawaii. With the exception of Hawaii, they were all mandatory upon the counties, but in Oregon and Washington the State did not share in the expenses of the locality. Arkansas passed a law in 1933, but it was declared unconstitutional by the State supreme court.

Iowa and Pennsylvania passed mandatory laws in 1934, the State bearing the entire cost. By the end of 1934, 28 States and 2 Territories had passed old-age assistance laws.

Summary of the Provisions in Effect, January 1, 1935.—Table 36 summarizes the provisions of the various laws of the United States. As indicated in the discussion above, the effectiveness of these laws depends to a large extent on the degree to which the State shares in the responsibilities of administration and cost. The State has complete supervision or exclusive State administration only in those States where it bears the whole cost. This is the case in Alaska, Dela-

⁶ "Operation of Old Age Pension Systems in the United States in 1931", *Monthly Labor Review*, vol. 34, no. 6, June 1932, table 5, p. 1266.

ware, Iowa, Michigan, North Dakota, Ohio, and Pennsylvania. In other States, where the State bears part of the cost of old-age assistance, there is a considerable amount of State supervision. This is true in Arizona, California, Indiana, Maine, Massachusetts, New Jersey, and New York. Colorado and Wisconsin are the only States which give money to the counties and leave to them the administration of the fund, requiring only an annual report to the State office. Such an annual report is required in a number of other States from the counties administering the laws. This provides little guaranty that the laws are actually enforced. A number of States left the entire responsibility to the counties, requiring not even an annual report. These States were Kentucky, Minnesota, New Hampshire, Utah, and Washington.

It is safe to make the general statement that the purpose of these old-age assistance laws has been carried out more effectively in the States which provide effective State supervision than in those which make the counties entirely responsible. The ratio of recipients of assistance grants to the number of people of eligible age is highest in the States where there is complete State supervision.

In other respects the various laws are quite similar. All State laws require that the recipient of assistance grants must be needy. With the exception of Arizona and Hawaii, they all specify that assistance grants must not be paid to old people who have children or relatives able to support them. New York and Massachusetts are the only laws which do not set a maximum amount of assistance; this maximum is as low as \$15 in some States, but most of the laws set it at \$30 a month. The age limit is 65 years of age in a majority of the States; but in quite a few of them it is 70. The most serious restrictions are the citizenship and very long residence requirements. Under most of the laws, in order to receive old-age assistance, a person must have been a citizen and a resident in the State for 15 years, and in a few States the residence requirement is even higher. Many States require also a long period of residence in the county or city. The great majority of the States have income and property qualifications. The property limit is \$3,000 in most of the laws, while the income limit is \$300 to \$365 a year. A few of the newer laws omit altogether these property and income qualifications and leave to the administrator the decision of whether or not a person is in need. Many of the laws include the provision that the transfer to the assistance authority of any property the applicant may possess may be demanded before assistance is granted. In most laws there is a provision that assistance must be denied to persons who have deprived themselves of property in order to qualify for aid. Almost all the laws provide that the amount of assistance paid shall be a lien on

the estate of the recipient and shall be collected upon his death or the death of the surviving spouse. The majority of the laws provide for a small funeral allowance.

In addition to these qualifications, several old-age assistance laws make sure that the recipients of aid are "deserving" citizens. People who have deserted their husbands or wives, who have failed to support their families, who have been convicted of a crime, who have been tramps or beggars, who have failed to work according to their ability, are ineligible to assistance in most of the States. Inmates of jails, prisons, infirmaries, and insane asylums are also barred from receiving grants. A few States permit the payment of the assistance grant to a benevolent and fraternal institution after a recipient becomes an inmate, but they make such payment subject to the proviso that the institution may be inspected by the old-age assistance authority.

After this survey of the many restrictions in the old-age assistance laws, particularly the requirement that the recipient must be in actual need, it is not surprising to find that their operation has been much more limited than in other countries which have adopted non-contributory old-age pension legislation. The percentage of old people on assistance rolls in the United States is far below that of European countries, Canada, and Australasia. Several of these countries pay pensions to all aged persons whose income is less than a specified amount, not requiring proof of actual need.

Operation of State Laws.—Data furnished by the Bureau of Labor Statistics indicate the experience under old-age assistance acts in 1934. Some 236,000 old people were being cared for through the medium of public old-age assistance at the end of 1934. During the year over \$32,000,000 was spent for this purpose. (See table 37.)

Although 28 States and 2 Territories had old-age assistance acts on the books at the end of 1934, in only 25 States and 2 Territories were grants actually being paid. In 3 States the act was entirely inoperative because of lack of funds. In only 10 States was the system State-wide.

The average monthly grant paid ranged in the various States from 69 cents in North Dakota to \$26.08 in Massachusetts. In the former State a total of \$507,744 should have been available to meet the old-age assistance obligations. The system is, however, financed by a property tax of 0.1 mill, which, during 1934, yielded only \$28,534. The amount paid in grants totaled \$24,259. The sum available for distribution, therefore, fell short of the sum awarded by more than \$475,000. Dividing the funds among the recipients on a pro-rata basis, the average was 69 cents a month.

TABLE 37.—Operation of State old-age assistance acts during 1934

State	Funds supplied by—	Number of eligible age, 1930 ¹	Number of recipients at end of 1934	Percent recipients formed of 1930 population of eligible age	Amount disbursed	Monthly grant	
						Maximum payable	Average paid, 1934
Arizona	State and county	8,370	1,820	21.7	\$427,527	\$30.00	\$19.57
California	do	210,379	19,619	9.3	² 4,288,508	30.41	20.21
Colorado	do	56,720	³ 10,098	17.8	⁴ 1,256,190	30.41	9.74
Delaware	State	16,678	1,583	9.5	193,231	25.00	9.91
Idaho	County	17,402	1,712	9.8	138,440	25.00	6.74
Indiana	State and county	133,720	23,533	21.6	⁵ 1,134,250	15.00	4.50
Iowa	State	184,239	⁶ 8,300	4.5	⁷ 220,000	25.00	13.25
Kentucky	County ⁸	(⁹)					
Maine	State and county ⁸	(¹⁰)					
Maryland	County	50,391	267	¹¹ .5	65,228	30.41	22.64
Massachusetts	State and county	156,590	¹² 21,473	¹² 13.7	¹³ 5,628,492	(¹⁴)	26.08
Michigan	State	129,353	3,557	2.8	103,180	30.00	9.99
Minnesota	County	67,025	4,425	6.6	¹⁵ 577,635	30.41	10.97
Montana	do	10,265	2,780	27.1	177,426	25.00	5.32
Nebraska	do	20,256	926	4.6	13,577	20.00	1.22
Nevada	do	246	7	2.8	1,552	30.41	18.48
New Hampshire	State and county	25,714	1,483	5.8	311,829	32.50	17.51
New Jersey	do	110,567	11,401	10.3	1,773,320	30.41	14.87
New York	do	373,878	51,834	13.9	12,650,828	(¹⁴)	20.65
North Dakota	State	22,468	3,914	¹⁶ 17.4	24,259	12.50	.69
Ohio	do	414,836	36,543	8.8	¹⁷ 1,434,416	25.00	6.54
Oregon	County	38,193	¹⁸ 6,525	17.1	¹⁸ 639,296	30.00	8.16
Pennsylvania	State	289,705	18,261	6.3	¹⁹ 386,717	30.00	21.18
Utah	County	15,730	902	5.7	86,416	25.00	7.98
Washington	State and county	23,447	1,588	6.8	103,408	30.00	5.43
West Virginia	County ⁸	(²⁰)					
Wisconsin	State and county	41,818	2,127	5.1	459,146	30.41	19.95
Wyoming	County	7,070	719	10.2	82,732	30.00	9.59
Total		¹ 2,439,437	235,397	9.7	32,177,603		14.68
Alaska	Territory	2,935	454	15.5	108,485	²¹ 35.00	25.00
Hawaii	County	7,638	354	4.6	27,427	15.00	7.06
Grand total		¹ 2,450,010	236,205	9.6	32,313,515		14.68

¹ Where system was not State-wide in operation, the number given in this column is an estimate of number of eligible age only in the counties reporting.

² Approximate; estimated on basis of State disbursements (about 1/2).

³ In 55 of the 63 counties of the State.

⁴ Estimated on basis of returns by individual counties and report of State disbursements.

⁵ 11 months ending Nov. 5, 1934.

⁶ A total of 4,589 actually on roll Dec. 31, 1934; others put on roll later, payments being retroactive to Nov. 1, 1934.

⁷ Estimated; last 2 months of 1934 only.

⁸ Inoperative.

⁹ Census reports 84,252 of eligible age in State.

¹⁰ Census reports 69,010 of eligible age in State.

¹¹ Based only upon reporting counties in which act was in operation.

¹² As of Mar. 31, 1935.

¹³ Year ending Apr. 30, 1934.

¹⁴ No limit.

¹⁵ In 38 counties.

¹⁶ Computed on basis of estimated population 68 years of age and over.

¹⁷ Last 6 months of 1934.

¹⁸ In 32 of the 36 counties in the State.

¹⁹ Month of December 1934.

²⁰ Census reports 73,043 of eligible age in State.

²¹ Men; women, \$45.

SOURCE: Parker, Florence E., "Experience Under State Old-Age Pension Acts in 1934", *Monthly Labor Review*, vol. 41, no. 2, Aug. 1935, pp. 303-312.

The three State-wide systems of longest experience are those of California, Massachusetts, and New York. It is an interesting fact that year after year the average allowance runs practically the same in these three States (one of which has a maximum of \$30, while the other two have no maximum). In 1934 the average grant was \$20.21 in California, \$26.08 in Massachusetts, and \$20.65 in New York.

These data were collected in the annual survey of old-age assistance made by the Bureau of Labor Statistics. The figures indicate, however, that 13 States and 1 Territory were paying grants averaging less than \$10 per month in 1934.

How far the grants actually paid fell below the maximum allowable under the law is indicated by comparison of the last two columns of table 37. One column of the table shows the number of persons in each State who had reached the age at which they would be eligible for benefits under the act. It should be borne in mind in this connection, however, that age is only one of the requirements that must be met. Practically all the laws also make certain requirements as to residence in the State and county, citizenship, means, etc.

The number of recipients of old-age assistance is very low in States which have financial difficulties. That many more people are in need of assistance becomes clear from the following tabulation, which shows the number of applications received in some of the States since the passage of the law:

*Number of applications received by old-age assistance authorities (November 1934)*⁷

State	Number of persons receiving grants	Number of applications received	Number of people on waiting list
Arizona.....	1, 974	2,098 from Aug. 1, 1933, to June 30, 1934.	10.
Delaware.....		5,685 since 1931.....	1,700 applications not yet investigated; of these about 1,200 will qualify.
Idaho.....	1, 275	3,525 since 1931.....	200 at close of 1933.
Indiana.....	23, 418	39,304 from January through August 1934.	3,959 applications not investigated August 1934.
Iowa.....	3, 000	60,000 since April.....	Estimated that 28,000 will qualify.
Maryland (Baltimore County only).	141	2,168 since 1931.....	Applications are investigated only when there is a vacancy.
Michigan.....	2, 660	42,358 since October 1933.....	6,575 applications approved; 27,032 applications not yet investigated.
Montana.....	1, 781	4,444 since 1936.....	
New Jersey.....	10, 560	26,269 since July 1932.....	3,080 pending applications not yet investigated.
New York.....	51, 228	136,482 since September 1930.....	5,123 pending applications not yet investigated.
North Dakota.....	None	4,201.....	3,761.
Ohio.....	24, 000	105,000 since May 1934.....	
Wisconsin.....	1, 969	4,912 since 1930.....	234.

⁷ The information presented in this tabulation was obtained through correspondence with State officials.

In all the States for which this information is available the applications far exceed the number of recipients of actual grants.

Activities of State Legislatures From January 1, 1935, to October 15, 1935.—In the first 10 months of 1935, State legislatures all over the country were very active. During this period action on the social security program was pending in Congress, and, while the Social Security Act did not become law until August 14, 1935, many of the States passed new laws or amended their old laws in anticipation of proposed Federal aid. The trend in State legislation during that period reflects in most cases the provisions of the Social Security Act as they crystallized during congressional discussion.

Eight States (Alabama, Arkansas, Connecticut, Illinois, Missouri, Oklahoma, Rhode Island, and Vermont) and the District of Columbia passed new old-age assistance laws in the period from January 1 to October 15, 1935. In addition, the Florida Legislature adopted a law, which, to become effective, had to be approved by a referendum vote. The provisions of these laws are briefly summarized in table 38. It is worthy of note that, with the exception of the Florida law, all these new statutes are of the mandatory type. All provide for a central State agency to administer or supervise the administration of the law, and all provide for State financial participation. None of these new laws makes citizenship of many years' duration an eligibility requirement, and the State residence requirement is in most cases 5 years within the 9 or 10 years preceding date of application—a considerable liberalization in comparison with the laws passed prior to 1935. The same is true of the county residence requirement, which, in a number of the new State laws, was canceled entirely. Only the Arkansas and Missouri laws have an age requirement as high as 70 years, and the Arkansas law provides that its age requirement is to be lowered to 65 beginning with 1940.

The same general trend toward more liberal provisions can be traced through the many amendments adopted by States which had laws prior to 1935; 16 States and 2 Territories amended their laws in the period from January 1 to October 15, 1935.

In five jurisdictions the laws, which up to that time had been optional, became mandatory upon all political subdivisions (Hawaii, Maryland, Minnesota, Montana, Wisconsin). Central State administrative agencies were established in eight jurisdictions (Hawaii, Maryland, Minnesota, Montana, Nebraska, Nevada, Washington, and Wyoming). At the same time legal provisions for State financial participation were introduced in eight jurisdictions (Hawaii, Maryland, Minnesota, Montana, Nebraska, New Hampshire, Washington, and Wyoming).

The requirement that a person must have been a citizen of the United States for many years before he could become eligible for aid was canceled quite generally by State legislatures. A provision was substituted according to which otherwise eligible citizens should not be barred because they had not been citizens for a required period of time (California, Hawaii, Iowa, Michigan, Minnesota, Montana, Nebraska, New Hampshire, Oregon, Washington, and Wyoming). Residence requirements were liberalized in 14 of the jurisdictions (Alaska, California, Colorado, Hawaii, Iowa, Maryland, Massachusetts, Minnesota, Montana, Nebraska, New Hampshire, Oregon, Washington, and Wyoming). Four States (California, Minnesota, Montana, Wisconsin) lowered their age requirement from 70 to 65, and one (Michigan) provided that it was to become 65 in 1940. A number of other changes were made in the laws within this period.

Table 38, summarizing the provisions of State old-age assistance laws as of October 15, 1935, shows that at that time there were 36 States, 2 Territories, and the District of Columbia which had passed old-age assistance laws. The Florida Legislature had passed a law, which, to become effective, had to be submitted to a referendum vote.

INDUSTRIAL PENSION SYSTEMS

Beginning in a modest way about 1875, several hundred of the most important companies in American industry have voluntarily created systems providing pensions for their own employees when they become superannuated or permanently and totally disabled. The motives behind the establishment of these systems have been many, and the reasons for their continuance have not always been those which led to their original initiation. Generally speaking, the managements starting and maintaining these systems have not only desired to provide employees with security in their old age, but have also wished, usually from necessity, to dispose of aged personnel who are inefficient in the productive processes of modern industry. A third closely related motive has been to use the pension system to clear out older employees periodically in order to give younger employees a chance to move up in the ordinary channels of promotion, a measure which not only replaces inefficient employees with younger men who are more efficient, but one which makes the younger men more satisfied with their own jobs and their own prospects. A fourth motive, also relating to economy, has been a desire on the part of certain companies to maintain conditions of employment so attractive as to draw into their service persons of superior capabilities. One motive of the pension systems of the railroads has been to facilitate the retirement of older persons who might consti-

TABLE 38.—Provisions of the old-age assistance laws in the United States (as of Oct. 15, 1935)

State	Type of law	Age	Maximum grant	Required period of—			Maximum property limitations	Administered by—	Funds provided by—	Citation
				Citizen-ship	Residence					
					State	County				
Alabama.....	M a n d a t o r y.	65	\$30 a month ¹	Years (2)	Years ³ 5	Years ¹	Income, \$360 a year.....	State department of public welfare and county governing board.	One-fourth by State; one-fourth by county; one-half by Federal Government.	Acts of 1935, ch. 448.
Alaska.....	do.....	{ ⁴ 65 ⁵ 60	{ \$35 a month, males; \$45 a month, females.	(2)	25	-----	-----	Board of trustees of Alaska Pioneers Home.	Territory.....	Comp. Laws 1933, secs. 1781 to 1826 (as amended 1935, ch. 47).
Arizona.....	do.....	70	\$30 a month.....	(2)	35	-----	Income, \$300 a year.....	County commissioners.	67 percent by State; 33 percent by county.	Acts of 1933, ch. 34.
Arkansas.....	do.....	⁶ 70	do.....	-----	5	-----	Assets, \$300; house up to \$2,500 excluded.	State department of public welfare and county public-welfare boards.	State and county.....	Acts of 1935, Act No. 322.
California.....	do.....	65	\$35 a month.....	(2)	(⁷)	1	Real property, \$3,000; personal property, \$500.	County or city and county boards of supervisors.	Half by county, or city and county; half by State.	Deering's Gen. L. 1931, act 5846 (as amended 1933, ch. 840; 1935, ch. 633).
Colorado.....	do.....	65	\$1 a day.....	15	15	1	(⁸).....	County commissioners.	State.....	Acts of 1933, chs. 144 and 145 (as amended 1935, ch. 171).
Connecticut.....	do.....	65	\$7 per week.....	(2)	5	-----	-----	Bureau of old-age assistance.	do. ⁹	Acts of 1935, p. 117.
Delaware.....	do.....	65	\$25 a month.....	¹⁰ 15	5	-----	-----	State old-age welfare commission.	do.....	Acts of 1931, ch. 85.
District of Columbia.	do.....	65	No limit.....	(2)	³ 5	-----	-----	Board of commissioners through designated agent.	Congress.....	Public, No. 319.
Florida ¹¹	Optional.....	65	\$35 a month ¹²	(2)	10	1	Income, \$400 a year.....	State board of pensions and boards of county commissioners.	State ¹³	Acts of 1935, S. B. 606.
Hawaii.....	M a n d a t o r y.	65	\$30 a month.....	(2)	³ 5	-----	Assets, \$1,500.....	County commissioners and Territorial board.	County or city and county; Territory to reimburse 60 percent, if Federal funds available.	Rev. L. 1935, ch. 259 (as amended 1935, series D-159, 160).

Idaho	do	65	\$25 a month	15	10	3	Income, \$300 a year	County probate judge and county commissioners.	County	Code, 1932, secs. 30-3101 to 30-3125.
Illinois	do	65	\$1 a day	(2)	14 10	1	Assets, \$5,000	State department of public welfare and county old-age security boards.	State	Acts of 1935, p. 259.
Indiana	do	70	\$180 a year	15	15	15	Assets, \$1,000	County commissioners.	Half by State; half by county.	Acts of 1933, ch. 36.
Iowa	do	65	\$25 a month	(2)	15 5		Assets, \$2,000 (\$3,000 if married); income, \$300 a year.	County boards under State commission.	State	Spec. sess. 1934; ch. 19- (as amended 1935, ch. 55)
Kentucky	Optional	70	\$250 a year	15	10	10	Income, \$400 a year; assets, \$2,500.	County judge	County	Carroll's Stats. 1930, art. 15, ch. 34, secs. 938i-1 to 938i-7.
Maine	M a n d a t o r y.	65	\$1 a day	(2)	15	1	Assets, \$300	Town and city boards under supervision of State department of health and welfare.	Half by State; half by cities, towns, and plantations.	Acts of 1933, ch. 267.
Maryland	do	65	do	15	16 5			Department of old-age pensions and relief and county welfare boards.	Two-thirds by State; one-third by county.	Acts of 1935, ch. 592.
Massachusetts	do	70	No limit	(2)	3 5			County or city board of public welfare.	Two-thirds by county or city; one-third by State.	Gen. L. 1932, ch. 118A (as amended 1932, ch. 259; 1933, chs. 219, 285, 328; 1935, ch. 494).
Michigan	do	6 70	\$30 a month	(2)	10		Assets, \$3,500 ¹⁷	State welfare department and county boards.	State	Acts of 1935, no. 159.
Minnesota ¹⁸	do	65	do	(19)	3 5	1	Assets, \$5,000	County commissioners under supervision of State board of control.	Half by State; half by county.	Supp. 1934 to Mason's Stats. 1927, ch. 15 (as amended 1935, ch. 357).
Missouri	do	70	\$30 a month (couple, \$45 a month).	(2)	3 5		Assets, \$1,500 (couple, \$2,000).	State board of managers of eleemosynary institutions and county old-age assistance boards.	State	Acts of 1935, p. 308.
Montana	do	65	No limit	(2)	16 5	1		County old-age pension commission under State old-age pension commission.	County; State to reimburse not to exceed 75 percent.	Acts of 1935, ch. 170.
Nebraska	do	65	\$30 a month (couple, \$50 a month).	(2)	3 5		Assets, \$3,000; income, \$250 a year (couple, \$500 a year).	County pension boards under State old-age pension commissioner.	State	Acts of 1935, ch. 135.
Nevada	Optional	65	\$1 a day	15	10		Assets, \$3,000	State and county boards of relief, work planning and pension control.	County	Comp. L. 1929, secs. 5109-5136; acts of 1935, ch. 138.

Footnotes at end of table.

TABLE 38.—Provisions of the old-age assistance laws in the United States (as of Oct. 15, 1935)—Continued

State	Type of law	Age	Maximum grant	Required period of—			Maximum property limitations	Administered by—	Funds provided by—	Citation
				Citizen-ship	Residence					
					State	County				
New Hampshire	M a n d a t o r y.	70	\$30 a month	Years (2)	Years 3 5		County commissioners.	State, 5 percent; county, 95 percent.	Acts of 1935, ch. 127.	
New Jersey	do.	70	\$1 a day	(2)	15	1	Assets, \$3,000.	State division of old-age relief and county welfare boards.	Acts of 1931, ch. 219 (as amended 1932, ch. 262; 1933, ch. 149; 1935, chs. 108 and 213).	
New York	do.	70	No limit	(2)	10	1		Public welfare officials, under supervision of State department of social welfare.	Half by city or county; half by State.	
North Dakota	do.	68	\$150 a year	(2)	20		Income, \$150 a year	County commissioners under supervision of secretary of agriculture and labor.	State	
Ohio	do.	65	\$25 a month (couple, \$50 a month).	15	15	1	Assets, \$3,000 (\$4,000 if married); income, \$300 a year, couple \$600.	County boards under supervision of State division of aid for aged.	do.	
Oklahoma	do.	{ 4 60 5 55 }	\$30 a month	(2)	10 5			Commission for old-age pensions and security.	do.	
Oregon ²⁰	do.	70	do.	(2)	10 5	1		County relief committee under State relief committee.	Half by Federal Government; one-fourth by State; one-fourth by county.	
Pennsylvania	do.	70	\$30 a month ²¹	15	15			Local boards under State department of welfare.	State	
Rhode Island	do.	65	do.	(22)	10 5	(23)	Assets, \$5,000.	Local directors of public aid under State department of public welfare.	do.	
Utah	do.	65	\$25 a month	15	15	5	Income during past year, \$300.	County commissioners.	County	

Vermont-----	do-----	65	\$30 a month (couple, \$45 a month).	(2)	16	5	Income, \$360 a year (if married, \$500); as- sets, \$2,500 (if mar- ried, \$4,000). ²⁴	Old-age assistance commission; local officials.	State, provided Fed- eral Government re- imburses one-half.	Acts of 1935, no. 82.
Washington-----	do-----	65	\$30 a month---	(2)	16	5		Department of public welfare.	State-----	Acts of 1935, ch. 182.
West Virginia-----	Optional--	65	\$1 a day-----	15	10	10		County court-----	County-----	Acts of 1931, ch. 32.
Wisconsin-----	M a n d a - t o r y .	65	do-----	15	15	15	Assets, \$3,000-----	County judge-----	Payments by county; State to refund one- third; city, town, and village to re- fund two-thirds.	Stats. 1931, secs. 49.20- 49.39 (as amended 1933, chs. 375 and 458; 1935, ch. 391).
Wyoming-----	do-----	65	\$30 a month---	(2)	16	5	Income, \$360 a year---	County board of pub- lic welfare under State department of public welfare.	County; State to re- fund 50 percent.	Acts of 1935, ch.101.

¹ For veterans of the War between the States, \$50 is the maximum.

² Citizenship required, but no period specified.

³ Within 9 years immediately preceding.

⁴ Males.

⁵ Females.

⁶ Until 1940; thereafter, 65.

⁷ With adoption of Federal act, State residence 5 years within 9 years immediately preceding.

⁸ Applicant having property in excess of \$2,500 must offer to assign all to assistance fund, but may retain home in which he resides, valued at \$2,500 or less.

⁹ Annual State tax of \$2,100,000 imposed on the several towns of the State.

¹⁰ Required period of residence in United States.

¹¹ Must be approved by referendum of the people. Act covers persons infirm physically, regardless of age. These may not receive Federal aid until reaching the age prescribed.

¹² \$60 where more than 1 member of family living together come under the provisions of the act.

¹³ Counties are authorized to raise contributory funds.

¹⁴ Within 15 years immediately preceding.

¹⁵ Also domiciled for 9 years immediately preceding.

¹⁶ Within 10 years immediately preceding.

¹⁷ Or \$1,000 in personal property, with \$500 in household goods excepted.

¹⁸ The amendment of 1935 was declared invalid by the attorney general.

¹⁹ Citizen of United States or resident of State for over 25 years.

²⁰ Act becomes operative on passage of Federal law making funds for old-age assistance available to State.

²¹ And \$15 per month for each other person in the same family entitled to assistance.

²² Citizenship required or residence in the United States for 20 years.

²³ Residence required, but no period specified.

²⁴ \$1,000 in value of home excluded.

SOURCE: "Public Old-Age Pension Legislation in the United States as of Oct. 15, 1935," *Monthly Labor Review*, vol. 41, no. 5, November 1935, pp. 1179-1183.

tute a menace to the safety of the traveling public. With the great expansion of various mechanisms for automatic control of train movements and improvement in safety conditions generally, this motive perhaps has not been as strong in recent years as it once was.

The use of the offer of a pension, coupled with certain restrictions, was considered the means of accomplishing the results indicated by the motives which have already been mentioned, without undue burden on the company. These restrictions, as will be pointed out presently, were so framed, however, that two further important ends were comprehended. First, since the pensions were payable only to persons who continued in the company's service to the time of their superannuation or disablement, the deferment of pensions acted as an inducement for employees to remain in the service, reducing various expenses connected with training new employees in place of others who had left the service. Ordinarily the qualification for receipt of pension is further conditioned upon uninterrupted service, and voluntary interruption in service by resignation or otherwise results in forfeiture of service credits acquired prior to such event. This latter class of restriction was aimed at discouragement of strikes as much as anything else.

In the initial stages the pension movement grew rather slowly in this country. By 1900 only about a dozen plans had been established.⁸ By 1910 the number of plans in force was about 60; by 1920 about 270; and by 1930 about 420. On January 1, 1935, there were approximately 750 voluntary pension plans in effect.⁹

The majority of the plans, considered in terms of employees affected, have been in the heavy industries. Over 40 percent of all employees affected by these voluntary pension plans in 1930, the last date for which comprehensive employment data were available, were on class I railroads; another 18 percent were employed on public utilities; 11 percent in iron and steel companies; 7 percent in companies engaged in production of chemicals and allied products; and approximately the same percentage in companies engaged in the manufacture of machinery exclusive of transportation equipment.

The number of employees affected by pension plans in 1930 was approximately 3,500,000. Despite the unusually rapid growth in the number of plans since that time, the number of employees affected is probably substantially smaller today than in 1930, because most of the

⁸ These figures and those which follow in this section were taken from Latimer, M. W., *Industrial Pension Systems in the United States and Canada* (Industrial Relations Counselors, Inc., New York, 1933).

⁹ Estimated by the pension division of the Metropolitan Life Insurance Co. Library.

new pension systems have been established in companies of relatively small size, and employment in the companies already maintaining plans has been greatly reduced.

Following the passage of the Railroad Retirement Act in 1934, some of the railroads limited the operation of their voluntary pension plans and some have cut their retirement benefits.

Generally speaking, the great majority of employees affected by voluntary pension plans are in the employ of companies of great size. In 1930 about 25 percent of all employees affected were engaged by companies which had more than 100,000 employees. Almost 70 percent of the employees were in companies which had more than 25,000 workers, and 98 percent in companies which had more than 2,000. While the recent expansion in the number of industrial-pension plans has affected necessarily a group of companies of much smaller size in point of number of employees, the movement still remains one predominantly confined to large industry. At no time have more than 15 percent of the gainfully occupied employees engaged in manufacturing, mining, and mechanical industries, and in trade and transportation been covered by these plans.

With but few exceptions all the employees of the companies which maintain pension plans are eligible to participate in those plans. Where a contributory system is established, participation is ordinarily optional for the whole staff at the time of initiation of the plan, and frequently this is true for employees hired subsequently. In a number of important instances, however, participation is a condition of employment for new employees.

As has already been indicated, the award of a pension to an employee is based upon continued employment for a considerable period of years and is contingent upon the employee's being attached to the company in active service at the time of attaining the age of retirement or at the time of becoming disabled. There are many differences in detail in the retirement age and in the length of service period required as qualifications. Generally speaking, however, the employee must have attained the age of 65 and have completed from 20 to 25 years' service and be permanently and totally disabled.

The methods of computing the benefits are themselves quite numerous. Under the majority of the plans, in terms of employees covered, the benefit is 1 or 1.5 percent of the average pay during the final few years of service multiplied by the number of years of service.

Reference has been made to the fact that these large companies have established pension plans, among other reasons, because they have found it inadvisable to follow a policy of retiring superannuated and disabled persons without a pension. As a matter of fact, however, considerable numbers, at least in the railroad industry, are

retired without pension, even though a pension plan is in operation.¹⁰ Figures for industries other than railroads are not available, but it is probable that many employees retire without pensions, since many plans are similar to those in effect in the railroad industry in that they fix a compulsory retirement age and prescribe a minimum-service qualification for receipt of pension.

Prior to about 1925, with few exceptions, voluntary pension systems provided that the companies were to bear the whole cost of paying the pensions. Most of the plans were begun with but little knowledge of the costs involved, and no very careful study was given to the financing of the liabilities assumed. By reason of a number of factors, including the rapid rise in money wages in the period after 1915, the slackening of the rate of expansion of individual companies, the effects of various policies calculated to reduce labor turnover, the decline in mortality rates, and various other causes, the pension payments of individual companies grew rapidly. By about 1925 it began to be more widely appreciated that the maintenance of a pension system involved very considerable costs and that proper accounting and safe financing involved setting aside funds currently at interest to be used later to pay retirement annuities.

The recognition of the principles of sound financing and accounting was hastened by the entrance of the insurance companies into this field, for these companies began to solicit group annuity contracts actively at about the same time. In order for the insurance company to assume the obligation of paying annuities, it would, of course, be necessary for them to collect premiums in respect of all promises of benefits. As companies became more cognizant of the costs involved, they were increasingly reluctant to assume the total burden themselves. New plans were arranged and old plans revised to induce employees to share the financial burden. In practically every case this involved an agreement to refund employee contributions upon withdrawal or death before qualifications for retirement were fulfilled, though in a number of cases no interest was paid upon such refunds. Occasionally insurance companies were able to induce companies to provide that after a certain period of service employees who were willing to leave their contributions with the insurance company would receive a deferred annuity earned both in respect of their own contributions and those of the employer. But this practice has been relatively unimportant. In 1925 less than 15 percent of all plans involved employee contributions. Early in 1935 the propor-

¹⁰ Transcript of record, United States Court of Appeals for the District of Columbia, October term, 1934, no. 6355, *Railroad Retirement Board et al. v. The Alton Railroad Co. et al.*, p. 178.

tion was probably about 60 percent, although the considerable majority of employees were still under plans in which they bore no part of the cost.

Early pension plans were in large part established and maintained by the management without reference to or approval of stockholders. Failing this approval, the plans were ordinarily subject to revision or discontinuance at any time and the payment of pensions was also subject to suspension, even where a grant of pension had actually been made. When the necessity for setting aside funds currently came to be realized, it was recognized that if such funds were to serve their purpose some safeguards had to limit their use; and, of course, insurance companies for their own protection could accept funds only on condition that they be used as intended. These financial considerations, coupled with the increasing skepticism by which the completely discretionary type of plan came to be viewed by the employees themselves, led to a material strengthening of the legal foundations of voluntary pension plans, although even in such cases the action taken was not put up to the stockholders for ratification.

As has already been pointed out, the early pension plans were begun without an adequate realization of costs and no special provision was made for accumulating funds to meet the liabilities. Almost without exception the pension payments made during the year were charged to current operating expenses; indeed, until 1928 the accounting regulations of the Interstate Commerce Commission prohibited the use of any other method by companies under the jurisdiction of that Commission. As early as 1918 or 1919 some companies began to set up book reserves to meet the liabilities for pensions which had been granted, although they still failed to take into account the fact that there were additional liabilities for active employees with long periods of service which would ultimately have to be recognized in the calculation of annuities payable. The real accumulation of funds coincided approximately with the entrance of the insurance companies into the field. Thereafter the growth in funds was rapid and continued even in the depression years, probably because during the period of liquidation many large companies became possessed of large sums which were not needed in their business and thus found an unusual opportunity to provide funds to cover liabilities already accrued. It has been estimated that by the end of 1931 the total sum set aside for pension purposes was \$625,000,000, of which \$105,000,000 was in the hands of insurance companies, \$460,000,000 in trust funds, and \$60,000,000 consisted of balance-sheet reserves.¹¹ Not all these funds were irrevocably earmarked for pensions, but probably at least

¹¹ Latimer, *op. cit.*, p. 873.

the sum of \$500,000,000 to \$550,000,000 was so designated. At the beginning of 1935 total funds set aside for pensions under private industrial plans probably aggregated \$800,000,000, of which about \$700,000,000 was so restricted as to be usable only for pension purposes.

Large as these funds were in 1935, they were probably far from meeting the total liabilities which had accrued to that date. It was estimated that as early as 1928 total liabilities for pension funds were as much as \$2,200,000,000, and probably since that time the liabilities have increased despite the shrinkage of employment.¹² At the beginning of 1935 there were about 175 companies (including railroads), employing normally in excess of 2,000,000 persons, which made no guaranty whatever of awarding the pension or of continuing the annuity payments once the pension was granted.

The half century of experience with voluntary pension plans has shown that they have been inefficient and inadequate as sound social insurance measures. The proportion of all employees in the field affected has been small, never rising above 15 percent; nor are there very good grounds for supposing that the field is capable of any material expansion. Many industries never have any acute problem of aged persons because of marked cyclical and seasonal variation in the number of employees and because of their refusal to rehire employees after a certain age when once they have been dropped from the pay roll. The rate of turn-over of business enterprise itself continues high and employees periodically are thrown out of work because their employers fail to continue in business. It is a reasonable conclusion that in the future pension plans on a voluntary basis will be confined, as in the past, to large-scale industries and specifically to "public utilities and manufacturers of the basic commodities required for the functioning of a mechanized civilization."¹³

Even within the field which these voluntary pension systems embrace, the terms of the plans are restricted so that relatively few employees qualify for pensions. On the railroads, for example, although fully four to five million persons have at one time or another probably been employed by railroads with pension plans, less than 120,000 have been awarded pensions.

Probably no survey of industrial pension systems has ever discovered every system in existence. But it has been estimated that in 1927 the number of pensioners did not exceed 90,000 and that the total annual pension payments were not more than \$55,000,000.¹⁴ An estimate from the same source for 1931 was that pensioners did not

¹² *Ibid.*, p. 609.

¹³ *Ibid.*, p. 945.

¹⁴ *Ibid.*, p. 216.

exceed 140,000 at the end of that year and that pension payments aggregated no more than \$97,000,000. Latest available information, for 1933, indicates that pensioners at the end of the year were not more than 165,000 and that payments in that year were not in excess of \$115,000,000.¹⁵

Average per-capita pensions were about \$50 per month in 1927, \$58 in 1930, \$61 in 1931, and about \$58 in 1933. The decline after 1931 was mainly the result of reductions in pensions by most of the railroads.

Moreover, these voluntary plans contain many elements of discrimination. In most cases, at least until recent years, the benefits have been related to the pay of the final few years of service. While this has protected all employees to a certain extent against the hazard of change in price levels, it has nevertheless produced pensions which were much larger in proportion to the total value of service rendered for executives and supervisory employees than for the rank and file. Moreover, the continuous-service requirements have discriminated against low-salaried employees as compared with those in official and executive positions. And, as has already been pointed out, there are many elements of insecurity, inadequate financing, and lack of sound legal basis in pension systems even at the present time.

Apart from these inadequacies in the plans themselves, industrial retirement systems have entailed certain unfortunate social consequences. A concomitant of these plans is a hiring-age limit which forbids the employment of persons over 45 to 55 years old. Whereas the genesis of these age restrictions is frequently to be found in conditions other than pension plans, the pension systems, none the less, have introduced a further reason for keeping these limits in effect. The apparent desirability, from the strictly company viewpoint, of maintaining low hiring-age limits might, in the main, be eliminated by a modification of existing regulations. This modification would entail a provision that employees might receive upon retirement age whatever pension they had earned during their period of actual service, without forfeiture because of failure to remain in the service of a single employer. Moreover, the provisions of pension plans which attempt to tie employees to a particular firm are undesirable even though their actual effectiveness is open to question. Insofar as they have been effective in this direction, however, they are not desirable.

Generally speaking, industrial pension systems viewed as a managerial device to limit superannuation among the personnel, clear

¹⁵ Based on material supplied by Industrial Relations Counselors, Inc., New York.

channels of promotion, and add to the relative attractiveness of the employment of a particular firm, and, in general, improve personnel efficiency can be helpful and successful, although for various reasons they have frequently not had such results. Viewed as a means of providing security to industrial workers in old age, because of their limited application and restrictive provisions requiring long and continuous service for a single employer they are wholly inadequate. Nor do they give promise of substantially adequate protection in the future. Social insurance with a far broader coverage and without these restrictions is essential to old-age security. Social legislation aimed to provide insurance against old-age dependency will in no way interfere with the solution of these strictly managerial problems. On the contrary, a social insurance scheme aimed to prevent old-age dependency by imposing a uniform burden on the pay rolls of all industries and employers, by spreading over the whole employed community the costs of the high proportion of aged employees which characterize many firms maintaining private pension systems and by making absolutely secure the payment of such part of the total benefits as is provided under the law, will be of material assistance to companies which for various reasons may wish to supplement the stipulated benefits.

RAILROAD RETIREMENT ACT

The first important legislative measure toward the provision of old-age security in the United States was the Railroad Retirement Act passed by Congress in 1934.¹⁶ This established contributory old-age annuities for employees of steam railroads, sleeping-car companies, and express companies. When the act was tested in the Supreme Court in 1935, it was declared unconstitutional by a five-four decision on the ground that "several of its inseparable provisions contravene the due process of law clause of the fifth amendment" * * * and that "the act is not in purpose or effect a regulation of interstate commerce within the meaning of the Constitution."¹⁷

A second Railroad Retirement Act was passed by Congress and approved on August 29, 1935.¹⁸ The new act provides annuities for employees on the same scale as the first Railroad Retirement Act. As in the first act, credit toward annuities is guaranteed the older workers so that the system will function for them as well as for the young men just entering the service. The worker who leaves railway employment before reaching the age of 65 is entitled to the annuity

¹⁶ Ch. 868, 48 Stat. 1283; 45 U. S. C., §§ 201-214.

¹⁷ *Railroad Retirement Board et al. v. Alton Railroad Co. et al.*, 295 U. S. 330.

¹⁸ Ch. 812, 49 Stat. 967; 45 U. S. C. (1935 Supp.), §§ 215-228.

due him on the basis of the number of years of railway service. Annuities vary with the wage and the number of years of service. A higher percentage of the first \$50 of monthly wages is used in computations so that the annuity drawn by the lower-paid worker constitutes a higher percentage of his average wage than the annuity of the better-paid man. This is sound public policy, as the low-paid worker needs a higher ratio of his wage for subsistence. There is a death benefit, payable to widow or dependent next of kin of persons dying after beginning to receive, or becoming entitled to receive, an annuity; and retiring employees may elect to receive reduced annuities and have the annuity continued to a surviving spouse.

Employees in the active service of steam railroads, sleeping-car companies, and express companies, and former employees on leave of absence or furlough, subject to call for service and ready and willing to serve, as of the date of enactment, August 29, 1935, are included in the retirement system. All benefits under the act are payable from appropriations from the general funds of the Treasury. The effective date of the act is March 1, 1936, and annuities become due and payable 90 days thereafter.

RETIREMENT SYSTEMS FOR PUBLIC EMPLOYEES

Approximately 75 percent of all public employees in the United States now enjoy old-age protection under retirement systems established pursuant to law and financed generally by employee and employer (Government) contributions.

The largest of the public retirement systems is the civil-service retirement and disability fund for civil-service employees of the United States Government. This fund was established in 1920, and on June 30, 1935, had 48,665 annuitants on its rolls, to whom it paid \$48,082,396 during the fiscal year ending on that date. With an active membership of 420,000 employees, it is the largest public employees' retirement fund in the entire world. Civil-service employees contribute 3½ percent of their basic wages to the fund, and Congress appropriates amounts which to date have been appreciably less than the employee contributions. The congressional appropriations will have to be greatly increased in future years, as the system contemplates full credits for prior service, the costs of which are to be borne by the Government. Retirement allowances are payable after 15 years of service and attainment of specified retirement ages. Seventy years is the retirement age for most classes of employees, but for extra-hazardous employments the age may be as low as 62 years. The average annuity in the last fiscal year was \$988.03.

Besides this large system the Federal Government maintains smaller retirement systems for special groups of employees. The

most important are those for the Army and Navy, which at the end of 1935 had over 21,000 men on their retired lists. The men enlisted in the Marine Corps, the employees of the Panama Canal Zone, the Lighthouse Service, the Coast and Geodetic Survey, the diplomatic service, the Coast Guard, and the commissioned officers of the Public Health Service are all protected against superannuation by special pension funds.

In addition to the retirement systems of the Federal Government, several States and municipalities pension their employees. Nine States at the close of 1934 had retirement systems for (general) State employees with somewhat less than 100,000 members and 5,000 annuitants. Additional State and local teachers' retirement funds had 560,000 members, 12,000 annuitants, and annual pension costs of \$20,000,000. Between 400 and 500 retirement systems for municipal employees were also in existence, some covering substantially all municipal employees, but the majority providing only for policemen and firemen. At the end of 1934 these municipal systems applied to approximately 160,000 employees and had 25,000 pensioners on their rolls, with annual pension costs of \$18,000,000.

A considerable number of public retirement systems are not on an actuarially sound basis. This applies to most of the policemen's and firemen's funds and to many of the older retirement systems for teachers. Even in the Federal employees' system Congress, until the present year, failed to make any appropriations to meet the accrued liabilities assumed by the Government for past-service credits. Only a few of the public retirement systems, however, have thus far been in serious financial difficulties, compelling their abandonment or a reduction of promised annuities. On the whole, public employees enjoy far better old-age protection than any other group in the population, although that protection is neither complete nor perfect.

Chapter IX

OLD-AGE SECURITY ABROAD

GENERAL INTEREST in providing old-age security manifested itself in Europe about the middle of the nineteenth century. The earliest legislative efforts were made in Belgium, France, and Italy. Purely voluntary old-age and invalidity funds were set up and offered to the working population, which was permitted to purchase small old-age annuities. Very little, however, was accomplished for the wage earners by this voluntary insurance. Even the addition of substantial governmental subsidies did not induce many workers to make provision for themselves.

Subsequent legislation toward old-age security followed two patterns. One was that of noncontributory assistance grants "for the aged and deserving poor" on a plan similar to that adopted in 1891 by Denmark, the pioneering country in old-age assistance. The other was that of compulsory contributory old-age insurance adopted by Germany¹ in 1889 and patterned after that of the customary miner's funds that had existed in European mining communities from the Middle Ages.

By the outbreak of the World War, systems of noncontributory old-age assistance had been established in Denmark, Great Britain, New Zealand, Australia, Newfoundland, and Iceland, and nominally in France, while contributory insurance had been instituted in Germany, Luxemburg, Rumania, and Sweden, and legislated for later operation in the Netherlands.

Since the war, two British Dominions, Canada² and the Union of South Africa, one South American state (Uruguay), and the island of Greenland have established gratuitous systems, while Norway has enacted a noncontributory old-age assistance law but deferred its operation. In this same period, 15 countries, including France, Great Britain,³ and Italy, have legislated and organized general con-

¹ See appendix X for an account of the German system of contributory old-age insurance.

² See appendix VIII.

³ The British systems of noncontributory and contributory old-age insurance are described in appendix VII.

tributory old-age insurance measures. A half dozen other nations have established insurance schemes for selected industrial groups.

Table 39 gives a summary of the countries which have enacted legislation for old-age security through noncontributory old-age assistance and contributory insurance, together with the year of enactment of the law and its coverage. From this summary it will be noted that in the British Dominions and a half dozen other countries, the state, by a noncontributory plan, provides a gratuitous grant on proof that the aged person has insufficient income for self-support and has been guilty of no serious misconduct. A tabular summary of the principal provisions of the foreign noncontributory old-age assistance laws may be found in table 40.

Twenty countries abroad, including all large industrial nations and many small ones, have enacted legislation for the protection of superannuated industrial workers through contributory insurance. In addition to these 20 countries there are general old-age schemes operative in several Swiss cantons, as well as limited systems in five nations in Central and South America. These limited systems give protection to selected groups of wage earners, chiefly railroad workers, seamen, and employees of public utilities and banks. Most of these laws, including both those of general and those of restricted coverage, insure against invalidity as well as old age, and two-thirds of them also include survivors' insurance, i. e., pensions for the surviving widow and children in the event of the insured worker's death.

TABLE 39.—*Old-age assistance and insurance legislation in foreign countries through 1933*

A. NONCONTRIBUTORY OLD-AGE ASSISTANCE LAWS

Country	Year when passed	Coverage
Australia ¹	1908	All citizens with insufficient income, resident 20 years.
Canada.....	1927	All citizens with insufficient income; resident in Canada 20 years, in Province 5 years.
Denmark.....	1891	Citizens with insufficient means, resident 5 years.
France ¹ (see also sec. B).	1905	All citizens with insufficient means.
Great Britain (see also sec. B).	1908	Citizens with insufficient means; 12 years' residence since age 50 for natural-born citizens; 20 years' residence in all for naturalized subjects.
Greenland.....	1926	All Greenlanders without subsistence income.
Iceland.....	1909	Citizens with insufficient means.
Irish Free State.....	1908	Citizens with insufficient means, resident 30 years.
Newfoundland.....	1911	All citizens with insufficient means.
New Zealand.....	1898	Citizens with insufficient means and 25 years' continuous residence.
Norway (will not go into effect until announced by royal decree).	1923	All citizens with insufficient income.
South Africa.....	1923	All citizens (of 5 years' standing) with 15 years' residence out of preceding 20 years; other persons with 25 years' residence out of preceding 30 years; insufficient income.
Uruguay ¹ (see also sec. C).	1919	All persons with insufficient means. (For naturalized subjects or aliens 15 years' residence is required.)

¹ Old-age assistance legislation combined with noncontributory invalidity benefits.

TABLE 39.—*Old-age assistance and insurance legislation in foreign countries through 1933—Continued*

B. COMPULSORY CONTRIBUTORY OLD-AGE INSURANCE LAWS OF GENERAL COVERAGE

Country	Year when passed	Coverage
Austria ^{1 2}	1927 ³	Workers in industry and commerce, including domestic workers, except casual domestics. Special schemes for agricultural workers, salaried employees, and miners.
Belgium ²	1924	All wage earners, including agricultural workers and domestics (except casual domestics); and independent workers with incomes below 18,000 francs a year. Special schemes for salaried employees and miners.
Bulgaria ^{1 2}	1924	Employed persons, including agricultural workers and domestics. Special scheme for public officials.
Chile ¹	1924	Wage earners under 65 earning less than 8,000 pesos a year; independent workers with annual incomes below 8,000 pesos a year.
Czechoslovakia ^{1 2}	1924	Employed workers over school age and under 60, including agricultural, domestic, and home workers. Special schemes for salaried employees, miners, state employees, employees of statutory corporations, such as railways. Special act for independent workers, passed in 1925, not yet enforced.
France ^{1 2} (see also sec. A).	1910	All employed persons under 60 whose annual earnings do not exceed 18,000 francs a year in cities with over 200,000 inhabitants or industrial areas, 15,000 francs elsewhere. (Income limit raised by 2,000 francs in respect of each child.) Persons employed in agriculture subject to insurance against old age and death only. Special scheme for miners.
Germany ^{1 2}	1889	All workers, including agricultural, domestic, and home workers. Special scheme for salaried employees with annual earnings below 8,400 reichsmarks. Special scheme for miners.
Great Britain ^{1 2} (see also sec. A).	1925	All workers, including agricultural workers and domestics; salaried employees with incomes below £250 a year.
Greece ^{1 2}	1922	All persons employed in industry and commerce.
Hungary ^{1 2}	1928	All persons employed in specified employments. Employments may be added by Minister's order. Salaried employees with incomes below 6,000 pengös a year. Special scheme for miners.
Italy ¹	1919	All employed persons, including agricultural and domestic workers. Salaried employees with incomes below 800 lire a month.
Luxemburg ^{1 2}	1911	Workers in industry and commerce. Special scheme for salaried employees in industry and commerce.
Netherlands ^{1 2}	1913	All employed persons, including agricultural and domestic workers, whose annual remuneration does not exceed 2,000 florins. Insured persons whose remuneration rises above 2,000 florins remain liable to insurance. If their remuneration has been above 3,000 florins for some time, they are exempted at their request. Special schemes for railway workers and miners.
Poland ^{1 2}	1933	All workers in commerce and industry. Insurable wage limit.
Portugal ¹	1919	All employed persons over 15 years earning less than 900 escudos annually.
Rumania ¹	1912	All persons employed in industry and commerce, and craftsmen. Special scheme for miners in Ardeal, which includes survivors' insurance.
Spain	1919	All employed persons whose annual earnings do not exceed 4,000 peseta. Domestic servants excluded.
Sweden ¹	1913	All citizens between 16 and 66 years unless already guaranteed pension under army, navy, etc.
Union of Soviet Socialist Republics ^{1 2}	1922	All manual workers; engineers and skilled technical workers; navigating staff in civil aviation; various categories of salaried employees.
Yugoslavia ^{1 2}	1922	All wage earners except household casuals, farm labor, and sea fishermen. (Not yet enforced.)
	1924	All workers and other persons employed under mining act.
	1907	Salaried employees in Slovenia and Dalmatia who have reached age 18 and whose annual earnings are not less than 150 dinari.

¹ Old-age insurance combined with invalidity insurance.

² Old-age insurance combined with survivors' insurance.

³ The 1927 law for workers has not yet been put into effect. An old-age assistance scheme takes care of aged workers on a basis of need.

TABLE 39.—*Old-age assistance and insurance legislation in foreign countries through 1933—Continued*

C. COMPULSORY CONTRIBUTORY OLD-AGE INSURANCE LAWS OF LIMITED COVERAGE

Country	Year when passed	Coverage
Argentina ^{1 2}	1921	Public-utility employees.
	1924	Bank staffs.
Brazil ^{1 2}	1923	Railway workers.
	1926	Dock workers.
	1931	Staffs of public-utility undertakings.
Cuba ^{1 2}	1927	Seamen and harbor workers.
Ecuador ¹	1928	Staffs of banks.
Switzerland:		
Canton Glarus ¹	1916	Legal residents between ages 17 and 50.
Appenzell.....	1925	All legal residents between ages 18 and 64.
Basel Town ²	1931	All persons between ages 20 and 65 who have been resident in the Canton for 2 years.
Uruguay ^{1 2} (see also sec. A).	1919	Staffs of public-utility undertakings.
	1925	Staffs of banks and stock exchange.

¹ Old-age insurance combined with invalidity insurance.

² Old-age insurance combined with survivors' insurance.

SOURCE: Compiled from International Labour Office, *Compulsory Pension Insurance*, Studies and Reports, series M, no. 10 (Geneva, 1933); International Labour Office, *Noncontributory Pensions*, Studies and Reports, series M, no. 9 (Geneva, 1933); Armstrong, Barbara Nachtrieb, *Insuring the Essentials* (Macmillan Co., New York, 1932).

The shift of interest abroad from gratuitous old-age assistance to contributory insurance has been prompted mainly by two considerations: (1) The widespread objection to the "means-test" basis of noncontributory old-age assistance and the desire to make grants available as of right on arrival at old age; (2) objection to the financial strain upon the public exchequer occasioned by the increasing percentage of aged persons who qualified as in need of help and therefore were entitled to old-age assistance.

Both France and Great Britain, in setting up their contributory old-age insurance schemes for wage earners, recognized that in addition to the insured population there would always be a small number of needy aged from higher income levels and other uninsured economic groups who would not be eligible for insurance benefits. They have therefore retained their noncontributory plans to provide old-age assistance for these destitute uninsured men and women.

The French old-age insurance scheme, which was included in the general social insurance bill of 1928, merits special mention on the score of transitional arrangements, i. e., the provision made for older workers. Casual reading of the measure might suggest that little security is afforded this class of insured persons, as only a benefit proportioned to their years of insurance is guaranteed them. The clause on *minimum pensions*, however, modifies this situation radically and guarantees all pensioners who have been insured at least 5 years (no pension being due for a shorter insurable period) annuities which amount to five-sixths of the normal full pension of the lowest-paid workers and nearly one-half of the normal full pension of the

	Annual em	Administrative expenses	Rate of fund	Description
ides.	£32 10s.; friendly and tr allowa children sions. \$125.	Federal Government	2.5%	J. H. O.
taken at life annu-	100 to 200 ing with Earnings 400 fran ings (6) recipien 3 childre £39 annual income c s; £26 5s. annual ince e and personal effe y or trade-union.	Shared by Federal Government and	Annual 4-pers; 5% commensat	Annual
property.	£15 12s. 6d al effects; sickness t ion.	Federal Government	Annual 4-pers; 5% commensat	Annual
7 society; house (incl n which recipient liv assistance authority.	£39	Federal Government	Annual 4-pers; 5% commensat	Annual
y owned and from mputed	£24 for wh £18 for sons.	Federal Government	Annual 4-pers; 5% commensat	Annual
in terms	10 pesos.	Federal Government	Annual 4-pers; 5% commensat	Annual

TABLE 39.—*Old-age assistance and insurance legislation in foreign countries through 1933*—Continued

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	1926	Dock workers.
	1931	Staffs of public-utility undertakings.
Cuba ^{1 2}	1927	Seamen and harbor workers.
Ecuador ¹	1928	Staffs of banks.
Switzerland:		
Canton Glarus ¹	1916	Legal residents between ages 17 and 50.
Appenzell.....	1925	All legal residents between ages 18 and 64.
Basel Town ²	1931	All persons between ages 20 and 65 who have been resident in the Canton for 2 years.
Uruguay ^{1 2} (see also sec. A).	1919	Staffs of public-utility undertakings.
	1925	Staffs of banks and stock exchange.

¹ Old-age insurance combined with invalidity insurance.

² Old-age insurance combined with survivors' insurance.

SOURCE: Compiled from International Labour Office, *Compulsory Pension Insurance*, Studies and Reports, series M, no. 10 (Geneva, 1933); International Labour Office, *Noncontributory Pensions*, Studies and Reports, series M, no. 9 (Geneva, 1933); Armstrong, Barbara Nachtrieb, *Insuring the Essentials* (Macmillan Co., New York, 1932).

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TABLE 40.—Principal provisions of foreign noncontributory old-age assistance laws through 1933

Country	Year when passed	Qualifications for recipients										Amount of grant	Source of fund	Administrative responsibility
		Age	Citizenship	Residence	Other qualifications	Disqualifications	Property limit	Annual-income limit	Property exemption	Annual-income exemption				
Australia ¹	1908	Men 65, ² women 60. ³	British subject	20 years in Commonwealth	a	A, B, C	£400	£88	£50. House in which recipient resides.	£32 10s.; benefits from friendly societies and trade unions; allowances from children; war pensions.	Maximum £45 10s. a year. ⁴ Reduced by £1 for each £10 of property except exempt property.	Commonwealth	Federal Government.	
Canada. Effective in 8 Provinces: Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan.	1927	70	do	20 years in Dominion; 5 years in Province.		B	Annual income of real property taken at 5 percent of its value; income of personal property = government annuity purchasable with it.	\$365	See property limit	\$125	Maximum \$240 a year; ⁵ reduced by amount of recipient's income (less exemption).	¾ Dominion; ¼ Province	Shared by Dominion and Provinces.	
Denmark	1891	65 ¹	Required	5 years in State		D, E, F	Annual income of property taken at 4 percent of its value.	275 to 375 kr. (varying with locality) plus maximum pension applicable.	Annual income of property taken at 4 percent of its value.	100 to 200 kr. (varying with locality).	Married couple, maximum 600 to 1,008 kr.; single man, maximum 402 to 678 kr.; single woman, maximum 378 to 642 kr.; adjusted to means.	¾ State; ¼ communes	Shared by Central Government and localities.	
France ¹	1907	70	do	None		G	Income from capital equal to life annuity purchasable with it.	2,400 francs plus earnings of pensioner.	Income from capital equal to life annuity purchasable with it.	Earnings of recipient, 400 francs from savings (600 francs if recipient has raised 3 children to age 16).	Maximum 600 to 900 francs (varying with locality). ³	State pays 240 francs on each pension; commune pays balance.	Do.	
Great Britain ¹	1908	70	British subject	12 years since age 50 for natural-born citizens; 20 years in all for naturalized subjects.		E	Annual income from first £375 property (other than property personally enjoyed by recipient) computed at 5 percent; balance at 10 percent. In necessitous circumstances.	£49 17s. 6d.	Income from £25 of property; £39 annual income derived from sources other than earnings; £26 8s. annual income derived from any source; furniture and personal effects; sickness benefit from friendly society or trade-union.		Maximum 10s. a week; reduced in proportion to recipient's income.	State	Central Government.	
Greenland	1926	55	Required		a		do				Amount fixed by district council	District partly reimbursed by State.		
Iceland	1909				a		do				Minimum 20 kr. a year; maximum 200 kr. a year.	Poll tax on all persons between 18 and 60 years.	Do.	
Irish Free State	1908	70	Not required	30 years in all; 6 years since age 50 for citizens, 16 years for others.		E	Annual income from first £375 property (other than property personally enjoyed by recipient) computed at 5 percent; balance at 10 percent. "In need"	£39 5s.	Annual income from £25 of property; furniture and personal effects; sickness benefit from friendly society or trade-union.	£15 12s. 6d. annual income.	Maximum 10s. a week; reduced in proportion to recipient's income.	State	Do.	
Newfoundland	1911	75 ¹	do	20 years in State							\$50 a year	do	Do.	
New Zealand	1898	Men 65, ² women 60. ³	British subject	25 years in State	a	A, C, D, E.	£460; annual income of property fixed at 10 percent for all property except exempt property (£50).	£20; married couple, £121.	£50. Funeral benefit from friendly society; furniture and personal effects) in which recipient lives provided ownership is transferred to assistance authority.	£39. house (including furniture and personal effects) provided authority.	Maximum £40 19s. a year; ⁴ reduced in proportion to means; increased for recipients with 2 or more dependent children.	do	Do.	
Norway ¹	1923	70	Required		a		Inadequate income				Fixed so that 60 percent of amount will buy necessities of life.	50 percent State; 50 percent commune.	Do.	
South Africa	1928	65	Not required	15 years out of 20 just before claiming for persons who have been British subjects for 5 years; 25 years out of 30 for others.		A, G, H	Annual income from any property owned and occupied by recipient and from all other uninvested assets computed at 10 percent.	£24 for white persons; £36 for colored persons.	Annual income from property owned and occupied by recipient and from other uninvested assets computed at 10 percent.	£24 for white persons; £18 for colored persons.	Maximum £30 a year for white persons; maximum £18 a year for colored persons; reduced in proportion to recipient's means.	State	Do.	
Uruguay ¹	1919	60	do	None required for natural-born subjects; 15 years for naturalized subjects or aliens.		G	Property must be expressed in terms of annual income.	202 pesos a year	Property must be expressed in terms of annual income.	10 pesos	Maximum 96 pesos a year; reduced in proportion to recipient's means.	A number of special national taxes.	Do.	

¹ Old-age grants combined with invalidity grants.

² Reduced by 5 years in case of incapacity for work.

³ Authority recovers amount of grant on death of recipient or of survivor of married couple.

⁴ If authority accepts transfer of house in which recipient resides, value is disregarded in assessing means and recipient lives in it rent-free.

⁵ Reduced by 3 years in case of incapacity for work.

⁶ Grant is varied in accordance with locality in which recipient lives and is increased if sending in of application for grant is deferred beyond age of 65.

⁷ Noncontributory grants being replaced by contributory pensions.

⁸ 65 for widow of beneficiary.

⁹ Reduced by 5 years for claimants having 2 or more dependent children under 15.

¹⁰ Will not go into effect until announced by royal decree.

A. Good character.

B. Persons of non-European extraction.

C. Aboriginal natives living under tribal conditions.

D. Desertion of spouse.

D. Imprisonment for dishonorable action.

E. Habitual drunkenness.

F. Receipt of poor relief within 3 years of claiming.

G. Relatives liable and able to support.

H. Aboriginal natives.

SOURCE: Compiled from International Labour Office, *Noncontributory Pensions, op. cit.*; Armstrong, Barbara Nachtrieb, *op. cit.*

TABLE I.—Requirements of residence for naturalization.

Country	Year when passed	Age	Citizenship	Residence	Other qualifications
Australia	1908	Men 21, women 16 on 10/1/08	British subject	30 years in Commonwealth	
Canada, British in 2 Provinces: Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan	1927	70	do	30 years in Dominion; 5 years in Province	
Denmark	1901	21	Required	5 years in State	
France	1907	70	do	10 years in State	
Great Britain	1908	70	British subject	15 years since age 20 for natural-born citizens, 30 years in all for naturalized subjects	
Ireland	1908	21	Required	do	
Irish Free State	1908	70	Not required	30 years in all; 5 years since age 20 for citizens, 10 years for others	
Newfoundland	1911	75	do	30 years in State	
New Zealand	1908	Men 21, women 16 on 10/1/08	British subject	30 years in State	
Norway	1908	70	Required	do	
South Africa	1908	21	Not required	15 years out of 30 for persons claiming for persons who have been British subjects for 5 years; 25 years out of 30 for others	
Switzerland	1919	20	do	None required for natural-born applicants; 15 years for naturalized subjects or aliens	

1 Old-age grants combined with invalidity grants.
 2 Reduced by 5 years in case of incapacity for work.
 3 Authority receives amount of grant on death of recipient or survivor of married couple.
 4 If authority accepts transfer of house in which recipient resides value is disregarded and means and recipient lives in it rent-free.
 5 Reduced by 5 years in case of incapacity for work.
 6 Grant is varied in accordance with locality in which recipient lives and is increased if application for grant is delayed beyond age of 65.

next stratum of the insured. Thus, at least a subsistence pension is assured all annuitants from the year of initial benefit payments.

All the insurance systems, except those of Sweden and the three Swiss cantons, which cover the entire population, restrict their coverage almost exclusively to employed workers. From the standpoint of needed protection, an old-age insurance scheme, of course, should include all persons of low earnings, whether self-employed persons or wage earners. The practical difficulty of collecting from the independent workers, however, has stood in the way of their inclusion on a compulsory basis. All the administrative problems of a poll tax are involved. It is on practical and not on theoretical grounds that the usual coverage of old-age insurance laws is confined to persons who can be reached through their employers.

It is worth noting that a Czechoslovakian measure enacted in 1925 calling for a separately organized insurance scheme for independent workers has not yet been put into operation. It should also be mentioned that Sweden's experience has resulted in contribution delinquencies in industrial centers running well over 40 percent, which suggests that the broader coverage is more nominal than factual. Chile's system includes independent artisans, and several of the European laws cover certain selected classes of self-employed workers.

Contributions from both employers and the insured workers are required in all these systems except those of Soviet Russia, Spain, and the Netherlands. In all the countries except Russia, the government contributes either by paying part of the premium or, more commonly, by adding to the annuities which contributions will yield. In Russia the entire cost of the insurance is assessed to the employer who is in most cases the state itself. In Spain and in the Netherlands the insurance cost of small basic annuities is shared by employers and the public exchequer. Employees contribute if they desire to do so in order to obtain annuities more adequate than the basic pensions. The British old-age insurance scheme, like the other parts of their social insurance program, is based upon uniform contributions and uniform annuities, while the continental systems graduate both their contributions and annuities in accordance with the wages of the insured person. The British scheme has the great advantage of simplicity. It could be suitable, however, only in a country without substantial variations in the cost of living.

The pensions actually received, stated in terms of foreign currency, mean little if anything to most Americans. For purposes of illustration a comparative table which expresses the contributory old-age pension as a percentage of the engineering laborer's wage in each of the countries is given in table 41.

Tables 42 and 43 give a summary of the number of old-age pensioners in foreign countries who were in receipt of annuities in the

most recent year for which the data were available. Table 42 also shows these pensioners as a percentage of the population of eligible age, while table 43 indicates the variation in these percentages in several countries since the noncontributory pension systems were placed in operation.

TABLE 41.—*Weekly contributory old-age pensions for various countries in relation to weekly wages in those countries*

Country	Monetary unit	Old-age pension (weekly) ¹	Weekly wages unskilled labor in engineering trades	Old-age pension as a percent of wages
Austria.....	schillings.....	15. 23	38. 89	39. 2
Belgium.....	francs.....	61. 50	145. 80	42. 1
Czechoslovakia.....	crowns.....	87. 50	170. 26	51. 4
France.....	francs.....	72. 00	153. 21	47. 0
Germany.....	marks.....	12. 15	34. 89	34. 8
Great Britain.....	shillings and pence.....	20/0	44/2	45. 3
Hungary.....	pengös.....	13. 16	23. 52	56. 2
Italy.....	lire.....	58. 14	121. 88	47. 7

¹ Calculated for a worker and his wife at the age at which benefits begin.

SOURCE: Armstrong, Barbara Nachtrieb, *op. cit.*, p. 417. The pensions have been calculated for a worker whose average wage during the whole period involved is equal to or falls within the same wage class as the average weekly wage paid to unskilled laborers in the engineering trades.

TABLE 42.—*Number of recipients of old-age assistance (noncontributory) and contributory pensions in foreign countries and number of people of eligible age*

[Contributory and noncontributory systems]

Country	Date of law	Type of law	Age requirement	Recipients		Number of eligible age	Recipients as percent of number of eligible age
				Number	Year		
Australia.....	1908	Noncontributory..	M 65; W 60...	183, 317	1932	507, 755	36. 1
Austria.....	1927	Contributory.....	60 (unless employed).	68, 366	1929-30	790, 689	8. 6
Canada.....	1927	Noncontributory..	70.....	98, 111	1934	¹ 372, 000	26. 4
Denmark.....	1891	do.....	65.....	99, 830	1932	¹ 268, 000	37. 3
France ²	1905	do.....	70.....	369, 977	1930	¹ 2, 206, 000	16. 8
Germany.....	1889	Contributory.....	65.....	2, 126, 336	1932	3, 593, 613	59. 2
Great Britain.....	1908	Contributory and noncontributory.	65.....	2, 231, 016	1932-33	¹ 3, 466, 000	64. 4
Greenland.....	1926	Noncontributory..	55.....	500	1929	¹ 981	51. 0
Iceland.....	1909	do.....	60.....	2, 466	1928	¹ 10, 790	22. 9
Irish Free State.....	1908	do.....	70.....	112, 059	1928	170, 468	65. 7
Italy.....	1919	Contributory.....	65.....	189, 698	1933	3, 005, 444	6. 3
Luxemburg.....	1911	do.....	65.....	1, 425	1928	18, 071	7. 9
Netherlands.....	1913	do.....	65.....	330, 666	1929	404, 000	81. 8
New Zealand.....	1898	Noncontributory..	M 65; W 60...	34, 932	1933	108, 911	32. 1
South Africa, Union of.....	1928	do.....	65.....	46, 997	1933	¹ 231, 100	20. 3
Sweden.....	1913	Contributory.....	67.....	³ 269, 606	1932	⁴ 469, 193	54. 3

¹ Estimated.

² These figures are only for the gratuitous grants. There are a number of other special schemes for miners, railroad workers, seamen and employed persons in Alsace-Lorraine, in effect at this time. However, for these the age requirement varies too widely to be included here.

³ Estimated number of people 65 and over in receipt of invalidity or old-age pensions.

⁴ Population 65 years and over in 1920.

TABLE 43.—Foreign noncontributory old-age assistance systems

[Changes in proportion of recipients to population of eligible age since effective date of law]

Year	Country and eligible age: recipients as percent of number of eligible age						
	Australia	Denmark	France	Great Britain	Iceland	New Zealand	South Africa, Union of
	M 65 W 60	60 to 1922 inc. 65 from 1923 on	70	70 to 1927 inc.	60	M 65 W 60	65
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1891.....		10.6					
1892.....		13.6					
1893.....		14.3					
1894.....		15.0					
1895.....		15.5					
1896.....		16.2					
1897.....		16.5					
1898.....		17.1					
1899.....		17.5				21.3	
1900.....		17.6				30.3	
1901.....		18.2				31.5	
1902.....		18.7				30.6	
1903.....		19.2				28.3	
1904.....		19.1				25.8	
1905.....		19.7				24.4	
1906.....		20.1				25.0	
1907.....		20.3				25.6	
1908.....	15.4	20.4	18.6			25.5	
1909.....	18.6	20.9	19.6	44.1		26.3	
1910.....	28.9	21.5	19.9	46.8		27.2	
1911.....	32.2	22.0	20.7	59.7	17.6	27.7	
1912.....	32.8	21.9	22.2	61.2		28.0	
1913.....	33.3	22.3	20.5	61.7		27.1	
1914.....	34.3	22.5		61.9		28.8	
1915.....	34.4	22.7		61.4	18.5	30.2	
1916.....	33.7	22.9		60.1	18.1	30.3	
1917.....	33.5	22.9		57.2	18.3	29.4	
1918.....	33.1	22.9		56.3	20.0	29.1	
1919.....	32.3	23.0		54.4	19.5	28.1	
1920.....	32.2	23.8	20.0	55.8	18.4	27.6	
1921.....	32.1	24.0	19.4	57.6	18.6	26.7	
1922.....	31.7	24.4	18.3	58.5	19.1	26.9	
1923.....	31.1	38.4	17.4	58.7	19.7	27.0	
1924.....	31.1	44.0	17.0	59.0	19.5	26.7	
1925.....	30.6	44.3	16.5	63.6	19.0	26.6	
1926.....	31.3	43.0	16.0	65.9	21.0	26.9	
1927.....	31.0	42.0	16.0	72.6	22.9	27.0	
1928.....	30.6	39.7	16.1		22.9	27.4	
1929.....	30.5	38.7	16.1			27.9	20.3
1930.....	31.7	37.7	16.8			27.7	22.0
1931.....	34.3	37.4				28.9	22.7
1932.....	36.1	37.3				31.0	19.6
1933.....						32.1	20.3

The most significant post-war incident in old-age security legislation abroad was Great Britain's insurance act of 1925. Her acceptance of the contributory insurance principle after nearly a generation's experience with gratuitous assistance is of special importance to the United States. It is of major interest, moreover, that pensions were made payable to the insured workers as of right, shortly after the institution of the contributory plan. This was made possible through Government provision of the necessary funds for the older workers. The scheme will ultimately be self-sustaining. In view of the interest in the British plans, detailed data on their old-age security provisions are given in appendix VII.

The Canadian systems of noncontributory old-age assistance and of voluntary annuities are described in appendix VIII, and appendix X gives a detailed account of the financial history of the German contributory old-age insurance system which is combined with invalidity and with survivors' insurance.

Many of the foreign systems of old-age insurance are combined with survivors' insurance, providing pensions to widows and orphans of the insured. Appendix IX describes the provisions for survivors in Europe.

In a number of countries which have compulsory, contributory old-age insurance systems, persons who are exempt by change in occupation or income level after a specified length of coverage in the compulsory system are permitted to continue their insurance voluntarily, by paying the equivalent of both employer and employee contributions. These countries are: Austria, Belgium, Brazil, Bulgaria, Chile, Czechoslovakia, Ecuador, France, Germany, Great Britain, Greece, Hungary, Italy, Luxemburg, Netherlands, Poland, Rumania, and Yugoslavia.

In certain other countries persons who are not covered by the compulsory, contributory pension system are permitted to insure voluntarily by paying their share and the equivalent of an employer's share of the contribution. This provision permits self-employed persons and those outside the occupations compulsorily covered to participate in the benefits of the insurance system. Such provisions occur in the contributory old-age pension laws of Austria, Belgium, Brazil, Bulgaria, Chile, Czechoslovakia, France, Germany, Greece, Hungary, Italy, Luxemburg, Netherlands, Poland, Spain, Sweden, and Yugoslavia. Especially when combined with invalidity insurance these systems require a medical certificate and are limited to persons under specified ages. An income limit is also set in a number of countries.

Only a few countries have voluntary annuity systems under government auspices. This type of voluntary insurance differs from voluntary participation in a compulsory old-age pension plan in that no income limits or occupational qualifications are set. In Canada,⁴ Ecuador, France, Japan, and the Netherlands, which have such systems, it is found that relatively few persons (except in France) take advantage of the opportunity for the purchase of annuities from the government.

⁴ See appendix VIII for an account of the Canadian system of voluntary annuities.

Chapter X

FORMULATION OF RECOMMENDATIONS FOR AN OLD-AGE SECURITY PROGRAM FOR THE UNITED STATES

THE PRECEDING chapters have indicated the need for old-age security in the United States, have summarized the existing provisions for old-age protection in this country and their inadequacy in providing either relief or prevention of dependency, and have reviewed foreign methods of meeting this problem. The present chapter sets forth the steps taken in formulating a definite series of proposals for consideration of the Congress in the framing of a legislative program. The recommendations which follow, while based upon the preliminary proposals of the staff assigned to study the problem, evolved into their present form through an extended process of criticism and revision. Repeated conferences with the subcommittee on old-age security and with the executive committee of the technical board resulted in successive adjustments and amendments. The revised recommendations were presented to the advisory council and to experts outside the committee's staff for criticism and suggestion. The conclusions here summarized include, therefore, the contributions of many persons who with varied training and experience made a detailed analysis of the findings of the staff.

In entering upon an exposition of proposals for old-age security, it should be asserted that the "poorhouse" or "almshouse" method of providing for all aged dependents has been rejected by thinking opinion as both wasteful and inhumane. Noninstitutional assistance for those who are not in need of institutional care has become an accepted standard of decent provision for the dependent aged.

In popular discussion of proper plans for the aged in an economic security program, the issue of choosing between noncontributory old-age assistance and a system of contributory old-age insurance has been raised. It seems apparent, however, that an effective old-age security program for this country involves not a choice between assistance and insurance but a combination of the two. It seems equally apparent that only assistance programs can serve to meet the problem of the millions of persons who are, or soon will become, superannuated and dependent. An insurance program coming into operation some years hence obviously offers no solution for the problems of the near

future. It can, on the other hand, afford younger workers the opportunity to build up a certain protection against dependency in their old age. Regular benefits are unquestionably to be preferred to assistance grants. They come to the workers as a right, whereas assistance is conditioned upon a "means" test. Assistance, moreover, in fairness to the legitimate demands of other needy groups, must limit all grants to a minimum standard. Insurance benefits, on the other hand, can be ample for a comfortable existence, bearing some relation to customary wage standards.

An old-age insurance program could be expected in time to carry the major, but never the entire, load. Administrative problems stand in the way of covering in an insurance program all employed persons who need old-age protection. Moreover, it may always be expected that some persons whose income has been derived from other sources than wages will come to financial grief and dependency in old age. Assistance programs have a definite place, even in the long-time planning for old-age security. In consideration of the advantages of old-age insurance, the limitations imposed upon the Federal Government by our Constitution which would affect the adoption of such a program were fully recognized.

The recommendations for a system of old-age insurance outlined in the succeeding pages must, therefore, be considered in the light of the specific recommendations later advanced for a fundamentally altered program of old-age benefits believed to be legally feasible at this time. The reasoning which has led to these specific recommendations can be reported, however, only by outlining the more general conclusions from which they have evolved.

The old-age security program proposed comprised three separate plans:

(1) A Federal program of grants-in-aid to the State old-age assistance laws.

(2) A Federal system of old-age annuities covering those classes of employed persons which can be effectively brought within such a system.

(3) A system of voluntary old-age annuities for persons of low and moderate incomes not covered by the old-age insurance system.

No provision for any type of institutional maintenance was proposed. Yet there are many aged persons not needing hospitalization who require constant custodial care. The almshouses of most of the States are most unsuitable to provide for the needs of these persons. The lack of factual data bearing on these county institutions and their inmates prevented intelligent planning for this problem. It was, therefore, recommended that the proper Federal agency undertake at once a special survey of such institutions with a view to recom-

mending a constructive program for the improvement of institutional maintenance of the aged.

OLD-AGE ASSISTANCE

As has been stated previously in this report, there were, prior to the introduction of the Social Security Act, 28 States and 2 Territories with old-age assistance laws which professedly offered to aged persons varying standards of aid. Six of these laws were practically nonfunctioning. Four were just getting under way. Many of the others, because of financial stringencies, had cut assistance grants below a proper minimum and had long waiting lists of needy persons. It would seem quite clear that, as a result of the financial problems of many of the States and the indifference of others, State action alone could not be relied upon to provide either adequate or universal old-age assistance.

Basic Considerations.—The specific reasons influencing the recommendations for a program of old-age assistance were as follows:

(1) To help in the expansion of the use of the old-age assistance technique, both to additional States and to all subdivisions of States with nonmandatory laws. The provision of matching grants had proved to be an effective means of aiding States to enact welfare legislation.

(2) To permit and aid more adequate financing of State plans. By the provision of Federal aid on a matching basis, not only would a Nation-wide tax base be utilized as a source of a part of the funds, but the use of a broader tax base within the State would be encouraged. The inadequacy of the grants paid in most States with assistance plans indicated the pressing need for additional funds.

(3) To permit and aid improvement in standards of administration, minimum grants, and coverage of State plans. The particular standards which were deemed worthy of aid were:

(a) State-wide coverage either under State administered plans or plans mandatory on State subdivisions.

(b) The establishment or designation of a State welfare authority responsible for the administration of the plan. It was believed that centralized responsibility for administration not only would avoid a diversity of operating standards in the subdivisions within the State, but would permit closer contacts between the several States and between the Federal Government and the particular State in cooperating to raise the level of effectiveness of assistance programs throughout the country.

(c) The assurance to any claimant for assistance of the right of appeal to the State authority. This would provide a further assurance of the uniformity of administrative effectiveness within the State.

(*d*) Adequate reporting through the requirement that complete reports be made to the Federal administrative agency in accordance with regulations established by that agency.

(*e*) The assurance that the minimum assistance grant made by the State would provide a reasonable subsistence compatible with decency and health when combined with any income the claimant might possess. While the monetary cost of such reasonable subsistence would vary throughout the country, it was believed that a lower limit to grants, related to local costs of living, should be established. The provision of matching grants by the Federal Government might well make it possible to raise the level of the assistance afforded by State programs under normal conditions. An established minimum would, however, avoid the spreading of funds too thinly or the progressive lowering of grants in time of financial stringency.

(*f*) A widened coverage through the elimination of a required period of citizenship; the reduction of the period of required residence in the State; the raising of the property limit; and the lowering of the age limit, at least after a few years. The diverse standards of eligibility in State old-age assistance laws greatly reduced the effectiveness of assistance programs in meeting the growing need for old-age relief. Since needy old persons must be aided in some manner, arbitrary requirements of years of citizenship and many years of residence for eligibility for assistance merely shift individual claimants from a more adequate system of relief to a less adequate. With the extension of assistance legislation to more States, the fear of an incursion of older dependent persons into a particular State would be lessened. The provision of Federal funds would lessen the justification of a restriction of assistance grants to American citizens of long residence in a particular State. Statistics of dependency and of relief experience during the recent depression indicate that the limitation of assistance to persons aged 70 or over excludes far too great a proportion of dependent aged persons. Not only had the depression itself left many older persons permanently dependent, but persistent changes in our economic life have lowered the age at which superannuation is likely to occur.

The raising of the property limit was intended to permit greater flexibility in handling those situations where the claimant might possess such useful assets as a home, a small piece of land, tools, or furnishings. To the extent that income accrues from these assets, this income might reduce the amount of the grant necessary. It was proposed that a lien be placed against the estate of the recipient at least for the amount of the assistance granted by the Federal Government. This requirement indicated a practical method whereby the States might control expenditures or assistance to persons with considerable assets.

(g) The use of the inadequacy of the claimant's income as the test of need in providing a reasonable subsistence compatible with decency and health, and not the inadequacy of the income of other persons who might, on account of family or similar ties, be expected to support the claimant. It was not the intention, in recommending this narrower application of the means test, to discourage in any way the support of needy aged persons by their relatives. Rather, it was to avoid the distress which might occur when relatives obligated to provide support failed to do so or failed to afford sufficient aid. It did not seem proper that the aged person should be excluded from assistance in such situations. Rather, assistance should be given, with the possibility of legal suit for the recovery of the amount of such assistance brought by the State assistance authority against any legally responsible relatives. It was considered more advantageous, both socially and administratively, to encourage an arrangement whereby legal action against indifferent relatives, where necessary, would be brought by a public authority rather than by the needy aged person. The possibility of such suits might go far to render them unnecessary.

It was believed that the offer of a subsidy by the Federal Government to an amount equal to the assistance afforded by the States (but limited to \$15 per month on account of any individual) under approved plans would not only cause the extension of State assistance legislation but would make possible the adoption of these more adequate standards throughout the country. While earlier proposals for Federal subsidization called for a ratio of Federal to State appropriations of but one to two, on account of the growing urgency of the need for assistance programs, the financial stringencies faced by many States, and the higher standards of legislation now called for, it was deemed advisable to recommend the more favorable ratio of dollar for dollar. To encourage effective administration, it was suggested that State expenditures for administration be matched at the same ratio up to a maximum of not more than 10 percent of the total expenditures for assistance in the State. With an adequate proportion of funds assigned to administration, the Federal and State authorities could cooperate more effectively in the development and extension of improved administrative techniques.

Estimates of future subsidy costs, like all forecasts, must of course be offered as probabilities rather than certainties. In table 44 are presented two different estimates of the number of persons who will be eligible for old-age assistance and the costs of Federal subsidy over a period of years. The two sets of estimates were based on different assumptions as indicated in the subhead. The data that were studied as a basis for the estimates included material collected and analyzed by the several State commissions on old-age dependency,

statistics of the functioning of State old-age assistance laws, and the history of the functioning of gratuitous pension laws elsewhere in operation, particularly those of Denmark, Australia, and Canada. The first estimate presented in table 44 was predicated on an assumption which seemed liable to error on the side of understatement of upward trends. The average pension used in the computation, \$20, was undoubtedly too low for the period covered. This was felt to be counterbalanced by the fact that the increase in the ratio of dependency might well be less rapid than that which was counted upon in this estimate.

TABLE 44.—*Estimates of the number of old-age assistance recipients and the amount of Federal subsidy to State old-age assistance programs*¹

Year	Assumption I ²		Assumption II ³		Year	Assumption I ²		Assumption II ³	
	Number receiving old-age assistance (in thousands)	Amount of Federal subsidy (in millions of dollars)	Number receiving old-age assistance (in thousands)	Amount of Federal subsidy (in millions of dollars)		Number receiving old-age assistance (in thousands)	Amount of Federal subsidy (in millions of dollars)	Number receiving old-age assistance (in thousands)	Amount of Federal subsidy (in millions of dollars)
1936.....	897	⁴ \$72.2	897	\$136.6	1955.....	4,140	\$521.6	5,844	\$889.7
1937.....	1,046	131.8	1,307	199.0	1960.....	5,304	668.3	6,801	1,035.5
1938.....	1,200	151.2	1,765	268.7	1965.....	5,735	722.7	7,169	1,091.5
1939.....	1,372	172.8	2,287	348.2	1970.....	6,026	759.3	7,533	1,146.9
1940.....	1,580	199.1	2,746	418.1	1975.....	6,405	807.0	8,007	1,219.1
1945.....	2,293	289.0	3,631	552.8	1980.....	6,800	856.8	8,501	1,294.3
1950.....	3,153	397.3	4,675	711.8					

¹ These estimates assume that no Nation-wide system of contributory old-age insurance or a substitute therefor is in effect.

² Assuming: (1) dependency ratio of 15 percent in 1936, increasing thereafter by yearly increments of 1 percent to maximum of 40 percent in 1961 and subsequent years; (2) average grant of \$20 per month; (3) Federal subsidy of one-half total costs, excluding that portion of individual grants in excess of \$30 per month and that portion of administrative expenses in excess of 10 percent of total payments to individuals.

³ Assuming: (1) dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1 percent yearly increments, to maximum of 50 percent in 1957 and subsequent years; (2) average total grant of \$25 per month from State and Federal Government combined; (3) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of \$30 per month and that portion of administrative expenses in excess of 10 percent of total payments to individuals.

⁴ Full-year cost reduced for administrative lag.

In spite of the fact that the actual figures might vary from those presented in any one year, it was felt that the trend indicated in the two estimates presented in table 44 would be inescapable. There were several reasons for this conviction. The assurance of an old-age assistance grant in case of need tends to produce the reaction in the minds of many persons that the assistance grant is available in old age as a matter of right. This impression would tend to become still more widespread should the Federal Government participate in the financing of such assistance. It becomes reflected in the attitude of children toward supporting their parents and causes a mounting number of claims for assistance. Moreover, the very principle of gratuitous assistance, namely, that the less income the applicant has the more pension he receives, has an effect which is the inverse of inducement to thrift. The number of aged persons who arrive at old age without any income is actually increased.

The justification of a Federal subsidy to State old-age programs is readily apparent from a study of current conditions as to old-age dependency, the shortcomings of existing State old-age assistance programs, and the limitations of State and local public finance. These matters are discussed elsewhere in this report.¹

Proposals to the Congress.—It was recommended to Congress:

(1) That the Federal Government offer grants-in-aid to those States and Territories which provide old-age assistance for their needy aged under plans that are approved by a Federal authority, such plans to include proposed administrative arrangements, estimated administrative costs, and the method of selecting personnel.

(2) That the grants-in-aid constitute one-half of the expenditures, including administrative expenses, for noninstitutional old-age assistance made by any State or Territory under a plan approved by this Federal authority, provided that in computing the amount of said grants-in-aid not more than \$15 per month shall be paid in Federal subsidy on account of assistance provided for any aged persons in such State or Territory nor more than 5 percent of the total expenditures for assistance on account of administration.

(3) That a State or Territory, on account of administration, shall be free to impose qualifications upon the granting of assistance to needy aged persons, but that it be stipulated in the congressional statute providing for the grants-in-aid that no plan shall be approved by the Federal administrative agency unless it—

(a) Is State-wide or Territory-wide and, if administered by subdivisions of the State or Territory, is mandatory upon such subdivisions; and

(b) Establishes or designates a State welfare authority which shall be responsible to the Federal Government for the administration of the plan in the State, and which shall administer the plan locally through local welfare authorities; and

(c) Grants to any claimant the right of appeal to such State authority; and

(d) Provides that such State authority shall make full and complete reports to the Federal administrative agency in accordance with rules and regulations to be prescribed by the Federal administrative agency; and

(e) Provides a minimum assistance grant which will afford a reasonable subsistence compatible with decency and health, provided that, if the claimant possesses income this minimum grant may be reduced by the amount of such income; and

¹ See chapters VII, VIII, and XIX.

(f) Provides that whether or not assistance shall be denied to certain needy aged persons it shall be granted at least to any person who:

- (1) Is a United States citizen; and
- (2) Has resided in the State or Territory for 5 years or more within the 10 years immediately preceding application for assistance; and
- (3) Is not an inmate of an institution; and
- (4) Has an income inadequate to provide a reasonable subsistence compatible with decency and health; and
- (5) Possesses no real or personal property, or possesses real or personal property of a market value of not more than \$5,000; and
- (6) Is 70 years of age or older; provided that after January 1, 1940, assistance shall not be denied to an otherwise qualified person after he is 65 years of age or older; and

(g) Provides that at least so much of the sum paid as assistance to any aged recipient as represents the share of the United States Government in such assistance shall be a lien on the estate of the aged recipient which upon his death shall be enforced by the State or Territory and the amount collected reported to the Federal administrative agency.

Legislative Modifications of the Proposals.—These proposals were embodied in the original economic security bill introduced in Congress on January 17, 1935. This bill was introduced in the Senate by Senator Wagner (S. 1130) and in the House of Representatives by Congressmen Doughton (H. R. 4120) and Lewis (H. R. 4142). After hearings before the House Ways and Means Committee this bill was not recommended. In its stead the social security bill (H. R. 7260) was introduced and recommended for passage; this bill became law on August 14, 1935. In the act as passed Congress adopted the basic principle of Federal grants-in-aid to States with old-age assistance programs meeting certain requirements. However, several important changes were made in Congress in the proposed standards for State old-age assistance programs required as a condition for Federal subsidy. The principal legislative modifications were the following:

- (1) The required condition that State old-age assistance plans should furnish assistance sufficient, when added to the income of the recipient, for "reasonable subsistence compatible with decency and health" was rejected by Congress.
- (2) The proposal that the test of need, to be used in approved State old-age assistance plans in the determination of eligibility for grants, be limited to the adequacy of the income of the aged person, together with that of his or her spouse, was rejected.
- (3) Congress rejected the proposal that a State plan for old-age assistance should not be approved if it denied assistance to any United States citizen who met the requirements of minimum age

and residence, whose property and income were not in excess of a specified maximum, and who was not an inmate of an institution. Under the act as passed, a State which wishes to receive Federal aid is left free to impose any requirements upon applicants for assistance, except that it cannot impose a residence requirement in excess of 5 years within the last 9 years immediately preceding application for aid, or an age requirement of more than 65 years (70 years until January 1, 1940), or a citizenship requirement which excludes any citizen of the United States.

(4) The proposal that the Federal Government should share with the States the cost of administration by payment of an amount not to exceed 5 percent of the State's total expenditures was modified to a provision that 5 percent of the Federal grant payable to the State for giving assistance to individuals should be paid to the State. The State might use this amount either for paying the costs of administration or for assistance to individuals, or both, but for no other purpose.

A SYSTEM OF OLD-AGE ANNUITIES

With the recognition of the conditions which necessitate Federal financial participation in buttressing existing techniques in meeting old-age dependency in this country, there follows inevitably the conclusion that existing techniques will soon prove inadequate to cope with this mounting problem. The trends in the proportion of aged persons in our population have been discussed.² The estimates of the number of aged persons probably becoming dependent have been presented.³ The improvement of assistance techniques and the financial participation of the Federal Government in their operation would not only meet more adequately the existing problem of dependency but, through encouraging reliance on assistance in old age, might well accelerate rather than retard the growth of Federal and State assistance expenditures. The experience of other countries lends weight to this conclusion. It was, therefore, concluded that a system of contributory old-age insurance should be established at the earliest possible time to control the upward trend in expenditures for old-age assistance. Only through the method of preventing dependency through some form of cooperative thrift can the cost of relief be kept down. Old-age insurance financed in large measure from the contributions of workers and their employers would serve to protect an increasing proportion of our citizens from the hazard of old-age dependency and at the same time retard the mounting trend of assistance expenditures.

² See pp. 139-141.

³ See pp. 149-154.

A corollary reason for the early establishment of a system of old-age insurance was the urgent necessity of preventing the untoward social consequences of increasing dependence upon old-age assistance on the part of our citizens. Since assistance is granted on the basis of need, it tends to discourage thrift, which would render assistance unnecessary. Under a system of old-age insurance, individual need would not be a determinant. Since insurance benefits would be received as a matter of right, based on contributions related to wages, workers would be encouraged to maintain the best possible record of employment and wages in order to earn the right to a high rate of benefits. Savings or other assets would in no way reduce the amount of benefits received but would provide a means of augmenting income in the later years of life.

The Advantages of the Insurance Method.—The certainty and regularity of insurance benefit payments would greatly enhance the sense of security of the superannuated person. The prospect of recurrent investigations and possible changes in status and grants based upon varying regulations, interpretations, and conditions in State finances limit the degree of assurance which the recipient of assistance can feel. Benefits paid under a system of old-age insurance would be determined at the time of retirement and continued without change during the period of retirement. The social advantages of an insurance program seemed marked.

The conditions surrounding the payment of benefits under an old-age insurance system would enhance the economic effects of an old-age security program. Under the method of old-age assistance superannuated persons are encouraged to compete in the labor market as long as possible to eke out a more satisfactory existence. Assistance grants may prove a subsidy to superannuated workers which will permit them to accept lower wages than younger workers in competition for jobs. Administrative authorities seeking to hold down assistance expenditures may stimulate such competition as a means of reducing grants in individual cases. The effect on the employment opportunities of younger men and upon wage rates might prove most unfortunate. Under a system of old-age insurance, the opposite effect would ensue. Since retirement from regular employment could be made a condition for receipt of benefits, the displacement of superannuated workers from the labor market would be accelerated.

The certainty and regularity of benefit payments under an old-age insurance program would serve to stabilize in some degree the flow of consumption expenditures on the part of our superannuated population. With a definite retirement income assured, superannuated persons would be more likely to maintain a normal rate of

expenditure in good times and bad. As benefit payments rose and more persons became eligible to receive them, it might safely be prophesied that this added element of stability in our economic system would have considerable influence. The less tangible effects should not be disregarded. The confidence and sense of security of a mature group of citizens could not but affect the attitudes of younger groups.

American experience with industrial pension programs, while strictly limited in extent, and by no means universally successful, serves as a basis for demonstrating the social and economic advantages of an old-age insurance program. The more adequate pension programs have served to protect those eligible for benefits from distress in old age and thus have afforded some sense of security both before and after retirement. Related to employment and wages, such programs have tended to encourage rather than discourage continued initiative on the part of the prospective recipient. They have also enhanced thrift through increasing the appreciation of the satisfactions of planned security. At the same time, pension payments, where adequate, have served to prevent the necessity for superannuated persons to compete for jobs against younger and more active workers. In these cases, they have increased employment opportunities, accelerated promotions, and prevented the depressing effect on wage rates which the competition of superannuated persons might cause. For a limited number of individuals industrial pension programs have served to make retirement from active life a cause of satisfaction rather than a misfortune. The very limited coverage and frequent shortcomings of most existing industrial pension programs prevent, however, any reliance upon such programs in meeting the problem of old-age dependency facing the country.⁴ In the few instances where private pension plans afford more generous protection than the public system here considered, the industrial plans could be readily adjusted to supplement such a system. Only through a uniform basic program can industrial employees generally be effectively protected in old age.⁵

⁴ See p. 176 for a discussion of the limitations of industrial pension programs.

⁵ It was considered neither feasible nor desirable to exempt employers and workers party to private pension plans from coverage under a compulsory old-age insurance program. A social insurance program serves a broad public purpose and is designed to meet basic needs. Private pension plans are adjusted to the interests of a relatively small group of persons—those attaining retirement age with a record of faithful service for a particular employer. To warrant exemption, existing private pension plans would need to undergo thorough reconstruction in coverage, financing, standards, and administration. At the same time, the Government would, under such an arrangement, face serious problems of finance and administration in attempting to safeguard both the general insurance system and the employees affected. On the other hand, employers desiring to provide more liberal benefits will be able to work out supplementary programs which will be entirely apart from governmental supervision.

The experience of other countries with various types of old-age security measures serves to justify further the conclusion that old-age assistance cannot be permanently relied upon as the sole means of meeting the problem of old-age dependency in an industrial country. Contributory old-age insurance programs developed in other important industrial nations include the features of definite payments to eligible beneficiaries, paid as a matter of right and computed on the basis of previous earnings in gainful employment. The inadequacies and social and economic effects of means-test assistance have weighed heavily in the decision to establish the more constructive programs. While the source of funds in most of these foreign plans is in part the contributions of workers and employers, appropriations from the general governmental funds are quite usual. The shift from gratuitous pensions granted on a needs basis to annuities earned as a right through contributions to an insurance system is a significant feature in development of old-age security abroad.

The Necessity of a Single Federal System.—In considering a program of old-age insurance, the question soon arose whether a more or less related aggregation of State plans or a single Federal system was preferable. The answer to this question was not merely one of preference but of absolute necessity. After thorough canvass of the technical, economic, and administrative problems involved, the conclusion was reached that only through a single national administration could effective operation be assured. The reasons leading to this decision may be summarized:

(1) The mobility of population across State lines would make the use of the actuarial procedures necessary in any workable plan impossible on any but a country-wide base. While such estimates as those of population growth, age distribution, and mortality could be developed with sufficient accuracy for the total population, future migrations of young or old persons from one State to another, whether for climatic considerations or as a result of shifts in industry, would make such estimates untenable if constructed on the basis of a single State. The operation of 48 separate systems of old-age insurance would involve virtually insuperable administrative difficulties, excessive costs, and almost certain failure in many States.

(2) Aside from the actuarial problems involved in State administration of old-age insurance, many other disadvantages of separate State systems were apparent after even casual examination. With varying standards of benefits and the probability that many States would fail to act, large numbers of workers moving from one State to another in the course of adult life would reach old age without

adequate protection. The mobility of labor would be affected if there were any considerable variation in rates of contributions and benefits. Federal administration, on the other hand, would afford uniform standards over the entire area.

(3) The accumulation of reserves under old-age insurance programs by 48 States would involve both investment and administrative problems of serious proportions. Not only might the degree of safety and the adequacy of funds vary, but the effects of diverse investment policies upon the credit structure of the country might prove unfortunate. Furthermore, the transfer of individual credits from the reserve account of one State to that of another would require a great amount of administrative labor. Where the reserve policies of States varied in the degree to which accrued liabilities were funded, the transfer of individual credits would lead to difficult adjustments in equities.

(4) Varying rates of contributions under State insurance programs might affect seriously the competitive costs of doing business in the several States. For interstate corporations, the adjustment of industrial pension plans to various State old-age insurance programs would become a most discouraging task.

(5) The argument for State experimentation with social security techniques has much less validity in the case of old-age insurance than in the case of unemployment or sickness compensation, since 50 to 75 years are required to test an old-age insurance system through one complete life cycle. The confusion of various systems in all stages of maturity would, without doubt, soon kill any urge toward continued experimentation.

(6) Finally, the routine character of the administration of old-age insurance would make it more adapted to large-scale operation. Since rates of benefits would be based on past contributions alone, with little if any discretionary determination, the machinery for administering an old-age insurance system would be much simpler than that for administering unemployment compensation. With broad policies determined by a central Federal authority, operating procedures could be reduced to standardized routines. The advantages in economy and convenience resulting from such a uniformity of procedure alone would seem to warrant the paralleling of old-age insurance with such services as the Federal postal system rather than incurring the vagaries of State workmen's compensation administrations.

It became clear, therefore, that State action could not prevent old-age dependency by establishing independent old-age insurance systems. A study of foreign insurance systems confirmed this conviction. In the field of unemployment insurance a number of na-

tional governments in foreign countries limit their function to stimulating voluntary efforts by offering subsidies to regional, local, or industrial funds. However, no foreign government which has adopted the principle of old-age insurance leaves the responsibility of building an old-age fund for the protection of its working people to political subdivisions or to voluntary action on the part of employers or labor unions.

Basic Principles of an Old-Age Annuity System.—Before formulating a program for presentation to Congress, decision had to be reached on the basic provisions to be incorporated in a Federal old-age annuity system, such as the amount of the old-age annuity, the method of financing the benefits, the accumulation of a reserve, the groups to be covered, and the administrative machinery for putting the program into effect.

The Character and Amount of Insurance Benefits.—Although payments to beneficiaries under a system of old-age insurance should bear a definite relationship to the previous earnings of the beneficiary, many factors must be considered in determining the precise relationship which is proper and feasible. After balancing these factors the following conclusions were reached:

(1) The immediate payment of benefits at a rate justified in a system long in operation seems financially impossible. While a rate approximating 50 percent of previous average earnings is socially desirable, the cost of such benefits would be far too great to be met from worker and employer contributions or to be absorbed by the Government in the early years of the system. Only after contributions had been levied over a period of years could the flow of funds necessary for a full scale of benefits be attained. The charges necessary for such benefits for persons now old should not be suddenly assessed upon the present younger generation of contributors. Instead, the amounts of benefits paid to individuals might, in general, rise gradually over the next generation based on the increasing period of insurable employment of prospective beneficiaries previous to retirement. In this way the costs of the system would be adjusted to the period in which the beneficiaries had contributed to the cost of operating the system either directly through wage deductions or indirectly through the economic income they had helped to produce.

(2) The minimum benefit granted should, however, be sufficient to prove a considerable item of income to the recipient and to warrant the administrative costs of distribution. It was concluded, therefore, that no benefits should be paid during the first 5 years in which the system was in effect and in which contributions were paid. At the end of 5 years annuities should be begun at an initial rate of not less than 15 percent of average wages. After that time the rates would

increase with the number of contributions made. The annuity would amount to approximately 50 percent of average wages for a person on whose behalf contributions were paid throughout his entire working life. For many years the benefits would be insufficient to provide subsistence unless supplemented from other sources; yet they would have considerable effect in lessening the amount of assistance required. A benefit of these proportions would greatly exceed for many years that "earned" by the contributions assessed in the individual case. The limitation of benefits to those amounts which could be financed by the contributions of the beneficiary and his employer would result in seriously inadequate protection for a large majority of individuals for a generation to come. For this reason, it was believed that the minimum such as that proposed should be established.

(3) Insurance benefits should be so graduated relative to contributions that (a) persons of lower average income and (b) persons coming under the system relatively late in life should receive higher proportionate benefits. As a social mechanism aimed at the prevention of dependency, an old-age insurance system should be adjusted in some measure to the relative needs of various classes of beneficiaries even though need is not a determinant in the individual case. A further method of insuring that the system will be geared to the needs of persons of small or moderate incomes is the elimination of such income as exceeds a stated amount per week or per month from the wage base upon which benefits and contributions are based.

(4) If old-age insurance benefits are paid to persons continuing in regular employment after attainment of age 65, they will become, in effect, a subsidy to older workers in competing in the labor market. Since the employment and wage rates of younger workers would be adversely affected by such subsidized competition, it was felt that old-age insurance benefits should be suspended in those cases where otherwise qualified persons were regularly employed. It was believed that the social advantages of encouraging retirement at age 65 far outweighed the objection that individual equities would be reduced when benefits were thus suspended. Since the benefits paid after retirement would, in most instances, greatly exceed those financed by the employee's contribution, there was little basis for this objection. In any event, the main purpose of the plan is to provide a partial compensation for the loss of earned income.

It was felt that a death benefit related to contributions should be paid in a lump sum on the death of persons covered under the system. Where old-age insurance benefits have been paid to the deceased individual, the death benefit should be reduced by the amount of such payments. In this way an equitable relationship

could be preserved between the benefits accruing to those who survive to an old age and to the dependents of persons who die at younger ages. A fair arrangement would be the return of the contributions made by the deceased worker to his dependents. While a supplementary system of survivors' insurance paying regular monthly benefits to qualified dependents is socially far more desirable than the benefit here described, it was not deemed advisable to recommend such a system until further investigation was possible.

The Source and Amount of Contributions.—In deciding upon the question of how to meet the cost of an old-age insurance system, all possible sources of Federal revenue were considered. It was believed that personal income taxes with the present exemptions could not be expected to yield sufficient additional revenues to meet the new charges even on the basis of sharply increased rates. Corporate income taxes and inheritance taxes were likewise considered inadequate as a main source of additional funds. Sales taxes, both general and limited, were seen to involve serious fiscal and economic problems warranting their rejection. The incidence of such sales taxes, furthermore, did not appear to bear a reasonable relationship to the purposes served by the new expenditures. After a thorough canvass of the possible sources of income for a system of old-age insurance, it was decided that the following should be utilized: (1) Taxes paid by employees in covered employments determined as a percentage of earnings, (2) taxes paid by employers in covered employments determined as a percentage of pay roll, and (3) subsidies by the Federal Government financed through taxes not borne by workers. The reasons supporting the use of each of these sources may be outlined.

(1) It is both just and expedient that the future beneficiaries of a system of old-age insurance should bear a part of the cost of its operation. Since benefits under an insurance system would be received as a matter of right without a test of means, the employee eligible to coverage would obtain a virtual equity in the protection afforded. It seemed but proper that the group of our citizens obtaining this assurance of security in their old age should assist in making it possible. Income from gainful employment is a fair measure of financial ability to pay as well as a proper determinant of normal benefits needed to maintain a satisfactory existence following retirement. The determination of contributions as a percentage of earnings rather than as a fixed sum avoids the possibility of hardships in those cases where low earnings are received. Since adjustments in the scale of benefits would be possible, there would be no occasion for a graduated scale of contributions in seeking to approximate more closely the greater proportionate ability of higher income groups.

The setting aside of a percentage of wages has long been a customary method of thrift among American wage earners. Percentage deductions from wages are now being made by many employers in all types of private and public enterprises in financing pensions and other forms of thrift. By contributing through similar deductions to an old-age insurance system, the individual worker would establish an earned right to a benefit related to the contribution made. It is believed that such an arrangement would be both practical to administer and acceptable to the great majority of American employees. By sharing in the cost of the old-age insurance system, the workers of the country would be led to assume a greater interest in its proper administration. The importance of efficiency and economy of operations, the necessity for conservative policy in the determination of benefit rates, and the advantages of strict enforcement of collections would be far better understood by persons who, week by week, were helping to finance the system. Resting on a broad base of sustained public interest, the program would gain a large measure of stability.

(2) The cost of maintaining industrial employees in old age after years of productive employment has long been accepted as a reasonable charge against production. Just as industry, generally, has become accustomed to meeting charges for the depreciation and replacement of its material equipment, many employers have developed programs for the payment of retirement allowances to their superannuated employees. These employers include industrial corporations, railroads, public utilities, governments, educational institutions, and other organizations. Such costs are considered proper additions to the cost of production.

It appeared appropriate and reasonable, therefore, that employers in covered employments should contribute to a system of old-age insurance designed to protect their employees. In order to maintain a direct relationship between labor services obtained and the contributions paid by the employer, it was felt that contributions should be computed as a percentage of the earnings paid to an employee covered under the system. The basis of computation of the employer contribution should be identical with that used in determining the contributions of his employees.

There was much reason to believe that the burden of employer contributions to an old-age insurance system would in large measure be shifted to the consumer. The uniform application of the charge throughout a particular industry would serve to facilitate this shift. Competitive conditions, variations in labor costs per unit of output, and relative elasticities of demand for particular products and services would, however, affect the degree to which such shifting might

take place in any situation. It might be that a part of the burden of employer contributions would in some instances be borne partly by the wage earners of an industry through indirect effects upon employment and wage rates. It was believed, however, that in time the incidence of the cost of employer contributions would be spread so broadly over the whole community that no hardship would be imposed upon any particular group. Since the great majority of our citizens, whether rich or poor, employed or self-employed, would be benefited by the establishment of an effective program of old-age security, a broad distribution of the costs of such a program did not seem unjust.

It was felt that the contributions of employers and employees should be at the same rate. While arguments could be advanced for other ratios, experience under contributory pension plans in this country and under compulsory contributory programs abroad indicates the advisability of equal contributions. With such sharing of costs, an insurance system would be accepted as a truly joint enterprise of the employers and workers of the country, aided and supervised by the Government as representing the public as a whole.

Since the assessment of new charges of the character here considered would involve a complex series of adjustments on the part of industry and the public, it was felt that the initial rates of contributions established should be as low as economical administration would permit. Expenditures for benefits would mount but gradually under the program here considered so that such low initial contribution rates would provide adequate income not only for current benefits but for the creation of a contingency reserve. It must be remembered that even if benefits began after contributions had been collected for 5 years, only that age group just reaching retirement would be eligible for benefits. Meanwhile, contributions would be received from all other age groups from youth through middle age. As time passed and more persons qualified for benefits under the system, it would be necessary to increase the income from contributions. It was felt, therefore, that the joint rates of contributions should be raised in steps of 1 percent each at intervals of 5 years from an initial rate of 1 percent. Under such a program, industry, employees, and the public would have adequate time to become adjusted to the gradually increasing cost of the system without serious hardship on any group in our population.

(3) The determination of the maximum rates of contribution to be levied upon employers and employees involved the question of how far the cost of an old-age insurance system should be assessed upon these groups. Since the charge upon the employer might be shifted elsewhere, the question arose as to whether the final incidence of this

charge could be determined sufficiently to warrant more than limited use. Employee contributions might well impair the living standards of the workers if rates encroached upon income necessary for decent subsistence.

Contributory old-age insurance would in years to come assume an increasing proportion of the public cost of old-age security. Employers, and especially workers, should not be expected to bear the cost involved in paying more adequate benefits in the early years of the system than individual contributions would warrant, if they are also to build up even partial reserves for the future. Such more adequate benefits would be intended, among other things, to relieve the recipient of the need for State old-age assistance. To the extent that assistance costs were reduced, the expenditures of the Government would be reduced—a saving which should not accrue at the expense of insurance contributors.

It was felt that the maximum joint rate of contributions by employers and employees to the old-age insurance program should be set at 5 percent. It was estimated that the rates of contributions here considered would be sufficient to finance the system for approximately 25 years. After this period subsidies would be necessary.

The Accumulation and Maintenance of a Reserve.—In order to insure the availability of funds for the regular payment of old-age insurance benefits to eligible beneficiaries at all times, it was decided that a reserve fund should be accumulated from contributions made to the system in the early years of its operation. An important function of this reserve is to provide funds to meet increasing expenditures which may result in the future from gradual secular changes in the following factors: (1) a decline in the average age of retirement, (2) an increase in the average wage level, and (3) variations in mortality rates before and after retirement. A major depression, moreover, might unexpectedly accelerate any or all of these changes and might call for an unanticipated drain upon the old-age account. The assets of this reserve fund should be invested in the securities of the Federal Government in order to insure the utmost safety and liquidity. During the 25 years when the income exceeds outgo and when reserves are being accumulated, experience would indicate a basis for more accurate decisions as to the exact size of the reserve, how it should be accumulated and over what period of time, and what functions it should serve in addition to those enumerated above.

Coverage.—Since a compulsory program of contributory old-age insurance is intended to prevent destitution in old age, it may be argued that the benefits of the system should be extended to all per-

sons whose incomes warrant the payment of contributions. The administrative difficulties involved in such universal coverage are, however, readily apparent. An attempt to base contributions on incomes accruing in the form of profits, interest, or rents would be fraught with many difficulties of identification and measurement which would far outweigh the advantages of bringing the recipients of these incomes, as such, within such a system. On the other hand, incomes received in the form of wages or salaries could be more readily determined as a basis for assessment. As a class, wage earners are more in need of old-age protection than are the recipients of other types of income, hence public support for the enforcement of contributions on their behalf could be more readily secured. Further, the payment of wages is a practical basis for contributions assessed on both the employer and the employee. With the employer acting as the agent of the Government in the collection of the employee's contribution and remitting the proceeds along with his own contributions, great economies in administration would be possible. At the same time the employee's interest in insuring a complete record of contributions would serve as an aid in the enforcement of accurate reporting upon less conscientious employers. For these reasons it was deemed desirable to limit the coverage of an old-age insurance system to persons employed for wages or salaries.

Administrative difficulties suggested further limitations of coverage to eliminate, at least in the early years of a system, certain types of employments in which it would be difficult to enforce the collection of contributions. In the case of farm labor and domestic servants in private homes, a large number of individual workers are employed in small establishments scattered over a wide area, frequently at some distance from any city or town. The close relationship which exists between employer and employee, the frequent absence of accounting records, and the usual provision of a part of compensation in the form of maintenance would greatly handicap effective enforcement. While the need of these groups for protection in old age was very apparent, it seemed expedient to postpone their inclusion until after administrative experience could develop in less difficult areas of operation.

Since Congress had already established retirement programs covering a large proportion of the employees of the Federal Government, it did not seem expedient to include such employees under a general contributory old-age insurance program at this time. Railroad employees had also been covered under special enactments and should be excluded. The employees of the several States and their subdivisions must be excluded because of constitutional limitations on Federal jurisdiction.

With these exceptions, it seemed proper to include within the system all gainfully employed workers regardless of the character or size of the establishment in which they were employed. All workers face the contingency of dependent old age, whether employed in large factories or in small shops or offices, and only serious administrative difficulties, previous legislation, or constitutional limitations should be permitted to interfere with the provision of basic, uniform protection related to contributions.

It was fully recognized in advocating full coverage that there would be a real likelihood that many small employers might evade their obligations, especially at the outset. It was believed, however, that the extent of noncompliance would, with proper educational effort on the part of the Government and with a policy of severe penalties for deliberate evasion, steadily diminish. Since there is a constant flow of workers from large to small establishments, it was believed that limited coverage would eat at the actuarial foundation of the system as well as lessen the adequacy of the benefits afforded. Moreover, the administrative difficulties of ascertaining coverage under a plan limited to establishments with a certain number of employees might prove quite as formidable as those faced in assuring coverage of all establishments.

Administration.—The administrative requirements of old-age insurance are not complicated in comparison with those involved in unemployment compensation, with its need to determine the cause of severing employment, the possibility of reemployment, the suitability of available work, and similar questions. The volume of individual contribution records which must be kept, however, would involve administrative technique on a scale which is new to this country.

Efficient administration would therefore require the services of a staff of specialists in administrative detail. It was felt that experienced administrators from both Great Britain and Germany should be included in any group of experts who might be assembled. The administration of the old-age insurance plan should be the function of an independent board vested with authority to direct all phases of social insurance, working in close cooperation with both the Department of Labor and the Treasury. It would cooperate with the former in all relations with wage earners and employers, with particular reference to the employment agencies, and, with the latter in the collection, investment, and disbursement of funds.

The advantages of an independent board were considered numerous and important. The membership of the board should include outstanding persons in the field of social insurance administration whose services could be procured with difficulty if they were offered positions

as lesser officials in any department. In the interests of the insured population, both in the formulation of regulations and in the development of new policies and practices, the board should be a nonpolitical organization, protected as far as possible from political influence, even such as might arise from an executive department under a politically minded administration. The actual handling and investment of funds would be carried on by the Treasury. The smooth functioning of a program of this magnitude would necessitate a highly competent technical staff. It would probably be easier to obtain appropriate classifications for such employees under the Classification Act in a new independent board than in a new bureau in an established department. In inaugurating an insurance system the Government would assume a new type of financial responsibility to its citizens which should be focused in a body where full time and interest would be directed toward meeting that responsibility.

Legislative Proposals.—It was recommended to the Congress that the Federal Government adopt a program of old-age benefits.⁶ To this end it was specifically proposed that legislation should include two separate measures, one a taxing measure and the other a permanent appropriation measure.

The taxing measure was to contain (1) a tax upon the income of the workers who were to receive annuities upon reaching retirement age; and (2) an excise tax upon the pay rolls of the employers of these workers. In determining the tax rates, it was considered desirable that the amount yielded be equivalent to the worker and employer contributions which would have been required if the program proposed had been a contributory old-age insurance system. The following tax schedule was recommended:

<i>Years</i>	<i>Excise tax on employers' pay rolls (percent)</i>	<i>Income tax on employees' wages (percent)</i>
1937-41.....	½	½
1942-46.....	1	1
1947-51.....	1½	1½
1952-56.....	2	2
1957 and thereafter.....	2½	2½

The proceeds derived from these taxes were to be allocated to an old-age fund to be established in the Treasury.

While it has been recognized that administrative difficulties might stand in the way of collecting taxes from agricultural and domestic workers and their employers, these groups of workers were included in the bill originally introduced in Congress. This was in accord-

⁶ See Committee on Economic Security, *Report to the President* (U. S. Government Printing Office, Washington, D. C., 1935), p. 29; Committee on Economic Security, *Old-Age Security Staff Report* (mimeographed report, January 1935), p. 30.

ance with recommendations submitted by the Committee on Economic Security to the President on January 15, 1935.

It was considered advisable to bring under the tax program as wide a group of workers as possible, for under the proposed plan only through the payment of taxes could a worker earn the right to an old-age annuity. However, certain exemptions were recommended. The most important groups exempted and the reasons for their exclusion from the tax and annuity program may be briefly summarized. The annuity program was primarily designed for persons in lower-income groups. It was, therefore, recommended that nonmanual workers earning in excess of \$250 a month be exempted from the taxes, and in consequence excluded from the benefits recommended. Because they were already provided for under public retirement systems, it was recommended that employees of the Federal Government subject to the United States Civil Service Retirement Act and persons covered by the United States Railroad Retirement Act, together with their employers, be exempt from the tax. Furthermore, since, under the Constitution, the Federal Government cannot impose taxes upon States and subdivisions of States, it was considered necessary to exempt these political jurisdictions, together with their employees, from the tax.

The appropriation measure proposed the authorization of the amount raised by the taxes described above as a permanent appropriation to be used for building and maintaining the fund from which the old-age benefits should be paid. This proposed appropriation measure provided that a worker, on arrival at the age of 65 years, should receive an annuity based upon the number and amount of tax payments made on his behalf. Under the proposed program, a worker was not eligible for an annuity unless 200 weekly tax payments had been made on his behalf within a 5-year period prior to his attaining age 65. A further condition for the receipt of an annuity was retirement from gainful employment. For workers entering the system during the first 5 years of its existence a minimum benefit of 15 percent of average wages was proposed. Gradually these benefits would increase with the number and amount of tax payments. It was estimated that a worker who had been covered by the system during his entire working life would receive an annuity representing between 40 and 50 percent of his average wage.⁷

While it was hoped that the annuities proposed would be adequate for workers of modal earnings, it was realized that the benefit schedule would not permit low-paid workers to earn annuities sufficiently

⁷The proposed method of computing the old-age annuities on the basis of the tax payments made on behalf of a worker is described in detail on pp. 36-38 of Committee on Economic Security, *Old-Age Security Staff Report* (mimeographed, January 1935).

large to permit them to retire from gainful employment. For this reason it was proposed that a larger relative annuity be provided for lower-paid workers by weighting more heavily the first \$15 of average wages in the computation of benefits.

In addition to the annuities payable to workers under the conditions described above, it was proposed that death benefits be provided for the survivors of workers who had been covered by the system. The death benefit was to equal the aggregate amount of the worker's own tax payments less the total amount which the worker had received as an annuity. It was also recommended that provisions be made for a lump-sum endowment to a person who had made tax payments but who reached age 65 without being qualified for an annuity. The amount proposed as this lump-sum payment was to equal the worker's own tax payments plus interest.

Table 45 shows the progress of the tax and benefit payments during the next half century under the proposed old-age annuity plan. Under the proposed old-age annuity program the taxes collected would be in excess of the benefits paid out for about 25 years. For this reason a reserve would be accumulated in the old-age fund, which, according to actuarial forecasts, would amount to approximately 15 billion dollars in 1965. Since the forecasts indicated that after that time the benefit payments would be in excess of the taxes collected, it was recommended that, in order to keep the reserve at that level, the Federal Government should obtain the necessary additional funds from taxes borne by the recipients of higher incomes.

TABLE 45.—*Progress of tax and benefit payments under proposed old-age annuity plan*

[All estimates in millions of dollars]

Year	Net tax collections ¹	Interest on reserve	Federal contribution	Benefit payments	Reserve end of year
1937.....	302.9	0	0	0.7	302.3
1938.....	306.0	9.1	0	2.0	615.3
1939.....	308.9	18.4	0	3.3	939.3
1940.....	312.0	28.1	0	4.8	1,274.7
1945.....	672.3	122.4	0	268.0	4,606.4
1950.....	1,073.3	230.3	0	683.6	8,293.9
1955.....	1,520.0	345.3	0	1,318.9	12,058.0
1960.....	1,979.2	437.9	0	2,100.4	14,912.4
1965.....	2,058.3	458.0	165.7	2,682.0	15,266.7
1970.....	2,137.5	458.0	632.8	3,228.3	15,266.7
1975.....	2,216.7	458.0	1,034.3	3,708.9	15,266.7
1980.....	2,216.7	458.0	1,478.7	4,153.3	15,266.7

¹ Tax collections less administrative expenses; administrative expenses as percent of collections as follows:

1937-41.....	10
1942-46.....	8½
1947-51.....	6¾
1952-56.....	5
1957-80.....	5

Congressional Reconstruction of the Program.—The recommendations briefly outlined above were embodied in titles III and

IV of the economic security bill introduced in the House of Representatives on January 17, 1935 (H. R. 4120), but this bill was not enacted. On April 4, 1935, the social security bill (H. R. 7260) was introduced and became law on August 14, 1935 (Public, No. 271, 74th Cong.).⁸

The provisions of the Social Security Act differ considerably from the economic security bill as originally introduced. The following schedule of taxes was adopted by Congress:

<i>Years</i>	<i>Excise tax on employers' pay rolls (percent)</i>	<i>Income tax on employees' wages (percent)</i>
1937-39-----	1	1
1940-42-----	1½	1½
1943-45-----	2	2
1946-48-----	2½	2½
1949 and thereafter-----	3	3

A comparison of this schedule with the one recommended (see p. 210) shows that the income taxes levied upon workers and the excise taxes levied upon employers not only start at higher rates than in the recommended program but that a maximum of 3 percent is reached in 1949 instead of the maximum of 2½ percent in 1957 proposed in the economic security bill. In addition to the variance in rates, the Congress exempted certain employments which were covered by the tax in the original bill. The most important of these exemptions are agricultural labor and domestic service in a private home. The recommendation that nonmanual workers earning in excess of \$250 per month be exempted from the tax was not adopted. Under the Social Security Act the remuneration of manual and nonmanual workers in excess of \$3,000 a year from any one employer will not be subject to the tax. In this manner all employees and their employers regardless of wage level will pay taxes with respect to the first \$3,000 of annual wages.

Under the act the taxes are collected as are other internal revenues and are not allocated as was proposed to an old-age fund, but are merged with the general funds of the Government in the Treasury.

The provisions of title II of the act differ considerably from the underlying principles of the proposed program. In the first place, the appropriations authorized are not measured by any taxes collected under title VIII, but are measured by an "amount to be determined on a reserve basis in accordance with accepted actuarial principles." The amount required from year to year may be much more or considerably less than the revenues from the taxes levied in title VIII.

⁸ Ch. 531, 49 Stat. 620.

Secondly, the worker's right to an annuity and the right of his estate to a death benefit are not conditioned upon the payment of taxes by him or on his behalf; nor is the amount of benefit measured by the amount of taxes paid as was the case under the provisions of the economic security bill. Benefits are paid to the worker or to his estate on the basis of his status as a worker and are measured by the wages he has earned. Should no taxes be paid, the worker will, nevertheless, receive his annuity and his heirs will be protected. The obligation of the Government to the old-age account is not conditioned upon the realization of sufficient revenue from the taxes to reimburse the Treasury for the appropriation to the old-age account.

The original economic security bill made the receipt of benefits contingent upon the payment of taxes. Thus, persons in employments exempted from the taxes were automatically excluded from the receipt of benefits. In the Social Security Act it is provided that wages received in certain employments are not to be counted in the computation of benefits. The most important of these exempted employments are agricultural labor and domestic service in a private home.

The economic security bill was based on the assumption that higher-paid employees would make their own provision for old-age protection. In the measure as enacted, Congress brought under the benefit system all workers in covered employments regardless of their earnings, but with the provision that only the first \$3,000 of yearly salary paid to the individual by an employer should be counted in the computation of benefits.

Thus, under the provisions of the Social Security Act there exists no interdependence between the taxing and the appropriation provisions. In the sense in which the term is used in other countries, the old-age benefit provisions do not constitute a system of old-age insurance. However, in spite of eliminating the contributory features of the proposed program submitted to Congress, the Government in the Social Security Act has accepted the responsibility of building up a fund from which the worker in industry will receive a retirement income related to his standard of living as reflected in the wage level at which he has worked.

VOLUNTARY OLD-AGE ANNUITIES

Voluntary Continuance in the Old-Age Annuity System.—In the report of the Committee on Economic Security to the President it was suggested that persons who under the Nation-wide annuity system qualified for annuities by fulfilling minimum requirements of 5 years of coverage and 200 tax payments be permitted to

continue tax payments voluntarily until age 65 if they left covered employment before reaching the retirement age. This provision would have made it possible for workers who had only a short period of service in an employment covered by the old-age annuity system to increase the amount of their old-age benefits.

The structure of the old-age benefit program enacted by Congress in the Social Security Act left no possibility for the continuance in the system on a voluntary basis for workers who left covered employment prior to the retirement age.

Annuity Certificates.—In addition to the old-age benefit plan, it was proposed that there be established, as a related but separate undertaking, a voluntary system of old-age annuities. Under such a plan the Government would sell to individuals, on a cost basis, deferred life annuities similar to those issued by commercial insurance companies. In consideration of premiums paid at specified ages, the Government would guarantee the individual concerned a definite amount of income starting at approximately age 65 and continuing throughout the lifetime of the annuitant.

The primary purpose of a plan of this character would be to offer persons not included within the old-age benefit scheme a systematic and safe method of providing for old age. However, the plan could also be used by insured persons as a means of supplementing the limited old-age income provided under the old-age benefit plan.

It was believed that a satisfactory and workable plan, based on the following principles, could be developed without great difficulty:

(1) The plan should be self-supporting, and premiums and benefits should be kept in actuarial balance by any necessary revision of the rates indicated by periodic reexaminations of the experience.

(2) The terms of the plan should be kept as simple as practicable to effect economical administration and to minimize misunderstanding on the part of the individuals served. This could be accomplished by limiting the types of annuity offered to two or three of the most usual standard forms.

(3) In recognition of the fact that the plan would be intended primarily for the lower- and middle-wage classes, provision should be made for the acceptance of relatively small premiums, such as \$1 per month, and for limitation of the maximum annuity payable to any individual under the plan to approximately \$100 per month.

(4) The plan should be aimed primarily at the provision of old-age income, and this objective should be recognized by eliminating from the annuity contract the features of cash surrender and loan values and, possibly also, the return of premiums in the event of death prior to retirement.

(5) The plan should be managed by the insurance authority along with the old-age annuity system.

No estimates were made as to the amount of annuity reserves which would be accumulated under a plan such as that proposed above. It was believed, however, that the fiscal problems presented by such reserves would not be serious.

The proposal for a system of voluntary annuities supplementing the old-age benefit system was not included in the Social Security Act as passed by Congress.

Chapter XI

OLD-AGE PROVISIONS OF THE FEDERAL SOCIAL SECURITY ACT

THE FEDERAL SOCIAL SECURITY ACT¹ establishes two types of provisions for old-age security, (1) Federal aid to States to enable them to give more adequate aid to their needy aged, and (2) a system of Federal old-age benefits for superannuated workers. The first measure is designed to give immediate aid to aged individuals and to assist the States in the care of old people who are ineligible for Federal emergency relief and who are not employable on work projects. The second is a preventive measure which aims to reduce the extent of future dependency among the aged and to assure a worker that the years of employment during his working life will entitle him to a life income.

OLD-AGE ASSISTANCE

The extent of suffering and destitution of the past 5 years has accentuated and brought to light the large numbers of aged individuals in the United States who are without means of self-support. Even those States with the most liberal provisions for the assistance of their needy aged have long waiting lists of eligibles to such assistance whom they are financially unable to aid. Furthermore, as many as 13 States and the District of Columbia on July 1, 1935, had no laws providing for their needy aged, and the provisions in the 35 States with such laws show a wide divergence in age and residence requirements for eligibility, as well as in the amount and extent of assistance made available throughout the State. To rectify and improve these conditions, title I of the Federal Social Security Act provides for a system of grants-in-aid to the several States to enable them, as far as practicable under the conditions in each State, to furnish financial assistance in the form of money payments to their destitute aged residents. But to provide a degree of uniformity in administrative standards, age, residence, and citizenship qualifications for eligibility to old-age assistance and to insure State financial

¹ Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305.

participation in the system, the Federal law establishes certain requirements which a State plan must meet in order to qualify for Federal funds.

Table 46 gives in summary form the provisions of the Federal Social Security Act with respect to old-age assistance. The following paragraphs also briefly outline these provisions.

Administration of Federal and State Plans.—The Federal agency authorized to administer the old-age assistance provisions of the Social Security Act is the Social Security Board. To obtain Federal approval and to qualify for Federal grants, a State must submit to this Board its plan for old-age assistance, and the Board will determine whether or not the State plan and its operation comply with the Federal requirements. The Board will then certify to the Secretary of the Treasury those States which qualify for Federal grants and will indicate the amount to which each State is entitled.

The Federal law leaves to the States the actual administration of the State plan but specifies (1) that the plan must be State-wide in operation; (2) that a single State agency must be established or designated either to administer the plan or to supervise the administration, if such administration is delegated to political subdivisions of the State; (3) that the plan must be mandatory upon all political subdivisions of the State if administered by them; (4) that the plan shall provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Social Security Board to be necessary for the efficient administration of the plan; (5) that the State agency shall make reports from time to time to the Social Security Board, furnishing such information as the Board may deem necessary, and that the State agency shall comply with such provisions as the Board may from time to time make to assure the correctness and verification of reports; (6) that the plan must provide for granting to an individual whose claim for old-age assistance is denied an opportunity for a fair hearing before the State agency; and (7) that the plan must provide for the payment to the United States of one-half of any amount which the State or its political subdivision may collect from the estate of an old-age assistance recipient with respect to the assistance furnished him under the plan.

Maximum Eligibility Requirements for Old-Age Assistance.—As indicated in chapter VIII, present State provisions for old-age assistance vary greatly in their age and residence requirements. The Federal law establishes maximum requirements which a State plan may not exceed if it is to receive Federal approval. Thus, the State plan may not impose an age requirement of more than 65 years,

TABLE 46.—*Summary of provisions for Federal grants to States for old-age assistance*

To be made by the Social Security Board under title I¹ of the Social Security Act.

DEFINITION

"Old-age assistance" means money payments to aged needy individuals.

CERTIFICATION OF STATE PLAN FOR FEDERAL GRANTS

A State, in order to receive a Federal grant, must submit a plan and have it approved by the Social Security Board as meeting the following requirements:

1. Effective in all political subdivisions of the State and, if administered by them, mandatory upon them;
2. Provision for financial participation by the State, except that this condition is waived until July 1, 1937, if the Board finds that a State's constitution prevents such participation;
3. Either provision for the establishment or designation of a single State agency to administer the plan, or for the establishment or designation of a single State agency to supervise the administration of the plan;
4. Provision for granting to any individual whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency;
5. Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Social Security Board to be necessary for the efficient operation of the plan;
6. Submission of such reports in such form and containing such information as the Federal Social Security Board may from time to time require, and compliance with the provisions which the Board may from time to time find necessary to assure the correctness and verification of such reports;
7. Provision that if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States;

A State plan will not be approved if it imposes:

1. An age requirement of more than 65 years, except that until Jan. 1, 1940, an age requirement of as much as 70 years may be imposed;
2. A residence requirement which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for old-age assistance and who has resided therein continuously for 1 year preceding application;
3. A citizenship requirement which excludes any citizen of the United States.

AMOUNT OF GRANT TO EACH STATE

1. A quarterly amount which shall be used exclusively as old-age assistance equal to one-half of the total sums expended in the State in such quarter as old-age assistance to needy individuals 65 years of age or older who are not inmates of public institutions, not counting so much of such expenditure to any individual in excess of \$30 a month;
2. Five percent of the total Federal quarterly grant to be used solely for costs of administering the State plan, or for old-age assistance, or both.

METHODS OF COMPUTING AND PAYING GRANTS

1. Estimates of amounts to be paid States will be based on:
 - (a) State report of total sum to be expended each quarter for old-age assistance, with statement of amount appropriated or made available by the State and its political subdivisions. (If the amount appropriated is less than one-half of the total sum of estimated quarterly expenditures, the source or sources from which the difference is expected to be derived must be stated.)
 - (b) Records of the total number of aged individuals in the State.
 - (c) Such investigation as the Social Security Board may find necessary.
2. Payments will be made to the State at the time or times fixed by the Social Security Board:
 - (a) After certification by the Social Security Board to the Secretary of the Treasury of the amount due the State reduced or increased by any sum by which its estimate for any quarter was greater or less than the amount which should have been paid;
 - (b) By the Secretary of the Treasury, through the Division of Disbursement, prior to audit or settlement by the General Accounting Office.

SUSPENSION OF GRANTS

If the Social Security Board finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan, that the plan has been so changed as to impose prohibited age, residence, or citizenship requirements, or failed to comply substantially with conditions required for Federal approval, the Board shall notify the State agency that Federal grants will not be made until such conditions are rectified.

AMOUNT OF FEDERAL APPROPRIATION AUTHORIZED

\$49,750,000 for fiscal year ending June 30, 1936;² thereafter an annual amount sufficient to carry out the purposes of the title.

¹ 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-306.

² The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 (H. R. 9215), failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. (H. R. 10464), approved Feb. 11, 1936, included an appropriation of \$24,660,000 for the remainder of the fiscal year ending June 30, 1936.

except that, until January 1, 1940, an age requirement of as much as 70 years may be in effect. The State plan may not impose a residence requirement which excludes any resident of the State (1) who has resided therein for 5 years during the 9 years immediately preceding application for old-age assistance and (2) who has resided in the State continuously for 1 year preceding the application. Moreover, a State plan will not be approved by the Federal Government if it imposes any citizenship requirement which excludes any citizen of the United States.

Financial Participation by the State.—The Federal Social Security Act stipulates as one of its main requirements that a State plan for old-age assistance must provide for State participation in financing the plan if it is to qualify for Federal approval. However, until July 1, 1937, this requirement will be waived in the case of any State which the Social Security Board, upon application by the State and after reasonable notice and opportunity for hearing to the State, finds is prevented by its constitution from providing such financial participation. The exemption of the State from financial participation, however, does not alter the provision that the Federal aid will be limited to 50 percent of the total assistance paid, thus requiring local participation of at least 50 percent.

Methods of Computing and Paying Federal Grants.—To determine the amount payable by the Federal Government to each State with an approved old-age assistance plan the Social Security Board, before the beginning of each quarter, will examine reports from the State agency giving estimates of the total amount of expenditures necessary for old-age assistance in the quarter and the amount appropriated or made available for these expenditures by the State and its political subdivisions. If the amount appropriated or available within the State is less than one-half of the total estimated expenditures for the quarter, the State report must show the source or sources from which the difference is to be derived. The State must also report to the Social Security Board the total number of aged individuals in the State and must furnish any other information based on such other investigation as the Board may find necessary.

The Social Security Board will then certify to the Secretary of the Treasury the amount which is due the State under the provisions of the Social Security Act, and the Secretary of the Treasury will pay to the State, through the Division of Disbursement of the Treasury Department and prior to audit or settlement of the General Accounting Office, at the time or times fixed by the Board, the amount so certified, increased by 5 percent, to be used either for administration or for the payment of old-age assistance. The estimated Federal appro-

priation to the State for each quarter will be reduced or increased by any sum by which the Board's estimate for the previous quarter was greater or less than the amount due the State under the provisions of the act.

Amounts Payable to the States.—An appropriation of \$49,750,000 has been authorized by the Social Security Act for the fiscal period ending June 30, 1936,² from which to defray the costs of grants to the States with approved old-age assistance plans, and, for subsequent years, appropriations of amounts sufficient to carry out the purposes of the old-age assistance title of the act authorized. From these appropriations there will be paid for each quarter an amount to each State equal to one-half of the total sums (not exceeding \$30 per month for any individual) expended as old-age assistance during such quarter under an approved State plan. Old-age assistance is defined as money payments to an individual who, at the time of such expenditure, is 65 years of age or older and is not an inmate of a public institution. The Federal law does not place any minimum or maximum limits on the amount of old-age assistance which the States may pay to their needy aged, but stipulates that the Federal Government's share of such payment shall not exceed \$15 per month per person. Thus, if the State grant to an aged person is \$30 a month, the Federal Government will pay \$15, or one-half of the amount paid in respect of this individual recipient of assistance; if in certain areas or under certain conditions the State pays a grant of \$45 a month, the Federal grant will be \$15 a month for each individual receiving this amount; and if the State pays \$20 a month, the Federal Government's share on behalf of each individual receiving this amount will be \$10 per month.

In addition, the Federal Government will pay 5 percent of its total quarterly grants to the State. This sum may be used for paying the cost of administering the State old-age assistance plan, or, if the State pays all or a part of its administrative expenses, this additional grant may be used wholly or in part for money payments to needy individuals eligible for old-age assistance under the State plan. The use of this additional grant is, however, limited to the payment of old-age assistance and the administrative costs of the State system.

Suspension of Grants.—If a State plan, after approval by the Social Security Board, is found by the Board to have been so modified that it fails to comply with any requirement of the Federal law, the Board, after reasonable notice and opportunity for hearing to the

² The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 (H. R. 9215), failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. (H. R. 10464), approved Feb. 11, 1936, included an appropriation of \$24,660,000 for the remainder of the fiscal year ending June 30, 1936.

State agency, will notify the State that no further grants-in-aid will be paid until the Board is satisfied that the prohibited requirements are no longer imposed and that the State plan no longer fails to comply with Federal requirements.

THE FEDERAL OLD-AGE BENEFITS SYSTEM

Under the Federal Social Security Act³ a Nation-wide old-age benefit system is provided. Title II⁴ of the act establishes an old-age reserve account in the Treasury of the United States from which there will be paid after December 31, 1941, an old-age benefit in the form of a monthly life income to eligible wage earners after they have reached the age of 65. From December 31, 1936, there will be paid certain death benefits and lump-sum payments at 65.

Table 47 gives a digest of the provisions of the Federal Social Security Act with respect to coverage of the old-age benefit system, the conditions required as qualifications for the receipt of benefits, and the method of computing benefits.

Coverage.—Benefits are based upon wages from all services performed after 1936 and before age 65 except agricultural service, domestic service in a private home, any form of Government service, casual labor not in the course of the employer's trade or business, service on a documented vessel, service performed in the employ of religious, charitable, scientific, literary, or educational institutions and institutions for the prevention of cruelty to children or animals which are not organized for profit, or service in the employ of a carrier as defined in the Railroad Retirement Act of 1935. Since the self-employed do not receive wages, their services are also excluded.

Monthly Benefits.—Monthly benefits are payable to qualified individuals after age 65. They will be determined by the total amount of wages from regular employment covered by the old-age benefits provisions of the act, with the requirement that the individual must have worked in included employment at some time in at least 5 years after 1936 and before age 65 and that his wages from such employment must amount to not less than \$2,000. Only the first \$3,000 a year from any one employer, including the cash value of remuneration other than in the medium of cash, is considered as counting toward the total of annual wages on which benefits are to be based. The monthly benefit is paid at the rate of one-half of 1 percent of the first \$3,000 of total wages, plus one-twelfth of 1 percent of the next \$42,000, plus one-twenty-fourth of 1 percent of any additional amount.

³ Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305.

⁴ 49 Stat. 622, §§ 201-210; 42 U. S. C. (1935 Supp.), §§ 401-410.

TABLE 47.—*Summary of principal provisions of the Federal Social Security Act relating to Federal old-age benefits*

(49 Stat. 622, title II; 42 U. S. C. (1935 Supp.), §§ 401-410)

COVERAGE¹

Old-age benefits are to be based upon wages received in employments performed within the United States, Alaska, and Hawaii except:

1. Agricultural labor;
2. Domestic service in a private home;
3. Casual labor not in the course of the employer's trade or business;
4. Service performed as an officer or member of the crew of a vessel, documented under the laws of the United States or of any foreign country;
5. Service performed in the employ of the United States Government or of an instrumentality of the United States;
6. Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;
7. Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual;
8. Employment by a carrier as defined in Railroad Retirement Act of 1935.²

CONDITIONS TO QUALIFY FOR RECEIPT OF MONTHLY OLD-AGE BENEFITS³

1. At least 65 years of age.
2. Not less than \$2,000 total wages from included employment after December 31, 1936, and before age of 65.
3. Wages were for employment on some day in each of 5 calendar years after December 31, 1936, and before age of 65.

MONTHLY OLD-AGE BENEFIT PAYMENTS⁴

1. Date monthly benefits first payable, January 1, 1942.
2. The amount of the monthly benefits payable is determined as follows:

<i>Total wages from included employments after Dec. 31, 1936, and prior to age 65</i>	<i>Percent of total wages paid as monthly benefits</i>
[Not counting wages from any one employer in excess of \$3,000 annually]	
First \$3,000-----	1/2
Next \$42,000-----	1/12
All over \$45,000-----	1/24

The maximum monthly benefit is \$85.

LUMP-SUM BENEFIT PAYMENTS

1. Individuals whose total wages or periods of service are insufficient for them to qualify for monthly benefits are paid, upon reaching age 65, a lump sum equal to 3½ percent of the total wages from included employment after December 31, 1936, and before the attainment of age 65.⁵

2. Upon death of individual before age 65, death benefits will be paid equal to 3½ percent of his total wages from included employment after December 31, 1936. If a person dies without having received at least 3½ percent of his wages in a lump sum or monthly payments the difference between such 3½ percent and Federal payments previously made will be paid as a death benefit.⁶

REDUCTION OF BENEFITS

An amount equal to 1 month's benefit will be deducted for each month in which a qualified individual who has attained age 65 received wages for regular included employment.

FEDERAL ADMINISTRATION

Social Security Board determines the qualifications of the individual and the amount of benefits payable,⁷ and certifies to the Treasury persons entitled to payments.⁸

¹ 49 Stat. 625, § 210 (b); 42 U. S. C. (1935 Supp.), § 410 (b).

² Ch. 812, 49 Stat. 967; 45 U. S. C. (1935 Supp.), §§ 215-228.

³ 49 Stat. 625, § 210 (c); 42 U. S. C. (1935 Supp.), § 410 (c).

⁴ 49 Stat. 623, § 202; 42 U. S. C. (1935 Supp.), § 402.

⁵ 49 Stat. 624, § 204; 42 U. S. C. (1935 Supp.), § 404.

⁶ 49 Stat. 625, § 203; 42 U. S. C. (1935 Supp.), § 403.

⁷ 49 Stat. 623, § 202 (a); 42 U. S. C. (1935 Supp.), § 402 (a).

⁸ 49 Stat. 624, § 207; 42 U. S. C. (1935 Supp.), § 407.

Table 48 illustrates the monthly benefits payable to eligible individuals. No monthly old-age benefits are payable before January 1, 1942. Since the aggregate of wages from employment must be at least \$2,000, the smallest monthly benefit payable will be \$10. The Social Security Act limits the benefit to a maximum of \$85 a month. An amount equal to 1 month's benefit will be deducted for each month in which a qualified individual who has reached age 65 receives wages for regular included employment. Wages in excess of \$3,000 a year from any one employer will not be counted in the computation of benefits.

Since a higher percentage of the first \$3,000 of total wages is used in the computation of monthly benefits, the benefit scale is designed to give greater weight to the earnings of lower-paid, middle-aged, and older workers than to persons who through high salaries and a

TABLE 48.—*Monthly benefits payable for specified total wages as defined for the purposes of title II¹ of the Social Security Act*

Total wages	Monthly benefit at specified rate				Total wages	Monthly benefit at specified rate			
	0.5% of first \$3,000	½ of 1% of next \$42,000	¼ of 1% of all over \$45,000	Total		0.5% of first \$3,000	½ of 1% of next \$42,000	¼ of 1% of all over \$45,000	Total
\$2,000.....	\$10.00			\$10.00	\$35,000.....	\$15.00	\$26.67		\$41.67
\$2,500.....	12.50			12.50	\$40,000.....	15.00	30.83		45.83
\$3,000.....	15.00			15.00	\$45,000.....	15.00	35.00		50.00
\$3,500.....	15.00	\$0.42		15.42	\$50,000.....	15.00	35.00	\$2.08	52.08
\$4,000.....	15.00	0.83		15.83	\$60,000.....	15.00	35.00	6.25	56.25
\$4,500.....	15.00	1.25		16.25	\$70,000.....	15.00	35.00	10.42	60.42
\$5,000.....	15.00	1.67		16.67	\$80,000.....	15.00	35.00	14.58	64.58
\$10,000.....	15.00	5.83		20.83	\$90,000.....	15.00	35.00	18.75	68.75
\$15,000.....	15.00	10.00		25.00	\$100,000.....	15.00	35.00	22.92	72.92
\$20,000.....	15.00	14.17		29.17	\$110,000.....	15.00	35.00	27.08	77.08
\$25,000.....	15.00	18.33		33.33	\$120,000.....	15.00	35.00	31.25	81.25
\$30,000.....	15.00	22.50		37.50	\$130,000.....	15.00	35.00	35.42	² 85.00

¹ 49 Stat. 622, §§201-210; 42 U. S. C. (1935 Supp.), §§401-410.

² Maximum monthly benefit.

long period of employment accumulate large amounts as total wages. The greater weight thus assigned to the earnings of the lower-income groups has been adopted in lieu of a maximum wage limit for coverage by the plan. The \$85 maximum monthly benefit has a similar influence.

Forty-five years after this part of the act becomes effective persons whose wages from included employment have averaged \$50 a month will be eligible at age 65 to a life income of \$35 a month. In the absence of any radical increase in costs of living this amount may often be sufficient to provide for the person's needs without supplementary assistance from State old-age assistance plans. The Federal old-age benefit system will thus serve in the course of time to reduce materially the extent of old-age dependency among wage earners and the resulting burden on the State and Federal Governments for charitable assistance.

Eligibility for Benefits.—In order to be eligible for monthly benefits providing a life income from the Federal Government, a person must have worked in included employment at some time in each of 5 separate calendar years in the period subsequent to 1936 and prior to attaining the age of 65, and all his wages counted from such employment must not total less than \$2,000. If his wages from included employment are less than \$2,000 or his periods of employment are insufficient to meet the conditions just mentioned he will receive a lump-sum payment equal to $3\frac{1}{2}$ percent of such wages.

Payments Upon Death.—If a person covered by the old-age benefit system dies between December 31, 1936, and his sixty-fifth birthday, his estate will receive an amount equal to $3\frac{1}{2}$ percent of his total wages during the period. Similarly, when an individual dies after the commencement of his monthly life income, any surplus will be paid which remains after the sum total of his benefit payment has been deducted from the amount representing $3\frac{1}{2}$ percent of his total wages.

Method of Making Payments.—The Social Security Board will from time to time certify to the Secretary of the Treasury the name and address of each person entitled to receive a monthly old-age benefit, lump-sum payment, or death settlement, from the old-age reserve account, and will establish the amount of such payment and the time when it is due. The Secretary of the Treasury will thereupon, through the Division of Disbursement of the Treasury Department, make these payments.

Protection of Benefit Rights.—The Federal Social Security Act stipulates that the future benefit rights of any individual shall not be transferable or assignable at law or in equity. Furthermore, old-age benefit payments shall not be subject to execution, levy, attachment, garnishment, or other legal process or to the operation of any bankruptcy or insolvency law.

Old-Age Reserve Account.—The act creates an old-age reserve account in the Treasury, to which Congress is authorized to appropriate for each fiscal year beginning with the year ending June 30, 1937, "an amount sufficient as an annual premium to provide for the payments required" for old-age benefits. The Secretary of the Treasury is to submit annually to the Bureau of the Budget an estimate of the appropriations to be made to this account, such estimate to be made by the Secretary of the Treasury "on a reserve basis in accordance with accepted actuarial principles."

The Secretary of the Treasury is to invest that portion of the old-age reserve account which will not be needed for current withdrawals. The funds are to be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both

principal and interest by the United States. For purposes of investment the Secretary of the Treasury may purchase outstanding obligations at the market price. In addition, through an amendment to the Second Liberty Bond Act, special obligations of the United States may be issued at par exclusively for the purpose of investing the funds of the old-age reserve account. The special obligations and those purchased at market price are to yield not less than 3 percent, and the interest on these obligations is to be credited to and form a part of the account. The obligations purchased for the account may be sold at the market price; those issued exclusively for the account may be redeemed at par plus accrued interest.

Part III

SECURITY FOR CHILDREN

*Part III is based on material provided by
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SECURITY FOR CHILDREN

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Chapter XII

CHILD WELFARE IN A GENERAL PROGRAM OF ECONOMIC SECURITY

THE CHIEF AIM of social security is the protection of the family life of wage earners, and the prime factor in family life is the protection and development of children. Security for families, the broad foundation upon which the welfare of American children must rest, involves economic, health, and social measures which pertain to the entire economic and social structure of our civilization. Among them are an adequate wage level and a reasonable workday and workweek, with provision of regular and full employment necessary to yield a stable and sufficient family income; unemployment insurance or compensation when full employment fails; provision of adequate medical care and promotion of physical and mental health; prevention of accidents; provision for the old, the sick, the widowed, and the orphaned; adequate opportunities for education and for vocational guidance and placement; crime prevention and correction; and social services for persons whose welfare is threatened by the inadequacy or instability of those naturally responsible for their care and support, by their own instability, or by the breakdown of the primary measures of economic and social security. All social security measures may be described, in fact, as affecting child welfare—even old-age security, which lifts the burden of support of the aged from those of middle age whose resources are needed for the care of children.

In planning for any form of security adequate consideration must be given to the protection of the health and welfare of the children in the families coming within its scope. All children need health protection, to provide which the community and the State, as well as individual parents, have a responsibility. Such protection should begin with the preparation of boys and girls for marriage and parenthood; should then provide for adequate care of the mother during the prenatal period, at childbirth, and following delivery; and should be extended throughout the infant, preschool, school, and later adolescent periods. Many children require special medical care or social protection by reason of physical handicaps, mental defects,

orphanage, desertion, or grave conditions of incompetency, discord, neglect, and demoralization in the home.

The effect of economic insecurity upon children is brought vividly to public attention by the fact that in December 1934 about 8,000,000 children under 16 years of age were in families receiving unemployment relief—representing about 40 percent of the total number of persons on relief—and by evidences, given later in this report, of the effect of the depression upon the health and welfare of children and the resources of the agencies created to serve their needs. Those engaged in the administration of relief and others having an opportunity to know the problems at first hand are deeply concerned over the gravity of the health, educational, employment, and social problems of the children and young people in relief families, and are impressed by the necessity of adequate consideration of the needs of children, both in the relief program itself and in transition to other forms of aid or rehabilitation, such as emergency work, rural rehabilitation, insurance, or pensions. In reallocations of financial or administrative responsibility between the Federal Government and the States, between States and local communities, and between emergency relief and permanently established welfare or health agencies, special care must be taken to see that no gaps are left which may mean suffering and neglect to children. The Federal Government has a responsibility in these matters which it shares with the States and the local communities.

Development of provisions for the health and welfare of children has been uneven in both extent and quality. In many areas, particularly in rural territory, there has been general neglect of these needs. During the depression period the degree of care which had been achieved at the cost of much planning and struggle has been put in jeopardy and often seriously curtailed or eliminated by reason of the financial retrenchment of public and private agencies.

Attempts to provide social security for the unemployed, especially for the unemployed now on relief, by measures which will enable them to become again self-supporting, through private industrial recovery or through a work program, will not benefit families whose breadwinners are absent. This is also true of unemployment compensation. For these groups of families special provision must be made.

The United States Children's Bureau was asked by the Committee on Economic Security to act in a consultative capacity with regard to sections or parts of the security program relating to child health and child welfare. An advisory committee on child welfare worked with the Children's Bureau in developing the factual material and recommendations submitted to the Cabinet Committee on Economic Security. The membership of this advisory committee is given in appendix XIII, page 519.

The measures that were thus recommended are, of course, in no sense representative of a complete child-welfare or child-health program in this country. It was felt that it would be most logical and most reasonable to select, in the first place, those parts of the child-welfare or child-health problem which were very closely related to the problem of unemployment; in the second place, measures which would attempt to meet the basic needs of children throughout the country, such as the need for economic security when the father is absent from the home and the need for a measure of health protection, which must be supplied through community activities and community agencies; and, in the third place, special social protection when grave conditions of incompetency, neglect, abuse, or defect in the child himself are present.

These principles are incorporated in the three sections of the program relating to aid to dependent children, welfare services for children needing special care, and maternal and child-health services, including services for crippled children—a group of handicapped children needing special attention. Other handicapped groups—the feeble-minded, the blind, and the deaf—have not been included in the program except insofar as the child-health services and the social services provided will place our local communities in a very much better position to find out where there are children in need of care, to bring together existing resources, and to develop further experience concerning the total child-care problem in the country.

The provisions with reference to security for children do not contemplate any lessening of the burden now being carried by State and local agencies or by private voluntary agencies, which are rendering very great service to children in this country. The program recommended would attempt to make universally available throughout the United States certain minimum measures of public protection, without which any private effort or any purely local effort is bound to be uneven and most inadequate in the places and areas where children are in the greatest need.

Moreover, the recommendations regarding security for children do not set up any new or untried methods of procedure, but build upon experience that has been well established in this country. In that sense the children's security measures are essentially American measures, building upon American experience and designed to establish a foundation of Federal, State, and local cooperation which will not lead to any difficult administrative realms or to any unpredictable costs.

Chapter XIII

AID TO DEPENDENT CHILDREN

AID to dependent children, also known as mothers' aid, mothers' pensions, and mothers' assistance, is designed for a group of families deprived of a father's support by death, desertion, or other reasons defined by the laws of the various States, and requiring care planned on a long-time basis, the assistance to be given in the form of a definite grant. Such assistance is authorized by the laws of 45 States, but is actually granted by less than half the local units empowered to provide this form of care.¹ Intended to afford the essentials for family life and the upbringing of children, mothers' aid, if well administered, relieves not only the insecurity but also the sense of dependency and inadequacy from which those receiving general relief often suffer. Experience shows that this security and the assistance given to the mother in meeting the problems of family life and child-rearing are important influences in preventing juvenile delinquency and other social difficulties.

PURPOSE AND EXTENT OF LEGISLATION FOR AID TO DEPENDENT CHILDREN

The purpose of legislation for aid to dependent children has been to prevent the disruption of families on the ground of poverty alone and to enable the mother to stay at home and devote herself to house-keeping and the care of her children, releasing her from the inadequacies of the old type of poor relief and the uncertainties of private charity. The assurance of a definite amount of aid, not subject to change from week to week or month to month unless conditions in the family change, is one of the chief advantages of this form of assistance. The enactment of laws for aid to dependent children was evidence of public recognition of the fact that long-time care must be provided for those children whose fathers are dead, are incapacitated, or have deserted their families; that security at home is an essential part of a program for such care; and that this security

¹ Information as of 1934.

can be provided for this whole group of children only by public provision for care in their own homes.

This program was accepted promptly in State after State because experience had shown that unless the mother who was left with young children to support belonged to the highly skilled or professional group her contribution in the home was greater than her earnings outside the home. Before the adoption of these laws it frequently and even usually happened that either her children were taken from her and cared for at greater cost in institutions or foster homes, or she was encouraged to make the attempt to be both homemaker and wage earner, with the result in such cases that the home was broken up after she had failed in her dual capacity and the children had become delinquent or seriously neglected.

Although legislative approval of this principle has been given by nearly all the States, in many States a large proportion of the counties have not provided the benefits which the laws contemplated. This is explained by the fact that (1) the majority of these statutes, unlike most of the recently enacted old-age assistance laws, were permissive rather than mandatory, and in all but a few States the costs were borne entirely by the county or town, with the result that in many counties grants were never made or were inadequate in amount (see table 55, p. 245); and (2) the numbers of dependent children have greatly increased during the depression, because more widowed mothers have been left without sufficient funds to care for their children, and no commensurate expansion of public funds for this type of care has occurred.

State laws for aid to dependent children were intended to afford assistance to families without male breadwinners, and all such laws apply to children of widows. In the laws and in administrative practice great variation is found in the definitions of persons eligible for aid—variations with respect to marital status of the mother, residence and citizenship, ages of children, and other items. In practice, in 1931, 82 percent of the families receiving aid to dependent children for which marital status was ascertained were families of widows. Information available in 1934 shows that in 36 States, the District of Columbia, Alaska, and Hawaii aid may be extended to mothers whose husbands have deserted (frequently granted only under specified conditions as to attempts to secure support and as to duration of the father's desertion) and in 21 States, the District of Columbia, and Alaska, to divorced mothers. The laws of these 21 States, the District of Columbia, and Alaska are very liberal, permitting aid to any mother with dependent children, or to a dependent family in which the father is dead, divorced, physically or mentally incapacitated, imprisoned, or where he has

deserted his family. According to 1934 information, in 29 States, the District of Columbia, Alaska, and Puerto Rico aid may be granted for children up to 16 years of age, and in 2 States for children up to 17 or 18 years. Table 49 shows the conditions under which aid may be granted.

TABLE 49.—*Conditions under which aid to dependent children may be granted and limitations on amount of aid (1934)*

State	Age under which aid may be given	Conditions under which family deprived of father's support is eligible for aid	Years of residence		Maximum grant for family of 3 children
			State	County or town	
Alabama ¹					
Alaska	16	Father dead, deserting, divorced, incapacitated, in penal institution. ²	1		\$55.00
Arizona	16	Father dead, deserting, incapacitated	³ 1		(⁴)
Arkansas	15	Father dead, deserting, incapacitated, in penal institution.		³ 1	20.00
California	16	Father dead, incapacitated, ² in institution (penal or other).	2		60.00
Colorado	18	Any mother ²			(⁴)
Connecticut	16	Father dead	³ 4		69.33
Delaware	16	Father dead, deserting, incapacitated, ² in penal institution.	3		28.00
District of Columbia	16	Any mother ²		³ 1	(⁴)
Florida	⁵ 16	Law broadly inclusive ^{2 6}	2	1	41.00
Georgia ¹					
Hawaii	(⁷)	Father dead, deserting, in institution (penal or other). ²		1	(⁴)
Idaho	15	Father dead, in institution (penal or other). ²	2	6 mos.	20.00
Illinois	16	Father dead, deserting, incapacitated		³ 3	⁸ 35.00
Indiana	⁹ 16	Any mother ¹⁰			67.50
Iowa	16	Father dead, in State institution (penal or other)		1	32.50
Kansas	14	Law broadly inclusive ⁶	2	1	50.00
Kentucky	⁵ 14	Any mother ²		2	(⁴)
Louisiana ¹¹	⁵ 16	Father dead, incapacitated, in penal institution		1	35.00
Maine	16	Any mother	5		(⁴)
Maryland	⁵ 14	Father dead, incapacitated		3	(⁴)
Massachusetts	16	Any mother	2		(⁴)
Michigan	17	Law broadly inclusive ⁶		1	60.67
Missisota	16	Father dead, deserting, incapacitated, in State institution (penal or other). ²	³ 2	1	50.00
Mississippi	16	Any mother ²		1	(⁴)
Missouri	16	Law broadly inclusive ⁶		1	32.00
Montana	16	Father dead, incapacitated, in State institution (penal or other).		³ 1	30.00
Nebraska	16	Law broadly inclusive ⁶		2	30.00
Nevada	⁵ 16	Any mother		2	55.00
New Hampshire	16	Any mother ²	2		31.00
New Jersey	⁵ 16	Father dead, deserting, incapacitated, in institution (penal or other).		5	(⁴)
New Mexico	16	Law broadly inclusive ⁶	2	1	40.00
New York	16	Father dead, deserting, incapacitated, in institution (penal or other).	³ 2		(⁴)
North Carolina	14	Law broadly inclusive ⁶	3	1	30.00
North Dakota	15	Father dead, deserting, incapacitated, in penal institution.		³ 1	45.00
Ohio	⁵ 16	do		2	55.00
Oklahoma	14	Father dead, in State institution (penal or mental).		1	20.00
Oregon	⁵ 14	Father dead, incapacitated, in institution (penal or other).	3	1	52.00
Pennsylvania	⁵ 14	Father dead, in hospital for insane	2	1	40.00
Puerto Rico	16	Father dead	³ 3		25.00
Rhode Island	⁵ 14	Any mother ²	³ 3	1	(⁴)
South Carolina ¹					
South Dakota	16	Law broadly inclusive ^{2 6}	1	6 mos.	42.50
Tennessee	17	Father dead, deserting, incapacitated, in penal institution.	2	2	35.00

Footnotes at end of table.

TABLE 49.—*Conditions under which aid to dependent children may be granted and limitations on amount of aid (1934)*—Continued

State	Age under which aid may be given	Conditions under which family deprived of father's support is eligible for aid	Years of residence		Maximum grant for family of 3 children
			State	County or town	
Texas.....	16	Father dead, deserting, divorced, in institution (penal or mental).	-----	2	\$27.00
Utah.....	16	Law broadly inclusive ⁶	-----	2	40.00
Vermont.....	16	Father dead, deserting, incapacitated, in institution (penal or other). ¹⁰	-----	-----	26.00
Virginia.....	16	Law broadly inclusive ^{2 6}	2	1	(⁴)
Washington.....	15	Any mother.....	3	1	25.00
West Virginia.....	⁵ 14	Father dead, deserting, incapacitated.....	³ 2	1	45.00
Wisconsin.....	⁵ 16	Law broadly inclusive ^{2 6}	1	-----	(⁴)
Wyoming.....	14	Father dead, deserting, incapacitated, in penal institution.	-----	1	40.00

¹ No law for aid to dependent children.

² May be granted to other person having care of the child.

³ Citizenship or application for such required (in New York under certain conditions only).

⁴ Amount of grant not limited.

⁵ Extension possible under specified conditions, usually invalidity or during school attendance.

⁶ Includes families in which parent is divorced, deserting, physically or mentally incapacitated, imprisoned.

⁷ Age not specified in law.

⁸ Maximum grant in Cook County, \$55.

⁹ Granted to girls under 17; aid may be continued during minority.

¹⁰ Court must commit children to administrative agency.

¹¹ Provisions of 1920 law. A law broader in scope was enacted in 1930, but funds have not been available to carry out its provisions.

Legislative authorization for public aid to mothers with dependent children has been provided by all the States except Alabama,² Georgia, and South Carolina, by the Territories of Alaska and Hawaii, and by Puerto Rico. Alabama has authorized home care of dependent children under a law comparable to poor relief. Information obtained in 1934 indicates that, although authorized by law, aid to dependent children was not granted anywhere in Arkansas, Mississippi, or New Mexico.

Except in New England, where the local administrative unit is the city or town, the county is the local unit responsible for granting aid to dependent children. Information obtained by the Children's Bureau in 1931 indicated that of the 2,723 counties in the United States authorized to give this form of aid, 1,490 (55 percent) were actually doing so, and in 1934 reports received from 25 States indicated that at least 171 counties in these States had discontinued aid. It is probable that less than half the counties with legal authority to aid dependent fatherless children in their own

² Alabama in 1935 enacted a law providing aid to dependent children that is comparable to the laws previously enacted in other States for this purpose.

homes in 1934 were actually giving aid. Table 50 shows the information available on the extent to which aid to dependent children is provided in the United States. The great diversity in the present coverage of various State laws is illustrated by the fact that the percentage of counties within a State granting aid ranges from less than 1 percent to 100 percent, and the per-capita expenditures within a State range from less than one-half of 1 cent per capita to 93 cents. The total local and State expenditures now being made under statutes for aid to dependent children, about \$37,500,000, not only fail to reach more than half of the counties authorized to grant aid, but in many instances afford a very small amount of aid per family. For example, the average amounts actually granted in 1933 or 1934 ranged from about \$9 per month per family to about \$51 per month per family, although the laws permitted much more, as is shown in table 49.

TABLE 50.—Extent to which aid to dependent children is provided: Annual per-capita expenditure and percentage of counties granting aid, 1934

State	Percentage of counties granting aid	Annual per-capita expenditure	State	Percentage of counties granting aid	Annual per-capita expenditure
Alabama.....	No special law.....	.....	Montana.....	³ 82.....	\$0.46
Alaska.....	(¹).....	(¹)	Nebraska.....	86.....	.20
Arizona.....	State-wide.....	\$0.05	Nevada.....	71.....	.41
Arkansas.....	Aid discontinued.....	.....	New Hampshire.....	State-wide.....	.18
California.....	State-wide.....	.35	New Jersey.....	do.....	.61
Colorado.....	54.....	.14	New Mexico.....	Law not in operation.....	.....
Connecticut.....	State-wide.....	.46	New York.....	81.....	.93
Delaware.....	do.....	.39	North Carolina.....	74.....	.02
District of Columbia.....	.....	.30	North Dakota.....	77.....	.39
Florida.....	67.....	.15	Ohio.....	96.....	.31
Georgia.....	No law.....	.....	Oklahoma.....	³ 62.....	.05
Hawaii.....	(¹).....	(¹)	Oregon.....	69.....	.26
Idaho.....	75.....	.10	Pennsylvania.....	85.....	.34
Illinois.....	81.....	.20	Puerto Rico.....	Law not in operation.....	.....
Indiana.....	75.....	.11	Rhode Island.....	State-wide.....	.39
Iowa.....	98.....	.29	South Carolina.....	No law.....	.....
Kansas.....	36.....	.04	South Dakota.....	78.....	.47
Kentucky.....	(²).....	.02	Tennessee.....	4.....	.03
Louisiana.....	5.....	.004	Texas.....	3.....	.008
Maine.....	State-wide.....	.39	Utah.....	48.....	.15
Maryland.....	33.....	.07	Vermont.....	State-wide.....	.13
Massachusetts.....	State-wide.....	.58	Virginia.....	44.....	.01
Michigan.....	43.....	.51	Washington.....	92.....	.36
Minnesota.....	91.....	.44	West Virginia.....	4.....	.007
Mississippi.....	Aid discontinued.....	.....	Wisconsin.....	89.....	.74
Missouri.....	³ 10.....	.03	Wyoming.....	³ 43.....	.10

¹ No report.

² Less than 1 percent.

³ Based on counties granting aid June 30, 1931.

FAMILIES AND CHILDREN BENEFITED

It is estimated, on the basis of information obtained by the Children's Bureau through a Nation-wide survey in 1931 and supplementary information obtained in 1933 and 1934 through State

departments of welfare, that on November 15, 1934, approximately 109,000 families were receiving benefits under laws for aid to dependent children. The number of children benefiting from this form of aid is estimated as 280,500. (See table 51.)

Fifty-one percent of the estimated number of families receiving aid under State laws were living in cities of 50,000 population or more or in counties containing such cities, the number of families being approximately 55,500 in these urban areas and 53,500 in other areas. From reports available in November 1934 it was estimated that 32,476 such families (about 30 percent of the total group) lived in nine large cities,³ 18,723 of them in New York.

TABLE 51.—*Estimated number of families and children receiving aid to dependent children (based on figures available Nov. 15, 1934)*

State	Number of families receiving aid	Number of children benefiting from aid	State	Number of families receiving aid	Number of children benefiting from aid
Total	109,036	280,565	Montana ⁴	839	1,969
Alabama ¹			Nebraska	1,654	³ 4,300
Arizona	106	379	Nevada ⁴	200	³ 520
Arkansas ²			New Hampshire	260	761
California	7,056	17,642	New Jersey	7,711	18,789
Colorado	552	³ 1,435	New Mexico ⁵		
Connecticut	1,271	3,276	New York	23,493	56,524
Delaware	348	855	North Carolina	314	947
District of Columbia	209	720	North Dakota ⁴	978	2,644
Florida	2,564	6,164	Ohio	8,923	24,470
Georgia ¹			Oklahoma ⁴	1,896	5,166
Idaho ⁴	230	619	Oregon	1,040	2,259
Illinois	6,217	14,802	Pennsylvania	7,700	22,587
Indiana	1,332	3,856	Rhode Island	513	1,666
Iowa	3,527	³ 9,170	South Carolina ¹		
Kansas	768	³ 1,997	South Dakota ⁴	1,290	3,324
Kentucky	137	³ 356	Tennessee	241	³ 627
Louisiana	88	³ 229	Texas	332	³ 863
Maine	817	³ 2,124	Utah	622	³ 1,617
Maryland	267	³ 694	Vermont	206	461
Massachusetts	3,939	11,817	Virginia	136	545
Michigan	6,938	³ 18,039	Washington ⁴	3,013	³ 7,834
Minnesota	3,597	9,152	West Virginia	108	³ 281
Mississippi ²			Wisconsin	7,173	17,932
Missouri	336	³ 874	Wyoming ⁴	95	279

¹ No law.

² Aid discontinued.

³ Estimated on basis of 2.6 children per family, the average rate for 20 States reporting in December 1933.

⁴ Estimated on basis of trends in comparable States from which reports have been received.

⁵ Law not in operation.

The estimated number of families and children receiving aid to dependent children in each State, according to reports received in 1933 or 1934, is shown in table 51. New York State, with 23,493 families receiving aid, is the only State in which the number reached or exceeded 10,000. In 6 States less than 200 families were aided: Arizona, Kentucky, Louisiana, Virginia, West Virginia, and Wyoming.

³ Boston, Chicago, Cleveland, Detroit, Los Angeles, Milwaukee, New York, Philadelphia, and Pittsburgh.

Great variation existed among the States, and in the different counties in the same States, in the extent to which aid to dependent children, even prior to the depression, was reaching all families which would be eligible under a fairly liberal law. For the United States as a whole, in 1931 the average number of families aided per 10,000 population, in areas granting aid to dependent children, was 10, and the number of children, 28. This ratio of families aided ranged from 1 in Maryland to 24 in Wisconsin. The median State, Maine, had a rate of 8. If aid to dependent children had been provided as extensively throughout the country as in Wisconsin, approximately 295,000 families would have been receiving aid in 1931, or nearly three times the estimated number actually receiving aid.

Monthly figures obtained by the Children's Bureau for 93 cities and city areas show trends from 1929 to 1934 in the monthly average number of families receiving aid to dependent children in each year. From 1929 to 1934 the increase was 41 percent.

<i>Year</i>	<i>Monthly average number of families</i>
1929-----	31, 849
1930-----	33, 683
1931-----	38, 443
1932-----	43, 667
1933-----	46, 647
1934-----	47, 499

FAMILIES OF DEPENDENT MOTHERS RECEIVING EMERGENCY RELIEF

The 1930 census showed 3,792,902 families with female heads, of whom 2,534,630 were widowed (table 52). In 1,055,053 of these families with widowed mothers there were children under the age of 21, and in 431,424 families, children under the age of 10 years. The families with children under the age of 21 years were distributed as follows: 1 child, 447,209; 2 children, 267,502; 3 or more children, 340,342.

These families of widows would be given primary consideration in broad plans for survivors' insurance or insurance for widows and orphans. Whether or not such plans are developed and adopted, many families deprived of a male head will require public support if their home life is to be maintained on a basis necessary for the rearing of children. Expansion of systems of aid to dependent children, already adopted by nearly all the States, is immediately feasible as a method of providing for the needy group.

It is impossible without detailed case investigations to determine accurately how many families receiving emergency relief are technically eligible under laws for aid to dependent children, and further, how many would be found to measure up to policies established with

reference to the character of the mother and her competency to give proper care to her children. Some agencies administering aid to dependent children, in order to limit the number granted aid to those who can be cared for with some degree of adequacy, have adopted policies of excluding certain groups, mainly women with only one dependent child. General testimony of those responsible for administration of aid to dependent children and relief is to the effect that

TABLE 52.—*Marital status of families with female heads and number of children under 21 years and under 10 years: United States population census, 1930 (unpublished figures)*

Number of children	Families with female heads						
	Total	Families with white or Negro female heads for which marital status was tabulated					Families with female heads for whom marital status was unknown ¹
		Total	Marital status				
			Married, husband not present	Widowed	Divorced	Single	
<i>Number of children under 21 years</i>							
Total families.....	3,792,902	3,742,432	400,695	2,534,630	235,893	571,214	50,470
Families tabulated.....	3,742,432	3,742,432	400,695	2,534,630	235,893	571,214	-----
No children.....	2,250,624	2,250,624	159,851	1,479,577	106,340	504,856	-----
1 child.....	640,302	640,302	91,710	447,209	60,342	41,041	-----
2 children.....	382,756	382,756	64,625	267,502	36,724	13,905	-----
3 or more children.....	468,750	468,750	84,509	340,342	32,487	11,412	-----
Families not tabulated.....	50,470	-----	-----	-----	-----	-----	50,470
<i>Number of children under 10 years</i>							
Total families.....	3,792,902	3,742,432	400,695	2,534,630	235,893	571,214	50,470
Families tabulated.....	3,742,432	3,742,432	400,695	2,534,630	235,893	571,214	-----
No children under 10.....	3,108,734	3,108,734	275,180	2,103,206	179,619	550,729	-----
1 child.....	364,147	364,147	66,630	249,468	35,274	12,775	-----
2 children.....	162,500	162,500	33,735	109,963	14,038	4,764	-----
3 children.....	69,190	69,190	15,805	46,698	4,786	1,901	-----
4 or more children.....	37,861	37,861	9,345	25,295	2,176	1,045	-----
Families not tabulated.....	50,470	-----	-----	-----	-----	-----	50,470

¹ Includes 10,022 families with white and Negro female heads for whom marital status was not reported and 40,448 families with female heads of other races for which information was not tabulated.

curtailed State or local appropriations for aid to dependent children or failure to expand such appropriations commensurately with increasing need forces many mothers and children legally eligible for aid to apply for emergency relief or the old type of poor relief. In some States, because the pre-depression standards were on the pauper level, this has meant a continuation of insecurity and inadequate care for the children, and in others it has meant a loss of the security which the pension system gave or should have given.

The study of occupational characteristics of relief families in 79 cities, representing all the main geographic divisions, made by the

Federal Emergency Relief Administration for the period May 1934 included information as to the number of relief households⁴ with female heads, the marital status of the women, and the number of dependents under 16 years of age. Tabulation of a representative 5-percent sample of the returns affords a basis for estimating the proportion of urban relief households (living in towns of 2,500 population and over) with dependents under 16 years of age, headed by women who were widowed, separated, or divorced—a group roughly comparable to the group being aided by laws for aid to dependent children. Studies of 61 rural counties in problem areas and the unemployment relief census of October 1933 also affords a basis for estimating roughly the prevalence of this type of family on rural relief rolls. The ratios prevailing in the samples have been applied by the Federal Emergency Relief Administration to the August 1934 relief population. The estimates are, of course, very crude, but they afford some indication of the extent to which emergency relief provided for fatherless families and children.

On the basis of these figures it is estimated that 358,000 households comprising a widowed, separated, or divorced woman and one or more dependent children under the age of 16 years were receiving emergency relief in August 1934. The number of children under the age of 16 years in these households was estimated to be approximately 719,000. In urban areas 8.8 percent and in rural areas 10 percent of all relief cases were cases of this type, according to the samples tabulated.

The estimated urban and rural distribution of relief households with dependent children, whose heads were widowed, separated, or divorced women, was as follows:

	<i>Estimated number of families</i>	<i>Estimated number of children</i>
United States.....	358, 000	719, 000
Urban areas.....	260, 000	494, 000
Rural areas.....	98, 000	225, 000

The estimated number of relief households whose composition is similar to that of families eligible for aid to dependent children is nearly three and one-half times as large as the estimated number of families receiving aid to dependent children under State laws, and the estimated number of children in the former group is over two and one-half times the number benefiting from aid to dependent children. To recapitulate, 109,000 families with 280,500 children were receiving aid to dependent children, and 358,000 similar households with 719,500 children were receiving emergency relief.

⁴A relief household may consist of one or more blood families. The occupational characteristics study, however, showed that 94 percent of the relief households consisted of single families.

Studies in certain States bear out the findings of the urban and rural studies made by the Federal Emergency Relief Administration, to the effect that large numbers of families of the same general types as those receiving aid under State laws for aid to dependent children are on emergency relief rolls. In Florida a study made early in 1934 showed 2,564 families receiving aid to dependent children and 5,914 families of similar type receiving relief.⁵ In a study made in the spring of 1934 in Cincinnati, Ohio, by the United States Children's Bureau, it was found that 478 families were receiving aid to dependent children and 2,153 families apparently eligible, under the law, for such aid were receiving emergency relief.⁶

The average number of children per family in families receiving aid to dependent children is 2.6; in urban relief cases of similar type, 1.9; and in the same type of rural relief cases, 2.3. On the basis of the 5-percent sample of the occupational characteristics study of urban relief cases, it is estimated that 49 percent of such families, headed by widowed, separated, or divorced mothers with dependent children, had only one dependent child under the age of 16 years. Such families often have been excluded from aid to dependent children under administrative policies, though never by law, on the theory that a woman ought to be able to support herself and one child—a theory that even in prosperous times frequently meant neglect of the child and inadequate income for mother and child. In periods of unemployment mothers with only one child find almost as great difficulty as other mothers in maintaining themselves and their children without assistance.

In 44 percent of the relief families included in this summary the mother was a widow (about half the proportion found among families receiving aid to dependent children in 1931), in 47 percent she was separated from her husband, and in 9 percent she was divorced. Seventy-two percent of the urban relief households of a type similar to families receiving aid to dependent children included in the sample of the occupational study had no members or only one member of the household working or seeking work (undoubtedly the mother in the great majority of cases). The mothers in these relief families were predominantly women with no established occupation (32 percent) or women who had been engaged in domestic or personal service (37 percent) or in semiskilled occupations (19 percent).

⁵ *Social Welfare in Florida*, report of a survey by Emma O. Lundberg (Publication No. 4, State Board of Public Welfare, Tallahassee, 1934), pp. 96, 106.

⁶ *Children's Aid and Child Care in Cincinnati and Hamilton County, Ohio* (Cincinnati Bureau of Governmental Research, 1935), vol. IV, p. 2.

Only 12 percent of the women heads of relief families of the type under consideration were employed at nonrelief work. At the time of the study 81 percent of these relief households had no weekly earnings, being entirely dependent on relief, and 89 percent had no earnings or earnings of less than \$5 per week. (See tables 53 and 54.)

TABLE 53.—*Distribution of widowed and separated or divorced women heads of relief families in urban areas with children under the age of 16 years, based on 5-percent sample study of occupational characteristics of relief families in 79 cities, May 1934*¹

Characteristics	Total		White	Colored
	Number	Percent distribution		
Total women.....	973	100	545	428
Marital status:				
Widowed.....	429	44	237	192
Separated.....	454	47	237	217
Divorced.....	90	9	71	19
Number of dependent children:				
1.....	474	49	266	208
2.....	269	28	157	112
3.....	124	13	63	61
4.....	55	6	31	24
5 or more.....	51	5	28	23
Employment status:				
Employed at nonrelief job.....	119	12	51	68
Unemployed, but seeking work.....	556	57	278	278
Unemployed, but not seeking work.....	297	31	215	82
Housework and unpaid care of dependents.....	194	20	159	35
Chronic illness or physical disability.....	85	9	47	38
Feeble-mindedness or insanity.....	1	(2)	1	0
Old age or general disability.....	14	1	5	9
Other.....	3	(2)	3	0
Not reported.....	1	(2)	1	0
Occupational status:				
No usual occupation.....	316	32	230	86
Servant classes.....	360	37	93	267
Semiskilled workers in manufacturing.....	127	13	95	32
Other semiskilled workers.....	59	6	33	26
Clerks and kindred workers.....	83	9	77	6
Wholesale and retail dealers.....	6	1	5	1
Professional persons.....	9	1	7	2
Other.....	13	1	5	8

¹ Data supplied by the Federal Emergency Relief Administration.

² Less than 1 percent.

A very rough estimate of the probable monthly relief expenditures for the families of widowed, separated, and divorced women with dependent children has been made by the Federal Emergency Relief Administration. On the basis of this estimate the approximate monthly expenditure is \$10,000,000, including \$8,000,000 in urban and \$2,000,000 in rural areas. This would mean an annual expenditure of \$120,000,000, of which approximately three-fourths comes from Federal funds, if the general average proportion of Federal funds spent for relief during the last few months of 1934 were to prevail in this group.

TABLE 54.—*Characteristics of households with widowed and separated or divorced women heads of relief families in urban areas with children under the age of 16 years, based on 5-percent sample study of occupational characteristics of relief families in 79 cities, May 1934*¹

Characteristics	Total		White	Colored
	Number	Percent distribution		
Total households.....	883	100	496	387
Employment status:				
None working or seeking work.....	128	14	86	42
1 working or seeking work.....	510	58	268	242
2 working or seeking work.....	165	19	90	75
3 working or seeking work.....	59	7	36	23
4 or more working or seeking work.....	21	2	16	5
Weekly earnings:				
No earnings.....	711	81	405	306
Less than \$5.....	68	8	17	51
\$5, less than \$10.....	42	5	28	14
\$10 or more.....	41	5	34	7
Not reported.....	21	2	12	9

¹ Data supplied by the Federal Emergency Relief Administration.

ESTIMATED EXPENDITURES FOR AID TO DEPENDENT CHILDREN

On the basis of figures compiled by the Children's Bureau in 1934, the annual expenditure for aid to dependent children by State and local governments approximates \$37,500,000 (table 55). This represents an increase of about \$3,600,000 over the amount reported in 1931, a figure, however, known to be incomplete.

Only \$5,900,000 of the annual expenditure of \$37,500,000 for aid to dependent children came from State funds, the remaining \$31,600,000 coming from local governments, chiefly counties. In 1934, 16 States⁷ had provided for State participation in financing grants for aid to dependent children, but the actual aid given had not always kept pace with the legislation adopted. Of these States Louisiana and New Mexico had never supplied such funds, and the appropriations in North Carolina, Virginia, and Wisconsin had been far below the amounts needed in these States.

Approximately 44 percent of the total expenditure for aid to dependent children was made by nine large cities, spending more than \$500,000 each, the same cities noted on p. 238. Of the \$16,273,204 spent in these cities, \$9,762,997 was expended by New York.

In 1930, 1931, and 1932 there were increases in total expenditures for aid to dependent children in 93 cities and city areas reporting to the Children's Bureau. A decrease in funds was reported for 1933.

⁷ Arizona, California, Connecticut, Delaware, Illinois, Louisiana, Maine, Massachusetts, New Hampshire, New Mexico, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, Wisconsin. (In New Jersey the State bears the cost of administration.)

The expenditure for 1934 was slightly higher than the amount reported for 1933 but was considerably below the expenditure for 1932.

Year	Amount expended in 93 cities and city areas
1929	\$16, 141, 227
1930	17, 360, 107
1931	21, 127, 500
1932	23, 176, 033
1933	22, 137, 279
1934	22, 719, 933

TABLE 55.—Estimated annual expenditures for aid to dependent children (based on figures available Nov. 15, 1934)

State	Estimated expenditures for aid—county and State		
	Total	County	State
Total	\$37, 487, 479	\$31, 621, 957	\$5, 865, 522
Alabama	(1)	(1)	(1)
Arizona	20, 940		20, 940
Arkansas	(2)	(2)	(2)
California	2, 133, 999	224, 252	1, 909, 747
Colorado	149, 688	149, 688	
Connecticut	734, 627	489, 752	244, 875
Delaware	93, 000	46, 500	46, 500
District of Columbia	143, 997	143, 997	
Florida	222, 286	222, 286	
Georgia	(1)	(1)	(1)
Idaho	36, 315	36, 315	
Illinois	1, 837, 012	1, 533, 217	303, 795
Indiana	352, 224	352, 224	
Iowa	719, 772	719, 772	
Kansas	75, 721	75, 721	
Kentucky	62, 889	62, 889	
Louisiana	9, 312	9, 312	
Maine	310, 000	155, 000	155, 000
Maryland	117, 459	117, 459	
Massachusetts	2, 450, 000	1, 400, 000	1, 050, 000
Michigan	2, 448, 962	2, 448, 962	
Minnesota	1, 138, 176	1, 138, 176	
Mississippi	(2)	(2)	(2)
Missouri	93, 440	93, 440	
Montana	213, 623	213, 623	
Nebraska	272, 036	272, 036	
Nevada	44, 035	44, 035	
New Hampshire	82, 440		82, 440
New Jersey	2, 445, 564	2, 445, 564	
New Mexico	(3)	(3)	(3)
New York	11, 731, 176	11, 731, 176	
North Carolina	58, 706	29, 353	29, 353
North Dakota	238, 314	238, 314	
Ohio	2, 116, 908	2, 116, 908	
Oklahoma	123, 314	123, 314	
Oregon	247, 140	247, 140	
Pennsylvania	3, 197, 640	1, 598, 820	1, 598, 820
Rhode Island	267, 252	133, 626	133, 626
South Carolina	(1)	(1)	(1)
South Dakota	285, 986	285, 986	
Tennessee	71, 328	71, 328	
Texas	43, 987	43, 987	
Utah	78, 651	78, 651	
Vermont	46, 976	23, 488	23, 488
Virginia	33, 876	16, 938	16, 938
Washington	519, 538	519, 538	
West Virginia	16, 086	16, 086	
Wisconsin	2, 180, 790	1, 930, 790	250, 000
Wyoming	22, 294	22, 294	

¹ No law.

² Aid discontinued.

³ Law not in operation.

ADEQUACY OF GRANTS

The theory of the system of aid to dependent children is that the families will be given enough assistance to meet their minimum budgetary needs, without necessitating gainful employment for mothers of young children, which would be detrimental to home life. The more progressive laws permit aid according to family need, but the majority fix a maximum allowance per child and some laws set a limit on the sum. In 1934 it was found that the maximum grants specified in the laws would permit an allowance to a mother and three children ranging from \$20 and less than \$30 per month in seven States and Puerto Rico with the lowest amounts specified, to \$60 and less than \$70 per month in four States with the highest amounts specified. The average monthly aid granted per family ranged in 1933 or 1934 from \$8.81 in Louisiana to \$51.83 in Massachusetts and \$60.14 in the District of Columbia.

Variations in the amount of monthly grants within a single State are sometimes greater than variations between States. For example, in Ohio in December 1933, 35 counties were granting aid averaging less than \$10 per family, whereas in 5 counties grants averaged from \$30 to \$50. In one mining and "hill" county the average monthly grant was \$2.63. Twenty-one counties in Illinois were granting an average of less than \$10 per month per family.

Information obtained by the Children's Bureau in 1933 for 103 cities of 50,000 population or more showed average monthly grants per family of \$60 to \$65 in 6 cities and \$50 to \$60 in 13 cities. In 16 cities the average monthly grant per family was \$40 to \$50, and in 68 cities it was under \$40.

Table 56 indicates the estimated average monthly grant per family in areas granting aid to dependent children, based on annual or monthly expenditures for grants during 1933 or 1934.

NEED FOR STATE AND FEDERAL SUBSIDY

Experience under laws for aid to dependent children, most of which have provided for financing the system entirely through local tax funds, has demonstrated the need for a broader tax base. The necessity for assistance from State funds is now widely accepted. State equalization funds for education have been provided in many States, and a number of old-age assistance laws providing for some measure of State aid have been passed. Although in 1934, 16 States had authorized State contributions to grants for aid to dependent children, in at least 5 of them, as has been shown, no appropriation had been made or the State fund was too small to be of real assistance. Laws for aid to dependent children should be mandatory upon the local

units, and State equalization funds should be made available to counties for aid purposes, in amounts sufficient to bring this aid throughout the State at least to a minimum level of adequacy, both as to number of families aided and amount of grant. If well administered, State aid will act as an effective, powerful lever in raising administrative standards of investigations, budgetary practices, and other procedures.

TABLE 56.—Average monthly grant per family for aid to dependent children

State	Average monthly grant	State	Average monthly grant
Alabama.....	(1)	Montana.....	\$24. 00
Alaska.....	(2)	Nebraska.....	13. 62
Arizona.....	\$16. 46	Nevada.....	17. 98
Arkansas.....	(3)	New Hampshire.....	26. 42
California.....	26. 89	New Jersey.....	26. 43
Colorado.....	22. 60	New Mexico.....	(6)
Connecticut.....	44. 41	New York.....	42. 77
Delaware.....	22. 26	North Carolina.....	15. 93
District of Columbia.....	60. 14	North Dakota.....	22. 07
Florida.....	9. 76	Ohio.....	19. 77
Georgia.....	(1)	Oklahoma.....	⁴ 7. 29
Hawaii.....	(2)	Oregon.....	19. 80
Idaho.....	18. 08	Pennsylvania.....	34. 61
Illinois.....	20. 55	Puerto Rico.....	(2)
Indiana.....	22. 03	Rhode Island.....	47. 00
Iowa.....	17. 01	South Carolina.....	(1)
Kansas.....	⁴ 14. 05	South Dakota.....	⁴ 21. 78
Kentucky.....	⁴ 38. 26	Tennessee.....	⁷ 24. 91
Louisiana.....	8. 81	Texas.....	⁴ 12. 07
Maine.....	29. 60	Utah.....	10. 64
Maryland.....	36. 66	Vermont.....	17. 86
Massachusetts.....	51. 83	Virginia.....	20. 76
Michigan.....	28. 31	Washington.....	17. 35
Minnesota.....	26. 37	West Virginia.....	13. 20
Mississippi.....	(3)	Wisconsin.....	25. 82
Missouri.....	⁴ 26. 22	Wyoming.....	⁴ 22. 55

¹ No law.

² No report.

³ Aid discontinued.

⁴ Average grant in 1931.

⁵ Aid available only in Jefferson County.

⁶ Law not in operation.

⁷ Aid available only in Knoxville and Memphis.

The Committee on Dependency and Neglect, of the White House Conference on Child Health and Protection, in its report on aid to dependent children, recommended with reference to State participation: (1) State supervision with an adequate staff of social workers to help the local units to organize for efficient work, to set and enforce minimum standards of aid and administration, and to raise standards by means of conferences, studies, and publications; (2) provision of State funds, distributed to the local units according to need, with the object of equalizing resources on the same principle which operates in distribution of educational funds in many States.⁸

Federal grants-in-aid can be extended to this tax-supported and publicly administered form of child care without unusual adminis-

⁸ White House Conference on Child Health and Protection, *Dependent and Neglected Children* (D. Appleton-Century Co., New York, 1933), pp. 243-244.

trative difficulties. Through Federal participation laws for aid to dependent children can be made effective in the States and in local areas which have made no provision, or have markedly inadequate provision, for this method of preserving family life for dependent children. Like the State fund in relation to the counties, a Federal fund would be an instrument for improving standards in backward States and would tend to equalize costs.

ESTIMATED AMOUNT NEEDED FOR AID TO DEPENDENT MOTHERS AND CHILDREN

Convincing evidence of the need for greatly increased provision for aid to dependent mothers with young children is afforded by figures compiled by the Federal Emergency Relief Administration showing the number of families on relief rolls who have been deprived of the support of the normal breadwinner through death, absence from the home, or physical or mental disability.

It is impossible to tell with any degree of accuracy what proportion of the entire number would be found eligible for aid to dependent children under the definitions in State laws, as the requirements for eligibility for the two types of relief are not alike. For example, in a number of States the families on emergency relief rolls for which reports are obtained by the Federal Emergency Relief Administration exclude those classified as "unemployable," as these are dealt with entirely by local agencies. Besides, as has been pointed out on pages 239-244, the families on emergency relief rolls include a smaller proportion of widows' families and of families with only one child than do the families in receipt of aid to dependent children.

For the sake of arriving at a very crude estimate, it may be assumed that half of the relief families headed by widowed, separated, or divorced women with dependent children under the age of 16 years would be found eligible for aid to dependent children without very marked modification of policies. On this basis emergency relief data indicate that approximately 179,000 families now receiving relief should be given long-time, regular assistance.

Adding the estimated number of families on emergency relief rolls who would probably be eligible for aid to dependent children under existing State laws, to the 109,000 families now receiving assistance under the system of aid to dependent children, gives a total of 288,000 families, or, for estimate purposes, a round number of 300,000.

The amount of aid needed to supply the necessities of life in rural communities is frequently less than the amount required in the large urban centers. If the percentage of rural families estimated to

prevail among fatherless families on relief rolls (27 percent) were found to apply for the whole group, the assumed 300,000 families eligible for aid to dependent children would include 81,000 rural and 219,000 urban families. A monthly grant averaging \$40 for city areas and \$20 for small towns, villages, and rural areas (sums below standards of adequacy but somewhat above present prevailing average grants) would require a total estimated expenditure of something over \$120,000,000 per year. In the largest cities monthly averages of more than \$40 would be required; in some of the smaller cities perhaps an average of less than \$40 might be a reasonable grant under present circumstances, and in some rural areas a fairly small cash allowance might suffice. It must be borne in mind that these are averages and mask a possible wide range, depending on family needs and resources.

The Federal Government at the end of 1934 was probably spending approximately \$45,000,000 yearly on families of widowed, separated, and divorced mothers on relief that might be assumed to be eligible for aid to dependent children, and the State and local governments were probably spending in the neighborhood of \$15,000,000 for the same group. Local communities spent in addition about \$31,600,000 yearly for aid to dependent children, and the States spent about \$5,900,000. If local contributions for families receiving and eligible for aid to dependent children could be increased to \$40,000,000 and the State contributions to the same figure, the Federal Government would need to supplement to the extent of \$40,000,000 if a ratio of one-third Federal, one-third State, and one-third local contributions, which has been suggested, is to be maintained. This would mean an increase of about \$28,000,000 in State and local contributions for assistance in these families. Obviously, State and local contributions cannot be brought up to the proposed figure immediately, nor can administrative responsibility for the families now receiving relief be transferred at once. Permanent planning for an equitable distribution of costs and for adequate State and local administration will require some time, and the shift from emergency relief to aid to dependent children must be somewhat gradual. A Federal grant of \$25,000,000 per year for the first 2 years would seem to be a reasonable contribution, to be made under specified conditions as to State and local appropriations and other items. This grant might be increased to not more than \$50,000,000 per year as the program develops to include all families eligible for aid to dependent children.

Chapter XIV

WELFARE SERVICES FOR CHILDREN NEEDING SPECIAL CARE

THERE are many conditions requiring special social service for children—situations of extreme neglect in homes, feeble-mindedness in parents and children, cruel and abusive parents, illegitimate children without competent guardians, children who are delinquent, truant, or wayward, or who suffer from mental disturbances or physical handicaps. The basic service necessary to deal with these situations is child-welfare service, which should be very closely related to, and an integral part of, public-welfare service. This child-welfare service is designed to furnish skilled investigation of the individual needs of the child and to make available the services of any agencies in the community or the State that may be adapted to the particular situation.

Great progress has been made in the past 20 years in providing resources for social investigations to determine the needs of children for whom care away from home is sought, assistance to parents in furnishing proper care for their children at home, and care in foster-family homes for children who should have the benefit of life in an individual family unit. Nevertheless, as was pointed out by the White House Conference Committee on Dependency and Neglect, large numbers of children still suffer, unrelieved, in their own homes, or are separated from their homes because of poverty alone; and many child-caring agencies lack responsible organization, do not receive adequate inspection to see that certain standards of care are maintained, and have inferior, inadequate staffs.¹ Almshouses, condemned a hundred years ago as unsuitable for children, are still used for institutional care of children in some localities, and the practice has increased during the depression period. Gross forms of child exploitation, such as the virtual sale of illegitimate babies by unscrupulous persons conducting baby farms for profit, are still reported.

The Conference on Present Emergencies in the Care of Dependent and Neglected Children called by the Children's Bureau, following a

¹ White House Conference on Child Health and Protection, *Dependent and Neglected Children* (D. Appleton-Century Co., New York, 1933), p. 6.

suggestion made by the Child Welfare League of America, in December 1933, reported that the welfare of destitute and neglected children has been seriously affected by several factors arising from the long financial depression, among them a reduction in State and local appropriations in many areas for the support of needy children by public and private agencies; a general reduction in private contributions, which heretofore have played a large part in the support of needy children; lower returns from endowment funds; lessened ability of needy parents to pay toward the support of their children; and lack of employment for needy children reaching the age of 16 or 17 years. By reason of these facts, the conference found, many children were already suffering and the welfare of many more was seriously endangered. In some communities social agencies had lists of children living in their own homes under conditions of serious neglect for whom foster care was not available.²

Much variation is to be found among the States in the extent to which State resources for children have been curtailed because of reduced appropriations during the period of economic depression. Comparison of appropriations for 1932 and 1934 for the work of the State departments or of divisions or bureaus of such departments serving children show that in 11 States appropriations during these 2 years increased or remained the same, that only slight decreases in funds available were found in 4 States, but that in 26 States reductions in 1934 were serious, ranging from 10 to 52 percent of the amount available in 1932. Undoubtedly a certain proportion of this cut has been met in most States by salary reduction. When this has proved insufficient to meet the lowered income, travel allowances essential to a supervisory program have been reduced and special services of various kinds have been eliminated.

State funds for institutional services for children also have been reduced during these 2 years. These reductions in institutional programs result in increased need for local provision for safeguarding children in their own homes and for careful selection of children for whom institutional care is to be provided and return of the children to the community at the earliest possible moment. Local public child-welfare services constitute the most important part of a State-wide program of child care and protection.

PRESENT PROVISIONS FOR CARE OF CHILDREN

According to the most reliable estimate available in January 1935, approximately 250,000 dependent and neglected children in the United States were receiving care away from their own homes, of

² See mimeographed report, *458 Children Recommended for Placement by Six Social Agencies*, by Helen Walker (School of Applied Social Sciences, Western Reserve University, Cleveland, 1931).

whom about three-fifths were in institutions and the remainder in foster homes. These children were cared for by approximately 1,600 institutions and 400 child-placing agencies. The ratios of dependent children per 10,000 population cared for away from their homes in 32 States in 1930 ranged from 7 in South Dakota to 41 in New Hampshire, the average being 23. Approximately one-fourth of the whole number of children under care were provided for by institutions or agencies conducted by State or local governments and about three-fourths by organizations under private auspices. Many institutions and agencies under private auspices receive tax funds. A survey of children under care of institutions and agencies in 1930 showed that 31 States were conducting institutions or child-placing activities for dependent children and that more than 36,000 children were receiving such care.³

The general trend of institutional care, on the basis of statistics of city areas reporting to the Children's Bureau, has been downward during the period of the depression, though public institutional care increased somewhat in 1933 over 1932. Foster-home care rapidly expanded to meet emergency needs, but in 1933 the trend was downward in private agencies, upward in public. Information collected by the Child Welfare League and by the Children's Bureau has portrayed the great curtailment of the resources of agencies for the protection of children deprived of normal family support and care. Federal Emergency Relief funds have not been available for the care of children away from their homes, although homeless young people have been included in the transient program.

In addition to the children being cared for away from home, many thousands of children in their own homes are receiving special protection and supervision from child-welfare agencies, public or private, or from juvenile courts. The total number of delinquent children coming before the courts each year is estimated to be over 200,000, many of them requiring probationary supervision for considerable periods. More than 75,000 illegitimate children are born each year, and special medical and social care for both mother and child must be provided in many of these cases. The White House Conference on Child Health and Protection, Committee on Physically and Mentally Handicapped, estimated that there were more than 10,000,000 handicapped children in the United States—the blind and partially seeing, the deaf and hard of hearing, the crippled, the mentally deficient or disordered, or those suffering from tuberculosis or cardiac or parasitic diseases. The parents of many of these children must be assisted by social-service as well as by medical agencies in making plans for the specialized care their needs require.

³ Lundberg, Emma O., *Child Dependency in the United States* (Child Welfare League of America, New York, 1933), pp. 55-70.

In cities of 100,000 or more population throughout the United States services for the protection and care of dependent, neglected, delinquent, and physically and mentally handicapped children are usually available through both private and public agencies. Although in many cities these agencies operate only within the city limits, in others they serve the county in which the city is located. In counties having no large cities and in the towns which are the units of welfare administration in the New England States, protective services for children are seldom available unless a definite program has been developed in the State for employing county or district social workers responsible for services to children.

Up to January 1935, 12 States had recognized the need for local public services for children throughout the State and had undertaken to further such services through legislation establishing county welfare boards or departments, which were given responsibility for services to children. In addition to these States a few others had created county agencies responsible for services to dependent children, or the State department had furthered the development of local public service for children without special legislation. All these State programs place responsibility for services for children upon the county agency, and in about half of the States the agency is designated as a child-welfare board. It is desirable to develop these local welfare agencies on a broad basis of service to both children and families, including the administration of relief, and to consolidate small counties into larger welfare districts so that adequate services can be provided at reasonable overhead cost.

Even in the States having a county-welfare program progress has been extremely slow in employing social workers for services to children and to families in which there are children's problems. In many States only the counties with large populations have employed such workers, and as a result the needs of a large proportion of the children throughout the State are not met. It was estimated in 1932 that only about 5 percent of all counties in the United States with less than 30,000 population had public social workers for services to children and families.

Emergency relief brought fully into focus the needs of isolated, scattered, and financially impoverished populations. In a few States which had developed county child-welfare programs the time of the child-welfare workers was fully or partly transferred to relief administration. In many rural areas the relief workers were the first to make available any of the methods or resources of social work, and their time, of necessity, was absorbed in the overwhelming relief problems with which they were confronted.

Many kinds of services to children are needed which are not provided by an emergency relief program, including, for example, investigations of children in almshouses and the development of plans for caring for them elsewhere; investigations of cases in which applications for institutional or foster-home care have been made; protection of children against neglect and abuse; development of plans for caring for children in institutions who have reached an age when they should be discharged and supervision of these children after discharge; investigation and supervision of delinquency cases coming before the courts; plans for securing needed medical attention for physically handicapped children and custodial care or supervision for children who are mentally defective. For effective operation local child-welfare programs should be closely related to family-welfare and relief programs and where possible should be part of a unified public-welfare service.

SOCIAL SERVICES IN RURAL AREAS

The standards for the development of local public social services for children have been described by the White House Conference Committee on Organization for the Care of Handicapped Children as including (1) field service to discover the children who need care and protection, to inquire into their circumstances, and to devise and carry through individualized treatment; (2) various types of care, within the local unit or available to it, including provision for family adjustments, with home relief when necessary, care and support (away from home), and medical, diagnostic, and remedial services; and (3) public funds appropriated to pay the salaries of persons qualified by training and experience to deal with the intricate problems of child care, and also to pay for the support of children who need it, in their own homes or elsewhere.⁴

Standards for number of workers needed and cost of services of the kinds that have been described are still indefinite. The experience of two States where county children's workers have been provided for most of the counties gives some indication of the size of the rural and town population that has been served by one worker. In Alabama special children's workers have been made available to all but a few counties through State funds for this purpose. (This service was largely discontinued during 1933 but is now being reinstated.) The population of counties employing one worker varied from 12,000 to 59,000, but the general average for the State, includ-

⁴ White House Conference on Child Health and Protection, *Organization for the Care of Handicapped Children, National, State, and Local* (Century Co., New York, 1933), pp. 14-15.

ing counties employing two or more persons, was one worker for 30,000 population. In New York children's workers have been employed by county superintendents of public welfare. In the smaller counties the average population served per worker is 36,000.

Exclusive of the New England States, in which the cities and the towns are the administrative units, there are 2,859 counties in the United States having populations of less than 100,000. Of these, 1,720 have populations of less than 20,000 and 543 have populations of 20,000 to 30,000. The service of children's workers should be available to all these counties. It is probable that for most or all of those with less than 20,000 population welfare administration should be based on a district plan, combining two or more counties in a welfare district. Some of the counties having populations between 20,000 and 30,000 also should be included in larger welfare districts, more than one worker being provided. The number of county workers needed to provide social services to children in counties of 30,000 to 100,000 population will be influenced by the facilities for such service that may be provided by the cities within the county and the need for specialization in service.

A suggested minimum budget for a broad program of service to children in a county with a population of 15,000 to 20,000, starting a program, is given below:

Service expenditures.....	\$3, 700-\$4, 600
Salary of social worker.....	1, 800- 2, 400
Salary of clerical worker.....	900- 1, 200
Automobile	500
Travel expenses.....	400
Office expenses.....	100

The development of local public services for children is one of the important functions of a State department of welfare. Without an adequate staff little can be accomplished in building up a sound program of local service in rural areas or small towns. State workers are necessary to demonstrate the need for social services to the county and to stimulate the interest of county officials. Where local workers are appointed, the State workers must develop the standards of case work, serve as consultants on special problems, and help to relate this local service to the institutional care provided by the State, so that the necessary investigations before admission, and also follow-up care after discharge, can be provided.

The experience of the State welfare departments that have accomplished the most in the development of local services indicates that a State supervisor of children's work should be provided for each 12 or 15 counties or districts as a maximum. Supervising a smaller

number of counties would result in more effective service. The actual number of counties or districts assigned to State supervisors must depend upon the training and experience of the local workers, the development of the local social services, and the stability of the local program. In States with services to children and families combined in the same local units the State supervisory staff should give service in both fields. Under any form of organization persons on the staff of the State department equipped to advise with reference to special problems—for example, juvenile delinquency—are needed. In addition, the State must provide adequate personnel for inspection and supervision of institutions and child-placing activities, for direct care of children by the State if that is a function of the State department, and for research and statistical service. Assistance in developing standards for the selection of personnel and promoting opportunities for training in social work are important aspects of a State welfare program.

State grants-in-aid for local child-welfare services, utilizing the equalization principle, are essential to the development of services outside the largest cities and afford a powerful impetus toward the development of improved standards of care. The White House Conference Committee on Organization for the Care of Handicapped Children stated that the vast differences in the wealth of counties and the likelihood that the poorest localities will require relatively more service and more money for support make it imperative that some plan of equalization be adopted so that State and Federal funds may help meet the costs of county child-welfare programs, as they now contribute to the cost of schools.⁵ Except in the field of aid to dependent children, for the benefit of children remaining in their own homes, only Alabama, New Mexico, and North Carolina have made a beginning in State contributions to county child-welfare service.

NEED FOR FEDERAL ASSISTANCE

The White House Conference Committee on Organization for the Care of Handicapped Children stated that grants-in-aid constitute "the most effective basis for national and State cooperation in promoting child welfare and in securing the establishment of that national minimum of care and protection which is the hope of every citizen."⁶ Contribution by the Federal Government of part of the funds required to develop the child-welfare services of State welfare departments, including assistance in the development of the child-

⁵ *Ibid.*, p. 20.

⁶ *Ibid.*, p. 6.

welfare services of local public-welfare or child-welfare units, would help to bring the protection afforded to children in the backward and the poorer areas to a reasonably adequate level. An annual Federal appropriation of \$1,500,000, for the purpose of cooperating with State public-welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, should result in far-reaching improvement in the standards of child care and protection throughout the country.

Chapter XV

MATERNAL AND CHILD-HEALTH SERVICES

THAT any program for the promotion of the health of mothers and children as part of a total program for greater social and economic security for children should be closely coordinated with a general program for public health, such as has been proposed by the Public-Health Committee, advisory to the Committee on Economic Security, is obvious. The great need for expansion of the program is evident. At the beginning of 1935 there were 8,000,000 children under 16 years of age in families on the relief rolls and probably as many more in families on the border line of relief. There is evidence that many children in these groups were not getting the medical care they needed, either in sickness or for the correction of remediable defects which handicap growth, and that many were undernourished. Among adolescents were found evidences of increasing mental instability and inability to meet the problems that arise from unemployment and depleted family resources.

To some extent the need for expansion of the program for promoting the health of mothers and children can be measured by mortality rates, especially those of certain groups of the population; it may be estimated from reports of morbidity and lack of medical care among mothers and children; or it may be judged by the social disaster that takes place yearly in the thousands of homes where the death of the mother in childbirth leaves one or more children to be cared for by others. Though favorable social and economic conditions are undoubtedly important underlying factors in reducing infant mortality and in maintaining the health and permitting normal growth of children, the part that can be played by educational and health services in further reducing infant-mortality rates and improving child health under favorable economic and social conditions, or in mitigating the effects of bad conditions, has been demonstrated sufficiently to warrant the conclusion that increased and more widespread effort would be justified. If deaths of infants and mothers are to be prevented and the level of child health is to be raised, not only must there be improvement in those economic and social conditions that make for a better standard of living, but provision must be made for better maternal care, for increasing our knowledge of causes of deaths

among newborn infants, for providing more adequate facilities for the care of newborn infants (especially of those prematurely born), for extension of the well-known educational and service programs for infants and young children, and for further control of communicable diseases and community milk and water supplies and development of other general public-health measures.

Just as there is a lag in the appearance of the effects of widespread economic disaster on general mortality rates, so also may the effects of general educational and service measures be gradual in making their appearance. It is important, therefore, that the program for promotion of the health of mothers and children be a continuous one, planned especially to reach those population groups which are most in need. When economic conditions are unfavorable, as they are today, for large groups of the population, the need for an expanded program of education and service to protect the lives and health of mothers and children is even greater.

Available data with regard to maternal and infant deaths and mortality rates, the health and nutritional condition of children, and resources for maternal and child-health work in the States are given in this chapter. These indicate the need for special effort in rural areas and among certain groups of the population.

MATERNAL AND INFANT MORTALITY

In the United States during 1934, according to the United States census reports, 2,167,636 infants were born alive. The birth rate per 1,000 estimated population in the expanding birth-registration area decreased from 25.1 in 1915 to 17.1 in 1934, or an average of about 2 percent per year. (See appendix table XI-1.) The census reports for 1934 also show that 12,859 women died from causes ascribed to pregnancy and childbirth; 130,185 infants died during their first year of life (73,841 of these dying during the first month); 43,175 children died at ages from 1 to 4 years, inclusive; 37,103 died at ages from 5 to 14 years, inclusive; and 26,885 died at ages from 15 to 19 years, inclusive. The social significance and waste of this loss of maternal, infant, and child life is evident. Deaths of infants under 1 year of age form 9 percent of the total deaths; those of infants under 1 month of age, 5 percent. The problem which confronts us—that of conserving the lives of infants and of women in childbirth—is, therefore, still very great. The magnitude of the problem is much greater if one considers as part of it the tremendous loss of fetal life. The registration of stillbirths is admittedly very incomplete, yet 78,503 stillbirths were reported during 1934. The causes of stillbirths and of the largest proportion of deaths of infants

during the first month of life are closely related to prenatal and natal conditions and to causal factors in maternal mortality. The prevention of death and disability associated with childbearing has therefore a significance which extends far beyond the preservation of maternal life and health for its own sake. It may be expected to decrease the losses of fetal and early infant life which form at the present time so large a proportion of infant mortality and further to lessen many child-welfare problems which are the direct results of homes broken by the loss of the mother.

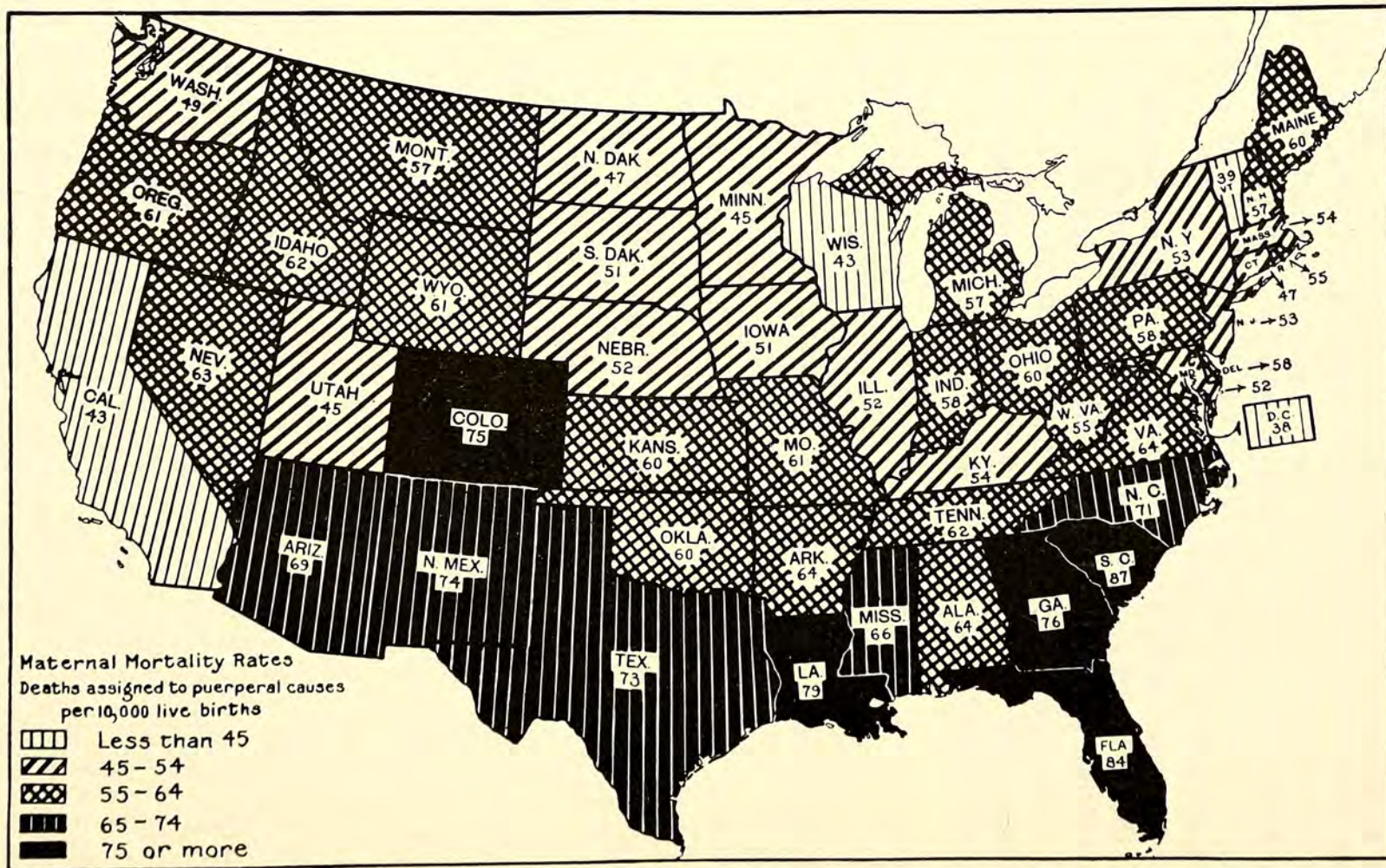
Though there has been a downward trend in the maternal mortality rate in the United States from 1921 to 1934 (computed from the rates for the 26 States and the District of Columbia that have been constantly in the birth-registration area since 1921), the decrease has been slow, amounting on the average to only 1 percent annually, as the following figures for this area show:

<i>Year</i>	<i>Maternal mortality rate</i>	<i>Year</i>	<i>Maternal mortality rate</i>
1921-----	67.3	1928-----	64.2
1922-----	65.4	1929-----	63.7
1923-----	65.8	1930-----	62.1
1924-----	64.0	1931-----	62.5
1925-----	64.3	1932-----	59.2
1926-----	64.6	1933-----	58.4
1927-----	62.3	1934-----	55.5

The rate of 59 for the whole United States in 1934¹ masks rates for different States ranging from 39 for Vermont to 87 for South Carolina. (See appendix table XI-2.) Figure 3 shows the number of deaths of mothers ascribed to causes related to childbirth per 10,000 live births in the several States. On this map the black areas represent the highest rates (75 or more). Only three States (California, Vermont, and Wisconsin) are in the lowest group with rates of less than 45.

Differences are apparent when the rates are computed separately for white and Negro women and for urban and rural communities. In 1934 the rate for colored women in the United States was 90, as compared with 54 for white women. (See appendix table XI-3.) Though United States census reports in 1934 show the maternal mortality rate for urban communities to be 71 and that for rural regions only 50, studies in several States show that when deaths taking place in cities are reallocated to the place of residence of the women the rural rates are increased, often to a considerable degree, indicating that the rural problem is quite as important as the urban one. For instance, in New York State reallocation of deaths from 1927 to 1934

¹ The birth-registration area comprised all the States from 1933 on.



Children's Bureau, U. S. Department of Labor

Source: U. S. Bureau of the Census

FIGURE 3.—Maternal mortality in the United States, 1933.

gives the following comparison with recorded rates available through 1931:

Year	Urban ²		Rural ³		Year	Urban ²		Rural ³	
	Re-corded rate ⁴	Resi-dent rate ⁴	Re-corded rate ⁴	Resi-dent rate ⁴		Re-corded rate ⁴	Resi-dent rate ⁴	Re-corded rate ⁴	Resi-dent rate ⁴
1927.....	69.3	60.8	37.6	59.2	1931.....	67.1	57.5	37.2	57.1
1928.....	72.8	63.2	33.8	58.3	1932.....	-----	60.3	-----	62.4
1929.....	68.5	61.0	31.9	51.0	1933.....	-----	60.3	-----	55.1
1930.....	64.5	53.8	36.7	58.2	1934.....	-----	53.8	-----	57.2

² Places (exclusive of New York City) with population of 2,500 or more.

³ Places with population of less than 2,500.

⁴ Deaths per 10,000 live births and stillbirths.

Figures from Ohio for 1930 and from Wisconsin for 1932 and 1933 show similar changes in rates as a result of reallocation to place of residence. Whether all deaths of rural women who die in urban areas are justly chargeable to the rural area and whether all women who died away from home would have died if they had remained at home are questions that cannot be answered. The fact is, however, that distances to be traveled to obtain care and the frequent lack of regional hospitals and consultants make the rural problem of maternal care in many ways more difficult than the urban one. Recent reports of studies of large numbers of individual maternal deaths have indicated the controllable nature of many of them, have brought out the inadequacy of care, and have pointed to the need for more widespread provision for prenatal and better obstetric care, including improved education of physicians, nurses, midwives, and the public as to what constitutes such care. Few women in rural areas or in the smaller cities have skilled nursing service at delivery. The need for the immediate provision of more adequate maternal care, including that given by physicians and by public-health or maternity nurses, and for education of both professional and lay groups is clear if lives of mothers in childbirth are to be saved. Because of the difficulties of making such provision in rural areas, attention should be especially focused on this aspect of the problem.

The United States has a poor record when its maternal mortality rate is compared with the rates for foreign countries. Appendix table XI-4 indicates the trend of maternal mortality in the United States from 1915 to 1934, together with similar data for certain other countries. The comparability of these rates has been challenged in the past on the basis that the procedure in ascribing deaths of women to causes connected with childbirth was not comparable as between the United States and different countries. An extensive study, in connection with the White House Conference on Child Health and Protection, has been made by the Children's Bureau in cooperation

with the Bureau of the Census, and the results of this study show that, in general, although there would be some changes if methods in use in certain foreign statistical offices were followed, the changes would be of minor importance. Unquestionably the United States has an exceedingly high rate as compared with the rates of most foreign countries.⁵

The map presented as figure 4, based on 1934 figures, indicates the great variation in infant mortality between the States. The solid-black States have rates of 75 or more infant deaths per 1,000 live births. In contrast with these are Oregon and Nebraska, which have rates of 40 and 45, respectively.

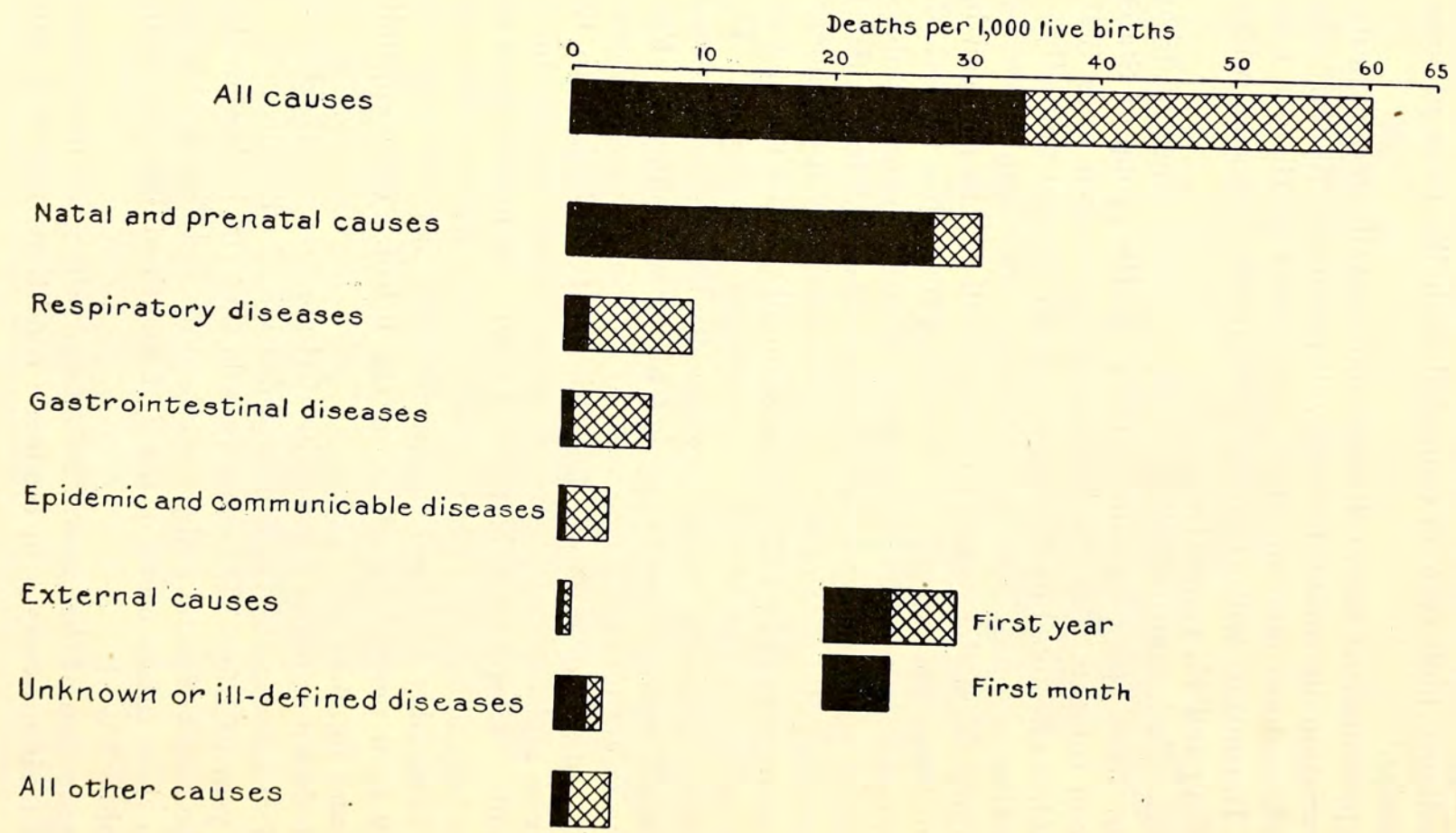
The reduction in infant-mortality rates as a whole since 1915 has been striking. (See appendix table XI-5.) In the group of States that have been constantly in the birth-registration area since 1921, this decrease has amounted on the average to 2.7 percent annually.

The reduction in total rates that has thus far taken place has occurred largely from the second to the twelfth month and can be accounted for to a great extent by education of the public in methods of infant care and by the effective operation of certain general public-health measures. The decrease in rates for infants dying under 1 month of age (neonatal death rate) has been relatively slow, amounting on the average to only 1.41 percent annually, while that for infants dying after the first month has averaged 4.14 percent. The decrease in rates for deaths due to prematurity has been even slower than that for all neonatal deaths, being 0.91 percent annually. Furthermore, the infant mortality rate of 60 in 1934 for the entire United States masks rates varying from 40 in the State of Oregon to 126 in New Mexico and rates of 55 among white infants and 94 among colored infants. (See appendix table XI-6.) In urban areas the decrease has been more rapid than in rural areas. Prior to 1929 the urban rate invariably exceeded the rural; since then the rural has been from 2 to 6 percent in excess of the urban. (See appendix table XI-7 and fig. 6.)

The chart shown as figure 5 gives the 1934 mortality in the United States from specified groups of causes of death in the first month and in the first year of life. This chart reveals that the high mortality is largely the result of natal and prenatal causes and that most of the deaths from these causes occur in the first month of life. (See also appendix table XI-8.)

Further reduction of the general infant-mortality rate necessitates, in addition to improvement in economic conditions that will raise

⁵Tandy, Elizabeth C., "Comparability of Maternal Mortality Rates in the United States and Certain Foreign Countries", *U. S. Department of Labor, Children's Bureau Publication No. 229* (U. S. Government Printing Office, Washington, D. C., 1935).



Children's Bureau, U.S. Department of Labor

Source: U.S. Bureau of the Census

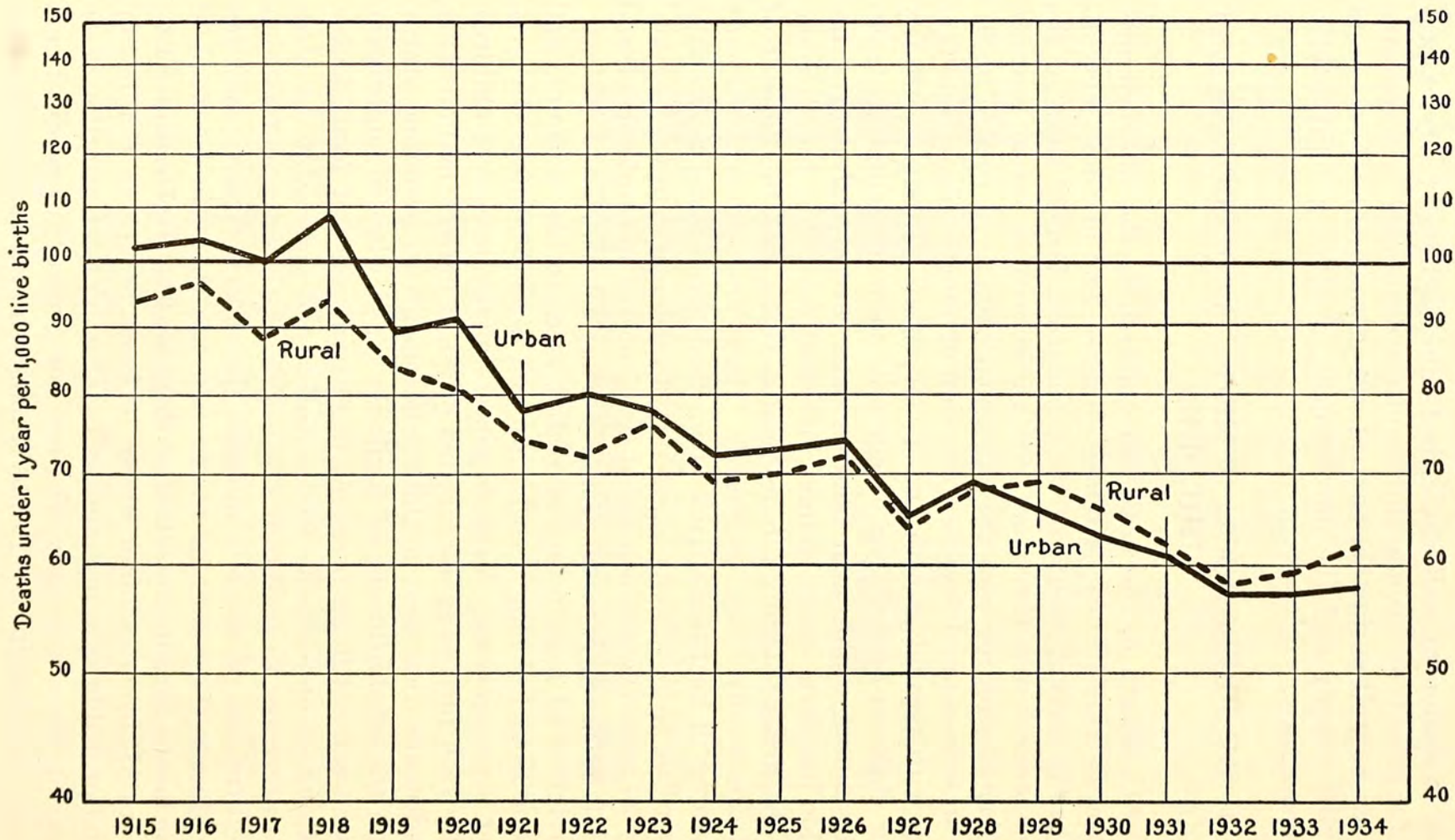
FIGURE 5.—Mortality in the first month and the first year of life, United States, 1934, from specified groups of causes.

standards of living, better maternal care, an increased knowledge of the causes of death of newborn infants, more adequate facilities for the care of newborn infants (especially of those who are prematurely born), an extension of well-established educational and service procedures for infants and young children to be conducted by physicians and nurses, as well as further control of communicable diseases and of the milk supply and the development of other general public-health measures.

HEALTH OF PRESCHOOL, SCHOOL, AND ADOLESCENT CHILDREN

Data with regard to the health of children in the so-called preschool years (from 1 to 6), of school children, and of adolescents indicate that in certain groups of the population, largely those of the lower economic levels, there has been an increase in recent years in the number of children who are undernourished or in need of medical care in sickness and for the correction of remediable defects that interfere with normal growth and development. Though mortality rates for children over 1 year of age still show a decline, the sickness rates among children in families most severely affected by the depression has been shown to have increased (as it has for all members of the group) during the depression years, and the amount of medical care received has decreased. There are evidences not only of increasing ill health and lack of medical care among adolescents but, according to psychiatrists, of increasing mental instability and inability to meet the problems that arise out of unemployment and depleted family resources.

The relation of high infant-mortality rates to low economic and social conditions has long been known and is shown repeatedly even in recent investigations. Various aspects of the health of children, especially such factors as uncorrected physical defects, malnutrition, and inadequate diet, bear a close relationship to economic status. Although the establishment of facilities for the health supervision of children will not in itself supply those basic needs of food, shelter, and clothing, of opportunity for recreation and security in the home that are necessary to maintain the health of children, nevertheless such facilities can do much to mitigate the effects of poor conditions and to educate the public as to the best use that can be made of available means for the protection of child health. In December 1934 there were 8,000,000 children under 16 years of age in families on relief and probably as many more in families on the borderline of relief. Among these are many who are not getting the medical care they would have had in "good times", many who need correction of de-



Source: U. S. Bureau of the Census

FIGURE 6.—Trend of infant mortality in urban and rural districts of the United States.

fects, many who are not getting enough milk. The need for adequate health supervision for these groups of children is certainly greater than ever before.

DEVELOPMENT AND PRESENT STATUS OF PROVISIONS FOR MATERNAL AND CHILD HEALTH

During the past 40 years there has been a gradual but steady development of the program for the protection of the health of infants and children and for better maternal care. Activities for the control of infant mortality, and subsequently for the prevention of maternal mortality, and the promotion of maternal and child health began in the large cities. The establishment in New York City in 1893 of the Straus Infant Milk Stations for the distribution of pasteurized milk for infant feeding is generally cited as the first large effort to control the diarrheal diseases of infancy. The establishment of similar infant milk stations by charitable organizations followed in other large cities. Although early efforts were directed and largely limited to providing pasteurized and "modified" milk for infant feeding, there gradually developed a realization of the necessity for preventing disease in infancy through providing opportunities for mothers to consult physicians regularly at these stations regarding the growth, physical condition, feeding, and general care of their children and to receive from the nurses attached to these centers home demonstrations in the care of the baby and the preparation of his food. As pasteurized and otherwise improved milk supplies became more generally available in cities, the work of the infant-feeding stations gradually became more educational in nature, and they became largely known as infant or child-health or welfare centers.

According to Dr. S. Josephine Baker,⁶ by 1910 there were in the United States 42 organizations, located in 30 cities, maintaining some type of baby-health station. From 1921 to 1929, the period when the Federal Maternity and Infancy Act was in operation, 2,978 centers were established, chiefly in rural areas, for child-health, prenatal, or combined prenatal and child-health service. Some of these were discontinued after the act lapsed in 1929, but there are no figures to show how many ceased to operate. In 1930 a survey made by a committee of the White House Conference on Child Health and Protection showed that there were at that time, in addition to the consultation centers in rural areas, 1,511 permanent child-health centers located largely in communities of more than 10,000 population. No exact information is available with regard to the number of child-health centers in 1934.

⁶ Baker, S. Josephine, M. D., *Child Hygiene* (Harper and Brothers, New York, 1925), p. 215.

School health programs began in Boston in 1894 as a means for the control of communicable diseases. The first school nurses were employed in 1902 in New York City. In 1931, 4,422 nurses were giving full time to school nursing, and 3,376 were giving part time to this activity.

In 1908 the first bureau of child hygiene in a city department of health was established in New York City. Since then many municipal health departments have created such bureaus or divisions. The first division of child hygiene in a State department of health was established in Louisiana in 1912. From that year to 1917, seven more State divisions of child hygiene were set up, but during the years 1918, 1919, and 1920, when Nation-wide concern for the child was aroused as a result of the World War and the Children's Year campaign, 24 new State divisions or bureaus of child hygiene were organized. By the end of 1920, 32 States had established divisions or bureaus of child hygiene. In 1921, the year of the passage of the Maternity and Infancy Act, 4 States created divisions of child hygiene and in 1922 and 1923, 11 more did the same. Thus, by the end of 1923 all the States except one had such a division. In 1925 Hawaii reported the formation of one.

It was not until 1912, with the establishment of the Federal Children's Bureau, that special Federal activities on behalf of child and maternal health were begun. Previous to this time the only Federal activity relating especially to this matter was that of the United States Public Health Service in connection with its studies of the relation of contaminated milk to infant mortality, reported in 1909.

The need for more widespread maternal and child-health measures was revealed by Children's Bureau studies of social and economic factors in (1) infant mortality, (2) conditions of maternal, infant, and child welfare and health in rural areas, and (3) maternal mortality. Added weight was given by the discovery of such large numbers of physical defects in men examined during the World War under the draft, many of which defects, it was thought, could have been prevented had proper health care been given during childhood; the Children's Year activities in 1918, during which some 7,000,000 pre-school children were weighed and measured and, where possible, given medical examinations, which showed many children to be suffering from preventable and remediable defects; the demonstrations in New York and Boston and other communities of the benefits of prenatal care to maternal and infant health; the continued demonstrations in urban communities of the beneficial effect of infant health supervision on the death rate of the infants who received such supervision; and the results of many other observations and investigations. All

this evidence led ultimately to the demand for national effort for the protection of the health of mothers and children, and resulted in the passage by Congress in 1921 of the so-called Maternity and Infancy Act for Federal-State cooperation in the promotion of the welfare and hygiene of maternity and infancy. This measure was in operation for 7 years, from 1922 to 1929.

The work done by the cooperating States and by the Federal Government under this act is reviewed in detail in the annual reports of the administration of the act. In the program were included the establishment of permanent and itinerant prenatal, infant, and pre-school-child health centers and conferences in counties and local communities through the divisions of child hygiene of the State departments of health, the placing of nurses in counties to develop county-wide programs of maternal and child health, and the development of many types of educational programs for mothers and other lay groups. In some States special demonstration programs were carried out by the Division of Child Hygiene in cooperation with medical, nursing, and other local groups. The study of more than 7,000 maternal deaths in 15 States was one of the most important research activities of this program.

To evaluate the results of the child-health program as it has developed and expanded throughout the years and to distinguish them from the effects of changing economic conditions is not possible on a large scale. The results of a long educational and service program are cumulative and the effects of good times and improved health services carry over into periods of depression and less adequate service. That infant-mortality rates did not begin to go up until 1934 may be attributed in no small degree to the earlier education of mothers and various lay groups in infant and child health. But credit must be given also to the relief measures more recently instituted by local, State, and Federal agencies throughout the Nation, which in a number of States have included increased public-health nursing and child-health activities developed as part of the program for emergency relief. As has been pointed out, there is unquestionably definite evidence at hand from demonstrations in individual communities that educational and service programs have a definitely beneficial effect on child health—an effect such as to justify fully an expansion of the maternal and child-health program in all States.⁷ But State funds for such expansion are not available in most States, and many States are more seriously handicapped in their programs today than for a number of years past because of

⁷ The need for expansion is emphasized by the fact that the infant-mortality rate for 1934 was significantly higher than that for 1933.

reduction in the appropriations to State health departments for maternal and child health. (See table 57.)

TABLE 57.—Funds for State maternal and child-health work, 1928 and 1934

State	1928 ¹			1934	Percent increase 1934 over 1928	Percent decrease 1934 under 1928
	Total funds	Federal	State			
Delaware	\$18,008.02	\$11,504.01	\$6,504.01	\$33,000.00	83.3	-----
Pennsylvania	132,621.98	68,810.00	63,810.99	197,539.00	48.9	-----
Maine	25,000.00	15,000.00	10,000.00	26,300.00	5.2	-----
Massachusetts	78,275.00	-----	78,275.00	80,850.00	3.3	-----
New Hampshire	20,976.62	12,988.31	7,988.31	21,620.50	3.1	-----
Rhode Island	24,276.28	14,076.28	10,200.00	24,065.00	-----	0.9
Illinois	70,000.00	-----	70,000.00	69,070.00	-----	1.3
Connecticut ¹	32,760.00	-----	32,760.00	29,392.00	-----	10.3
New Jersey	118,163.55	31,284.55	86,879.00	103,872.52	-----	12.1
Wisconsin	50,752.00	27,751.62	23,000.38	43,350.00	-----	14.6
Maryland	33,554.00	19,277.00	14,277.00	26,844.00	-----	20.0
Minnesota	47,000.00	26,099.65	20,900.35	36,000.00	-----	23.4
South Dakota	7,500.00	7,500.00	-----	5,000.00	-----	33.3
Arizona	19,507.42	12,253.71	7,253.71	12,890.00	-----	33.9
New York	210,041.78	80,041.78	130,000.00	134,500.00	-----	36.0
Virginia	75,574.00	25,574.00	50,000.00	40,372.00	-----	46.6
Kentucky	47,597.48	26,298.64	21,298.84	25,200.00	-----	47.1
Michigan ¹	64,741.11	34,741.11	30,000.00	31,940.00	-----	50.7
Missouri	49,186.81	24,186.81	25,000.00	23,799.00	-----	51.6
Texas	77,902.52	41,450.52	36,452.00	34,840.00	-----	55.3
Montana	24,400.00	13,700.00	10,700.00	10,500.00	-----	57.0
Georgia	64,438.89	35,451.10	28,987.79	26,000.00	-----	59.7
North Dakota	8,000.00	6,500.00	1,500.00	3,056.00	-----	61.8
North Carolina	49,519.66	27,259.56	22,260.00	18,500.00	-----	62.6
Washington	8,387.00	5,000.00	3,387.00	3,000.00	-----	64.2
Mississippi	49,076.58	22,076.58	27,000.00	15,150.00	-----	69.1
Wyoming ¹	10,000.00	7,500.00	2,500.00	2,500.00	-----	75.0
Louisiana	30,042.00	7,521.00	22,521.00	7,000.00	-----	76.7
Kansas	35,000.00	20,000.00	15,000.00	8,000.00	-----	77.1
West Virginia	40,443.48	19,571.74	20,871.74	9,140.00	-----	77.4
Hawaii	18,451.92	11,725.96	6,725.96	4,100.00	-----	77.8
California ¹	57,580.00	31,290.00	26,290.00	12,225.00	-----	78.8
Florida	37,906.00	16,531.72	21,374.28	7,330.00	-----	80.7
Ohio	53,334.00	23,585.57	29,748.43	10,048.00	-----	81.2
Oregon	27,533.46	15,283.46	12,250.00	4,701.00	-----	82.9
Iowa	42,298.91	21,085.31	21,213.60	6,600.00	-----	84.4
Idaho	12,500.00	7,500.00	5,000.00	1,430.00	-----	88.6
South Carolina	37,711.30	21,355.65	16,355.65	2,046.00	-----	94.6
Tennessee	55,767.00	25,767.00	30,000.00	2,912.00	-----	94.8
Alabama	64,173.90	25,836.95	38,336.95	2,520.00	-----	96.1
Arkansas	38,635.02	21,817.51	16,817.51	-----	-----	-----
Colorado	15,000.00	10,000.00	5,000.00	-----	-----	-----
Indiana	53,897.00	31,927.00	21,970.00	-----	-----	-----
Nebraska	17,000.00	11,000.00	6,000.00	-----	-----	-----
Nevada	16,044.00	10,522.00	5,522.00	-----	-----	-----
New Mexico	19,860.66	12,430.33	7,430.33	-----	-----	-----
Oklahoma	42,358.96	23,679.48	18,679.48	-----	-----	-----
Utah	20,500.00	12,500.00	8,000.00	-----	-----	-----
Vermont	5,000.00	5,000.00	-----	-----	-----	-----

¹ For 4 States (California, Connecticut, Michigan, and Wyoming) 1929 figures are given.

By 1927 all the States except three were receiving Federal funds under the terms of the Maternity and Infancy Act. During 1928 the States had approximately \$2,158,000 for maternity and infancy work, of which about \$1,140,000 was from State funds. Following the expiration of the act, the legislatures in a number of States increased their appropriations for maternal and child health, in some instances in an amount that exceeded the previous combined Federal and State funds.

However, in 1934 funds for this work reported to the Children's Bureau by the State departments of health had been reduced to approximately \$1,157,000 and nine States reported no special appropriations for this purpose. Of the 39 States and Hawaii which reported funds for maternal and child-health work, 5 reported increases over amounts expended in 1928 and 35 reported decreases, the latter ranging from 0.9 percent in Rhode Island to 96.1 percent in Alabama. It is significant that 22 of these States and Hawaii reported funds in 1934 which were less than 50 percent of those expended in 1928.

TABLE 58.—*State funds for maternal and child-health work, 1934*

States	Amount	States	Amount
States reporting no special funds for maternal and child-health work:		States reporting \$10,000 but less than \$20,000—Continued.	
Arkansas.....	-----	Montana.....	\$10,500
Colorado.....	-----	California.....	12,225
Indiana.....	-----	Arizona.....	12,890
Nebraska.....	-----	Mississippi.....	15,150
Nevada.....	-----	North Carolina.....	18,500
New Mexico.....	-----	States reporting \$20,000 but less than \$30,000:	
Oklahoma.....	-----	New Hampshire.....	21,620
Utah.....	-----	Missouri.....	23,799
Vermont.....	-----	Rhode Island.....	24,065
States reporting less than \$3,000:		Kentucky.....	25,200
Idaho.....	\$1,430	Georgia.....	26,000
South Carolina.....	2,046	Maine.....	26,300
Wyoming.....	2,500	Maryland.....	26,844
Alabama.....	2,520	Connecticut.....	29,392
Tennessee.....	2,912	States reporting \$30,000 but less than \$50,000:	
States (including Hawaii) reporting \$3,000 but less than \$5,000:		Michigan.....	31,940
Washington.....	3,000	Delaware.....	33,000
North Dakota.....	3,056	Texas.....	34,840
Hawaii.....	4,100	Minnesota.....	36,000
Oregon.....	4,701	Virginia.....	40,372
States reporting \$5,000 but less than \$10,000:		Wisconsin.....	43,350
South Dakota.....	5,000	States reporting \$50,000 but less than \$100,000:	
Iowa.....	6,600	Illinois.....	69,070
Louisiana.....	7,000	Massachusetts.....	80,850
Florida.....	7,330	States reporting \$100,000 or more:	
Kansas.....	8,000	New Jersey.....	103,872
West Virginia.....	9,140	New York.....	134,500
States reporting \$10,000 but less than \$20,000:		Pennsylvania.....	197,539
Ohio.....	10,048		

To recapitulate, at the expiration of the Maternity and Infancy Act in 1929, or soon thereafter, appropriations equaling, nearly equaling, or exceeding combined Federal and State funds had been made by the legislatures of 21 States and Hawaii, but in 1934, 17 of these 21 States and Hawaii reported "no special appropriation" or reported decreases in funds for maternal and child-health work as compared with 1928.

Consideration of relative degrees of curtailment of funds does not bring out the grave inadequacies in some States which are disclosed by analysis of the actual amount available for maternal and child-health work in 1934. This inadequacy is strikingly illustrated in table 58, which shows that State funds for expansion of the maternal and child-health program are not available in most States. This table

shows that 23 States and Hawaii had less than \$10,000 for maternal and child-health work for 1934, and of these, 14 had no special funds for maternal and child health or less than \$3,000; 14 States had between \$10,000 and \$30,000; 6, between \$30,000 and \$50,000; and only 5, more than \$50,000.

Other evidence of the lack of resources in many of the States for effective maternal and child-health activities, particularly in rural areas, is seen in the general inadequacy of such accepted measures as public-health nursing service in counties and permanent prenatal and child-health centers conducted by physicians. One of the most effective ways of reaching the problem of infant and maternal mortality and health protection of children is the development of public-health nursing services, because it is through these services that the mothers are made to realize what kind of medical attention is needed and how important it is to place themselves under the care of a physician early in pregnancy; also it is through the public-health nurse that the mother learns how to take care of the baby and to give the child the best possible start in life.

The extent to which the mothers and babies of this country are without the essential services has been shown by certain studies. For example, the public-health nurse is a valuable agent in decreasing maternal and infant mortality. Her services include advice to the mother during pregnancy and instruction in feeding and caring for the baby, of course under medical instruction. Reports have been made of the public-health nursing services available in 1934 in the counties of 24 States which average fairly well in the provision for public-health service. (See table 59.) Of 1,018 rural counties in these States, only 364, or about one-third, including 46 percent of the population, had any permanent county-wide nursing service in 1934. Thus 54 percent of the population in these counties was without any service of this kind. Frequently in a county having county-wide nursing service one nurse serves the entire county.

Another very important aspect of the maternal and child-health program is the provision of health centers where mothers can go for advice, consultation, and examination, both in the prenatal period and with the children after the children are born. This service is developed in close relation to the public-health nursing services. Figures are available on the number of prenatal and child-health centers in the counties of 18 States in 1934, and here, again, these 18 States do not represent the most needy group. They represent States from which information could easily be obtained. In the urban counties of

those States 55 percent had prenatal or child-health centers, but in the rural counties only 11 percent had such centers. Table 60 gives the figures on which these statements are based.

TABLE 59.—*Permanent public-health nursing service in the counties of 24 States, 1934*¹

Type of nursing service	Number of counties	Population of counties ²	
		Number	Percent distribution
Total counties in States.....	1,393	76,887,743	100
Permanent nursing service.....	834	68,074,901	89
County-wide service.....	629	51,354,807	67
Local service only.....	205	16,720,094	22
No permanent nursing service.....	559	8,814,842	11
Total rural counties in States.....	1,018	19,754,839	100
Permanent county-wide nursing service.....	364	9,042,631	46
No permanent county-wide nursing service.....	654	10,712,208	54

¹ Compiled from data received by U. S. Children's Bureau from State health departments.

² U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, "Population" (U. S. Government Printing Office, Washington, D. C., 1933).

TABLE 60.—*Permanent prenatal and child-health centers in the counties of 18 States, 1934*¹

Prenatal and child-health centers	Number of counties	Percent distribution
Total counties.....	982	100
Prenatal and child-health centers.....	220	22
Both prenatal and child-health centers.....	137	.....
Prenatal centers only.....	6	.....
Child-health centers only.....	77	.....
Neither prenatal nor child-health centers.....	762	78
Urban counties.....	261	100
Prenatal and child-health centers.....	144	55
Both prenatal and child-health centers.....	97	.....
Prenatal centers only.....	4	.....
Child-health centers only.....	43	.....
Neither prenatal nor child-health centers.....	117	45
Rural counties.....	721	100
Prenatal and child-health centers.....	76	11
Both prenatal and child-health centers.....	40	.....
Prenatal centers only.....	2	.....
Child-health centers only.....	34	.....
Neither prenatal nor child-health centers.....	645	89

¹ Compiled from data received by U. S. Children's Bureau from State health departments.

Such reports indicate very clearly that large groups of the rural population were at that time without any public-health nursing or permanent prenatal and child-health conference service. How much prenatal or child-health service was given by private physicians in these regions is not known.

Evidence is also available of a striking dearth of a service which is a recognized necessity for adequate maternity care, namely, the provision of home-nursing service at delivery and postpartum for patients who cannot pay for such nursing care. Reports on this subject were received by the Children's Bureau in 1934 from 27 States. Of these 27 States, 9 reported no provision whatsoever for a permanent maternal home-nursing service. Eight States reported permanent maternal nursing services in some towns of less than 10,000 population and 12 States in some cities of more than 10,000 population. No State reported a rural county-wide maternal nursing service.

Although in cities and towns maternal and child-health services are more often available than in rural areas, in many urban communities there have been decreases in appropriations or in funds raised through private sources. Such reductions in funds, as well as the increasing load of bedside nursing service required, have curtailed to a considerable extent activities of public-health nurses in the field of maternal and child health, and even in some of the largest cities child-health conferences have been reduced. In rural areas and in communities of small population, organized facilities for these services to mothers and children had always been far from adequate, even when Federal funds were available to assist States in this program, and later they became still more inadequate, as has been shown, because of curtailment in the resources of the State health departments, local boards of health and education, and private agencies.

The need for State leadership, particularly in rural areas, in the development of local child-health work, as well as in the general health program, is well recognized. With the limited funds available in 1934 for maternal and child health, such leadership was impossible in a large number of the States.

The need for public-health nursing service and medical care for children was shown by reports made in 1934 of visiting nurses in 25 cities, relating to 9,472 children in 3,500 families, shown in table 61. The number of children reported as having defects that needed attention was 31 percent of the total number. These reports were not based on medical examinations, which would have revealed a great many defects not obvious to the mothers and the nurses. Treatment was not arranged for in almost half of the cases reported as having defects. In 833 of the approximately 1,300 cases in which treatment was not arranged for, the reason given was financial distress.

TABLE 61.—Physical defects or conditions needing attention as reported by mother to visiting nurse among 9,472 children included in 3,500 families under the care of public-health nursing agencies in 25 cities, November 1934

Physical defects or conditions needing attention	Age of child							
	Total		Under 1 year		1 year, under 6 years		6 years, under 16 years	
	Number	Percent distribution	Number	Percent distribution	Number	Percent distribution	Number	Percent distribution
Total children.....	9,472	100	1,238	100	3,509	100	4,725	100
No defects.....	6,557	69	1,059	86	2,558	73	2,940	62
Defects.....	2,915	31	179	14	951	27	1,785	38
Treatment reported.....	2,833		172		928		1,733	
Treatment arranged for.....	1,497		145		504		848	
Treatment not arranged for.....	1,336		27		424		885	
Because of—								
Financial reasons.....	833		9		240		584	
Other reasons.....	403		15		153		235	
Reasons not reported.....	100		3		31		66	
Treatment not reported.....	82		7		23		52	

Table 62, based on this same group, shows the adequacy of milk supply in these families. In the total group 56 percent of the families were receiving less than 50 percent of the milk estimated to be necessary on the basis given in the table. These families were divided into those receiving relief and those not receiving relief. Sixty-four percent of the families receiving relief had a milk supply less than 50 percent adequate, as compared with 49 percent of the families not receiving relief.

PLAN FOR EXPANSION OF MATERNAL AND CHILD-HEALTH PROGRAM

In view of the facts and conditions outlined, it is believed that a program should be developed, especially in rural areas and in areas in special economic need, that will permit the Federal Government through the Children's Bureau to cooperate with the States and Territories in the promotion of the health and welfare of children and mothers. The general program would be one of consultation, education, and demonstration services, with aid to States and Territories, and through them to local communities, and would involve State and local administrative leadership by public-health authorities in close cooperation with medical groups. It would also be assumed that such a program for the promotion of maternal and child health would require cooperation in planning and in procedure with Federal and State authorities that are administering other phases of the public-health program, with those departments of Federal and State gov-

ernments that have to do with administration in the fields of social welfare, education, and labor, and with other national and State professional and lay organizations. In addition to the general program for maternal and child health, special programs are suggested for demonstration and research in the development of more adequate provisions for maternal care of women in rural areas and for the care of crippled children in the smaller cities and towns and rural areas.

TABLE 62.—*Adequacy of family milk supply in 3,500 families under the care of public-health nursing agencies in 25 cities, November 1934*

Adequacy of family milk supply	Families under care						Not reported whether receiving relief
	Total		Receiving relief		Not receiving relief		
	Number	Percent distribution	Number	Percent distribution	Number	Percent distribution	
Total families.....	3,500		1,526		1,828		146
Adequacy of supply for entire family: Adequacy reported.....	3,459	100	1,511	100	1,805	100	143
More than adequate.....	197	6	50	3	141	8	6
Adequate.....	53	2	15	1	38	2	
Inadequate.....	3,209	93	1,446	96	1,626	90	137
From 75 to 99 percent of amount necessary.....	365	11	134	9	217	12	14
From 50 to 74 percent of amount necessary.....	908	26	355	23	520	29	33
From 25 to 49 percent of amount necessary.....	997	29	438	29	526	29	33
Less than 25 percent of amount necessary.....	809	23	431	29	331	18	47
No milk.....	130	4	88	6	32	2	10
Adequacy not reported.....	41		15		23		3
Families with children under 6 years of age.....	2,322		1,087		1,131		104
Adequacy of supply if all used by children under 6: Adequacy reported.....	2,295	100	1,078	100	1,115	100	102
Adequate.....	1,263	55	525	49	692	62	46
Inadequate.....	1,032	45	553	51	423	38	56
Adequacy not reported.....	27		9		16		2
Families with no children under 6 or nursing children only.....	1,178		439		697		42

In the furtherance of the general program of maternal and child health, special consideration should be given (a) to local services for children and mothers—services to be administered by local public-health units with the use of combined local, State, and Federal funds; (b) to conditions in rural and other especially needy areas; (c) to the development of demonstration services or services of a more permanent character in localities in special need; and (d) to the development of adequate divisions of maternal and child health in State departments of health that can provide the leadership and administrative assistance necessary to develop local services and State-wide

maternal and child-health educational activities. In such a program, though the lives and health of mothers, infants, and young children may be considered as a major responsibility, attention must also be given to the physical and mental health needs of children of all ages, especially to those problems that have to do with mental health and its relation to delinquency, with the health of adolescents in school and of youths who are seeking employment or are already in industry, with the health needs of special groups of children, such as children who are physically or mentally handicapped, children in institutions or foster homes, children in families in which the father is dead or absent from home because of illness or desertion, and children in families on relief rolls.

LOCAL PROGRAMS FOR MATERNAL AND CHILD HEALTH

In planning a local health program for mothers and children in counties or districts, especially in rural areas and small centers of population, it is believed that emphasis should be placed on the development by the health authorities, in cooperation with medical and other local groups, of certain minimum health services for mothers and children unable to obtain them otherwise, and on State and local programs for education of lay and professional groups in the essentials of adequate maternal and child care. The use of local committees on child health and welfare (composed of representatives of local professional and lay groups) to assist in developing the educational program, in establishing the minimum services, and in extending them to meet local needs should be considered in developing any plan. Such health services for counties and local communities with special reference to rural areas may include the services outlined in the paragraphs which follow.

Local Medical, Dental, and Nursing Service.—These services are to be provided preferably by local physicians and dentists qualified to do the special work required and by full-time public-health nurses employed by health departments, working under the general supervision of the health officer and other physicians. The physicians and dentists should be paid by the local health department for their services. When local practitioners are not available, other arrangements for the various services may be made. The educational and preventive aspects of both maternal and child-health services should form an important part of the service rendered by physicians and dentists. In all the health services full cooperation of local medical and dental groups should be obtained.

The medical, dental, and nursing service program should consist of the following five major categories:

- (1) Prenatal, infant, and preschool services:
 - (a) In permanent conferences located in the center or centers of population of the county or district.
 - (b) In regular itinerant conferences reaching out from such centers to rural areas of the county or district.
 - (c) In physicians' or dentists' offices when found to be practicable and advisable by health and medical groups.
- (2) School health services, including health examinations and health-education programs, to be provided preferably by local physicians through the local departments of health or education, or both, in a cooperative program with medical groups in the community.
 - (a) Health examinations (including dental) of all children on entering school and at stated intervals thereafter and of other children as indicated. Special attention should be given to high-school children and to children leaving school for work, and emphasis should be placed on the part played by health examinations in the health-education program.
 - (b) Follow-up. Plans should be formulated by physicians with nurses, social workers, nutritionists, and others for adequate follow-up for correction of defects.
- (3) Health service to children entering employment or at work. An educational and health-service program, including medical and dental examinations, carried out by health agencies in cooperation with school authorities, junior employment agencies, or other social services existing in the county, district, or other local community.
- (4) Health service to special groups of children, such as handicapped children, children in institutions, and children in families on relief, carried out in cooperation with social-welfare agencies of the county, district, or other local community.
- (5) Public-health nursing service for mothers and children.
 - (a) As part of the generalized service of the official county or district health units, primarily an educational and demonstration program.
 - (i) Home visiting in connection with the maternal and child-health program in all its phases.
 - (ii) Service at prenatal and child-health conferences.
 - (iii) Assisting at school health examinations and in conference with parents and teachers for the purpose of securing correction of remediable defects.
 - (iv) Cooperation with physicians, county welfare and education authorities, nutrition and extension workers, and lay organizations in connection with health supervision of individuals and in bringing about community organization for improved health services for all mothers and children.
 - (b) Maternity nursing service for care of mothers at delivery and postpartum; a bedside nursing service and educational program in maternal care for the women of the county and local communities. (Such service as this is provided now as part of the generalized program or as a specialized program in a number of cities. It has been developed but little in small towns and cities and, with the exception of a few demonstrations, not at all in rural areas.)

Provision for Medical Care in Connection With Maternal and Child-Health Program.—Though it is not the function of physicians conducting a health service to render general medical care to the sick, it should be their responsibility as part of a preventive program and in cooperation with local medical, nursing, welfare, and social-service groups to see that provision for adequate care is made through private physicians and dentists or, in the case of children in families unable to provide the necessary care, through appropriate welfare agencies. In the maternal and child-health field this is especially necessary for the correction of remediable defects that handicap the normal growth and development of children and for the provision of adequate obstetric care of women at and following delivery. Plans for cooperation with hospitals, convalescent homes, and other institutions for care of the sick or handicapped should be worked out with medical social workers and others.

Educational Program.—A continuing program of education in the essentials of adequate maternal and child care should be developed by local county or community health services in cooperation with medical groups, educational authorities, nutrition experts, and others. Though such a program of education is probably carried out most effectively in the form of the individual instruction of health officials, physicians, and nurses already outlined, it should also include (*a*) health instruction in schools, (*b*) group instruction of adults, (*c*) community organization for the establishment or improvement of health services for mothers and children, and (*d*) the use and distribution of printed matter, such as bulletins and posters on child and maternal health, emphasizing preventive measures, health habits, nutrition, and general standards of good care. Education in the field of mental health may be developed through any of these channels as qualified personnel becomes available for this aspect of the total health program.

STATE-WIDE PROGRAM

In order to develop local health services for the promotion of the health of mothers and children, leadership must come from the State health department through its division of maternal and child health and, for those local communities unable to develop even minimum services, assistance is also necessary in the form of funds or personnel, or both. The function of a division of maternal and child health is primarily advisory and educational in nature, the program developing along the lines of (*a*) consultation with and guidance of local communities in developing their services for mothers and children, (*b*) demonstration of services in local communities for which personnel may need to be provided, (*c*) assistance in the provision of more

permanent services in localities in special need, and (d) State-wide educational programs for promotion of maternal and child health. In its activities the division should work in close cooperation with other divisions of the State health department, all of which have functions that are fundamental to the health of mothers and children. In the same way cooperation by the division with State departments of welfare, education, labor, et cetera, is essential to a comprehensive program of child and maternal health. Furthermore, because many of its services are primarily clinical in nature, the division must work closely with those medical groups that are specially concerned with the health of children and mothers and also with the general medical groups of the State and local communities.

To fulfill its function a division of maternal and child health might well have a staff as follows:

A director who should be a physician, preferably one trained in the clinical aspects of pediatrics or obstetrics and with experience in child and maternal-health activities.

- (a) Additional medical staff for consultation and advisory service composed of full-time or part-time physicians with training and experience in either child or maternal health, the size of such staff to depend on the needs of individual States. To this medical staff a full-time dentist should be added.
- (b) Part-time regional consultants in the fields of pediatrics, obstetrics, and dentistry.
- (c) State supervisory and regional advisory nurses, trained and experienced in public-health nursing, preferably with special experience in maternal and child-health activities.
 - (i) Part-time service of field nurses carrying a generalized public-health nursing program for the purpose of demonstration in cooperation with other divisions of the health department in counties where needed to promote interest or to supplement budgets temporarily.
 - (ii) Field nurses for special demonstration programs.
- (d) Additional special staff in fields of nutrition, mental hygiene, health education, etc.

The activities of the State division of maternal and child health might well be divided into those which are administrative, those which have to do with health services or special demonstrations to be developed on a State-wide or local basis, and those which are largely educational in nature. The organization of State-wide or local health services or educational programs should be carried out in cooperation with other divisions of the State health department and with local health and medical groups. Where State and Federal funds are available for local purposes the State division would probably assist in formulating plans and should have the responsibility for approving them. The activities of the division should be flexible, so that

new programs may be developed from time to time and new methods of administration or demonstration tried.

The development, in collaboration with local health units, of an educational program that would reach all groups, both lay and professional, would be an important responsibility of the State division. Such an educational program might include:

- (1) The development of State-wide planning, in cooperation with medical and other professional groups, for education of parents and lay groups in the essentials of adequate maternal and child care, with special emphasis on the ways and means of obtaining these essentials through local physicians, health departments, etc.
- (2) Cooperation with professional groups (medical, nursing, social welfare, education, home economics, etc.) in the development of a continuing program of education of these professional groups in the form of institutes, refresher courses, etc., that will bring to physicians, nurses, and others current knowledge in the fields of pediatrics and obstetrics and their practical application in the county-wide program of child and maternal health.
- (3) The continued instruction of midwives and subsequent raising of standards of licensing that are an important part of this program of education.
- (4) Cooperation with departments of public instruction and other education groups in developing an educational program for students in high schools and vocational schools, in normal schools, and in colleges in the essentials of maternal and child care.

CARE FOR CRIPPLED CHILDREN

Another large group of children for whose needs, from the point of view of diagnostic services, medical treatment, and convalescent care, very inadequate and uneven provision is being made are the crippled and those suffering from chronic diseases, such as heart disease and tuberculosis. The actual number of such children is not definitely known, and many of the general estimates of need are based on surveys in urban areas, but State-wide surveys to discover crippled children have given definite evidence that a large number of children in rural and small-town areas will be forced to go through life with severe handicaps unless more public funds are made available for their care.

By 1934 some provision had been made in 37 States for a State department or commission or a State hospital to undertake special services for crippled children, and 35 of these States⁸ (table 63) have made appropriations for this purpose. Except in a few States in which funds are available only for hospital care, the services pro-

⁸ The statutes of North Dakota and Wyoming authorize a State department to provide care for crippled children, but no special appropriations have been made for this purpose.

vided include the location and registration of crippled children by surveys or by a school census; development and extension of diagnostic and follow-up clinics—either permanent or itinerant or both—staffed by a physician and a nurse and assisted by county social workers and physiotherapists; and the provision of medical and nursing care and after-care, in the child's home, in a hospital, in a convalescent home, or in a foster home.

In the different States the agencies charged with responsibility for locating crippled children and seeing that needed care is given vary greatly. In some States this work is done by a special commission for crippled children; in others by the department of health, public welfare, or education; in others it is a cooperative service of two or more of these departments. The basis for this variation lies in the combined medical, social, and educational services that are needed by the crippled child, often during a period of years, to assist him in overcoming his handicaps. The most effective agency is the one that can best coordinate the resources of the State for this work.

It is estimated that approximately \$5,500,000 is spent annually from State and county funds for the care of crippled children. As is shown in table 63, State funds have been appropriated for (1) a general program of care, including clinics, treatment, and rehabilitation, and (2) for hospital service, either in special orthopedic hospitals or in general hospitals, usually State university hospitals, which provide a special orthopedic service. A large part of all appropriations is spent for hospital care, since as a rule surgical and medical care must be provided out of the appropriations for the general program. In addition to State funds, county funds are reported for 11 States, the largest county expenditures being made in New York and Ohio. In New York the counties reimburse the State for half its expenditures for this purpose, in Ohio for the entire sum.

In addition to State and county funds, it is probable that a fairly large sum is spent annually by municipalities for orthopedic care, although no data are available on this point. In the cities are also found the strongest of the private organizations for crippled children and the bulk of private funds for their care. It is difficult to judge from the reports of services provided by State agencies the extent to which State services are provided for children in the large cities. An analysis of the number of children under care in four States (New York, Ohio, West Virginia, and Wisconsin) showed that from 59 to 100 percent of the children were from counties that did not include a city of 100,000 or more population.

TABLE 63.—State and county public funds for care of crippled children¹

State	Total ²	State funds for		County funds supplementing State funds	Agency administering funds
		Clinics, treatment, and rehabilitation	Maintenance of State hospital service		
Alabama.....	\$5,000	\$5,000			State board of education.
Arkansas.....	9,250		\$9,250		Trustees of Children's Home and Hospital.
California.....	36,478	10,000		\$26,478	State department of health.
Connecticut.....	84,000		³ 84,000		Board of trustees of Newington Home for Crippled Children.
Florida.....	50,000	50,000			Commission for crippled children.
Illinois.....		(⁴)	⁵ 89,558		Department of health.
Indiana.....			(⁶)	(⁶)	State university hospital.
Iowa.....			(⁷)		Do.
Kansas.....		5,000	(⁷)	(⁸)	Crippled children's commission.
Kentucky.....	110,000	110,000			State board of health; crippled children's commission.
Maine.....			(⁴)		State department of public welfare.
Maryland.....		(⁴)	⁹ 26,000	⁹ 48,889	Board of State aid and charities; department of health.
Massachusetts.....	180,824	⁵ 5,000	175,824		Department of public welfare.
Michigan.....		51,000	¹⁰ 500,000		Crippled children's commission; State university hospital.
Minnesota.....			¹¹ 201,750		State department of institutions.
Mississippi.....	17,500	¹² 17,500			State board of education.
Missouri.....	50,000		50,000		State university hospital.
Montana.....	13,200	13,200			Orthopedic commission.
Nebraska.....	145,114		145,114		State board of control.
New Hampshire.....	3,000	3,000			Department of public welfare.
New Jersey.....	115,850	15,000		100,850	Department of health; crippled children's commission.
New York.....	1,135,970	321,405	493,160	321,405	Department of education; department of health.
North Carolina.....	108,800	8,000	100,800		Department of health; State orthopedic hospital.
Ohio.....	295,836	17,772		¹³ 278,064	Department of public welfare.
Oklahoma.....			179,188	(⁶)	State university hospital.
Oregon.....			(⁶)	(⁶)	Do.
Pennsylvania.....	123,210	25,000	98,210		Department of public welfare; department of health.
South Carolina.....	10,112	10,112			State department of health.
South Dakota.....	2,500	2,500			State board of health.
Tennessee.....		⁵ 10,000		32,638	Department of institutions.
Texas.....	45,300	20,000	25,300		State orthopedic hospital (university hospital); department of education.
Vermont.....	8,000	8,000			Department of public health.
Virginia.....	25,000	25,000			State board of health.
West Virginia.....	85,000	85,000			Department of public welfare.
Wisconsin.....			(⁶)	(⁶)	State orthopedic hospital; board of control; department of education.

¹ Figures given represent appropriations except those for Massachusetts and New York, and local funds in California, which are expenditures. Figures for the year 1933 are used for 15 States and for 1931, 1932, or 1934 for others. (Exclusive of vocational rehabilitation funds.)

² Calculated only when data on public expenditures were known to be fairly complete.

³ State aid given to private hospital.

⁴ Amount not known.

⁵ Approximate expenditures.

⁶ Care provided in State university hospital, cost paid entirely or partly by counties.

⁷ Care provided in State university hospital, cost paid by State.

⁸ Levy of one-tenth mill provided by statutes.

⁹ State aid and local contributions to two orthopedic hospitals.

¹⁰ Estimate based on total appropriation for both ill and crippled children.

¹¹ In addition some children receiving care in State university hospital paid for jointly by State and county.

¹² Includes medical care of crippled adults.

¹³ Exclusive of Cuyahoga County.

The amounts of public funds that have been made available in the different States vary widely, and in many there is great need for more adequate public provision for saving children from serious crippling conditions. Reports indicate that services formerly available have been curtailed during the depression and that in many instances needed care has not been given because of financial distress of the family or the community. On the basis of the experience of States having the most comprehensive programs, it is estimated that between 8 and 9 million dollars of combined Federal, State, and local funds are needed for these children at the present time. The need for services in any State may be greatly increased by an epidemic of poliomyelitis or infantile paralysis, which has been shown by various studies to have been the cause of crippling from 15 to 51 percent of the children needing care. It is most important, therefore, that Federal funds be so distributed that these special needs will be met.

The types of services that have been outlined are largely restorative, preventive, and general medical and health services. There is need also for the development of educational opportunities for crippled children, especially in rural areas, and State programs for physical restoration must be closely allied with State educational programs, especially the program for vocational rehabilitation of handicapped children 14 years of age or older.

Chapter XVI

A PROGRAM OF SPECIAL SECURITY MEASURES FOR CHILDREN

THE PROPOSALS incorporated in the program which is outlined in this chapter were prepared in the light of the reports presented to the medical and public-health advisory committees and were developed in consultation with the child-welfare advisory committee.¹ The reports and discussions of these groups emphasized the necessity of developing coordinated public-health and social-welfare programs covering all types of need, with definite provision for participation of the Federal Government, the States, and local communities.

The recommendations of the Committee on Economic Security for legislation to promote the security of children were largely incorporated in the Social Security Act, as may be seen from a comparison of the proposed program with the provisions of the Social Security Act, which are described in the final section of this chapter.

THE PROGRAM PROPOSED

It was considered that Federal, State, and local participation would be necessary for the development of more adequate and more generally available public-welfare services for children. The term "child-welfare services" covers a wide range of activities receiving support from State and local governments and to a very considerable extent from voluntary contributions. It was felt that three forms of public service needed strengthening through a cooperative Federal, State, and local program, namely, (1) care of dependent children in their own homes (aid to dependent children); (2) welfare services for children needing special care, such as homeless and neglected children and children whose surroundings are such as gravely to impair their physical and social development; (3) services for maternal and child health, including services for crippled children. These three groups of measures are closely related, one to the other, for child health is dependent upon adequate home care, and conversely, family life and child development are profoundly affected by

¹ See appendix XIII for a list of members of these committees.

the health of mothers and children. Briefly, the proposals were as follows:

(1) Strengthening and expansion of the system giving aid to dependent children, which provides home care for children deprived of parental support. It was estimated that approximately \$25,000,000 a year from Federal funds would be required for aid to dependent children for the first 2 years, rising to a possible maximum of \$50,000,000 as the program developed. The Federal Government has been spending much more than \$25,000,000 on relief families that would probably be eligible for aid to dependent children.

(2) Strengthening of State and local services for the protection and care of homeless and neglected children and children in danger of becoming delinquent, through a joint program of service supported by State and local funds with the assistance of Federal grants-in-aid. An appropriation of \$1,500,000 a year was proposed for assistance to State welfare departments in promoting more adequate care and protection of children and strengthening local public services.

(3) A maternal and child-health program involving Federal assistance to the States, and through the States to local communities, in the extension of maternal and child-health services, especially in rural areas, including (a) education of parents and professional groups in maternal and child care and supervision of the health of expectant mothers, infants, preschool and school children, and children leaving school for work; (b) provision for rural maternal-nursing service; (c) demonstration and research in child and maternal care, with special emphasis on the problems of rural mothers; and (d) provision for medical and other care for crippled children in counties predominantly rural. It was recommended that the program be developed under the leadership of public-health authorities in close cooperation with medical and public-welfare agencies and groups and other agencies, public and private, concerned with these problems. It was estimated that approximately \$7,000,000 a year would be required for this program, to be increased as the program develops.

Aid to Dependent Children.—Local administration of aid to dependent children, now vested in various local agencies, should be brought as soon as possible into a unified public-welfare administration. State administration should be vested in a State welfare department, and Federal administration should be brought into close relationship with other forms of Federal relief and welfare service. In the absence of a permanent Federal department of public welfare it was proposed that Federal administration be placed in the Children's Bureau of the United States Department of Labor.

The plan proposed was based upon a gradual expansion of the program giving aid to dependent children as State laws, State and local appropriations, and administrative facilities were broadened and developed to take care of the increased load. It was recognized that this method would not immediately release emergency relief administrations, Federal, State, and local, from responsibility for the care of children deprived of parental support. Administration of the new plan would have to be developed in the light of general relief policies and coordinated with the services of relief administrations, or of welfare administrations taking over responsibilities for general relief. The extent to which States would be induced to increase State appropriations for aid to dependent children on a basis of a Federal contribution of one-half of the combined State and local expenditures would depend upon the general policies developed as part of a comprehensive program of Federal, State, and local responsibility for relief and welfare services. It is obvious that States receiving a very high proportion of their total relief expenditures from the Federal Government would be reluctant to transfer relief cases to the system for aid to dependent children. Moreover, many States would receive comparatively little benefit from Federal assistance in a program for aid to dependent children until they were in a position to increase substantially their State appropriations for this purpose. In order to stimulate the extension of aid to dependent children to States and areas in which this service was neglected or inadequately provided, it was proposed that a portion of the Federal appropriation be set aside at the beginning of each year as a reserve and discretionary fund, to be available for States not able immediately to contribute two-thirds of the total expenditures through State and local funds.

Welfare Services for Children Needing Special Care.—Federal administration should be coordinated with other features of a unified public-welfare program. The Children's Bureau of the United States Department of Labor has had many years of experience in cooperating with State and local welfare agencies and has been designated as the Federal administrative agency, cooperating with the State departments of public welfare in the development of the services provided.

The proposed plan of Federal participation with the States in the development of child-welfare services included the following recommendations:

That the Federal aid for this purpose in the social security program be designed to enable the Federal Government to cooperate with the States and Territories, and through them with local gov-

ernments, in the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, through encouraging and assisting in the development of adequate methods of community organization for child welfare, and giving financial assistance to local public-welfare services for children, especially in rural areas and other areas of special need.

Maternal and Child-Health Program.—In order to promote Nation-wide interest in and facilities for adequate State programs for the protection of the lives and health of mothers and children, it was recommended that the Federal Government participate through the Children's Bureau with States and through States with local communities in programs for maternal and child health. That the ability of local communities and States to finance such programs varies greatly according to their resources is common knowledge. Many States have never been able to carry on adequate programs and within States many communities are without resources or have very limited resources for such work with mothers and children. To provide more equitable distribution of the opportunities for education and for service to mothers and children in the various States and local communities and to promote improved methods of administration and care, Federal funds were made available to States in the past and should again be provided.

The function of the Federal administrative bureau would be primarily consultative, educational, and promotional, with the power of approval of plans made by State departments of health receiving Federal funds for cooperative Federal-State programs. The consultative and promotional functions would be exercised through a field staff—medical, nursing, and other; the educational function through demonstrations of special maternal and child-health services in cooperation with State health departments and through the provision of opportunities for certain types of professional education, such as institutes and “refresher” courses. On the administrative side the Federal Government would assist States in building up well-staffed divisions of maternal and child health and through such divisions improve services to mothers and children in local communities. The general program to be developed in States receiving Federal aid or in local communities receiving combined State and Federal aid, and the standards for personnel and procedure, should be in accordance with generally accepted public-health practice, as determined by the Children's Bureau previous to the making of grants.

In addition, the Federal Government, through the Children's Bureau, should undertake further research and conduct investigations or demonstrations that have to do with the health or mortality

of mothers and children or with improvement in methods of care that cannot be conducted by individual States or communities. As part of its program of demonstration and investigation the Children's Bureau, through its various divisions, would promote joint activities among groups interested in various phases of child welfare, as, for instance, further community demonstrations in the field of delinquency and its relation to mental health and recreation, and studies of health of children entering employment.

Under the provisions for Federal aid to States, funds would be made available for four general purposes:

First, a general program to stimulate the development of more adequate State divisions of maternal and child health and through them to build up improved health services to mothers and children in local communities, especially those in rural areas and in areas in economic need. The development of this general program of maternal and child care would be considered a prerequisite to participation in the second program.

Second, a program of maternity nursing for delivery and post-partum care of mothers in rural areas. The need to develop this special aspect of the general maternal-care program is very great. Few mothers have this service in the smaller cities or towns or in rural areas, yet it is of great importance in the program for the reduction of maternal deaths.

Third, a program of demonstration and research in child and maternal care, with special emphasis on the problems of rural mothers.

Fourth, a program of aid to States for medical care and other services for crippled children in counties predominantly rural.

PROVISIONS OF THE SOCIAL SECURITY ACT²

In addition to the indirect benefits to children provided by other titles of the Social Security Act, grants-in-aid to the States for promoting the health and welfare of children are provided specifically in title IV,³ Grants to States for Aid to Dependent Children, and title V,⁴ Grants to States for Maternal and Child Welfare. These grants must be considered in relation to the grants for health and welfare services authorized in other portions of the act, especially title I, Grants to States for Old-Age Assistance, title X, Grants to States for Aid to the Blind, and title VI, Public Health Work.

² Ch. 531, 49 Stat. 620; U. S. C. (1935 Supp.), §§ 301-1305.

³ 49 Stat. 627; 42 U. S. C. (1935 Supp.), §§ 601-606.

⁴ 49 Stat. 629; 42 U. S. C. (1935 Supp.), §§ 701-731.

Aid to Dependent Children.—The Social Security Act in title IV establishes a system of Federal-State cooperation under the administration of the Social Security Board “for the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children.” A sum of \$24,750,000⁵ was authorized for appropriation for the fiscal year ending June 30, 1936, and for each fiscal year thereafter a sum sufficient to carry out the purposes of the title was authorized for appropriation. The Federal funds authorized are to be used for making payments to States which have submitted and had approved by the Board State plans for aid to dependent children.

The requirements for approval are summarized with other provisions of title IV in table 64. To receive Federal approval a State plan for aid to dependent children must be effective in all political subdivisions of the State, and, if administered by them, must be mandatory upon them; it must provide for financial participation by the State; it must provide either for the establishment or designation of a single State agency to administer or supervise the administration of the plan; it must provide an opportunity for a fair hearing before the State agency to any individual whose claim with respect to aid to a dependent child is denied; it must provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; and it must provide that the State agency will make such reports, in such form and containing such information as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports.

In addition to these requirements established as a condition for the receipt of Federal grants, the Board is not permitted to approve any State plan which imposes as a condition for eligibility for aid to dependent children a residence requirement which denies aid with respect to any child residing in the State who has resided in the State for 1 year immediately preceding the application for aid, or who was born within the State within 1 year immediately preceding the application, if its mother has resided in the State for 1 year immediately preceding the birth.

⁵ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$5,000,000 for the remainder of the fiscal year ending June 30, 1936.

TABLE 64.—*Summary of provisions for Federal grants to States for aid to dependent children (mothers' aid)*

[To be made by the Social Security Board under title IV¹ of the Social Security Act]

DEFINITION

Aid to dependent children means money payments to a needy dependent child (or dependent children) under the age of 16 who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place maintained by one or more such relatives as his or her own home.

CERTIFICATION OF STATE PLAN FOR FEDERAL GRANTS

A State, in order to receive a Federal grant, must submit a plan and have it approved by the Social Security Board as meeting the following requirements:

1. Effective in all political subdivisions of the State, and, if administered by them, mandatory upon them;
2. Provision for financial participation by the State;
3. Either provision for the establishment or designation of a single State agency to administer the plan, or for the establishment or designation of a single State agency to supervise the administration of the plan;
4. Provision for granting to any individual whose claim with respect to aid to a dependent child is denied, an opportunity for a fair hearing before such State agency;
5. Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Social Security Board to be necessary for the efficient operation of the plan;
6. Submission of such reports in such form and containing such information as the Federal Social Security Board may from time to time require, and compliance with the provisions which the Board may from time to time find necessary to assure the correctness and verification of such reports;

A State plan will not be approved if it imposes a residence requirement which excludes any child who has resided in the State for 1 year immediately preceding the application for such aid or who was born within the State within 1 year preceding the application, if its mother has resided in the State for 1 year immediately preceding the birth.

AMOUNT OF GRANT TO EACH STATE

A quarterly amount which shall be used exclusively for carrying out the State plan, equal to one-third of the total of the sums expended in the State during such quarter, not counting so much of such expenditure to any dependent child for any month as exceeds \$18, or if there is more than one dependent child in the same home, as exceeds \$18 for any month with respect to one such dependent child and \$12 for such month with respect to each of the other dependent children.

METHODS OF COMPUTING AND PAYING GRANTS

1. Estimates of amounts to be paid States will be based on:
 - (a) State report of total sum to be expended each quarter for aid to dependent children, with statement of amount appropriated or made available by the State and its political subdivisions. (If the amount appropriated is less than two-thirds of the total sum of estimated quarterly expenditures, the source or sources from which the difference is expected to be derived must be stated.)
 - (b) Records of the total number of dependent children in the State.
 - (c) Such investigation as the Social Security Board may find necessary.
2. Payments will be made to the State at the time or times fixed by the Social Security Board:
 - (a) After certification by the Social Security Board to the Secretary of the Treasury of the amount due the State reduced or increased by any sum by which its estimate for any quarter was greater or less than the amount which should have been paid;
 - (b) By the Secretary of the Treasury, through the Division of Disbursement, prior to audit or settlement by the General Accounting Office.

SUSPENSION OF GRANTS

If the Social Security Board finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan, that the plan has been so changed as to impose prohibited residence requirements, or failed to comply substantially with conditions required for Federal approval, the Board shall notify the State agency that Federal grants will not be made until such conditions are rectified.

AMOUNT OF FEDERAL APPROPRIATION AUTHORIZED

Twenty-four million seven hundred fifty thousand dollars for fiscal year ending June 30, 1936;² thereafter an annual amount sufficient to carry out the purposes of the title.

¹ 49 Stat. 627, §§ 401-406; 42 U. S. C. (1935 Supp.), §§ 601-606.

² The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$5,000,000 for the remainder of the fiscal year ending June 30, 1936.

Aid to dependent children is defined as money payments with respect to a child or children under the age of 16 who have been deprived of parental support or care by reason of the death, continued absence from home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home.

The amount of Federal aid to the States will be determined from State estimates of their quarterly expenditures for aid to dependent children, together with records of the number of dependent children in the State. The Federal Government will pay for each quarter an amount, which shall be used exclusively for carrying out the State plan, equal to one-third of the total of the sums expended during such quarter under such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or, if there is more than one child in the same home, as exceeds \$18 for any month with respect to one such dependent child and \$12 for such month with respect to each of the other dependent children.

Prior to the beginning of each quarter the Board will estimate the amount to be paid to each State with an approved plan for aid to dependent children for each quarter. These estimates will be based upon (1) reports filed by the State agency containing its estimates of the sums to be expended in the quarter under the plan, (2) records showing the number of dependent children in the State, and (3) such other investigation as the Board may find necessary. The amount to be appropriated or made available by the State and its political subdivisions must be shown in the report of estimated quarterly expenditures. If this amount is less than two-thirds of the total sum of the estimated expenditures, the source or sources from which the difference is expected to be derived must be reported to the Social Security Board.

The Board will then certify to the Secretary of the Treasury the amount of Federal grant to the State, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter. The Secretary of the Treasury, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, will pay to the State, at the time or times fixed by the Board, the amount certified as the Federal grant to the State for aid to dependent children.

If the Social Security Board finds after a State plan for aid to dependent children has been approved that it has been changed so as to impose a prohibited requirement or that in its operation there is failure to comply with required conditions for approval, the Board must notify the State agency that further Federal payments will not be made. Such suspension of Federal grants will be preceded by reasonable notice and opportunity for hearing to the State agency, and Federal grants will be resumed when the Board is satisfied that the prohibited requirement is no longer imposed and that there is no longer any failure to comply.

Maternal and Child-Health Services.—The annual appropriation authorized under title V, part 1, of the act⁶ is \$3,800,000,⁷ “for the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress.” The act provides that “the sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children’s Bureau, State plans for such services.” To be approved by the Chief of the Children’s Bureau, a State plan for maternal and child-health services must provide for financial participation by the State; provide for administration or the supervision of administration by the State health agency; provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the efficient operation of the plan; provide that the State health agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as the Secretary of Labor may from time to time find necessary to assure the correctness and verification of such reports; provide for the extension and improvement of local maternal and child-health services administered by local child-health units; provide for cooperation with medical, nursing, and welfare groups and organizations; and provide for the development of demonstration services in needy areas and among groups in special need.

The conditions under which a State may receive Federal funds for maternal and child-health services are summarized in appendix XII, together with other provisions of the act relating to Federal grants.

⁶ 49 Stat. 629, § 501; 42 U. S. C. (1935 Supp.), § 701.

⁷ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$1,580,000 for the remainder of the fiscal year ending June 30, 1936.

Allotments to the States from this appropriation are directed by section 502⁸ of the act to be made by the Secretary of Labor on the following basis: An initial uniform allotment of \$20,000⁹ to each State (Hawaii, Alaska, and the District of Columbia are considered as States for the purposes of the act), an additional allotment based on the ratio of live births in the State to the total number of live births in the United States, and an allotment of \$980,000⁹ based upon the need of the State for financial assistance in carrying out its State plan, the number of live births in the State being taken into consideration. Funds allotted under this latter provision need not be matched. Other allotments are to be matched equally by State or State and local funds.

Services for Crippled Children.—The annual appropriation authorized under title V, part 2, of the act¹⁰ is \$2,500,000,¹¹ “for the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling.” Plans for such services are to be submitted to the Chief of the Children’s Bureau for approval.

The Social Security Act specifies the conditions which a State plan for services for crippled children must meet in order to receive the approval of the Chief of the Children’s Bureau. The State plan must provide for financial participation by the State; provide for the administration of the plan by a State agency; provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the efficient operation of the plan; provide that the State agency will make such reports, in such form and containing such information as the Secretary of Labor may from time to time require, and comply with such provisions as the Secretary of Labor may from time to time find necessary to assure the correctness and verification of such reports; provide for carrying out the purposes of section 511, quoted in the paragraph above; and provide for cooperation with medical, health,

⁸ 49 Stat. 629, 42 U. S. C. (1935 Supp.), § 702.

⁹ The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, cut the allotment to five-twelfths of the amount specifically authorized in the Social Security Act. (See also footnote 7.)

¹⁰ 49 Stat. 631, § 511; 42 U. S. C. (1935 Supp.), § 711.

¹¹ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$1,187,000 for the remainder of the fiscal year ending June 30, 1936.

nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children. (See appendix XII for a summary of the provisions of the Social Security Act relating to Federal grants for services for crippled children as well as those relating to the other grant features of the act.)

Allotments for services for crippled children¹² are on the following basis: A uniform grant of \$20,000¹³ available to each State and the balance available according to the need of each State as determined by the Secretary of Labor after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them. These grants are to be matched dollar for dollar by State or State and local funds.

Child-Welfare Services.—The annual appropriation authorized by this part of the act¹⁴ is \$1,500,000¹⁵ “for the purpose of enabling the United States, through the Children’s Bureau, to cooperate with State public-welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services (hereinafter in this section referred to as ‘child-welfare services’) for the protection and care of homeless, dependent, and neglected children and children in danger of becoming delinquent.” The Federal funds are to be allotted by the Secretary of Labor for use by cooperating State public-welfare agencies on the basis of plans developed jointly by the State agency and the Children’s Bureau. Unlike funds allotted for maternal and child-health services and services for crippled children, these funds do not have to be matched by the States. A uniform allotment of \$10,000¹⁶ is available to each State and the remainder is allotted on the basis of the ratio of the rural population of the State to the total rural population of the United States. Although there is no provision for matching funds, the act indicates that there must be financial participation by the State or by local communities, since the act requires that “the amount so allotted shall be expended for payment of part

¹² 49 Stat. 631, § 512; 42 U. S. C. (1935 Supp.), § 712.

¹³ The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, cut the allotment to five-twelfths of the amount specifically authorized in the Social Security Act. (See also footnote 11.)

¹⁴ 49 Stat. 633, § 521; 42 U. S. C. (1935 Supp.), § 721.

¹⁵ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$625,000 for the remainder of the fiscal year ending June 30, 1936.

¹⁶ The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, cut the allotment to five-twelfths of the amount specifically authorized in the Social Security Act. (See also footnote 15.)

of the cost of district, county, or other local child-welfare services in areas predominantly rural, and for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need." Another difference between part 3 (child-welfare services) and parts 1 and 2 (maternal and child-health services and services for crippled children) lies in the provisions relating to approval of State plans. No conditions are prescribed for approval of State plans for child-welfare services other than that they are to be "developed jointly" by the State agency and the Children's Bureau. Appendix XII gives in tabular form a comparative analysis of all the provisions of the Social Security Act relating to Federal grants to States.

Part IV

PROVISIONS FOR THE BLIND

Chapter XVII

PROVISIONS FOR THE BLIND

THE CENSUS of 1930 listed 63,489 people in the United States as being blind. This represents 52 blind people for each 100,000 in the total population. There are, however, great differences between the States in this ratio, the range being from 30 per 100,000 in New Jersey to 143 per 100,000 in New Mexico.

All people who have studied the problem are agreed that the census understates the number of the blind in this country. The major reason for this understatement appears to be that many of the census takers neglect to ask the question whether any member in the household is blind. Further, there is no agreement as to the degree of loss of vision which constitutes blindness. There are probably at least 100,000 people in this country who are blind within the definitions of the term used in State laws for aid to the blind.

Among the blind the older people predominate. Of all the blind listed in the census, 28,113 were over 65 years of age, representing more than 40 percent of the total number of the blind. Another 17,814 were from 45 to 64 years of age.

The great majority of the blind are needy. Of all the blind in the United States listed in the census of 1920, only 7,177 reported that they were gainfully occupied. Similar information is not found in the census of 1930, but data available from State censuses indicate that since the advent of the depression the percentage of blind persons gainfully employed has decreased. Not more than 15 to 20 percent of all the blind are gainfully occupied, and most of those who are so classified are not entirely self-supporting.

STATE LEGISLATION FOR THE BLIND ¹

State legislation for the blind has taken four principal forms: (1) educational and vocational training, principally of blind children; (2) workshops for the adult blind, maintained with State assistance; (3) field work in locating the blind, extending to them medical and similar assistance, help in procuring employment, and

¹ Unless otherwise noted, data in this section were taken from "Public Provision for Pensions for the Blind in 1934", *Monthly Labor Review*, vol. 41, no. 3, September 1935, p. 584-601.

assistance in the marketing of products produced by the blind; and (4) cash grants to the blind.

Educational and vocational training is carried on principally in State schools for the blind and in special day classes established in connection with the public-school system, particularly in urban centers. There are also a considerable number of private institutions of this character.

Workshops for the blind have long been maintained as State institutions, and are also conducted by private organizations. In these workshops adult blind people carry on some occupations for which they have training, particularly basket weaving, rug making, etc. The number of blind people employed in such special workshops has never exceeded a few thousand.

All but 10 States (Arizona, Arkansas, Georgia, Idaho, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota) carry on some field work for the blind. In 13 States (Alabama, Florida, Iowa, Kansas, Minnesota, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Washington, West Virginia), however, expenditures for this purpose are less than \$5 per year for each blind person in the State. A minimum expenditure of \$25 per blind person per year is generally regarded as necessary, but only six States (Connecticut, Delaware, Massachusetts, Missouri, New Hampshire, and New York) expended this amount for this purpose in the latest year for which data are available.²

Mr. Irwin, in his testimony before the Senate Finance Committee,² outlined the requirements of a constructive program for the blind as including medical care for the eyes, if sight can be restored or improved, vocational guidance and training, placement, sheltered employment, home instruction in Braille (the embossed type used by the blind), social service, and care of blind children of preschool age. An amendment to the social security bill, introduced in the Senate, carried an appropriation of \$1,500,000 to be distributed to the States for the purpose of assisting them on a matching basis in locating blind persons, in providing diagnoses of their eye conditions, and in training and employment of the adult blind. This amendment was dropped by the conference committee.

As of August 1, 1935, 27 States had laws providing for cash payments to the blind. These are Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana,

² From supplementary statement submitted by Robert B. Irwin, executive director, American Foundation for the Blind, Inc., New York, N. Y., in Hearings before the Committee on Finance, U. S. Senate, 74th Cong., 1st sess., on S. 1130 (Economic Security Act) (U. S. Government Printing Office, Washington, D. C., 1935), pp. 729-730.

Florida
C.

Maine, Maryland, Missouri, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Utah, Washington, Wisconsin, and Wyoming. No complete data are at hand regarding the expenditures in these States for aid to the blind. From the latest reports it would appear, however, that in 24

TABLE 65.—Data on the operation of systems for aid to the blind in the United States, 1934

State	Recipients of grants	Blind population, census, 1930	Recipients as percent of 1930 blind population	Amount disbursed in 1934			Monthly grants paid		
				Total	State funds	County funds	Average	Maximum payable	Range of individual grants
Total.....	31,909	39,675	68.4	\$6,880,015	\$3,397,219	\$3,482,796	\$19.96	-----	-----
Arkansas.....	1,165	1,101	105.8	11,650	11,650	-----	0.83	\$25.00	\$0.83
California.....	3,179	2,597	122.4	1,085,408	542,704	542,704	33.12	50.00	5.00-50.00
Colorado.....	701	751	93.3	140,287	65,000	75,287	15.47	25.00	(1)
Connecticut.....	374	581	64.4	22,820	-----	22,820	5.09	30.00	(1)
Idaho.....	86	156	55.1	16,989	-----	16,989	16.46	20.00	10.00-25.00
Illinois.....	4,484	4,490	99.9	¹ 1,309,745	² 486,402	² 823,343	25.75	30.42	1.00-30.42
Iowa.....	956	1,577	60.6	158,562	-----	158,562	13.89	25.00	4.00-25.00
Kansas.....	66	1,246	5.3	8,996	-----	8,996	11.36	50.00	5.00-25.00
Kentucky.....	383	1,977	19.4	42,129	-----	42,129	9.17	20.83	1.33-20.83
Louisiana.....	420	1,252	33.5	63,000	-----	63,000	12.50	25.00	(1)
Maine.....	922	626	147.3	148,317	148,317	-----	13.33	25.00	(1)
Maryland.....	62	799	7.8	7,817	-----	7,817	11.84	20.83	3.33-20.00
Minnesota.....	442	1,049	23.7	147,203	147,203	-----	27.75	(3)	(1)
Missouri.....	4,336	3,879	111.8	⁴ 1,265,831	⁴ 1,265,831	-----	24.33	25.00	(1)
Nebraska.....	325	552	59.0	45,103	-----	45,103	11.77	25.00	5.00-25.00
Nevada.....	3	64	4.7	600	-----	600	16.67	50.00	(1)
New Hampshire.....	79	251	31.4	8,797	6,064	2,733	9.28	12.50	8.00-12.50
New Jersey.....	372	1,222	30.4	91,090	-----	91,090	21.98	40.00	(1)
New York.....	2,200	⁵ 4,418	⁵ 16.1	583,670	-----	583,670	21.93	25.00	(1)
Ohio.....	5,152	4,154	124.0	620,393	-----	620,393	10.04	33.33	1.25-35.00
Pennsylvania.....	4,142	4,373	94.7	651,228	651,228	-----	23.30	30.00	(1)
Utah.....	21	238	8.8	2,105	-----	2,105	8.35	50.00	3.00-20.00
Washington.....	185	792	23.4	25,808	-----	25,808	11.63	33.33	3.00-40.00
Wisconsin.....	1,854	1,530	121.2	422,467	50,000	372,467	19.40	30.00	(1)

¹ No data.

² Data are for 60 counties which reported as to amounts furnished by State and counties.

³ No limit; except for married couples, both blind, in which case not over \$30 per month.

⁴ Includes oculists' fees.

⁵ Exclusive of New York City.

SOURCE: "Public Provision for Pensions for the Blind in 1934", *Monthly Labor Review*, vol. 41, no. 3, September 1935, pp. 584-601.

of these States there was a total of 31,909 recipients of grants at the end of 1934, or 68.4 percent of the total blind population of the 24 States in 1930.³ The total expenditures for blind persons in these States amounted to \$6,880,015 in 1934. The average grant paid was \$19.96 per month, with a range from \$0.83 in Arkansas to \$33.12 in California. (See table 65.)

³ A report from Wisconsin gives 3,742 as the number of blind persons in the State. The 1930 census reported only 1,530 blind persons in Wisconsin, while the State records showed 3,033 in that year. The census therefore underestimated the blind population by nearly one-half. The figure presented in table 65 indicates that 121.2 percent of the State's 1930 blind population was in receipt of pensions in 1934. Utilizing corrected data for the 1930 census this percentage becomes 54. Wisconsin State Board of Control, *Blind Persons in Wisconsin, 1907-34* (mimeographed report), 1935, p. 8.

The maximum grants payable range from \$150 per year in New Hampshire to \$600 a year in four States (California, Kansas, Nevada, and Utah). In Wyoming also, a maximum of \$600 a year is paid to a blind person who is the head of a family. The Minnesota law sets no maximum, except in the case of two blind persons who have contracted marriage after the passage of the act, where the maximum joint grant is limited to \$360 a year.

The following tabulation indicates the maximum yearly grants set by State laws:

Maximum yearly grant	Number	State	Maximum yearly grant	Number	State
\$600-----	4	{ California. Kansas. Nevada. Utah.			{ Arkansas. Colorado. Indiana. Iowa.
\$480-----	1	{ New Jersey.	\$300-----	10	{ Louisiana. Maine. Missouri. Nebraska.
\$400-----	2	{ Ohio. Washington.			{ New York. Oklahoma.
\$365-----	1	{ Illinois.			{ Kentucky. Maryland.
\$360-----	4	{ Connecticut. Pennsylvania. Wisconsin. Wyoming.	\$250-----	2	{ Idaho. New Hampshire.
			\$240-----	1	
			\$150-----	1	

In eight States the average grants were less than one-half the maximum payable under the State laws; in eight States the average grants were between one-half and two-thirds of the maximum; and in six States the average was more than two-thirds of the maximum allowable. The average allowance in California was about 30 per cent higher than the average paid in Illinois, the State with the next highest average. In these two States and in four others (New York, New Jersey, Pennsylvania, Missouri), which are highly industrialized, the average amount paid was over \$20 a month. Yet Ohio, also an industrial State, ranked among the lowest five States in the size of its average grant to the blind—only \$10.04 a month. In Arkansas, where the grants averaged 83 cents a month, blind persons were given a flat grant of \$10 a year, although the maximum allowed by law is \$300 a year.

The range in individual monthly grants is very wide, varying from \$1 to \$50 a month. The distribution of recipients of aid to the blind according to the size of their monthly grants is available for two States (Colorado and New Jersey). In Colorado for the year ending June 30, 1933, 685 persons received monthly grants in accordance with the following percentage distribution: \$5, 0.1 percent; \$6.25, 5.0 percent; \$8, 0.4 percent; \$10, 7.2 percent; \$12.50, 1.0 percent; \$15, 24.5 percent; \$20, 18.8 percent; \$25 (the maximum payable), 42.9 percent. In New Jersey monthly grants to the blind were paid during 1934 in accordance with the following percentage distribution:

\$10-\$12, 42.0 percent; \$15 or \$20, 2.0 percent; \$25, 42.0 percent; \$30, \$35, or \$40, 11 percent.

It may be noted from table 65 that less than one-half of the States contribute toward the costs of aid to the blind. In Arkansas, Connecticut, Maine, Minnesota, Missouri, and Pennsylvania, the costs of the system are borne entirely by the State. In Idaho, Iowa, Kansas, Kentucky, Louisiana, Maryland, Nebraska, Nevada, New York, Ohio, Utah, and Washington, the State takes no part in the financing, and in New Jersey the State merely bears the cost of administering the system, spending \$1,013 for this purpose in 1934. In the remaining five States (California, Colorado, Illinois, New Hampshire, and Wisconsin) the systems are financed jointly by State and county funds.

The existing laws for aid to the blind differ considerably in their provisions (see table 66). The laws of 19 States are mandatory (Arkansas, California, Colorado, Idaho, Illinois, Indiana, Louisiana, Maine, Minnesota, Missouri, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Washington, Wisconsin, Wyoming). In 15 of these States, with a total population of 61,047,000 in 1930, the laws were operative in 754 of the 895 counties in 1934 and covered a population of 54,681,000, or 93 percent of the total number of persons residing in these States in 1930. In eight States (Connecticut, Iowa, Kansas, Kentucky, Maryland, Nebraska, Nevada, and Utah) the laws are optional with the counties. Seven of these States have a total of 487 counties, with a 1930 population of 105,575,000. Of these counties, 162, or one-third of the total, had adopted systems of aid to the blind in 1934, covering a population of 3,765,000, or less than 36 percent of the total number of persons in the seven States in 1930.

Most of the laws establish a minimum age, which is commonly either 18 or 21 years, but California and Utah have a 16-year minimum, Colorado has a 40-year minimum, and Louisiana has a 60-year minimum. Most States also prescribe a specified residence period within the State, which is 4 years in 1 State, 5 years in 10 States, 7 years in 3 States, and 9 years in 9 States.

All State laws, except that of Kansas, have a means qualification, which is similar to the property and income qualification in old-age assistance laws. The acts of 11 States prohibit persons from receiving blind allowances if they have financially competent relatives (Colorado, Indiana, Kansas, Louisiana, Maryland, Missouri, Nebraska, New Jersey, Utah, Washington, and Wisconsin), whereas no such exclusion is provided in the laws of the other 16 States with systems for aid to the blind. Thirteen States refuse grants to inmates of public charitable institutions (California, Colorado, Illinois, Indiana, Iowa, Kentucky, Maine, Minnesota, Missouri, Oklahoma, Pennsylvania, Utah, and Washington); Colorado further excludes inmates

TABLE 66.—Principal provisions of State laws providing for allowances for the blind (as of Aug. 1, 1935)

State	Type of law	Maximum grant	Eligibility requirements			Maximum property limitation	Definition of blindness	Administered by—	Funds provided by—
			Age	State residence (years)	County residence (years)				
Arkansas.....	Mandatory..	\$25 per month..	21	5	-----	Means insufficient for support.	-----	Chancery court of district under State Confederate Pension Board.	State.
California.....	do.....	\$600 per year..	16	10	¹ 1	Income, \$1,000 a year; assets, \$3,000. ²	-----	County board of supervisors under department of social welfare.	State, half; county, half.
Colorado ³	do.....	\$300 per year..	40	5	1	Means insufficient for support.	-----	County board of supervisors under State commission for blind.	Do.
Connecticut.....	Optional.....	\$30 per month..	-----	-----	-----	do.....	-----	State board of education for blind.	State.
Idaho.....	Mandatory..	\$20 per month..	{ ⁴ 21 ⁵ 18 }	⁶ 7	3	do.....	-----	County probate court.....	County.
Illinois ⁸	do.....	\$365 per year..	{ ⁴ 21 ⁵ 18 }	10	3	Income, \$465 per year (\$1,000, if married).	-----	County commissioners ⁷ ..	State, half; county, half.
Indiana ⁸	do.....	\$300 per year..	21	5	-----	Means insufficient for support.	Vision so defective as to prevent self-support.	State board of industrial aid for the blind.	State.
Iowa.....	Optional.....	do.....	{ ⁴ 21 ⁵ 18 }	5	1	Income, \$300 per year..	-----	County board of supervisors.	County.
Kansas.....	do.....	\$50 per month ⁹	21	10	2	-----	Loss of sight of both eyes.	County commissioners.....	Do.
Kentucky.....	do.....	\$250 per year..	(¹⁰)	10	5	Income, \$400 per year; assets, \$2,500.	Destitute of useful vision.	do.....	Do.
Louisiana.....	Mandatory..	\$300 per year..	60	5	¹¹ 1	Income, \$300 per year..	-----	County police jury, under State board.	Parish.
Maine.....	do.....	do.....	21	10	-----	Means insufficient for support.	Less than one-tenth of normal vision.	State department of health and welfare.	State.
Maryland ³	Optional.....	\$250 per year ¹²	18	⁶ 7	-----	do.....	Vision so defective as to prevent self-support.	Local authorities and Maryland Workshop for Blind.	County.
Minnesota ³	Mandatory..	No limit ¹³	-----	⁶ 5	-----	-----	Insufficient ocular power for ordinary affairs.	State board of control.....	State. ¹⁴
Missouri.....	do.....	\$300 per year..	21	⁶ 10	-----	Income, \$600 per year; assets, \$5,000.	Light perception only...	County judge of probate court, under State commission for blind.	State.
Nebraska.....	Optional.....	\$25 per month..	{ ⁴ 21 ⁵ 18 }	-----	-----	Means insufficient for support.	Destitute of useful vision.	County commissioners.....	County.
Nevada.....	do.....	\$600 per year..	-----	-----	⁶ 2	do.....	-----	do.....	Do

New Hampshire	Mandatory	\$150 per year	21	5	1	do		do	Do.
New Jersey	do	\$480 per year	21	5	1	do		State department of institutions and agencies.	Do. ¹⁵
New York ³	do	\$300 per year		5	1	do	Vision so defective as to prevent self-support.	State commission for blind.	Do.
Ohio	do	\$400 per year		(16)	1	do		County commissioners	Do.
Oklahoma	do	\$300 per year	21	5		do	Vision so defective as to prevent self-support.	State commission for adult blind.	State, reimbursed in full by county.
Pennsylvania	do	\$30 per month	21	10		do	Less than 3/60 of normal vision.	Mothers' assistance fund of county, under State department of welfare.	State.
Utah	Optional	\$600 per year	16	7	1	Income, \$1,000 a year		County commissioners	County.
Washington	Mandatory	\$400 per year ¹⁷	18	4		Means insufficient for support.	Vision so defective as to prevent self-support.	do	Do.
Wisconsin	do	\$360 per year ¹⁸	18	10	1	Income, \$480 per year ¹⁹		do	State, one-third; county, two-thirds.
Wyoming	do	\$30 per month ²⁰	21	10		Means insufficient for support.	Less than 3/60 to 10/200 normal vision.	County department of public welfare, under State department.	State.

¹ 6 months, if a resident of State when became blind.

² Clear of encumbrance.

³ Citizenship required, but no period specified.

⁴ Males.

⁵ Females.

⁶ Or have lost sight since becoming a resident.

⁷ Bureau of Public Welfare in counties having over 500,000 population.

⁸ 15 years of citizenship required.

⁹ But any amount over \$25 must be specifically authorized by vote of electorate.

¹⁰ "Adults."

¹¹ Residence in parish.

¹² But may be raised to \$350 in special cases.

¹³ Except in case of husband and wife, both blind, not over \$30 per month.

¹⁴ But counties with population of 150,000 are authorized to contribute.

¹⁵ But the State pays all of the cost of administration.

¹⁶ Must have lost sight since becoming a resident.

¹⁷ \$600 in case of couple, both blind.

¹⁸ \$480 if both blind and deaf.

¹⁹ \$780 if both blind and deaf.

²⁰ \$50 if head of a family.

of private charitable institutions; Maine and Wisconsin also exclude inmates of penal institutions; Oklahoma and Pennsylvania deny aid to persons confined in houses of correction; and Missouri excludes inmates of either penal institutions or institutions for the insane. In Maine and in Oklahoma a blind person may receive an allowance after leaving the institution to which he was committed.

The acts of 10 States (California, Indiana, Kentucky, Maryland, Minnesota, Missouri, Oklahoma, Utah, Washington, and Wisconsin) refuse aid to professional beggars, and in Missouri benefits are denied persons who refuse training or other measures designed to make them self-supporting.

Aid to the blind is discontinued in New York if a recipient of aid marries another blind or partially blind person, and in Minnesota a limit of \$30 a month is set as the maximum joint grant to blind persons who contracted marriage after passage of the act.

Definitions of blindness in five State laws limit aid to those whose vision is "so defective as to prevent self-support" (Indiana, Maryland, New York, Oklahoma, and Washington). The laws of two States (Kentucky and Nebraska) define blindness as "destitute of useful vision." The Kansas law requires that the applicant for aid to the blind must have lost the sight of both eyes; the Missouri law defines blindness as "no more than light perception"; the Minnesota law defines blindness as insufficient ocular power for ordinary affairs; and three State laws specify the proportion of loss of normal vision which qualifies an individual for a grant as follows: Maine, less than one-tenth of normal vision; Pennsylvania, less than $\frac{3}{60}$ of normal vision; Wyoming, less than $\frac{3}{60}$ to $\frac{10}{200}$ of normal vision.

The laws of eight States (Arkansas, Connecticut, Indiana, Maine, Minnesota, Missouri, Pennsylvania, and Wyoming) provide for complete financing of the system for aid to the blind by the State government; California, Colorado, and Illinois laws specify that the State shall bear one-half the cost; and the Wisconsin law provides that the State shall make one-third of the total expenditures. State disbursements for blind allowances in 1934, however, fell below the legally specified proportions in Colorado, in Illinois, and in Wisconsin. In New Hampshire, on the other hand, 68.9 percent of the total cost was borne by the State government in 1934, even though State participation is not provided for in the law. During 1934 aid to the blind in New Hampshire was financed as a part of the relief program, utilizing county, State, and Federal funds.

Only five State laws specify the method to be used in raising State funds for aid to the blind: Arkansas, by a tax on billiard and pool rooms; Illinois, Missouri, and Wisconsin by a property tax; and Wyoming by taxes on liquor. In the other States which provide for State

financial participation the appropriations are presumably made from general funds.

Counties in eight States are authorized to pay blind allowances from general county funds (Idaho, Illinois, Kentucky, Louisiana, New Hampshire, New Jersey, Ohio, and Oklahoma); and in Iowa, counties may use either general funds or poor funds for this purpose. Five States authorize counties to levy special property taxes for revenue for aid to the blind (California, Maryland, Nevada, Utah, and Washington).

Table 66 indicates the administrative authority for aid to the blind in the 27 States which have blind pension laws.⁴ As a rule applications for grants are first passed upon by the designated county authorities, such as the commissioners or local courts. In some of the States a State office is charged with ultimate supervision and control, but in 10 States (Illinois, Kansas, Kentucky, Nebraska, Nevada, New Hampshire, Ohio, Utah, Washington, and Wisconsin) the county commissioners, and in Iowa the county board of supervisors, have entire charge of the system. In Idaho the authority for the system is the judge of the county probate court. In Arkansas, California, Colorado, Louisiana, Maryland, Missouri, Pennsylvania, and Wyoming the decision of the local authority is subject to review by a State agency; whereas in Connecticut, Maine, Minnesota, New Jersey, and New York the entire authority is placed in a special commission for the blind or in some other State office.

PROVISIONS FOR THE BLIND IN THE FEDERAL SOCIAL SECURITY ACT

To enable the States to furnish financial assistance, as far as practicable under the conditions in each State, to needy blind individuals, the Social Security Act has authorized \$3,000,000⁵ for the fiscal year ending June 30, 1936, and has authorized for each fiscal year thereafter the appropriation of a sum sufficient to carry out the purposes of the title of the act. The sums thus made available will be used for making payments to States which have submitted and had approved by the Social Security Board, State plans for aid to the blind.

Table 67 summarizes the provisions of the Social Security Act for Federal grants to the States for aid to the blind. In order to be approved by the Social Security Board, a State plan for aid to

⁴ As of Aug. 1, 1935.

⁵ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$2,000,000 for the remainder of the fiscal year ending June 30, 1936.

the blind must be in effect in all parts of the State and be administered by a single State agency or, if it is administered by political subdivisions, its administration must be supervised by a single State agency. It is further required that the State shall participate in financing aid to the needy blind. With respect to methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) and reports to the Federal agency the State plan must comply with whatever regulations the Social Security Board may find necessary. Furthermore, individuals whose claims are denied must be afforded opportunity for a fair hearing before the State agency; they must not be excluded by a residence requirement in excess of 5 years within the 9 years preceding date of application and 1 year's continuous residence immediately preceding application; the State's citizenship requirement must not exclude any citizen of the United States; and applicants must be considered ineligible for aid to the blind if they are in receipt of old-age assistance under a State plan approved by the Federal Social Security Board.

The Secretary of the Treasury, on certification of a State plan by the Social Security Board, will pay to the State (1) a quarterly amount equal to one-half of the amount paid by the State to each needy, blind individual who is not an inmate of a public institution, except that the Federal grant shall not exceed \$15 per month per individual in receipt of money payments from the State; and (2) 5 percent of the Federal grant for money payments to individuals to be used solely for State administrative expenses or for aid to the blind or for both purposes.

The amount to be paid each State will be computed each quarter by the Federal Social Security Board after the receipt of reports from the State agency relative to the total number of blind persons in the State, the amounts to be expended by the State, and the amount and source of State funds to be made available.

If, after approval of a State plan for aid to the blind, the Social Security Board finds that the operation of the plan fails to comply with the requirements of the Federal law, the Board, after due notice to allow opportunity for hearing to the State agency, will inform the agency that further payments will be withheld until conditions are rectified.

TABLE 67.—*Summary of provisions for Federal grants to States for aid to the blind*

[To be made by the Social Security Board under title X¹ of the Social Security Act]

DEFINITION

Aid to the blind means money payments to needy blind individuals.

CERTIFICATION OF STATE PLAN FOR FEDERAL GRANTS

A State, in order to receive a Federal grant, must submit a plan and have it approved by the Social Security Board as meeting the following requirements:

1. Effective in all political subdivisions of the State and, if administered by them, mandatory upon them;
2. Provision for financial participation by the State;
3. Either provision for the establishment or designation of a single State agency to administer the plan, or for the establishment or designation of a single State agency to supervise the administration of the plan;
4. Provision for granting to any individual whose claim for aid is denied, an opportunity for a fair hearing before such State agency;
5. Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Social Security Board to be necessary for the efficient operation of the plan;
6. Submission of such reports in such form and containing such information as the Federal Social Security Board may from time to time require, and compliance with the provisions which the Board may from time to time find necessary to assure the correctness and verification of such reports;
7. Denial of aid to any individual under the plan with respect to any period when he is receiving old-age assistance under a federally approved plan.

A State plan will not be approved if it imposes:

1. A residence requirement which excludes any resident of the State who has resided therein 5 years during the 9 years immediately preceding the application for aid and who has resided therein continuously for 1 year preceding application;
2. A citizenship requirement which excludes any citizen of the United States.

AMOUNT OF GRANT TO EACH STATE

1. A quarterly amount which shall be used exclusively as aid to the blind, equal to one-half of the total sums expended in the State in such quarter as aid to the needy blind who are not inmates of public institutions, not counting so much of such expenditure to any individual in excess of \$30 a month;
2. Five percent of the total Federal quarterly grant to be used solely for costs of administering the State plan or for aid to the blind, or both.

METHODS OF COMPUTING AND PAYING GRANTS

1. Estimates of amounts to be paid States will be based on:

(a) State report of total sum to be expended each quarter for aid to the blind, with statement of amount appropriated or made available by the State and its political subdivisions. (If the amount appropriated is less than one-half of the total sum of estimated quarterly expenditures, the source or sources from which the difference is expected to be derived must be stated.)

(b) Records of the total number of blind individuals in the State.

(c) Such investigation as the Social Security Board may find necessary.

2. Payments will be made to the State:

(a) After certification by the Social Security Board to the Secretary of the Treasury of the amount due the State reduced or increased by any sum by which its estimate for any prior quarter was greater or less than the amount which should have been paid;

(b) By the Secretary of the Treasury, through the Division of Disbursement, prior to audit or settlement by the General Accounting Office.

SUSPENSION OF GRANTS

If the Social Security Board finds, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan, that the plan has been so changed as to impose prohibited residence or citizenship requirements, or fails to comply substantially with conditions required for Federal approval, the Board shall notify the State agency that Federal grants will not be made until such conditions are rectified.

AMOUNT OF FEDERAL APPROPRIATION AUTHORIZED

Three million dollars for fiscal year ending June 30, 1936; thereafter an annual amount sufficient to carry out the purposes of the title.

¹ 49 Stat. 645; 42 U. S. C. (1935 Supp.), §§ 1201-1206.

Part V

THE EXTENSION OF PUBLIC-HEALTH SERVICES

*The basic data for part V have been abstracted from (1) Staff reports on "Risks to Economic Security Arising out of Ill Health" (the sections on public-health services derived from this source were prepared by W. F. Walker and Ira V. Hiscock under the direction of Edgar Sydenstricker); (2) A statement of Josephine Roche, Assistant Secretary of the Treasury, made on February 4, 1935, at the public hearing held by the Committee on Finance of the United States Senate; and (3) Regulations Governing Allotments and Payments to States From Fund Appropriated Under the Provisions of Section 601, Social Security Act, for the Fiscal Year 1936,
Issued by the Surgeon General*

Chapter XVIII

THE EXTENSION OF PUBLIC-HEALTH SERVICES

NO NATIONAL PROGRAM of economic security can be regarded in any sense as complete or effective without adequate provision for meeting the risks to security which arise out of ill health. Fear of sickness with its attendant loss of earnings when the wage earner is disabled and dread of the costs of medical care are specters which haunt the great majority of the American people. Economic insecurity from illness is not the consequence of a depression; it threatens people of small means even in good times. The problem is not created in a depression period; it is only exaggerated and made more severe.

Every careful study of the economic experience of wage-earning families has revealed the inadequacy of individual savings to afford full protection against the costs of ill health. Tens of millions of families live in dread of sickness. Millions of families that are independent and self-sustaining in respect to the ordinary, routine needs of life sacrifice other essentials of decent living in order to pay for medical service. Three possibilities are open to low-income families which suffer extensive illnesses: (1) they may go without needed medical care; (2) they may carry the burden of medical debts; or (3) they may rely upon the charity of doctors and hospitals, or receive their services from tax-supported and philanthropic agencies.

The annual money loss caused by sickness in families with incomes of less than \$2,500 a year in the United States in 1929 was estimated as nearly \$2,500,000,000. Of this huge sum about \$1,500,000,000 represents the expenses of these families for medical care and about \$900,000,000 constitutes their loss in wages resulting from sickness. The cost of care in sickness thus exceeds wage loss due to temporary disability. These figures are direct costs. They ignore the much larger costs of sickness represented by the losses in capital values of human life and the losses to commerce and industry.

These enormous losses are not distributed equally among the people. Some individuals have much more sickness than others in any given year. Actuarial experience shows that among an average million persons there will occur annually between 800,000 and 900,000

cases of illness. This might seem to mean nearly one case of sickness to each person. Actually, however, the economic burden will fall more heavily on some than on others. For although 470,000 among an average million persons will not be sick during a normal year, 460,000 will be sick once or twice, and 70,000 will suffer three or more illnesses. Of those who become ill, about one-fourth will be disabled for periods varying from 1 week to the entire year. The situation may be visualized from the actual experience in normal times of 1,000 typical families in large cities, with annual incomes ranging from \$1,200 to \$2,000, as follows: 218 had medical bills in a single year in excess of \$100, and 80 in excess of \$200; of these 80 families 16 had medical costs ranging from \$400 to \$700, or about one-third of the year's income, and 4 families had sickness bills amounting to more than one-half of their incomes. All these costs were additional to wage losses. The situation in families with less than \$1,200 annual income is far worse, even in normal times.

The fact must be faced that, even if a minimum annual income of \$2,000 could be maintained through various ways for American families, this amount would still be insufficient to enable them individually to budget against the costs of sickness. A substantial proportion of families in cities, towns, and rural areas actually obtain no medical care, or receive insufficient care during sickness. It has been shown by surveys that the proportion of families receiving inadequate care is largest among those with small incomes and that, step by step, as family income increases the proportion of families with inadequate care diminishes. In normal times, about one-third to one-half of all the families who have to seek public or private charity are compelled to do so because of the economic effects of accident and illness.

Thus, the risks to economic security arising out of ill health are of three kinds, namely:

- (1) Loss of efficiency and health itself, and thereby loss of the capacity to be employed;
- (2) Loss of earnings caused by disabling illness among gainfully employed persons;
- (3) Costs of medical care to gainfully employed persons and their families.

PREVENTION OF ILLNESS

As stated by the medical advisory board of the Committee on Economic Security:

A logical step in dealing with the risks and losses of sickness is to begin in preventing sickness so far as is possible.

Much progress has been made in this respect, yet the fact remains that despite great advances in medicine and public-health protection,

millions of our people are suffering from diseases and thousands die annually from causes that are preventable. The mortality of adults of middle and older ages has not been appreciably diminished. With the changing age composition of our population the task of health conservation must be broadened to include adults as well as children.

Evidence is accumulating that the health of a large proportion of the population is being affected unfavorably by the depression. The rate of disabling sickness was found to be 48 percent higher among families having no employed wage earners in 1932 than in families having full-time workers. The group of workers that had dropped from fairly comfortable circumstances to relief rolls during the depression showed a rate of disabling illness 73 percent higher than that of their more fortunate neighbors who had remained in the comfortable class.¹ For the first time in many decades the annual death rate in our large cities has increased, the rate for 1934 being higher than for 1933 despite the absence of any serious epidemics.² Concurrently with these evidences of increased need, local appropriations for public health have been decreased on the average 20 percent since 1930. The per-capita expenditure from tax funds for public health in 53 cities in 1934 was 77.5 cents as contrasted with 93.8 cents in 1931.³

It has long been recognized that the Federal, State, and local governments all have responsibilities for the protection of all the population against disease. The Federal Government has recognized its responsibility in this respect in the public-health activities of several of its departments. There also are well-established precedents for Federal aid for State and local health administration and for the loan of technical personnel to States and localities.

A comprehensive, Nation-wide program of lessening the risks to economic security must include adequate provision of effective measures for the prevention of ill health through organized public-health work. The soundness of the principle of prevention is obvious. Its application here, however, should be viewed in the light of four other broad considerations, as follows:

(1) Although one-third of the burden of preventable illness and premature death has been lifted in progressive communities since modern public-health procedures were introduced, there is recognized opportunity for continued progress in this field. Only a fraction of the population has benefited to the fullest extent from the application of existing knowledge of disease prevention through public-health procedures.

¹ Perrott, G. St. J., and Collins, Selwyn D., "Relation of Sickness to Income and Income Change in 10 Surveyed Communities", *Public Health Reports*, vol. 50, no. 18 (May 3, 1935), p. 622.

² "Provisional Summary of Mortality Statistics for the United States, 1932, 1933, and 1934", *Public Health Reports*, vol. 50, no. 42 (Oct. 18, 1935), p. 1442.

³ Walker, W. F., "Analysis of Public Health Expenditures by Geographic Subdivisions", *American Journal of Public Health*, vol. 25, no. 7, July 1935, pp. 851-856.

(2) The policy of leaving to localities and States the entire responsibility for providing even minimal public-health facilities and services has failed in large measure. Only 21 percent (75⁴ counties and 102 cities⁵) of the counties and cities of the United States have thus far developed a personnel and service which can be rated as even a satisfactory minimum for the populations and the existing problems. The Federal Government has a definite responsibility for the protection of all the Nation's population against disease.

(3) The responsibility of the Federal Government for national health is well established in the United States Public Health Service and in several other Federal agencies, such as the Children's Bureau, the Bureau of the Census, the Office of Education, the Food and Drug Administration, and the Bureau of Animal Industry. The precedent of Federal aid to States for State health administration and local public-health facilities also has been established in various laws for grants-in-aid and in loans of technical personnel to States and localities.

(4) Public health has been demonstrated as a sound economic investment. Public-health authorities estimate that our annual national economic loss in wage earnings and in other items incident to preventable sickness directly attributable to lack of reasonably efficient rural health service is over \$1,000,000,000. On the other hand, where reasonably effective health programs have been developed, it has been demonstrated that expenditures for carefully planned health programs executed by trained workers yield large dividends. To fail to include the fullest possible use of this powerful preventive weapon in a program of economic security would be short-sighted—even stupid.

Little need be said with respect to the need for outside assistance to certain counties too poor to meet the entire cost of public-health service. In many of our States there are counties in which the taxable wealth or other source of revenue is so small that adequate local appropriations cannot be made for a health department without making the allotment for health out of all reasonable proportion to expenditures for other necessary functions of government. State health departments must give assistance to the counties in this group if the people in these communities are to enjoy the benefits of health protection to which they are—certainly from a humane standpoint—entitled as citizens of this country.

With regard to the need for outside aid for demonstration purposes, it is well known to all national and State agencies which have endeavored to promote the expansion of full-time health service in the past that it is almost impossible to induce local boards of county commissioners to make the initial appropriation for the establishment of a new full-time county health unit unless financial aid can be offered from an outside source. The reason is not hard to under-

⁴ Freeman, A. W., M. D., *A Study of Rural Public Health Service* (The Commonwealth Fund, New York, 1933), and unpublished material.

⁵ *Public Health Reports*, vol. 49, no. 5, Feb. 2, 1934; Committee on Administrative Practice of the American Public Health Service in cooperation with United States Public Health Service, "Municipal Health Department Practice for the Year 1923, Based Upon Surveys of the 100 Largest Cities in the United States", *Public Health Bulletin No. 164*; Research Division of the American Child Health Association, *A Health Survey of 86 Cities* (American Child Health Association, New York, 1925).

stand; health work, to a large extent, does not deal with material things. It has for its objective the prevention of catastrophe which may occur in the future. The wisdom of expending public funds for school buildings and roads and for maintenance of our schools is apparent to anyone, because we see and use the buildings and roads and know that our children use the schools. Except to statisticians, who are trained to use death rates and other "measuring rods" for demonstrating the effectiveness of health work, the anticipated results of such work are often not tangible. It is difficult, therefore, to persuade local appropriating bodies to provide funds to support an activity the result of which cannot be readily demonstrated in advance of the expenditure.

The situation in many of our smaller cities, and in some of the larger ones, is almost as bad as that existing in a large part of our rural area. There are numerous urban communities throughout the country in which such health activities as are being carried on today are under the direction of part-time physicians engaged in private practice or lay health officers untrained in modern public-health administrative practice. In some of these communities such health protection as has been afforded has been largely incidental to improvements instituted for economic and esthetic reasons or to ready access of the population to good medical care rather than a credit to activity of the health department. In many of our cities the chief health department activity still consists largely in the inspection of private premises for nuisances having little bearing on public health and an attempt to control communicable diseases through quarantine procedure—admitted by leading health workers, in this day of scientific control methods, to be of little avail in reducing the incidence of such diseases. More specifically it may be pointed out that many of the milk supplies for urban communities are still far from satisfactory, and that the unsightly, open-back, unsanitary privy still exists in the outlying sections of most of our small cities, with the result that typhoid fever is rapidly becoming more prevalent in towns and small cities than in the rural areas.

Nor is the need for extension of public-health service confined to rural and urban health organizations. Not more than half of the State health departments are adequately staffed or satisfactorily equipped to render the service which they alone can give regardless of the extent to which local facilities may be developed. Specific reference is made to divisions of vital statistics, laboratories, and sanitary engineering service for the supervision of local water supplies, sewage disposal, and other environmental sanitation activities. At least a third of the States are not now able to promote the establishment of full-time local health departments or to give proper super-

vision to local health work because of the lack of properly trained scientific personnel, capable of performing such duty, on the State health department staff.

Before any real progress can be made in the extension of full-time local health service, there must be created in each State a reserve of trained health officers, public-health nurses, sanitary engineers, and inspectors to fill the positions which will be established in the new units, for in spite of the curtailment of appropriations for health work in recent years there is a shortage of individuals trained for health work. Until the public-health service throughout the country can offer careers which will attract qualified workers and warrant specialized training in colleges, medical schools, and universities, it will be necessary to raise personnel standards gradually. Opportunities for graduate study, extension courses, and demonstrations under experienced officials offered to or required of personnel in office may serve to bring personnel standards to a level of good public-health practice.

PREVENTABLE DISEASES AND MORTALITY ⁶

While it is true that the general death rate and the rates for tuberculosis and infant mortality for the country as a whole declined to the lowest figures on record in 1933, we should not be misled by this fact into the belief that further safeguards of the Nation's health are unnecessary. These death rates do not tell the whole truth. Edgar Sydenstricker recently said:

The plain fact must be faced that notwithstanding great advances in medicine and public-health protection, the American people are not so healthy as they have a right to be. Millions of them are suffering from diseases and thousands annually die from causes that are preventable through the use of existing scientific knowledge and the application of common social sense.⁷

Ample evidence exists to support this sweeping statement. Approximately 120,000 infants under 1 year of age died in 1933. Although our infant death rate has been reduced by half during the past 25 years, many of the leading sanitarians in this country believe that mortality in the infant age group can again be reduced by 50 percent. It is also confidently believed by some of the leading authorities on tuberculosis that the 74,000 deaths which occurred from this disease in 1933 could again be cut in half; and there is good reason to assume that, with proper health protection for pros-

⁶ Much of the factual data used in this chapter has appeared already in the statement submitted by Assistant Secretary of the Treasury Josephine Roche, to the Senate Committee on Finance, on Feb. 4, 1935. *Economic Security Act: Hearings before the Committee on Finance, United States Senate, 74th Cong., 1st sess., on S. 1130 (U. S. Government Printing Office, Washington, D. C., 1935), pp. 374-407.*

⁷ Sydenstricker, Edgar, "Health in the New Deal," *Annals of the American Academy of Political and Social Science*, vol. 176, November 1934, p. 131.

pective mothers, at least two-thirds of the 13,000 mothers who die each year in childbirth could be saved.

Examination of the following table, compiled by the United States Public Health Service from mortality figures of the United States Bureau of the Census, shows that, in spite of the low general death rate, a total of 246,272 deaths occurred in the United States from causes that may be classed as preventable.

Number of deaths in the United States from preventable diseases, 1933

Typhoid fever.....	4,389
Paratyphoid fever.....	84
Typhus fever.....	81
Undulant fever.....	72
Smallpox.....	39
Measles.....	2,813
Scarlet fever.....	2,546
Whooping cough.....	4,463
Diphtheria.....	4,936
Influenza.....	33,193
Dysentery.....	2,814
Erysipelas.....	2,017
Acute poliomyelitis, acute polioencephalitis.....	797
Epidemic encephalitis.....	1,357
Epidemic cerebrospinal meningitis.....	1,482
Anthrax.....	11
Rabies.....	65
Tetanus.....	1,253
Tuberculosis of the respiratory system.....	67,417
Other forms of tuberculosis.....	7,419
Leprosy.....	27
Syphilis.....	11,039
Gonococcus infection and other venereal diseases.....	998
Purulent infection, septicemia (nonpuerperal).....	931
Malaria.....	4,678
Other diseases due to protozoal parasites.....	61
Ancylostomiasis.....	20
Scurvy.....	28
Beriberi.....	1
Pellagra.....	3,955
Rickets.....	339
Pneumonia, all forms.....	86,947
Total.....	246,272

Typhoid fever and diphtheria, both now regarded as diseases easily prevented when known control measures can be applied, each took toll of more than 4,000 lives. Measles and whooping cough, often regarded by the uninformed as simple and relatively harmless diseases of childhood, killed respectively 2,800 and 4,400 in 1933.

So far as the public was concerned, these appalling, unnecessary losses of life went unnoticed, because of the lack of spectacular cir-

cumstances attending their occurrence; yet, had similar losses occurred in a series of single disasters, such as an earthquake or the sinking of an ocean liner, the Nation would have been shocked and our newspapers would have carried front-page headlines for days.

Nor do deaths alone tell the whole story. It is estimated that for each death from typhoid fever there are 10 cases; for each death from diphtheria, 12 cases. Although accurate figures are not available with respect to cases of preventable diseases for the country as a whole (for the reason that reporting of cases is not complete where satisfactory health organizations do not exist), it is believed that a conservative estimate will place the number of cases of typhoid fever at 43,000, and of diphtheria at 58,800, in the United States in 1933.

A recent survey by the Public Health Service showed by actual blood test of only 200,000 people in 11 southern States a total of 14,000 known cases of malaria. This survey was made during the winter, when malaria is least active, and included only school children. It is estimated that in the whole population in the malarious section of the South there are, every year, at the height of the malaria season, probably 6,750,000 cases of malaria. Malaria is still one of the most serious problems of our southern States and further knowledge of control methods is imperative. Here again, the disease is not only of public-health importance but also of economic importance, for each year malaria puts the wage earner out of the position as the supporter of his family and makes both him and his family dependent upon charity for their maintenance.

Three-quarters of a million patients with syphilis seek treatment annually in the United States. Unfortunately, however, largely because they are ignorant of the nature of the disease, because the cost of treatment is high, or because facilities are lacking for the treatment at a cost that can be borne by the patient, more than half of these cases do not obtain treatment during the first 2 years of their infection. This 2-year period is the interval of greatest communicability and is of vast importance in the control of syphilis. Adequate treatment during this time will not only prevent the spread of this disease but will also make possible the cure of the individual. For this reason it is of the utmost importance that adequate treatment facilities for syphilis be made available for all indigent and borderline economic cases in both rural and urban districts of the United States.

The same factors exist in connection with the control of gonorrhea as with syphilis. About 679,000 new cases of gonorrhoea annually seek treatment in this country. This number does not give a true picture of the actual number of gonorrhoeal infections annually because many more patients with gonorrhoea than with syphilis

fail to seek treatment. While the late and crippling manifestations of the gonorrhoeal process are not as marked as in the case of syphilis, the vast prevalence of gonorrhoea makes the disease one of primary importance.

PAST AND PRESENT DEVELOPMENTS OF THE FEDERAL PUBLIC HEALTH SERVICE

The activities of the Public Health Service were established by successive laws enacted by Congress during the period 1799 to 1879. At the beginning of the year 1880 the Service was concerned with the conduct of maritime quarantine, control measures in the case of epidemics, establishment of quarantine regulations for the prevention of the introduction of cholera, collection of sanitary data and publication of the Public Health Reports, and cooperation with State and local authorities in the prevention of the introduction of infectious and contagious diseases.

Because independent studies of yellow fever and other diseases were made necessary on account of their occurrence in epidemic form and because it became apparent that provision should be made for conducting studies relating to public health, the Hygienic Laboratory was established in 1887 for investigations of contagious and infectious diseases and matters pertaining to public health. With the establishment of this laboratory the work of the Service in the field of scientific research had its definite origin. Scientific studies and investigations of yellow fever, cholera, malaria, tuberculosis, pneumonia, and the potency of various gaseous disinfectants were immediately undertaken. In 1901 a Hygienic Laboratory building was provided by act of Congress, and the main work was divided into the four large divisions: (1) Chemical, (2) biological, (3) pharmaceutical, and (4) pathological.

In 1901 the organization of a Bureau division of scientific research was effected. In 1902 another act of Congress required that establishments manufacturing biologic products be inspected by a medical officer of the Service and upon his report, when acted upon by the sanitary board of the Service, is based the decision whether establishments shall be granted licenses for the manufacture of these products.

The Scientific Research Division activities resulted in a gradual but steady increase in work. Among the projects undertaken up to 1912 were investigations into Rocky Mountain spotted fever, special studies of milk in relation to public health, studies of Mexican typhus fever, and sanitary surveys of pollution of navigable waters.

Long-time recognition of the need of additional authority to undertake systematic field investigations of scientific and practical public-

health problems resulted in the act of Congress approved August 14, 1912, when the name Public Health Service was given to the existing services and the powers were broadened as follows:

The Public Health Service may study and investigate the diseases of man and conditions influencing the propagation and spread thereof, including sanitation and sewage and the pollution either directly or indirectly of the navigable streams and lakes of the United States, and it may from time to time issue information in the form of publications for the use of the public.

The enactment of this law marked the beginning of a new epoch in the development of public-health work by the Federal Government. For convenience the organization of the Division of Scientific Research may be divided into two general fields, laboratory stations and field offices, although the activities of the two are so interrelated that no arbitrary boundary can be set.

The laboratory stations carry on research into such problems as stream pollution, Rocky Mountain spotted fever, cancer, public-health relations, coordination of research by public-health officials and other scientists, demonstrations of sanitary methods and appliances, breeding and rearing of pure strains of animals in connection with the control of biologics.

Field investigation offices of the Service are developed and maintained in accordance with the necessity arising in their particular fields of work. These offices are not permanent, but their work may be enlarged or terminated or additional offices established as the demand of research work of the Public Health Service indicates. At present some of the activities are investigations of heart disease, leprosy, malaria, nutritional diseases, plague, child hygiene, milk, public-health methods, industrial hygiene and sanitation, amebic dysentery, encephalitis, and poliomyelitis (infantile paralysis).

There can be no doubt that the knowledge of scientific preventive methods in our possession today, if universally applied, would enable us to go far toward eliminating much of the unnecessary economic loss now chargeable to preventable diseases in this country. That intensive application of known scientific measures for communicable disease control can completely eradicate certain diseases has been demonstrated repeatedly. The complete banishment of yellow fever from the United States, Cuba, and Panama affords an excellent example. Bubonic plague was completely stamped out in San Francisco some years ago through the intensive application of rat control. Many other examples could be cited.

Even in the face of the lack of adequate health service in much of our rural area and in many of our cities, remarkable progress has been made in the reduction of deaths from communicable diseases in the United States during the past half century. Fifty years ago

infectious diseases prevailed to such an extent and were accompanied by such a high case-fatality rate that fifteen-sixteenths of all deaths were chargeable to this group. Today, as a result of only a partial application of known scientific methods, deaths from communicable diseases have dropped to less than 50 percent of the total.

Numerous instances could be cited where intensive health work carried on by county health organizations has reduced sickness and mortality rates. In one county the health department conclusively demonstrated between 1927 and 1932 that maternal deaths could be greatly reduced in number when prenatal cases came under supervision of the department. With only 10.8 percent of mothers under supervision in 1927, the maternal mortality rate (deaths per 1,000 births) was 7.4, whereas in 1932, with 74.1 percent of the mothers under supervision, the rate was 2.2 per 1,000 births.

In another county, in 1911, where typhoid was prevalent, as cooperation of the local, State, and Federal Governments in sanitary improvements proceeded, the incidence of typhoid fever markedly diminished instead of rapidly increasing as usual in early summer. The county health department began full-time operation in 1911 and the average of 3-year annual death rates from all causes during 1912-14 was over 100 deaths less than the number in 1910.

In addition to specific instances of help in localized areas, the Public Health Service has worked on research investigations, either international or interstate in character, or problems of long-time and higher-cost study than States or communities can afford. For instance, the Public Health Service has been engaged in the study of stream pollution and sewage disposal for the past 20 years. The increasing pollution and dumping of industrial wastes into these streams have made it imperative for the Service to investigate the biological facts in connection with stream purification and necessary control of the situation through adequate sewage and waste disposal.

Another problem of importance and one which demands immediate attention is that of mottled enamel, a disfiguring condition of the teeth caused probably by excessive amounts of fluorine in the water supply. The problem is not only one of public-health importance, but also of economic importance, since it may prevent further settlement of rich land areas where the condition is prevalent. A study of the permissible amounts of fluorine in the drinking water and of a method to remove excessive amounts is most urgently needed.

There is probably no field of investigation where there is need for greater development than in industrial hygiene. Not only is every State affected but the great majority of the 48,000,000 persons in this country engaged in gainful occupations are directly or indirectly affected, as are their families. The health hazards of industries are

almost as diversified as are the number of different industries. Here again, the cost of investigations leading to the prevention of incapacitating industrial disease is extremely small compared to the economic values accruing to both industry and the industrial worker. With its limited funds the Public Health Service has contributed considerable aid in this special field. Acting as an impartial fact-finding body its investigations are accepted by the general public and by both labor and industry. Its studies of the health hazards of dusty trades, so far as time and funds have permitted, especially in the field of silicosis, a disease which affects workers in many industries wherever silica is quarried or used, serve as one of the principal guides for the control of the disease in this country.

So far as it has been possible, the Public Health Service has attempted to meet the demands of State health authorities in the investigation of diseases which are interstate in character or which have appeared in epidemic form. The ultimate control of all epidemic diseases, even the more common ones such as measles, diphtheria, and scarlet fever, can come only from continued epidemiological investigations of such diseases and by laboratory studies of the nature of the causative agent and the development of vaccines or serums for their prevention and cure. In 1933 the epidemic of encephalitis at St. Louis resulted in an excellent cooperative investigation under the general direction of the Service with the State, city, and the universities of the city of St. Louis. Besides the pertinent facts gained in the epidemiological survey—of benefit to the entire world—the virus of this disease was for the first time successfully transferred to animals, offering thereby an opportunity for the continued study of the disease in nonepidemic times. Epidemics of infantile paralysis which occur in some State or city almost annually have required Federal cooperation since the preliminary investigation of 1910. From field and laboratory studies in regard to this disease has come a substantial knowledge upon which hope of control and prevention can be based.

Venereal diseases form one of our major social problems in causing disability during the most active years of life as well as contributing substantially to the death rate in the older age periods. The Public Health Service has attacked these problems—first, in aiding States in the development of venereal-disease clinics for the treatment of those already infected, a measure which has been extensively tried out in England with an actual reduction in infected cases in the last few years; second, in cooperative studies on treatment in the cure of syphilis; third, the study of methods of making recently infected cases noninfectious in order to prevent the spread of the disease.

The few brief examples of the type of public-health investigations which are carried on by the Public Health Service do not in any way cover the whole field of public health, nor do they give any evidence of the number of similar problems of equal importance which are now before the Service. They do serve, however, to explain the interstate and national aspects of the investigational work of the Service.

RESPONSIBILITY FOR PUBLIC HEALTH

The protection and promotion of the public health has long been recognized as a responsibility of government—national, State, or local. In the United States, however, this responsibility has not generally been discharged in so systematic or adequate a manner as such other functions of government as the protection of property, the provision of means of communication (highways, postal, and similar services), the administration of justice, and education. There is, in fact, marked inequality of health service now being rendered in different communities, resulting in unequal opportunities for citizens to acquire and maintain health. These differences derive from: (1) Lack of local services for organized health protection; (2) lack of appreciation and understanding on the part of citizens of the measures necessary to preserve and promote individual health; and (3) lack of ability of citizens and communities unaided to obtain needed preventive services. The improvement of economic security in this country requires a comprehensive, Nation-wide program of public health, supported and administered by local communities and by States, financially and technically aided by the Federal Government.

Aside from certain services such as the improvement of a water supply or the provision of safe means of sewage disposal, the improvement of public health depends upon the summation of the improvement of protection of individual health. Health services, therefore, are best rendered on a community basis, localized or individualized to the greatest degree commensurate with economy of administration. The responsibility of government is twofold: (1) It should supply those facilities which can best be maintained on a community basis and which the individual cannot be expected to provide for himself; (2) it should, through mass education, acquaint the citizens with the health problems, the local facilities available, and the advantage to himself and to the community of making early and full use thereof.

BASIC REQUIREMENTS OF LOCAL PUBLIC-HEALTH SERVICES

What, in the opinion of public-health experts, are the basic requirements of public-health services in a community? In the following brief outline and discussion, the standards established by the American Public Health Association have been kept closely in mind.

Nature of Local Organization.—The basis of a satisfactory health service in a community is a well-organized health department, adequately financed, with trained personnel, supported by suitable laws and ordinances, by favorable public opinion, and by all professional groups. Recognition of the need of a large population unit, and the importance of a full-time, trained, administrative head has led away from the establishment of services on the town or village basis to the county or district (city or groups of cities, part of county, or combination of counties) of 50,000 population or more, in a reasonable compass, as the unit of organization.

The basic principles of organization of such service in a community are:

(1) That the health administrative agency be a recognized part of the government of the area and be correlated with the government of the State;

(2) That in view of the responsibilities which must be placed upon the health officer or administrative head of such services, a board of health or advisory council be established as an essential factor in the administrative plan to advise the health officer regarding policies and otherwise to bring a broader community viewpoint to the administration of the service; and that such a board or council include physicians, members of other public-health professions, and representatives of the general public;

(3) That the health officer be (*a*) selected and appointed on the basis of professional qualifications and protected against political interference, (*b*) adequately compensated commensurate with the public responsibilities placed upon him, (*c*) required to devote his full time to the duties of his office, and (*d*) directly responsible either to the board which may have the appointing power or to the chief government executive of the area;

(4) That the major divisions of the department likewise be directed by full-time trained persons responsible to the health officer.

Local Health Services.—The physicians in a community, whether in private offices, clinics, hospitals, or homes, perform a service in the treatment of disease either as individuals or as members of organized groups. This is the usual form of medical care in this country for those able to pay for such services. Because of their training, numbers, and relationships to their clientele, physicians in private practice constitute the group which is potentially most capable of applying the lessons of preventive medicine to the habits and circumstances of the individual. The public generally, however, is not yet accustomed to demand or privately pay for such guidance in the application of preventive medicine to its own or its com-

munity's health problems. The program of local health work must, therefore, provide for activities which will:

- (1) Carry out the legal responsibilities in disease control imposed by law;
- (2) Provide those facilities for institutional care (acute communicable disease, including tuberculosis), laboratory service, and diagnostic aid—services which the individual patient cannot provide for himself alone;
- (3) Stimulate a public demand for services in the prevention of illness;
- (4) Supplement the services of the private physician in the community;
- (5) Aid in developing the interest and ability of physicians to render preventive services in their private practice.

A comprehensive local health program will include services aimed at the control of preventable diseases (the acute communicable diseases, syphilis and gonorrhoea, tuberculosis), heart disease, cancer, industrial disease, and mental diseases; care of crippled children; improvement of nutrition; the promotion of maternal, infant, and other child-health services; the supervision of general sanitary conditions of the community; services for diagnostic aid (laboratory services and expert consultants); and service for the collection, tabulation, and analysis of vital statistics. Health conferences or health-center preventive and medical services conducted by the health department or other agencies in cooperation with medical groups, especially for mothers and children, are justified and desirable as a means of creating a demand for such services, as a practice ground for physicians in the art of preventive medicine, as an agency for inaugurating proper standards for such services, and as a supplement to the preventive services of private practitioners.

Cost of Local Service.—Experience with well-organized and well-administered health services in many county and city departments indicates that an expenditure of \$1 per capita from official funds is required to provide these essential services for community health protection in the minimum effective degree. This minimum cost is based on the assumption that the preventive services by private physicians rendered in their own practice, as above outlined, will be improved and maintained. Many cities and some rural areas have found it desirable and profitable, in terms of increased protection, to develop services in excess of these minimums.

Since, as has been pointed out, the responsibility for the provision and administration of the public-health program rests primarily with the government, it follows that the major support of this service must be met through local taxation. Studies of the ability of counties to meet the cost of health administration from local resources show a wide variation and suggest the need that State governments be prepared where necessary to assist local communities in providing the minimum health program compatible with protection for the State.

Such assistance is already being given to some degree in certain States and takes the form either of supplying service which can be satisfactorily rendered from the State department of health or of direct grants of money (through the State health department) to aid the local program, or both. In addition to the advantage of building up a sound local program, appropriations for State aid exercise a beneficial influence upon the standardization and improvement of the character of local work throughout the State. The need of trained personnel for effective local health work makes it imperative that the State be prepared to assist local communities by furnishing especially qualified persons and by providing special training services as already done in a number of States.

Studies of local health services, both in urban and rural communities, indicate that the minimum essentials of service, as outlined here, will require more than \$1 per capita;⁸ that a comprehensive program will require in addition facilities for the hospitalization of certain acute and chronic diseases. Unusually acute health problems, regional or special problems, or great community interest and demand for service may require additional services not provided in this program and budget. Some cities and rural areas have demonstrated that as much as \$2.50 per capita⁹ can be wisely and profitably expended. In such forward-looking programs, voluntary agencies usually participate to a substantial degree in money support. If we consider, however, \$1 per capita for the field program, aside from institutional facilities and hospital care, the total allotment for public health in the local tax budgets would be \$126,000,000 a year, representing less than a mill on the gross assessed property valuation of \$163,000,000,000 in 1931.¹⁰ It is evident that a reasonable levy over the entire country would yield sufficient funds to carry this minimum program. It is recognized that assessed valuations vary from one period to another in their relation to the true value in different areas, and that the proposal of a specific tax rate to be generally applied has limitations. Considering the problem broadly, the total assessed valuation with specific millage for health purposes is used as a practical and convenient basis of discussion. The problem, however, is one of distribution, since not all communities have sufficient resources to support such a program with a reasonable tax rate. The solution of this problem necessarily rests with the State and the Federal Government.

⁸ American Public Health Association, *An Official Declaration of Attitude on Desirable Standard Minimum Functions and Suitable Organization of Health Activities*, approved on Tuesday, Oct. 10, 1933, Indianapolis, Ind. (American Public Health Association, New York City, 1933).

⁹ Hiscock, Ira V., editor, *Community Health Organization* (American Public Health Association, New York City, 1927).

¹⁰ Bureau of the Census, *Financial Statistics of States* (U. S. Government Printing Office, Washington, D. C., 1931).

The following tabulation indicates for the counties of a southern State the money needed for a minimum health program and the amount which a reasonable tax of 1 mill would yield:

<i>County</i>	<i>Cost of minimum effective local program</i>	<i>Yield of a 1-mill tax levy</i>
A-----	\$22,845	\$17,579
B-----	23,929	15,589
C-----	32,286	19,339
D-----	28,800	15,595
E-----	232,200	273,818
Total-----	340,066	341,920

It is evident that all but one of these counties must have outside assistance even if only minimum health services are rendered locally, for the tax collected within the county boundaries will be insufficient to finance the health program.

Obviously not every community and not every political subdivision is large enough or wealthy enough to equip itself with facilities and personnel to meet satisfactorily its health needs. Many communities, on the other hand, are amply able to provide financial support for their own health programs and to lend assistance to other less able communities. With present methods of travel, there is no isolated part of the country. Communicable diseases may readily and rapidly spread beyond political boundaries. The flow of travel is to the more urban areas which are also more able to provide for an adequate health program. To meet this condition health services are organized on a city, county, or district basis in order to provide a sufficiently large aggregate of population and wealth to support efficient organization. Yet, there are services which the local community cannot and should not provide for itself alone. These needs should be met through assistance from the resources of official State or Federal health agencies or from local voluntarily supplied resources for health service, or both.

Voluntary and nonofficial agencies at present provide approximately one-fourth of the support of all public-health work in the country.¹¹ Such agencies, assisting in the local health program, have grown up more extensively in cities than in rural areas because these areas contain a larger proportion of individuals who are conscious of the acute public-health problems and who also have available funds to support such work. The services which these voluntary agencies render include public-health nursing, promoting health education, maintaining clinics of a public-health nature, initiating

¹¹ White House Conference on Child Health and Protection, *Public Health Organization* (Century Co., New York, 1933).

studies of local problems, and encouraging the maintenance of sound standards. It is believed that the continued participation of voluntary groups in the community health program should be encouraged in order to provide services supplemental to the official activities which the local official agency may not be equipped or ready to render. Usually through their extensive roots in the community the voluntary groups are able to affect public opinion favorably and thus bring support for a well-rounded public-health program which the health officer finds exceedingly helpful. They have further responsibility in aiding the development of new fields of activity beyond the minimum essentials of health service here discussed.

THE FUNCTIONS OF STATE HEALTH DEPARTMENTS

With health services organized and administered locally as discussed above, the function of the State health department becomes that of (1) stimulating local areas to recognize their health problems and (2) organizing the necessary facilities to handle them adequately. The State should assist in providing those services which it is uneconomical for the local community to provide for the sole use of a small population unit. This may include laboratory facilities and special technical services in handling problems of sanitation, water supply and sewage disposal, occupational diseases, facilities for the institutional care of tuberculosis, etc. The State should also provide advisory and supervisory service to the local administrator and through standards of performance of professional service assist the local health officer in keeping local work at an effective level. The training of public-health personnel for work in the local area should be as much a State responsibility as is the training of teachers in education. Only in limited fields and under unusual circumstances should the State department become an agency functioning directly in the local community dealing personally with the public.

Organization of State Health Departments.—The form or organization of State departments of health is similar in character to the local organization already discussed. There should be a well-trained and especially qualified commissioner or State health officer supported by a board of health or advisory council, the members of which should be appointed without political regard and solely for the knowledge which they can bring to bear upon the health problems of the State and their contribution to the solution of these problems. Such a body should assist the State health administration in the formulation of policies and in the preparation of the sanitary code. The bureaus of the State health department should be headed by especially trained and qualified individuals devoting full time to the

service. A plan of organization which has been found effective in practice, and which conforms to the plan of local organization just discussed, would provide for a commissioner of health with a supporting advisory body appointed by the Governor and a department comprising a major division of central administration having to do with the stimulation, guidance, and supervision of county and other local health work. Auxiliary divisions would provide services for the control of preventable diseases including epidemiology, maternal and child health, laboratory service, and sanitary engineering. A division concerned with the collection, tabulation, and analysis of vital statistics completes the organization of the department. As the function of the department is largely advisory and supervisory, the number of subordinate persons needed is relatively small.

Aid to Local Health Services.—Since at the present time less than one-fourth of the counties of the country have organized full-time health departments and nearly 50 percent of the population is without full-time health supervision, State departments have a major responsibility in acquainting local government officials and the public at large with the importance and advantages of effective local health service. It is conservatively estimated that not more than 25 percent¹² of the counties having organized full-time health departments and not more than 50 percent¹³ of the cities have as yet developed their departments to include efficient service in the minimum essentials of health protection and promotion here outlined. The State's responsibility for effective health service extends to such areas as well as to the areas which at present have no organized health departments. In fact, it must assume a continuing responsibility for the stimulation of the local departments to avail themselves of new knowledge of public-health protection.

An equally important function of the State department is that of aiding poorer counties and local areas through direct subsidy to obtain a satisfactory health program. Not all counties within the State will be in position to raise the necessary funds for a satisfactory program from local taxes. It frequently happens that the magnitude of local health problems is overwhelming, and the responsibility for the solution of these problems does not rest entirely upon the local community. The State, then, through its general taxing power, must act as an equalizer and, through services rendered or direct monetary contributions to such areas, or both, insure the conduct of a satisfactory program and the protection of the citizenry as a whole. The precedent for participation of the State

¹² Freeman, A. W., M. D., *op. cit.*

¹³ *Public Health Reports*, vol. 49, no. 39 Sept. 28, 1934, United States Public Health Service.

in the financing of local government is found in the administration of schools and highways.

The guiding and supervisory functions which have already been discussed as responsibilities of the State are much easier and more effectively administered if the State assists the local area financially in carrying its health service. However, not all States are able, within their local resources, to meet the demand of health work, and there is a national problem of adjustment which must be met through Federal aid to States in the organization of State administrative services and in assisting the States to carry the burden of the poorer counties. An analysis of the assessed valuation and the cost of minimum effective health programs of local services by counties shows a tax deficiency in available resources on the basis of a 1-mill tax levy of \$13,409,000 for the country as a whole. States must look to the Federal Government for some assistance in meeting this problem.

Cost of State Health Work.—To carry out the normal functions of a State health department, including the stimulation and guidance of local health work, the State health department will need a staff, in addition to the health officer, of approximately 6 people per 100,000 population. The size of personnel will vary with the area and population density of the State. For example, groups of people in sparsely settled areas will require more personnel per 100,000 population. Such services as are usually provided, excluding institutional care, now require an expenditure of not less than 20 cents per capita. In addition, the State will need funds for aid to local health work on a county basis averaging about \$5,000 per county to cover the cost, in part at least, of those services which are rendered locally but have a definite State implication and provide protection to citizens outside the county. On such a basis of organization, the total cost of State administration throughout the United States is \$40,000,000 (\$25,000,000 for State-administered service plus \$15,000,000 for subsidies to counties) apart from additional subsidies to counties whose residents are too poor to carry the tax burden of the health program. This is an increase of \$26,000,000 over the present expenditure. The need of this increase is better understood when it is realized that only 20 percent¹⁴ of the States at the present time have a program of administration which comprehends the responsibilities of the State department just discussed; and, moreover, several of these programs are at present not adequately financed to permit effective operation. This total cost of State health service, aside from the funds needed to level the inequalities of county re-

¹⁴ *Health Departments of States and Provinces of the United States and Canada*, United States Public Health Service, *Public Health Bulletin No. 184* (U. S. Government Printing Office, Washington, D. C., 1929).

sources, would amount to 32.5 cents per capita for the country as a whole. The average expenditure in 1934 was 10 cents per capita. The range of expenditures is from 1 cent to 43 cents per capita, with only four States appropriating 20 cents or more per capita.

FEDERAL RESPONSIBILITIES FOR THE PUBLIC HEALTH

The policy of leaving to localities and States the entire responsibility for providing even nominal public-health facilities and services has failed in large measure. The uneven development of health service in the United States has resulted largely from expecting local governments to take the initiative in the organization of health activities. An adequate program with the necessary local and State support for public-health services calls for broader planning and more uniform and intensive stimulation of communities and governmental officials to recognize and meet their responsibilities for public health. The Federal Government has a definite responsibility for the protection of all the Nation's population against disease.

The responsibility of the Federal Government for national health is already accepted by the conduct of health activities through several Federal agencies. Furthermore, it is well recognized that the constructive development of public-health work cannot proceed in an effective manner throughout the entire country without assistance from the Federal Government. As has been shown, local and State governments have a great responsibility for the provision of more adequate health service. Public health, a primary government function, has for years received a relatively small share of local, State, and Federal appropriations. Recently, even these modest appropriations and this limited service have been reduced in drastic proportions in many localities. The experience of cities in 1934 shows that health budgets have been reduced on the average about 20 percent from the experience of 1931, reductions varying from 1 or 2 percent to as high as 50 percent. Where this reduction has amounted to 30 percent or more, practically complete breakdown of the public-health protective facilities has resulted. National support of local health activities is indicated as a necessary development to insure that public-health measures may go forward hand in hand with constructive economic measures in meeting the present critical national situation. Though public health, unlike certain of the social problems under consideration at the moment, is not solely an emergency demand but a continuing responsibility, the early development of a reasonably adequate public-health program reaching both the centers of population and the far corners of rural areas is urgently

needed if the people of the Nation are to receive the care which they deserve and which scientific health service will give them.

Such a program of national health service would provide for the coordination of Federal, State, and local funds and activities, the training of necessary administrative and scientific personnel, the setting up of adequate standards of efficient administration, the evaluation of results, the efficient use of Federal, State, and local funds, and the resources of voluntary agencies according to the needs as determined by health and not by political conditions.

The public-health responsibilities of the Federal Government already recognized and to a degree provided for are:

(1) The study of international health conditions and the protection of the country from international hazards to health;

(2) The study of national health conditions and control of interstate transmission of disease by regulation of the movement of persons and goods;

(3) The use of all educational means to promote public interest in disease prevention and control, in safeguarding the lives and health of mothers and children, and in the health of the worker, and in the attainment of more complete physical and mental health;

(4) The promotion of the study of hygiene and public health as a recognized part of education;

(5) The stimulation of States and local governments to organize health activities as discussed to insure more effective service to all people;

(6) The provision of personnel to State and local departments for consultation, education, demonstration, and other technical services (the training of workers for all aspects of public-health service is necessarily a part of this responsibility);

(7) The development and promotion of standards of performance of technical services in the several fields, including general administration;

(8) The conduct and coordination of research in any or all aspects of public health, particularly those problems beyond the capacity of local and State organizations relating to disease prevention, control of the incidence of morbidity and mortality at all ages, the influences—physical, social, economic, and mental—affecting or contributing to a more healthy people;

(9) The provision of direct grants to States to encourage the organization of State and local health services for all people in accordance with current knowledge and to equalize the tax burden of the public-health program.

These responsibilities are now met through the services of a number of different bureaus in several Federal departments. The Federal agencies which have to do, for the most part, with the problems of State and local health work are:

United States Public Health Service,
Children's Bureau,
Bureau of the Census,
The Office of Education,
Food and Drug Administration,
Bureau of Animal Industry.

Other divisions having certain public-health aspects and responsibilities, yet not directly nor uniformly concerned with the promotion

and administration of local health work, are: Bureau of Labor Statistics, Women's Bureau, Employees' Compensation Commission, Consular Service, Office of Indian Affairs, National Park Service, Bureau of Mines, Bureau of Dairying, and the Bureau of Home Economics. These Federal services have grown up in response to the recognized public need and each, within its field, contributes markedly to public understanding and appreciation of health and to the improvement of the national health. With all the public interest over a long period which the present organization of services in the various departments indicates, the Federal responsibility in the specific fields just mentioned is still far from adequately met, owing primarily to lack of resources specifically directed toward the promulgation of a national plan of health services.

It is obvious from the wide responsibilities and their dispersion among many departments that the efficient administration of a national health program under the Federal Government demands the close coordination of these health services. Such coordination can be assured in part through the detail of qualified personnel from the United States Public Health Service and through its study and solution of special health problems which may arise within local departments where the health aspects of the program are subordinate to other considerations. This procedure has already developed with the Bureau of Indian Affairs, Bureau of Immigration, Bureau of Mines, Employees' Compensation, Coast Guard Service, Bureau of Standards, Federal Emergency Relief Administration, and the National Park Service. Many bureaus are deeply interested in various aspects of public-health promotion and protection and are carrying on effective educational and regulatory activities. The precedent of Federal aid to States for State health administration and local public-health facilities has been established in various laws for granting aid and in loans of technical personnel to States and localities.

The Cost of a National Program.—Federal agencies previously mentioned are now spending a total of slightly more than \$5,000,000 in the discharge of their responsibilities directly related to public health. The Federal agencies primarily concerned with public health need far more funds than heretofore provided for trained personnel to be made available to States or local areas for the purposes of demonstration and initiation of work to inaugurate the enlarged State program discussed. The appropriations for further research activities by the United States Public Health Service and the United States Children's Bureau have been grossly inadequate. The more important of these problems arise:

(1) As requests for aid from State health officers, for problems usually interstate in character, such as malaria, typhus fever, Rocky Mountain spotted

fever, industrial hygiene, stream pollution, milk sanitation, public-health methods, statistical, dental, and nutrition studies.

(2) As a result of the requirements placed upon the Public Health Service by law, such as the control of biological products, development of standards and of new biological products.

(3) Within the Public Health Service to meet a national emergency of the future or other changing conditions, such as sewage disposal, water purification, cancer investigation, and public-health education.

(4) In the fields of maternal and child hygiene, including studies of mortality, growth, development, and diseases of children, mental health, and the relation of economic and industrial conditions to the health and welfare of children and mothers.

This research work is an integral part of the national plan of public-health services since the investigations undertaken are essentially concerned with problems of a regional or interstate character. The solution of these problems is not only of national significance but of vital importance to the State health officers in allowing them to utilize fully the State and Federal funds available to them in the prevention and control of disease, the improvement of the environment, and the promotion of health. The majority of such research problems come to the Public Health Service from the health authorities of the several States.

PUBLIC-HEALTH PROVISIONS OF THE SOCIAL SECURITY ACT

Recognizing the role of sickness as a cause of insecurity, the prevention of disease as the most humane and the least expensive method of dealing with this cause of insecurity, and the need for extension of Federal, State, and local public-health service, Congress authorized an appropriation for public-health purposes in the Social Security Act. For the fiscal year ending June 30, 1936, and annually thereafter the sum of \$8,000,000¹⁵ was authorized for allotment to assist States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work.

The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, is made responsible for the administration of these grants to States. After consultation with a conference of the State and Territorial health authorities, he will determine the rules and regulations for the allotment of the State grants. The amounts allotted will be based upon the popula-

¹⁵ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$3,333,000 for the remainder of the fiscal year ending June 30, 1936.

tion, the special health problems, and the financial needs of the respective States.

Prior to the beginning of each quarter of the fiscal year the Surgeon General will determine the amount to be paid the State for the quarter and will certify this amount to the Secretary of the Treasury. The grants after certification will be paid through the Division of Disbursement of the Treasury Department, prior to audit or settlement by the General Accounting Office. If any part of the grant to any State remains unpaid at the end of a fiscal year, the unexpended balance due a State will be held available for disbursement to the States in the next fiscal year in addition to the amount appropriated for the new period.

The Federal funds granted to States under the provisions of title VI are to be expended solely for establishing and maintaining adequate public-health services and for the training of personnel for State and local health work.

The Surgeon General proposes to use the funds for Federal grants to the States for the following purposes:

- (1) To strengthen service divisions of State health departments;
- (2) To assist in providing adequate facilities in State health departments especially for the promotion and supervision of full-time city, county, and district health organizations;
- (3) To give, through the State health departments, direct aid toward the development and maintenance of adequate city, county, and district health organizations;
- (4) To assist in developing trained personnel for positions to be established in the extension of city, county, and district health organizations;
- (5) To provide, through the State health departments, aid in the purchase of biological products and other drugs needed for individual immunization and other preventive activities among the poor.

While it is considered unlikely that all of that part of the \$8,000,000 allocated to aid of State and local health organizations which would be used for the development and maintenance of full-time county or district health units could be utilized satisfactorily in the organization of such units during the first year, it is proposed that the funds available for this purpose could be used to great advantage temporarily to aid the most needy of the 2,000 counties now without any health service whatever in providing at least a public-health nursing service until adequate full-time health service under full-time specially trained medical health officers can be established.

It is further proposed that funds will be allotted to the States on the basis of budgets showing contributions from State and local sources for each project for each year, and that the maintenance of certain generally accepted standards of personnel qualifications and service will be required.

Under the Surgeon General's regulations for the fiscal year 1936,¹⁶ for the allotment of State grants on the basis of (1) population, (2) special health problems, and (3) financial needs, the following apportionment has been made: 57.5 percent of the total sum available for the year 1936 will be allotted on a per-capita basis; 22.5 percent of the total sum will be allotted to the several States on a basis of special health problems; and 20 percent of the total sum for 1936 will be allotted to the States on a basis of financial need.

Payments to aid existing State or local projects will not replace State or local appropriations already made for such projects but will supplement such appropriations.

Payments to States from the fund to be allotted on the basis of population (1930 census) fall under two classifications: (1) One-half of the amount thus apportioned will be used to match (dollar for dollar) existing appropriations of public funds within the State for public-health work. (2) One-half of the apportioned sum will be used to match (dollar for dollar) new appropriations or appropriations made for the specific purpose of matching funds to become available under the Social Security Act, subject to modification by the Surgeon General where States already have made substantial appropriations.

Payments to States from the fund to be allotted on the basis of special health problems fall under two classifications: (1) For special health needs, to include unusual exposure throughout the State to public-health hazards as in the case of certain types of epidemics or special industrial hazards, 10 percent of the entire appropriation for payments to the States will be allotted to be matched (dollar for dollar) by the States. (2) The remaining apportionment to be used for payments to the States on the basis of special health problems will be allotted, in accordance with the needs of the several States, for the training of personnel, establishment of suitable training centers, and payment of living stipends, tuition, and traveling expenses of trainees. The States will not be required to match these payments.

Payments to the States from the sum apportioned to be allotted on the basis of financial need fall under two classifications: (1) One-fourth of the amount will be used for payments to the 51 State and Territorial health jurisdictions to which the act applies to assist in providing leadership and administrative guidance in the effective use of Federal aid. The States will not be required to match these payments. (2) Three-fourths of the allotment will constitute an equalization fund to be used in assisting States most in need of

¹⁶ "Regulations Governing Allotments and Payments to States from Funds Appropriated Under the Provisions of Section 601, Social Security Act, for the Fiscal Year 1936", *American Journal of Public Health*, vol. 26, no. 1, January 1936, pp. 59-62.

financial aid. These funds are to be used for local health services exclusively. State financial participation is not required.

In addition to the amount authorized for aid to the States, the Social Security Act authorizes an appropriation for the extension of public-health investigations by the Public Health Service. An annual appropriation of \$2,000,000¹⁷ was established for each fiscal year beginning with 1935-36, to be expended by the Public Health Service for investigation of disease and problems of sanitation and for the pay, allowances, and traveling expenses of commissioned officers and personnel of the Public Health Service engaged in such investigations or detailed to cooperate with the health authorities of any State. Other personnel of the Service may also be detailed to assist in this investigation or cooperation with the States, and the account from which they are paid may be reimbursed from the \$2,000,000. The act provides, however, that a request for Federal cooperation with a State must come from the proper State authorities before personnel may be detailed from the Federal Service to assist a State in the extension of its public-health work.

The Surgeon General of the Public Health Service proposes to use this annual appropriation of \$2,000,000 for the following purposes:

- (1) The employment of personnel necessary to maintain supervision and guidance over the expenditure of funds annually allotted to the States, and in such manner to render assistance to them in the continuous and steady development of State and local health services;
- (2) The employment of professional, technical, and other personnel necessary to conduct the investigational work of the Public Health Service;
- (3) The extension and broadening of the investigative work of the Service in relation to investigations of diseases, sanitation, and matters related thereto.

The major portion of the investigative work arises from three general sources:

- (1) From problems which are interstate in character and which are brought to the Service by State health officials, through the cooperative work of the Service with the States.
- (2) From problems which arise within the Service as a result of the responsibilities placed upon it by law, as, for example, the development of biologic standards in connection with the control of biologics.
- (3) From problems which the trends of public health indicate will be of national or international importance in both the fields of environmental sanitation and the control of disease.

¹⁷ The Social Security Act was not approved until Aug. 14, 1935, and the supplemental appropriation bill, fiscal year 1936 [H. R. 9215], failed of passage in the first session of the Seventy-fourth Congress. The Supplemental Appropriation Act, fiscal year 1936, Public, No. 440, 74th Cong., 2d sess. [H. R. 10464], approved Feb. 11, 1936, included an appropriation of \$375,000 for the remainder of the fiscal year ending June 30, 1936, for the purposes of section 603 of the Social Security Act, section 1 of the act of Aug. 14, 1912, and section 6 of the act of Aug. 23, 1912 (31 U. S. C., § 669).

It is evident, therefore, that to a large extent this investigative work of the Public Health Service is noncompetitive with the research work of universities or States.

It should be clearly understood that the additional funds which are appropriated do not mean so much the development of new fields of investigational work in the Public Health Service as (1) the opportunity for a more immediate and broader study in the fields of work which the Service is at present carrying on, and (2) undertaking problems of the greatest national importance which hitherto have been refused or delayed because of the lack of necessary funds.

It would seem a corollary that the full benefits of the funds allotted to the several States for the promotion of public health cannot be achieved if the public-health problems with which these States and their local subdivisions have to deal are not studied coincidentally and the information given to the health authorities of the States.¹⁸

In connection with the administration of the funds authorized by the Social Security Act for aid to States and the extensive research activities to be carried on by the Public Health Service, it will be necessary to have additional medical, sanitary engineering, and other officers. The number of officers already in the Public Health Service who have the required training in public-health work and research methods will be entirely inadequate to meet the immediate demand for personnel of this type. The Public Health Service, therefore, must plan to obtain from outside sources the highly specialized, thoroughly trained, medical, engineering, and other officers of ability that will be needed. It will be impossible to attract personnel of this type to the Service unless they can be offered either larger salaries than they are now receiving or other inducements. The advantages of a career in the Public Health Service in a commissioned status will, it is believed, attract, at much lower entrance salaries, many individuals who otherwise would not be interested. This will enable the Public Health Service to obtain at once the desired personnel at much lower cost to the Federal Government, probably as much as one-third less. Officers commissioned in the Service now would not for several years receive salaries equaling those being paid to individuals of comparable ability in many State and local health departments. The technical and clerical personnel added to the Service under the authority of the Social Security Act will be drawn from the civil-service eligible lists.

¹⁸ Statement of Josephine Roche, *Hearings Before the Committee on Finance, United States Senate, 74th Cong., 1st sess., on S. 1130* (U. S. Government Printing Office, Washington, D. C., 1935), pp. 386-387.

Part VI

THE NEED FOR FEDERAL SUPPORT
OF SOCIAL SECURITY PROGRAMS

Part VI was prepared by Joseph P. Harris

Chapter XIX

THE NEED FOR FEDERAL SUPPORT OF SOCIAL SECURITY PROGRAMS

THE MAGNITUDE and diversity of need for economic security and the meagerness of protection offered in the United States against the hazards of dependency and destitution clearly point to the need for Federal participation in a program to promote the general welfare of the people of the country. With the change from an agricultural to an industrial economy proceeding at different rates in the several States and even in various counties of the same State, public-welfare provisions have developed unevenly throughout the country. This results not so much from backwardness or lack of social consciousness in some sections as compared with others, but from the unevenness of distribution of the national wealth and income. An examination of Federal emergency relief expenditures by States gives conclusive evidence of the differences in the ability of States and sections of the country to provide for their destitute residents. It is also evident from a study of revenues and expenditures that the costs of public welfare, even without the catastrophe of the depression, have rapidly grown beyond the financial capacity of State and local governments with their limited taxing powers. It is therefore of interest to analyze the trend of expenditures for public welfare and to examine the financial conditions of local and State government units from the standpoint of their tax revenues, their expenditures, and their indebtedness.

EXPENDITURES FOR PUBLIC WELFARE

Until a few years ago, public expenditures for ordinary welfare activities¹ in the United States were very small. Definite figures for the entire country are not available, but from estimates which

¹By "ordinary public-welfare expenditures" is meant expenditures for charitable institutions, outdoor relief, welfare departments, and part of the health, hospital, and correctional expenditures which may be regarded as public welfare. It does not include expenditures for military veterans.

have been made by Prof. Clarence E. Heer, expenditures for ordinary welfare activities for all units of government were as follows:²

Year	Amount (thousands)	Percent of national income	Percent of total cost of government	Year	Amount (thousands)	Percent of national income	Percent of total cost of government
1903.....	\$105,860	0.52	6.7	1923.....	\$372,291	0.54	3.63
1913.....	182,587	.55	9.25	1928.....	535,459	.64	4.29
1918.....	250,044	.44	(¹)				

¹ Any computed percentage would be meaningless owing to abnormal World War costs of government.

It is particularly significant that the ratio of the expenditures for ordinary welfare purposes to the national income remained fairly constant during the first quarter of the century, amounting to approximately one-half of 1 percent. In comparison with the total cost of government, however, welfare expenditures showed a considerable decline, dropping from slightly under 7 percent in 1903 to about 4 percent in 1928.

Since 1928 there has been a very great increase in public expenditures for welfare work. Most of this increase has come since the depression and in large measure is a result of the depression. As would be expected, such statistics as are available for recent years show an extraordinary increase. Many of our large cities met the problem of destitution in the early years of the depression by increasing the expenditures for charities enormously. Municipal expenditures for charities in cities of 300,000 population and over in the United States increased from \$22,000,000 in 1924 to \$114,000,000 in 1932.³ Some of these cities, however, have curtailed their expenditures for welfare purposes very sharply since the Federal Government entered the field of unemployment relief. As a specific illustration, Cincinnati spent \$52,000 for charities in 1928, \$900,000 in 1931, \$600,000 in 1932, but only \$55,000 in 1933.

As a further illustration of the trend of increased local expenditures for social work, the city of Boston spent \$4,768,000 for charities and hospitals in 1929, and spent approximately \$16,000,000 in 1933 and in 1934. The expenditure for charities and corrections by the counties of the State of Wisconsin totaled \$6,390,000 in 1924. By 1928 the figure had increased to \$8,583,000 and by 1932 to \$17,331,000, or nearly three times the expenditures of 1924. Milwaukee County had an expenditure of less than \$3,000,000 in 1928 for social work,

² Heer, Clarence E., University of North Carolina, *Trends in Public Welfare Costs, 1931*. (Unpublished manuscript.)

³ From the reports of the U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of Cities*.

whereas it increased the amount to approximately \$6,000,000 annually for 1931 and the following years. The counties of California spent \$12,285,000 for charities in 1924, about \$20,000,000 in 1928, and \$32,000,000 in 1932. The counties of the State of Washington spent \$1,250,000 for relief and charities in 1923 (not including hospitals or corrections), and approximately \$4,000,000 in 1933. In 1932 the counties of Washington spent over \$7,000,000 for public charities, but the total dropped off in the following year with the establishment of the State Emergency Relief Administration.⁴

These few figures show the rapid rise in public expenditures by local units of government for social work since 1920. They show also a tendency to decline within the last year or two, in part because of Federal expenditures for unemployment relief, but also because of the financial difficulties in which many local governments have found themselves during the last several years.

The largest present expenditure by far for public charity comes under the classification of unemployment relief, financed partly by the Federal Government and partly by the State and local governments. The total expenditures in 1933 for this purpose, including local, State, and Federal Governments and including the expenditures for unemployment relief and civil-works administration, amounted to \$967,000,000, while the total for 1934 was approximately \$1,887,000,000. These figures, of course, are much larger than the total expenditures for ordinary welfare purposes and have caused considerable apprehension. Those who fear the consequences of such large expenditures have raised the question, "Where is the money coming from?"

However, even including emergency relief, expenditures for welfare purposes in the United States are not large when compared with those of Great Britain. Great Britain, with a population of only about one-third of ours, spent for public charity and social insurance, including old-age pensions, unemployment insurance, and health insurance, a total of \$1,369,000,000 in 1932.⁵ If health insurance is omitted, the expenditure was approximately \$1,200,000,000. A similar expenditure in the United States in proportion to population would run about \$4,000,000,000 annually. In 1933, while \$25,000,000 was spent in the United States for old-age assistance, Great Britain spent nearly \$400,000,000 for the aged through noncontributory and contributory pensions. In order to provide as adequately as Great Britain for the aged, we would need to spend annually about \$1,200,000,000 for this purpose.

⁴ These figures have been compiled from the State and local financial reports in connection with studies of the financial abilities of counties of Wisconsin and Washington.

⁵ Compiled from the *Statistical Abstract for the United Kingdom, 1934*, and the *Abstract of Labour Statistics of the United Kingdom, 1919-33*.

It is inevitable that future public-welfare expenditures in the United States will be considerably larger than they have been in the past. For a quarter of a century prior to the depression the public expenditures for social work amounted to only about one-half of 1 percent of our national income, but in the future we will undoubtedly have to contribute a much larger share of our national income for this purpose. Even assuming the return of a high degree of prosperity, a large number of our population may nevertheless be unemployed and destitute. The financing of public assistance in the future constitutes our largest problem of public finance. Only one aspect of this problem is discussed here, namely, the need for Federal aid.

It is often stated that the care of the poor is a function of the local community, and that accordingly the Federal and State governments should provide financial support only when it becomes imperative. This theory of exclusive local responsibility for public-welfare activities does not fit into the economic and social structure of society today. The local community is no longer a self-contained unit. Our economic life overflows our political boundaries of townships, municipalities, counties, and States. Destitution today arises from causes with which the local community is powerless to deal, and creates financial obligations beyond the capacity of the local resources. The whole problem of financing public-welfare activities needs to be considered in the light of present conditions.

THE FINANCIAL CONDITION OF LOCAL UNITS OF GOVERNMENT

Public welfare has been historically a concern of the local government in the United States. The States have confined their charitable activities largely to the institutional care of special classes of mental and other defectives requiring specialized treatment which the local units were not able to provide. Within recent years State subsidies for special types of charity, such as old-age assistance, aid to dependent children, and unemployment relief have been provided. But public assistance has been regarded as a community rather than a State responsibility. In New England the municipality is entrusted with the function of poor relief, but in many other parts of the country it is the function of the county or the township. In a few States the municipalities and the counties share the responsibility.

Table 68 indicates the status of financial responsibility (as of Aug. 1, 1935) for old-age assistance, blind assistance, aid to dependent children in their own homes, and institutional or other

care of dependent children in the several States. The checks in the columns of the table signify that the State, county, and other local units, respectively, assume all or a part of the financial responsibility for the welfare activity listed. Table 69 gives in a different form the distribution of financial responsibility for public-assistance measures in States. Local political subdivisions of the State now

TABLE 68.—*Statutory placement of financial responsibility for various welfare activities in the several States, Aug. 1, 1935*

State	State				County				Other local units			
	Old-age assistance	Aid to the blind	Aid to dependent children	Institutional care of dependent children	Old-age assistance	Aid to the blind	Aid to dependent children	Institutional care of dependent children	Old-age assistance	Aid to the blind	Aid to dependent children	Institutional care of dependent children
Alabama								X				
Arizona	X		X	X	X							
Arkansas	X	X	X	X			X					
California	X	X	X	X	X	X	X	X			X	X
Colorado	X	X	X	X	X	X	X	X				
Connecticut	X	X	X	X			X	X			X	X
Delaware	X		X	X			X	X				² X
Florida	X				X	X	X					
Georgia								X				
Idaho					X	X	X	X				
Illinois	X	X	X	X	X	X	X	X				
Indiana	X	X			X		X	X				X
Iowa	X			X		X	X	X				
Kansas						X	X	X				
Kentucky				X	X	X	X	X				
Louisiana			X							X	X	
Maine	X	X	X	X					X	X	X	X
Maryland	X			X	X		X	X	³ X		³ X	X
Massachusetts	X		X	X					X		X	X
Michigan	X	X		X		X	X	X				
Minnesota		X	X	X	X		X	X	X			
Mississippi								X				
Missouri	X	X		X			X	X			⁴ X	X
Montana	X			X	X							
Nebraska	X			X		X	X	X				
Nevada				X	X	X	X	X				
New Hampshire	X	X	X		X	X		X				X
New Jersey	X			X	X	X	X	X		X		X
New Mexico			X	X			X	X				
New York	X				X	X	X	X	X	⁵ X	⁵ X	X
North Carolina			X				X	X				
North Dakota	X						X	X				
Ohio	X					X	X	X				
Oklahoma		X		X		X	X	X				
Oregon	X		X	X	X		X	X				
Pennsylvania	X	X	X	X	X	X	X	X				⁶ X
Rhode Island	X		X	X					X		X	X
South Carolina								X				
South Dakota							X					
Tennessee				X			X	X				
Texas				X			X	X				
Utah					X	X	X	X				
Vermont	X		X	X							X	X
Virginia			X	X			X	X			X	X
Washington	X		X			X	X	X				
West Virginia				X	X		X	X				
Wisconsin	X	X	X	X	X	X	X	X	X			
Wyoming	X	X		X	X		X	X				

¹ Actually administers institutional care.

² City of Wilmington.

³ City of Baltimore.

⁴ City of St. Louis.

⁵ City of New York.

⁶ Poor districts.

SOURCE: Works Progress Administration, *Legislative Trends in State and Local Responsibility for Public Assistance, Aug. 1, 1934, to Jan. 1, 1936* (Mar. 1, 1936), table IV.

assume full responsibility for old-age assistance in 6 States, for aid to the blind in 13, for aid to dependent children in their own homes in 26, and for institutional or other care of dependent children in 14. Responsibility for public-assistance measures is shared by State and local governments for old-age dependents in 17 States, for blind in 9, for aid to dependent children in 17, and for other care of dependent children in 27.

TABLE 69.—*Distribution of financial responsibility, August 1935*

Form of aid	Number of States				Total
	Full State responsibility	Responsibility shared	Full local ¹ responsibility	No provision	
Old-age assistance.....	12	17	6	13	48
Aid to the blind.....	6	9	13	20	48
Aid to dependent children.....	2	17	26	3	48
Other care of dependent children.....	4	27	14	3	48

¹ Any political subdivision of a State.

SOURCE: Works Progress Administration, *Legislative Trends in State and Local Responsibility for Public Assistance, Aug. 1, 1934, to Jan. 1, 1936* (Mar. 1, 1936), table II.

Since the local units of government are considered to have the primary responsibility for public-welfare activities, and in the past have spent by far the larger part of all State and local expenditures, it is important to examine their financial conditions and abilities to ascertain whether they will be able to carry on their ordinary welfare activities on the present basis in the future, and increase their contributions to old-age assistance, aid to dependent children, and aid to the blind.

Prior to 1932, local governments carried the entire cost of public unemployment relief, except for State aid in four States in 1931. By 1934 they were contributing part of the funds in all but a very few States. During the year ending September 30, 1934, they contributed \$196,500,000, or 16.8 percent of the total unemployment relief cost, and 10.3 percent of the combined expenditure for unemployment relief and civil-works administration (not including supplies of the latter).

It would be conservative to estimate that the revenues of the local units of government for the entire country declined 25 percent between the calendar years 1931 and 1933, at the very time that relief costs were mounting. The trends within the last 3 years may be summarized as follows: (1) local governments are in much worse financial condition at the end of the period, with increased indebtedness, funded and floating, with former reserves wiped out, and many sinking funds depleted to tide over the lean years; (2) local services

have been drastically curtailed, for example by closing public schools or shortening their terms, dismissing public employees, reducing such services as recreation, health, playground, park, and library, now more needed than ever before, and impairing protective services; (3) because of the imperative need, expenditures for relief purposes have been increased at the expense of the other services of the city, and funds for this purpose have been raised by methods of financing which have brought many local governmental units into unsound positions; and (4) the salaries of public employees have been substantially reduced.

Tax Revenues and Assessed Valuations.—The total revenue receipts of all local governments in 1932 amounted to \$6,643,982,000, of which the tax receipts constituted \$4,715,897,000.⁷ Since the nontax revenues, such as subventions from the State, earnings of public-service departments, and departmental services and fees, would not be available for new social services, only tax receipts need be considered. Of the total tax receipts of local units of government in 1932, \$4,361,307,000, or 92.5 percent, came from the general property tax. In the years 1932 and 1933, when industrial activity reached its lowest point, and the relief burden increased so rapidly, tax receipts from general property dropped very substantially throughout the country. Assessed valuations, which until this time had not been lowered to correspond with the decline in real and personal property values, were very materially lowered in most sections of the country. To top it all, a group of States adopted severe general property tax limitation measures, thus further reducing this almost exclusive source of revenue of local governments.

The situation has not grown much better with the improved conditions during 1935. Although property tax collections are gradually improving, many local governments have been operating with large deficits for a number of years, and very substantial improvements in tax collections are needed. Some of these deficits have been cleaned up temporarily by funding them through long-term bonds, but the debts and debt charges of local governments have been increased very materially at the very time when sources of revenue were declining. This will cause trouble in the future. The only thing which has saved the local governments from financial collapse has been the Federal assumption of a large part of the responsibility for providing unemployment relief.

Too much emphasis cannot be placed upon the fact that the local units of government are supported almost entirely by taxes on general property, a form of taxation which cannot be expanded

⁷ Unless otherwise noted, the 1932 figures on local governmental finance are taken from U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of State and Local Governments: 1932* (U. S. Government Printing Office, Washington, D. C., 1935).

further to take care of new costs of government. While the statement that the general property tax has "broken down" is an exaggeration, for it is still our principal tax, nevertheless, it would be foolish not to recognize its limitations. It has often been pointed out that although the general property tax was fairly well suited to the economy of a hundred years ago, it is not so suitable today. Assessable general property no longer represents the bulk of existing wealth, and is no longer a fair measurement of ability to pay. Equally important is the fact that the cost of government has increased greatly, and too great reliance upon one source of revenue, such as the general property tax, inevitably has brought about resistance to this form of taxation. A third factor, perhaps more important than the others, has been the constant increase of property values in the past, which has made it possible to collect high property taxes. The general property tax has required the land owner to share with society the unearned increment of his property caused by the rise in land values, which prevailed over a long period of time.

The increase in assessed valuations for the entire country has been as follows:

<i>Year</i>	<i>Assessed property valuations</i> ^s
1860-----	\$12, 084, 560, 000
1880-----	17, 139, 903, 000
1902-----	35, 338, 317, 000
1912-----	69, 452, 936, 000
1922-----	124, 616, 675, 000
1932-----	163, 317, 104, 000

The assessed valuations in 1930 amounted to \$167,562,315,000, or about 43 billion dollars more than in 1922. During the first two decades of the century, assessed valuations were increasing at the rate of about 100 percent each 10 years.

Table 70 shows in more detail the assessed valuations and general property tax receipts in 1922 and 1932.

The statistics of the city of Detroit, shown in Table 71, while not entirely typical, nevertheless indicate the trend of assessed valuations and tax levies in metropolitan areas.

It is of note that in 1915, when Detroit had slightly less than 700,000 population, its assessed valuation was only \$554,382,000. By 1930 the population had more than doubled, but the assessed valuation had increased to \$3,774,861,000, or 681 percent of the 1915 figure.

^s U. S. Department of Commerce, Bureau of the Census, *Wealth, Public Debt, and Taxation: 1922; Assessed Valuation and Tax Levies* (U. S. Government Printing Office, Washington, D. C., 1924), p. 14; U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of State and Local Governments: 1932, op. cit.*, p. 6.

The net increase amounted to \$3,220,479,000. The total taxes levied on general property during the period amounted to \$739,806,000, or 30 percent of the increase in assessed valuation. Owners of property could stand a tax of about 2 percent of assessed valuation annually upon property which was increasing in value at a much more rapid rate.

TABLE 70.—Assessed valuations and general property-tax receipts of local units of government, 1922 and 1932

Year	Assessed valuation		General property tax receipts		
	Amount	Per capita	Amount	Per capita	Percent of assessed valuation
1922.....	\$124, 617, 000, 000	\$1. 104	\$2, 973, 000, 000	\$26. 33	2. 39
1932.....	163, 317, 000, 000	1, 311	4, 361, 000, 000	35. 03	2. 67
Increase, 1922-32.....	38, 700, 000, 000	207	1, 388, 000, 000	8. 70	. 28
Percent increase.....	31. 1	18. 8	46. 7	33. 0	11. 7

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Wealth, Public Debt, and Taxation: 1922; Taxes Collected* (U. S. Government Printing Office, Washington, D. C., 1924); U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of State and Local Governments: 1932, op. cit.*

TABLE 71.—Trend of population, assessed valuation, and tax levy, city of Detroit, 1915-34

Year	Population	Assessed valuation		Tax budget		
		Amount (in millions)	Per capita	Amount (in millions)	Per capita	Percent of assessed valuation
1915.....	673, 498	\$554	\$823	\$13. 1	\$19. 46	2. 36
1920.....	993, 687	1, 698	1, 709	35. 1	35. 31	2. 07
1925.....	1, 246, 044	2, 758	2, 213	56. 2	45. 11	2. 04
1930.....	1, 573, 985	3, 775	2, 398	76. 1	48. 33	2. 02
1934.....	1, 573, 985	2, 251	1, 430	55. 5	35. 26	2. 47

SOURCE: Upson, Lent D., *Growth of City Government of Detroit, 1931*, and later statistics supplied by the Detroit Bureau of Governmental Research.

But between 1930 and 1934 assessed valuations dropped as rapidly as they had risen. Detroit suffered a decline of \$1,523,456,000 in assessed valuations, and doubtless the market value of property in the city declined substantially more. The tax levy also declined, but not as rapidly as assessed valuations. The tax levy in 1934 amounted to 2.47 percent of the assessed valuations, which is considerably higher than for any of the other years listed.

A similar decline in assessed valuations had taken place generally throughout the country. Governor Horner, in his message to the Illinois Legislature on November 19, 1934, pointed out that assessed valuations in Illinois had dropped from \$8,500,000,000 in 1930 to a little more than \$5,500,000,000 in 1933, a decrease of 35 percent, or almost exactly the rate of decrease in Detroit. In Wisconsin the assessed valuations declined from \$5,975,952,000 in 1929 to \$4,262,704,000 in 1933, a decrease of \$1,713,248,000, or 29 percent. It is probably safe to assume that assessed valuations throughout the country have declined by at least 25 percent since 1930, and that property values have declined by a substantially larger amount. Under these conditions, it is quite obvious that the general property tax will have great difficulty in standing up during a period of declining or even stationary valuations. Not only is it incapable of expansion to meet new needs, but it will have to be supplemented by other sources of revenue to carry on the ordinary functions of government.

Tax Delinquency.—With the decline in assessed valuations has come an increase in tax delinquency. A comprehensive survey of tax delinquency, made by the United States Bureau of the Census, showed that on December 31, 1933, the outstanding uncollected and delinquent taxes of the current levy made in 1932–33 (not including delinquencies against former levies) amounted to \$909,465,000, or 20.6 percent of the current tax levy of \$4,414,187,000.⁹ This survey covered all units of government for the entire country for which data were procurable, with estimates for the remainder. The rate of delinquency varied widely from section to section, and from State to State, ranging from 6 percent in Massachusetts, 7 percent in Louisiana, and 8 percent in Wyoming, to 40 percent in Michigan, 37 percent each in Illinois and North Dakota, and 36 percent in Florida. New England generally had the lowest rate of delinquency, with an average of only 8.5 percent, while the East North Central States (Ohio, Indiana, Illinois, Michigan, and Wisconsin) had the highest average delinquency, 34 percent. The other geographical divisions (except the East South Central with a delinquency of only 12.5 percent) had about the same average as that for the entire country, though there was considerable variation from State to State within the same geographical division. It should be borne in mind that these figures are averages for an entire State or for a group of States, and that the tax delinquencies for particular cities, counties, or school districts varied much more widely.

⁹ All statistics on tax delinquency are taken from the mimeographed report of the U. S. Department of Commerce, Bureau of the Census, *Current Tax Delinquency*, prepared under the supervision of Dr. Lent D. Upson, 1934.

A study of the trend of tax delinquency, involving about one-third of the property tax levies of the country, showed the following percentages of the current levy delinquent one year after it became due and payable:

<i>Year of levy:</i>	<i>Percent of current levy delinquent at the end of 1 year</i>
1928-29	5.95
1929-30	6.41
1930-31	8.64
1931-32	12.68
1932-33	17.02

In many communities the problem of tax delinquency is much more severe than the above average figures for the entire country would indicate. These figures show only current delinquencies and not the accumulated delinquency, which in many communities exceeds the annual levy. In many rural sections, particularly timber and cut-over lands, studies indicate that large solid areas, sometimes almost whole counties, are now tax delinquent and are approaching the time of foreclosure.

Tax Limitations.—A widespread movement has grown up within recent years to place definite limits upon the tax rate which may be levied upon general property. Although property tax limitations have been utilized very widely by many States throughout the country for years, the present movement involves much more drastic over-all limitations. Five States (Ohio, West Virginia, Michigan, New Mexico, and Oklahoma) have recently amended their constitutions to adopt tax-limitation measures. Indiana and Washington have adopted recent tax-limitation measures by statute. Similar movements are under way in many other States, and such limitations will probably spread. In 1934 Florida adopted by a heavy majority an amendment exempting homesteads up to a \$5,000 valuation from ordinary taxes. Similar proposals are being made in other States, the net effect of which will be to reduce greatly the revenue from general property taxes.

The past experience of this country with fixed property limitations has been very unsatisfactory. The assessed valuations vary so widely within a State that a maximum rate suitable for one community will force other local governments to discontinue essential services, while some units with high assessed valuations will not be affected at all. Tax-limitation measures in the past have caused local governments to resort to unsound financial practices, such as increased borrowings, temporary loans, and emergency appropriations for ordinary activities, until the financial structure of the government was very badly strained, and the limitation was modified.

Despite this experience, the protest against the general property tax is so insistent that it may be expected that such limitation measures will be adopted more widely. The only thing which will forestall such adoptions will be the voluntary reductions of general property tax levies. Homestead exemption measures, such as adopted in Florida, threaten to destroy the general property tax as a major source of revenue for local governments.

The cumulative effect of (1) lowered assessed valuations, (2) lowered property tax rate limitations, and (3) tax delinquency is to reduce greatly the possible revenue of local governments from the general property tax. By way of illustration, let us assume that city A has its assessed valuation decreased by 25 percent. On top of that the State adopts a tax-limitation law which reduces the rate of the levy by 25 percent. The net levy of the city is reduced to 56 percent of what it was formerly. If to that is added a tax delinquency of 25 percent, the tax collections drop to 42 percent. This is not an extreme example, but would be fairly typical of the States recently enacting new property tax-limitation laws.

It is significant to compare the part which the general property tax plays in taxation in the United States and in Great Britain. In the fiscal year ending 1932, general property tax collections of State and local governments in the United States totaled \$4,684,784,000, or 73.7 percent of State and local taxes, and 57.4 percent of the total taxes collected by all units of government, including the Federal Government. In the United Kingdom, on the other hand, the property tax (rate receipts) of England and Wales, Scotland, and Northern Ireland totaled £177,403,000, or only 17.7 percent of the total tax receipts of the national and local governments.

Larger State and Federal grants-in-aid to the local units of government will be required in the United States, and, in view of our general taxation structure, are in order. Table 72, showing the ratio between local taxes (rates) and grants from the National Government of England and Wales, is of significance. This table does not include earnings from public utilities or capital loans. During the last 10 years the British National Government has increased its grants from slightly less than one-third of the total to almost one-half. The grants cover practically all the ordinary functions of local governments, including education, public health, poor relief, highways, police, elections, and others. Grants-in-aid have been an important means for many years by which the National Government has exercised supervision over the local governments, raising the standards of administration. By this means, for example, a high degree of national unity has been obtained in police administration.

Public Debt of Local Governments.—The trend of public debt is also very important in considering the financial abilities of the local units of government in the United States. Table 73 shows the trend since 1902. It should be noted that the figures of net debt in table 73 include the debts incurred for public-service enterprises, as well as for general governmental purposes. Data are not available on the net debt, excluding public-service enterprises.¹⁰ During

TABLE 72.—Receipts by local authorities of England and Wales

Year	Public rates		Government grants		Total (in thousands)
	Amount (in thousands)	Percent	Amount (in thousands)	Percent	
1920.....	£105,633	69	£48,263	31	£153,896
1922.....	170,872	69	76,663	31	247,535
1924.....	143,275	65	78,325	35	221,600
1926.....	148,598	64	84,635	36	233,233
1928.....	166,679	65	90,084	35	256,763
1930.....	156,312	59	107,828	41	264,140
1932.....	148,280	54	126,550	46	274,830

SOURCE: *Statistical Abstract for the United Kingdom, 1913 and 1921 to 1934*, Seventy-ninth Number (Stationery Office, London, 1936), pp. 210-211.

TABLE 73.—Trend of net indebtedness of local units of government, 1902-32

Year	Assessed valuation (in thousands)	Net debt		Percent of assessed valuation
		Amount (in thousands)	Per capita	
1902.....	\$35,338,317	\$1,630,070	\$20.74	4.61
1912.....	69,452,936	3,475,954	35.80	5.00
1922.....	124,616,675	7,754,196	71.26	6.22
1932.....	163,317,104	15,215,881	122.10	9.32

the last 10 years the net indebtedness of local units of government increased by \$7,461,685,000, or 96.2 percent. This large increase in indebtedness is the result, in part, of the inability of the tax revenues of the local units to meet the expenditures. With the decline in assessed valuations, the increase in debt service charges, and the increased need of public assistance, the debt situation is serious. It is probable that, as a result of the lowered assessed valuations since 1932 and the increased debts, the present net indebtedness is about 12 percent of the assessed valuation.

¹⁰ In 1932, however, the gross debt of all local units of government was \$16,680,567,000, and in 1931 the debt of municipalities for public-service enterprises amounted to \$2,950,575,437.

Not only has the debt of local units of government mounted very rapidly during the decade ending with the fiscal year 1932, but the trend during the depression has been upward at an even greater rate. Table 74 shows this trend. The increase in indebtedness is significant when we take into account the fact that assessed valuations during the period dropped by about 25 percent. Several of the cities listed in the table are not charged with poor relief, which is under the county, and accordingly the increase in their debt cannot be attributed to the increased cost of relief. In New England, where poor relief is a function of the municipalities, the indebtedness of the 12 cities of over 100,000 population increased from \$160,834,902 in 1929 to \$205,232,932 in 1934, or an increase of 27.6 percent.

TABLE 74.—*Net bonded debt of cities of over 500,000 population (excluding self-supporting indebtedness), Jan. 1, 1929 and 1934*

City	1929 (in thousands)	1934		Percent increase, 1929-34
		Amount (in thousands)	Per capita	
New York.....	\$714,853	\$1,467,933	\$211.80	105
Chicago.....	255,068	383,458	113.57	50
Philadelphia.....	356,796	419,459	215.00	18
Detroit.....	184,653	226,971	144.69	23
Los Angeles.....	103,099	113,387	91.51	10
Cleveland.....	102,907	102,258	113.57	0
St. Louis.....	37,419	62,483	76.02	67
Baltimore.....	111,619	118,754	147.54	6
Pittsburgh.....	71,117	72,154	107.70	1
Boston.....	56,239	71,837	91.96	28
San Francisco.....	39,767	95,232	150.12	139
Milwaukee.....	41,556	58,710	101.57	41
Total.....	2,075,093	3,192,636	-----	54.0

SOURCES: Rightor, C. E., "The Bonded Debt of 241 Cities as at January 1, 1929", *National Municipal Review*, vol. XVIII, no. 6, June 1929, p. 396; Rightor, C. E., "The Bonded Debt of 254 Cities as at January 1, 1934," *National Municipal Review*, vol. XXIII, no. 6, June 1934, p. 313.

Trend of Local Governmental Expenditures.—The trend of revenues, expenditures, and indebtedness of all cities of 300,000 population and over from 1924 to 1932 is given in table 75. Particular attention is given to public-welfare expenditures, embracing charities and hospitals, and their relation to total governmental revenues and expenditures. The table includes all local units of government within the cities, including a part of the county allocated to the city. Accordingly, it gives a complete picture of the trends of local finances for the period, but, of course, is confined to the large cities. Unfortunately, it stops with the fiscal year 1932, which for many cities ended during the first half of the calendar year. The downward trend of tax receipts brought on by the depression was just becoming evident. The reductions of ordinary governmental costs were generally instituted in the calendar year 1932, and consequently are not indicated in the table. The great increase in charities in

1932 over previous years indicates that the cities were being forced to meet the problem of unemployment relief, though it had not yet become as acute as it did later. The percentage of public-welfare expenditures to the total operating and maintenance expenditures for all departments increased from 5.58 percent in 1924 to 12.28 percent in 1932. Most of the increase, however, came with the last 2 years.

TABLE 75.—*Revenues, expenditures, and indebtedness of cities (with 1924 population of 300,000 or more), 1924-32*¹

Item	1924	1926	1928	1930	1932	Per capita, 1932	Per cent distribution, 1932	Per cent increase or decrease, 1924-32
Population.....	21, 900, 626	22, 626, 400	24, 040, 500	24, 932, 200	25, 820, 600	-----	-----	-----
	(In millions)							
Revenues, total ²	\$1, 338	\$1, 606	\$1, 864	\$1, 952	\$1, 824	\$70. 65	100. 0	36. 3
Taxes:								
General property..	964	1, 141	1, 317	1, 369	1, 324	51. 26	72. 6	37. 4
Other.....	82	101	114	132	96	3. 72	5. 3	17. 0
Other revenues ³	292	364	432	452	404	15. 66	22. 2	-----
Expenditures, total.....	1, 462	1, 735	2, 006	2, 170	1, 986	76. 93	100. 0	35. 8
Operation and maintenance, all general departments.....	916	1, 055	1, 206	1, 332	1, 397	54. 10	70. 3	52. 5
Welfare, total.....	51	58	74	93	172	6. 65	8. 7	235. 7
Charities.....	22	26	33	39	114	4. 43	5. 8	416. 3
Hospitals.....	29	32	41	54	57	2. 22	2. 9	97. 5
Percent welfare to all general departments.....	5. 58	5. 46	6. 12	6. 99	12. 28	-----	-----	120. 1
Interest ³	163	196	229	263	273	10. 59	13. 8	67. 3
Outlays.....	383	484	572	574	316	12. 24	15. 9	-17. 5
Gross indebtedness ²	3, 678	4, 341	5, 032	4, 778	4, 489	173. 83	-----	22. 1

¹ Cities of 300,000 population and over in 1924 only (includes part of county and other local governmental units apportioned to the city).

² Exclusive of public-service enterprises.

³ Expenses of public-service enterprises for "interest" could not be segregated.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of Cities*.

TABLE 76.—*Trend of relief expenditures*

[In thousands of dollars]

City or State	1929	1930	1931	1932	1933	1934
Detroit public welfare department.....	\$3, 338	\$6, 943	\$16, 462	\$10, 368	\$1, 822	\$3, 960
Boston public welfare and soldiers' relief.....	2, 520	3, 550	6, 785	9, 567	10, 200	-----
Cincinnati (including charities and hospitals).....	895	983	1, 049	2, 185	894	-----
Wisconsin counties, charities and corrections.....	-----	9, 617	12, 294	17, 331	-----	-----
Washington counties.....	1, 767	2, 148	2, 528	7, 333	3, 951	-----
Milwaukee County (not including State and FERA aids).....	3, 019	4, 198	6, 860	6, 929	5, 593	-----

During the last several years, while local governments have been in financial straits, their relief expenditures have been increased and their other costs have been substantially curtailed. Table 76 shows the trend in a number of cities or States for which data are available, not including funds furnished by the Federal Emergency

Relief Administration. It will be noted that the local expenditures reached their peak before the Federal Government came into the field of unemployment relief in 1933. In general, local expenditures then declined. In some cities, as, for example, Detroit, local expenditures had been forced down earlier owing to the financial inability of the city to continue its relief activities upon a large scale.

The large cities (or counties in which they are situated) which have remained in a strong financial position have greatly increased their welfare expenditures, while decreasing their other governmental costs. The same trend applies equally to smaller cities and to rural areas. However, the local units of government which have had acute financial difficulties have been forced to curtail their welfare activities, not because of a diminution of the need, but simply because they were at the end of their resources. In many of the poorer communities the ordinary charities for unemployable groups have been curtailed or discontinued and these groups placed upon unemployment relief.

The Need for State and Federal Aid.—The financial condition of local units of government, and the trend over recent years, shows very clearly the need of State and Federal aid to carry on the present welfare activities, and to provide any expansion of these activities as for old-age assistance. The general property tax, which is relied upon almost exclusively for local support of welfare activities, faces further reductions in the future and is not susceptible to expansion. Property values and assessments have greatly declined within recent years, and the long upward trend of land values has been halted. Property limitations have been adopted by a number of States, and are likely to be adopted by others. Local indebtedness has increased rapidly over a long period, and has taken an upturn during the depression, even though the general property taxes, from which these debts must be paid, have fallen off greatly. Increased public charities have forced many cities into an unsound financial position, and have necessitated curtailments of other governmental activities.

THE FINANCIAL CONDITION OF STATE GOVERNMENTS

The financial condition of States is quite different from that of the local governments. The States have largely given up the general property tax as a source of revenue (it constituted less than 20 percent of the total tax receipts in 1932), and within the last decade have turned to new taxes, particularly income, inheritance, and sev-

eral types of sales or gross income taxes. Unlike the local units of government, the States have the power to enact new forms of taxation. Like the local units of government, States, too, are facing financial difficulties, and the legislatures of 1935 had to grapple with the problem of providing new forms of taxation to take care of State and local governmental requirements.

Recent Trends.—For the most part, available statistics upon State revenues and expenditures stop with the fiscal year 1932 (which usually ended during the first few months of the year) and consequently do not indicate present conditions. States generally reached the peak of their revenues in the fiscal year of 1931, the taxes being collected largely in 1930 on business of 1929. The fiscal year 1932 showed a decline of only 9 percent in tax collections over 1930 and 1931, and slightly exceeded the collections of 1929. State expendi-

TABLE 77.—Trend of State government tax receipts, 48 States, 1925-32

Tax	1925	1926	1927	1928	1929	1930	1931	1932	Per capita, 1932	Per-cent distribution, 1932	Per-cent increase or decrease, 1925-32
	(In millions)										
Total tax receipts.....	\$1, 107	\$1, 264	\$1, 355	\$1, 507	\$1, 612	\$1, 780	\$1, 778	\$1, 619	\$13. 09	100. 0	46. 2
General property.....	359	376	370	381	350	345	371	320	2. 58	19. 8	10. 7
Bank and other corpora- tion stock.....	69	66	76	78	83	74	89	84	. 08	5. 2	22. 3
Inheritance.....	86	91	106	128	149	181	183	143	1. 15	8. 8	66. 4
Income.....	28	39	55	56	75	77	51	48	. 38	2. 9	72. 6
Other special property.....	54	73	65	77	95	92	65	56	. 45	3. 5	5. 1
Business licenses.....	214	236	254	264	273	296	294	267	2. 16	16. 5	25. 0
Nonbusiness licenses.....	9	10	11	13	14	15	15	14	. 11	. 9	54. 7
Total.....	821	894	941	1, 000	1, 042	1, 084	1, 074	938	7. 56	57. 9	14. 2
Motor fuel.....	87	137	166	242	283	400	423	416	3. 35	25. 7	375. 7
Motor licenses.....	199	234	249	265	287	296	282	266	2. 14	16. 4	33. 7
Total motor.....	286	371	414	507	570	696	705	681	5. 50	42. 1	138. 2

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of States*.

tures for 1932 declined only 2 percent from the 1931 figure, and considerably exceeded disbursements during 1930, 1929, and prior years. Until 1932 many of the States were in excellent financial position and had not been forced by financial stringency to reduce their ordinary expenditures. The situation, however, has been greatly altered within the last 2 years, when the full force of the depression has hit the States. The trend in State tax receipts and expenditures for the cost of government from 1925 to 1932, inclusive, are given in tables 77 and 78.

It will be noted from table 77 that State tax receipts rose by 46.2 percent during the 7 years from 1925 to 1932. The general property tax showed a decline of 10.7 percent, dropping from 32.4 percent of

the total to 19.8 percent. All the other classes of taxes increased, motor fuel showing the highest increase, 375 percent. Inheritance and income taxes were adopted widely during the period, and showed substantial increases. The total tax receipts, exclusive of motor fuel and motor-vehicle licenses, however, showed an increase of only 14.2 percent, or, on a per-capita basis, 3.9 percent.

While the tax structure of State governments was undergoing such fundamental changes within the brief span of 7 years, the cost payments showed no such changes in distribution. Highway maintenance and outlays, which constituted 35 percent of the total in 1925, declined in the 2 following years, and then steadily mounted to 38.4 percent in 1932 (see table 78). Other classes of expenditures

TABLE 78.—Trend of State expenditures for government, 48 States, 1925-32

Item	1925	1926	1927	1928	1929	1930	1931	1932	Per capita, 1932	Per-cent distribution, 1932	Per-cent in-crease or de-crease, 1925-32
	(In millions)										
Total expenditures.....	\$1,606	\$1,605	\$1,718	\$1,880	\$2,051	\$2,281	\$2,500	\$2,446	\$19.76	100.0	52.3
From State revenues:											
General government.....	86	87	100	98	114	110	127	122	.98	4.96	42.0
Protection to persons and property.....	56	60	64	70	72	80	84	87	.70	3.55	55.9
Development and conservation of natural resources.....	56	63	65	66	70	74	75	72	.58	2.92	26.8
Conservation of health, sanitation.....	25	26	28	29	32	34	37	37	.30	1.51	49.3
Highways.....	144	157	171	204	219	251	240	245	1.98	10.00	66.9
Charities, hospitals, corrections.....	169	179	193	202	216	224	230	271	2.19	11.06	60.6
Schools.....	396	413	445	481	516	556	589	591	4.77	24.12	49.4
Libraries, recreation, miscellaneous.....	104	57	55	58	60	62	66	68	.55	2.78	34.6
Interest.....	68	77	79	87	94	101	111	110	.89	4.65	62.4
From other revenues:											
Highways.....	419	399	404	459	533	635	758	695	5.60	28.35	65.9
Schools.....	36	36	35	40	41	40	40	30	.24	1.21	17.5
Other.....	49	55	80	85	85	114	144	120	.97	4.89	147.0

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of States*.

remained about constant, or declined slightly. Charities, hospitals, and corrections remained constant in their percentage of the whole until 1929, when they declined, but increased again in 1932. The total governmental expenditures increased 52.3 percent during the 7-year period. The cost of operation and maintenance of general departments increased by 44.1 percent, and the expenditures for operation and outlays of all departments, excluding highways and schools, increased by 42.7 percent.

While the States have not suffered so much as the local governments, they have also had their financial difficulties, particularly within the last 2 years. Many States went into the depression with

large reserves of cash on hand in the various State funds. For the most part these funds have now been exhausted, and many States have deficits of millions of dollars. New forms of taxation, particularly the income tax and various forms of sales and gross revenue taxes, have been enacted, the latter usually as emergency measures. These have been necessary to tide the States over the depression years and to help out the local governments. A few States have taken over some of the more expensive local functions, such as highways and schools, in order to relieve the payer of local property taxes. A very decided trend is noticeable for States to increase their grants to local governments, or to take over certain local functions.

State governmental expenditures have been reduced within the last several years in practically every State, in many very substantially. A large number of States have been operating for the last 4 or 5 years with substantial deficits each year. This has been possible by using up reserves and by borrowing. While the trend of State revenues is now upward, the demands upon the States by local governments for relief of some of their heavy expenditures for welfare activities, and for a share of new State revenues, will exceed any increases in revenues through new taxes. Heretofore the States have contributed to unemployment relief largely through issuing bonds.

Indexes of Wealth and Income.—The financial ability of States as territorial units may be studied by the use of available indexes of wealth and income of the several States. These indexes include the estimated income of all residents of the State in 1929, retail sales in 1933, estimated taxable wealth in 1931, automobile registrations in 1933, savings-bank deposits, value of manufactured products in 1931, value of 64 principal farm crops in 1933, and others. The first three have been used in this study since they appear to be more significant and broader in scope than the others. Particular use has been made of the estimated income of 1929. It is recognized that by 1932 the national income had declined to about one-half of the 1929 level, and that the decline was not uniform between States. Nevertheless, for a study of the problem from a long-range point of view, the 1929 figures are as valid as those of later years would be, if available. In fact, it would be unwise to take the incomes during the depression years as indication of what they will be in the future.

The variation in the estimated per-capita income of 1929 between States, as indicated in table 79, is unbelievably great. New York with a per-capita income of \$1,365 was highest, while Delaware, California, Connecticut, New Jersey, Nevada, and the District of Columbia each had over \$1,000 per capita. Massachusetts and Illinois were only slightly under \$1,000. These eight States and the District of

TABLE 79.—Indexes of State wealth and income

State	Income, 1929 ¹		Retail sales ²		Estimated taxable wealth, 1931 ³	
	Per capita	Rank	Per capita	Rank	Per capita	Rank
United States.....	750		209		1,947	
New England.....	907		269		2,203	
Maine.....	645	23	230	14	1,583	29
New Hampshire.....	652	22	237	11	1,706	26
Vermont.....	633	24	219	20	1,439	33
Massachusetts.....	975	8	285	4	2,552	9
Rhode Island.....	881	9	269	5	2,071	15
Connecticut.....	1,008	4	265	7	1,961	19
Middle Atlantic.....	1,093		269		2,413	
New York.....	1,365	1	315	2	2,791	4
New Jersey.....	1,002	5	250	8	3,411	1
Pennsylvania.....	815	12	209	23	1,532	31
Delaware.....	1,315	2	243	10	1,196	37
Maryland.....	799	13	232	13	1,971	18
District of Columbia.....	1,233		483		3,891	
East South Central.....	408		132		1,075	
Virginia.....	431	38	148	36	964	41
West Virginia.....	485	34	141	38	1,176	38
Kentucky.....	398	41	117	43	1,280	36
Tennessee.....	346	42	126	40	906	43
Southeastern.....	351		115		980	
North Carolina.....	317	45	115	44	938	42
South Carolina.....	261	48	107	45	796	47
Georgia.....	343	43	121	42	896	44
Florida.....	548	30	197	26	1,959	20
Alabama.....	331	44	94	47	884	45
Mississippi.....	287	47	70	48	738	48
Louisiana.....	438	37	125	41	978	40
East North Central.....	831		214		2,279	
Ohio.....	795	14	213	21	2,024	17
Indiana.....	614	25	176	30	1,594	28
Illinois.....	987	7	226	17	2,951	3
Michigan.....	869	10	221	18	2,326	10
Wisconsin.....	682	20	211	19	1,787	23
West Central.....	562		198		1,883	
Minnesota.....	610	26	228	15	2,569	8
Iowa.....	485	35	194	28	1,577	30
Missouri.....	675	21	209	22	1,370	35
North Dakota.....	422	39	159	34	1,725	25
South Dakota.....	420	40	153	35	2,158	14
Nebraska.....	521	32	200	25	2,251	11
Kansas.....	569	29	174	32	2,027	16
Southwestern.....	483		146		1,248	
Arkansas.....	311	45	97	46	830	46
Oklahoma.....	503	33	143	37	1,076	39
Texas.....	531	31	165	33	1,436	34
New Mexico.....	476	36	127	39	1,470	32
Mountain.....	688		210		2,151	
Montana.....	698	18	207	24	2,634	7
Idaho.....	609	27	196	27	2,711	5
Wyoming.....	777	15	248	9	1,937	21
Colorado.....	690	19	228	16	1,852	22
Arizona.....	744	17	175	31	2,170	13
Utah.....	600	28	187	29	1,738	24
Nevada.....	1,000	6	315	3	2,710	6
Pacific.....	999		300		2,863	
Washington.....	841	11	266	6	1,601	27
Oregon.....	757	16	235	12	2,185	12
California.....	1,085	3	320	1	3,325	2

¹ From Leven, Moulton, and Warburton, *America's Capacity to Consume* (Brookings Institution, Washington, D. C., 1934), p. 173.

² Release by the U. S. Department of Commerce, Bureau of the Census, Aug. 7, 1934, Population, 1930.

³ From Preliminary Report of a Subcommittee of the Committee on Ways and Means, *Double Taxation* (U. S. Government Printing Office, Washington, D. C., 1933), p. 294.

Columbia had a total population of 36,178,000 in that year, or 29.8 percent of the total for the United States. Their combined incomes amounted to 45.0 percent of the national income and their average per-capita income was \$1,142. At the other end of the scale were South Carolina, with a per-capita income of only \$261, and Mississippi with \$287. These States had per-capita incomes of only about one-fourth of those of the group of States listed above. Five other southern States had per-capita incomes of less than \$350, considerably less than one-half of the national average of \$750, and about one-third of that of the group of States with the highest per-capita incomes.

The distribution of States by incomes is given below:

<i>Per-capita income</i>	<i>Number of States</i>
Under \$400-----	8
\$401-\$600-----	12
\$601-\$800-----	16
\$801-\$1,000-----	7
Over \$1,000-----	5

The per-capita retail sales of 1933 have two merits as an index of the financial ability of the several States; namely, first, the figures are very recent, and thus take into account the effect of the depression, and second, they were obtained by an actual census conducted by the Bureau of the Census and may be relied upon as being quite accurate. A comparison of the rank orders of the States for retail sales shows a close correspondence with the per-capita incomes in 1929. Of the 10 States having the highest per-capita incomes, 9 were included in the first 10 of retail sales. Similarly, of the 9 States ranking 40 and below in incomes, 8 ranked 40 or below in retail sales.

The eight States and the District of Columbia listed above with the highest per-capita incomes in 1929 had average per-capita retail sales of \$287.35. This group, representing 29.8 percent of the population, had 40.9 percent of the retail sales. On the other hand, the 13 States having less than \$150 per-capita retail sales, including all the States in the East South Central and Southeastern divisions, except Florida, and including also Oklahoma, Arkansas, and New Mexico, had average per-capita retail sales of \$115.80, or only 55 percent of the national average. This group included 23.3 percent of the total population, but had only 12.9 percent of the retail sales.

The following tabulation gives figures for the income and retail sales per capita by geographical divisions:

Geographical division	Income, 1929	Retail sales, 1933	Geographical division	Income, 1929	Retail sales, 1933
Middle Atlantic.....	\$1,093	\$269	West Central.....	\$562	\$198
Pacific.....	999	300	Southwestern.....	483	146
New England.....	907	269	Southeastern.....	351	115
East Central.....	831	214			
Mountain.....	688	210	United States average..	750	209

The estimated taxable wealth of 1931 has been taken from the Ways and Means Committee report on *Double Taxation*.¹¹ It is based largely upon the assessed valuations made in the several States and is subject to considerable error. There is, however, close correspondence between taxable wealth and the other two indexes.

State and Local Tax Receipts.—With such a wide variation in indexes of wealth and income it would be expected that there would be a corresponding variation in the total cost of State and local government. That such is the case is indicated in table 80, showing the total and per-capita tax receipts by States and the ratio of tax receipts to indexes of wealth.

The State and local tax receipts per capita by geographical divisions vary widely, as the following tabulation indicates:

<i>Geographical division</i>	<i>Per-capita tax receipts of State and local governments, 1932</i>
Pacific.....	\$67.03
Middle Atlantic.....	66.95
New England.....	65.92
East Central.....	55.41
Mountain.....	53.32
West Central.....	49.11
Southwestern.....	30.59
East South Central.....	29.15
Southeastern.....	27.30
United States average.....	51.06

Between States the variation of the per-capita tax receipts for States and local governments is remarkably wide and directly proportional to the financial ability of the State as indicated by the indexes of wealth and taxation. New York had the highest per-capita tax receipts in 1932 (\$82), followed by Massachusetts and California with \$72 each and Delaware, New Hampshire, and Connecticut with \$65 each. Alabama and Arkansas were lowest with only

¹¹ Preliminary report of a subcommittee of the Committee on Ways and Means, *op. cit.*

TABLE 80.—State and local tax receipts, 1932, and ratios of tax receipts to indexes of State wealth and income

State	Total tax receipts ¹		Ratios of tax receipts to indexes of wealth and income ²		
	Amount (in millions)	Per capita	To income, 1929	To retail sales, 1933	To taxable wealth, 1931
			Percent	Percent	Percent
United States.....	\$6,357.7	\$51.06	6.8	24.5	2.63
New England.....	543.2	65.92	7.3	24.5	3.0
Maine.....	42.6	53.19	8.2	23.0	3.3
New Hampshire.....	30.3	64.68	10.0	27.4	3.8
Vermont.....	18.9	52.39	8.3	23.7	3.6
Massachusetts.....	308.4	71.90	7.4	25.2	2.8
Rhode Island.....	36.9	53.00	6.0	19.7	2.6
Connecticut.....	106.2	65.16	6.5	24.5	3.3
Middle Atlantic.....	1,944.9	66.95	6.1	25.2	2.8
New York.....	1,051.6	82.08	6.0	26.0	2.9
New Jersey.....	289.6	70.10	7.0	28.0	2.1
Pennsylvania.....	481.3	49.49	6.0	23.4	3.2
Delaware.....	15.6	65.15	4.9	26.7	5.4
Maryland.....	76.8	46.58	5.9	20.2	2.4
District of Columbia.....	29.9	60.83			
East South Central.....	276.0	29.15	7.1	22.0	2.7
Virginia.....	74.8	30.75	7.2	21.0	3.1
West Virginia.....	65.6	37.37	7.6	26.2	3.1
Kentucky.....	67.0	25.43	6.3	21.4	2.0
Tennessee.....	68.6	25.92	7.5	20.6	2.9
Southeastern.....	443.5	27.30	7.7	23.5	2.8
North Carolina.....	92.0	28.48	8.8	24.4	3.0
South Carolina.....	41.6	23.86	9.2	22.4	3.0
Georgia.....	68.4	23.50	7.0	19.8	2.7
Florida.....	70.2	46.24	8.4	23.4	2.4
Alabama.....	49.2	18.37	5.4	19.2	2.0
Mississippi.....	49.1	24.16	8.8	34.2	3.2
Louisiana.....	72.9	34.19	7.8	27.2	3.4
East Central.....	1,423.3	55.41	6.6	25.7	2.4
Ohio.....	365.5	54.25	6.8	25.4	2.7
Indiana.....	171.3	52.40	8.5	29.6	3.3
Illinois.....	407.2	52.57	5.4	23.5	1.8
Michigan.....	298.1	60.08	6.9	27.1	2.6
Wisconsin.....	181.1	60.97	8.9	28.8	3.4
West Central.....	656.7	49.11	8.7	24.7	2.6
Minnesota.....	148.4	57.48	9.3	25.0	2.2
Iowa.....	151.2	60.00	12.4	31.9	3.8
Missouri.....	136.4	37.34	5.5	17.7	2.7
North Dakota.....	28.6	41.88	11.1	29.6	2.7
South Dakota.....	36.8	52.71	12.6	34.6	2.4
Nebraska.....	58.8	42.45	8.0	21.0	1.9
Kansas.....	96.5	50.99	9.0	29.3	2.5
Southwestern.....	326.4	30.59	6.4	21.2	2.5
Arkansas.....	34.3	18.38	5.8	18.6	2.2
Oklahoma.....	72.5	29.79	6.0	21.0	2.8
Texas.....	205.8	34.53	6.7	21.2	2.4
New Mexico.....	13.9	32.23	6.7	25.2	2.2
Mountain.....	176.5	53.32	7.7	25.2	2.5
Montana.....	29.3	54.51	7.9	26.5	2.1
Idaho.....	24.6	55.15	9.0	28.0	2.0
Wyoming.....	12.6	55.23	7.1	22.1	2.8
Colorado.....	54.4	52.02	7.5	22.8	2.8
Arizona.....	25.5	57.22	7.7	32.6	2.6
Utah.....	22.4	43.57	7.3	23.5	2.5
Nevada.....	8.6	82.91	8.3	26.4	3.1
Pacific.....	567.1	67.03	6.7	22.3	2.3
Washington.....	86.1	54.37	6.4	20.4	3.4
Oregon.....	58.4	60.17	7.9	25.4	2.7
California.....	422.6	71.55	6.7	22.6	2.2

¹ U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of State and Local Governments: 1932, op. cit.* "United States Summary," pp. 1-67.

² For sources, see table 79.

\$18 per capita in each. The other low States were South Carolina, Georgia, and Mississippi (\$24 each), Kentucky (\$25), and Tennessee (\$26).

It is apparent at once that there is a close relation between the tax receipts and total income. Each section of the country is paying in taxes about the same percentage of its income. If the total tax receipts are compared to retail sales or to the taxable wealth, approximately the same ratios are obtained throughout the country. This

TABLE 81.—Ratio of State and local tax receipts, 1932, (a) to income, 1929; (b) to retail sales, 1933; and (c) to taxable wealth, 1931

Geographical division	Ratio of tax receipts—			Geographical division	Ratio of tax receipts—		
	To 1929 income	To 1933 retail sales	To 1931 taxable wealth		To 1929 income	To 1933 retail sales	To 1931 taxable wealth
	Percent	Percent	Percent		Percent	Percent	Percent
West Central.....	8.7	24.5	2.6	Pacific.....	6.7	22.3	2.3
Mountain.....	7.7	24.7	2.6	Southwestern.....	6.4	21.2	2.5
Southeastern.....	7.7	23.5	2.8	Middle Atlantic.....	6.1	25.2	2.8
New England.....	7.3	24.5	2.6				
East South Central.....	7.1	22.0	2.7	United States average...	6.8	24.5	2.63

TABLE 82.—State and local net indebtedness, 1912-32

Political division	1912	1922	1932	Increase, 1922-32	
				Amount	Percent
TOTAL AMOUNTS (IN MILLIONS)					
State governments.....	\$346	\$936	\$2,374	\$1,438	154
Counties.....	372	1,273	2,391	1,118	88
Cities, towns, villages, and boroughs.....	2,871	4,679	8,842	4,163	89
School districts.....	119	1,053	2,040	987	94
Other civil divisions.....	114	749	1,843	1,094	146
Grand total.....	3,822	8,690	17,590	8,900	102
PER-CAPITA AMOUNTS (IN DOLLARS)					
State governments.....	\$3.57	\$8.64	\$19.17	\$10.53	122
Counties.....	4.33	13.18	21.82	8.64	66
Cities, towns, villages, and boroughs.....	54.29	71.26	111.45	40.19	56
Grand total.....	69.41	79.90	141.27	61.37	76

SOURCE: Compiled from the U. S. Department of Commerce, Bureau of the Census reports, *Financial Statistics of State and Local Governments*.

is indicated by geographical divisions in table 81. In general, the poorer States tend to contribute a larger part of their income to government, but the difference is not wide. The ratio of tax receipts to retail sales and to taxable wealth is extraordinarily uniform throughout the country.

State and Local Indebtedness.—The trend of the total State and local gross debt, less sinking-fund assets, since 1912 is given in table 82. The increase of \$8,900,000,000 in the net indebtedness of State and

local governments between 1922 and 1932 is very significant. This is about one and one-half times the annual tax collections of State and local governments at the rate of the 1932 collections. The net public debt of these units of government almost exactly doubled within the 10-year period. It will be noted that these figures include self-supporting public utilities, which could not be separated in the census reports. The gross debt of municipal utilities in 1932 amounted to \$2,592,000,000.

An analysis of the per-capita net debt of State and local units of government by States and by geographical sections indicates that the amount of public debt is not proportional to the income and wealth of the particular State or section, as is the case with tax receipts and the expenditures for operation and maintenance of governmental departments. Many of the lowest income States which have low tax receipts per capita have relatively high State and local debts, and many of them show very great increases in their debt during the last 10 years. This is indicated in table 83.

The great increase of public debt in the face of declining property values is cause for concern. It also indicates the fundamental weaknesses of our local tax structures, for the constantly mounting indebtedness indicates that the current income has been insufficient to meet governmental costs. If the State and local governments have had this difficulty during the last 10 years, or longer, it is at once apparent that they will have still greater difficulties in the present decade with reduced taxes, heavier debt charges, and increased demands for public-welfare expenditures.

The Need for Federal-State Cooperation.—Eight conclusions may be drawn from the foregoing analysis of the distribution of wealth and indebtedness among the States.

(1) The per-capita incomes of the citizens of the several States show an extremely wide variation, many States having less than one-half of the average per-capita income of the entire country and less than one-third of the income of the States with high per-capita incomes.

(2) The per-capita retail sales of 1933 show a corresponding variation between the States, though not quite so wide. The ranking of the States by per-capita retail sales in 1933 corresponds closely to the ranking by incomes of 1929.

(3) The per-capita taxable wealth of States in 1931 is a less reliable figure than the two other indexes. In the main, however, it shows a close correlation with the other indexes.

(4) All three of these indexes of State wealth and income show an exceedingly wide difference in the financial abilities of the several States.

TABLE 83.—Per-capita State and local net debt, 1922 and 1932, and ratio of 1932 net debt to income and wealth

State	1922 ¹	1932 ²	Percent increase or decrease	Ratio of 1932 net debt ³	
				To income, 1929	To taxable wealth, 1931
United States.....	\$79.92	\$141.17	76.8	18.8	7.3
New England.....	72.46	100.81	39.1	11.1	4.6
Maine.....	54.90	80.66	46.9	8.9	5.1
New Hampshire.....	36.16	67.81	87.5	10.5	4.0
Vermont.....	34.03	75.50	121.9	11.9	5.3
Massachusetts.....	83.04	101.77	23.7	10.4	4.0
Rhode Island.....	79.38	158.55	99.7	18.0	7.7
Connecticut.....	70.33	98.59	40.2	9.8	5.0
Middle Atlantic.....	112.09	211.10	87.4	19.3	8.8
New York.....	158.15	271.40	71.0	19.9	9.7
New Jersey.....	116.40	278.61	139.4	27.8	8.2
Pennsylvania.....	61.28	124.82	103.7	15.3	8.2
Delaware.....	98.32	121.20	23.3	9.2	10.1
Maryland.....	81.43	158.28	82.1	19.8	8.0
District of Columbia.....	.36		100.0		
East South Central.....	42.96	81.29	89.2	19.9	7.6
Virginia.....	50.33	74.49	48.0	17.3	7.7
West Virginia.....	46.58	86.33	85.3	17.8	7.3
Kentucky.....	20.68	43.04	108.1	11.1	3.4
Tennessee.....	56.27	122.30	117.3	35.4	13.5
Southeastern.....	50.28	128.49	155.5	36.6	13.1
North Carolina.....	69.03	168.76	144.5	53.2	18.0
South Carolina.....	37.64	98.45	161.6	37.7	12.4
Georgia.....	21.56	36.76	70.5	10.7	4.1
Florida.....	95.96	337.74	252.0	61.6	17.2
Alabama.....	31.37	78.75	147.8	23.8	8.9
Mississippi.....	62.27	88.27	41.8	30.8	12.0
Louisiana.....	69.18	169.05	144.4	38.6	17.3
East North Central.....	74.62	130.51	74.9	15.7	5.7
Ohio.....	112.25	129.89	15.7	16.3	6.4
Indiana.....	51.21	60.87	18.9	11.2	3.8
Illinois.....	54.66	166.59	20.5	16.9	5.7
Michigan.....	94.09	157.66	67.6	18.1	6.8
Wisconsin.....	38.81	69.10	78.0	10.1	3.9
West Central.....	66.83	90.88	36.0	16.2	4.8
Minnesota.....	109.99	110.42	.4	18.1	4.3
Iowa.....	62.23	97.66	56.9	20.1	6.2
Missouri.....	34.46	91.53	162.7	13.6	6.7
North Dakota.....	60.89	52.94	15.9	12.6	3.1
South Dakota.....	78.09	73.09	6.4	17.4	3.4
Nebraska.....	73.93	79.73	7.8	15.3	3.5
Kansas.....	69.16	82.51	19.3	14.5	4.1
Southwestern.....	66.24	125.76	89.9	26.0	10.1
Arkansas.....	51.03	137.20	168.9	44.1	16.5
Oklahoma.....	61.75	79.77	34.3	15.9	7.4
Texas.....	73.71	125.93	70.9	23.7	8.8
New Mexico.....	67.86	85.91	26.7	18.1	5.8
Mountain.....	110.00	135.90	22.5	19.8	6.3
Montana.....	110.20	132.57	20.3	19.0	5.0
Idaho.....	136.24	175.90	29.1	28.9	6.5
Wyoming.....	93.02	187.81	101.9	24.2	9.7
Colorado.....	101.78	123.81	21.6	17.9	6.7
Arizona.....	124.61	160.93	29.1	21.6	7.4
Utah.....	106.85	89.78	16.0	15.0	5.2
Nevada.....	90.49	108.10	19.5	10.8	4.0
Pacific.....	141.23	179.14	26.8	17.9	6.3
Washington.....	120.21	137.27	14.2	16.3	8.6
Oregon.....	170.69	204.79	20.0	27.1	9.4
California.....	142.81	186.15	30.4	17.2	5.6

¹ U. S. Department of Commerce, Bureau of the Census, *Wealth, Public Debt, and Taxation: 1922; Public Debt* (U. S. Government Printing Office, Washington, D. C., 1924), p. 18.

² U. S. Department of Commerce, Bureau of the Census, *Financial Statistics of State and Local Governments: 1932, op. cit.*, pp. 50-56.

³ For source, see table 79, p. 364.

(5) The tax receipts of State and local governments varied from \$18 per capita in two of the poorer States to \$82 in New York. In general, tax receipts were proportional to income. The poorer States have devoted about the same percentage of their income to government as the wealthier States, with the result that their governmental expenditures are only about one-half of the national average and about one-third of the average in the wealthiest States.

(6) The ratio of tax receipts of State and local governments to income, retail sales, and taxable wealth are substantially uniform throughout the country.

(7) The total net debt of State and local governments increased by \$8,900,000,000 from 1922 to 1932, or 102 percent. This huge increase in public debt in the face of declining assessed valuations and property-tax receipts is cause for concern. It indicates fundamental weaknesses in the tax systems of State and local governments.

(8) The State and local debts have increased most rapidly in some of the States with lower per-capita incomes. In many of these States the ratio of public debt to income and taxable wealth is more than double the national average.

The financial limitations of State and local units of government, and the consequent need of Federal aid in order to finance adequately old-age assistance, aid to children, and other welfare activities related to economic security are clearly indicated. Because of the very great practical limitations upon State taxation, as well as State constitutional limitations, even the wealthier States are having great difficulties in raising needed revenues. The superior position of the Federal Government as a tax gatherer is at once apparent. It is not hampered by State boundary lines, or competition between States; it has an extremely broad taxing power under the Constitution. It is the only unit of government which can effectively tax according to ability to pay, with jurisdiction reaching to the entire country. Its vastly superior financial position in comparison with the State and local governments is well indicated by the fact that during the decade following the World War it was able to reduce its indebtedness by about 10 billion dollars, meanwhile reducing the tax rate several times. On the other hand, the State and local net debt increased by nearly 9 billion dollars from 1922 to 1932, or approximately doubled.

Parts of the Federal program for economic security give aid in the development of effective State plans for old-age assistance, aid to dependent children, aid to the blind, maternal and child welfare, and expanded public-health activities. There is no remote possibility of accomplishing this objective without the financial support of the

Federal Government. The Social Security Act calls for cooperation by the Federal, State, and local governments at many points. The problem of public assistance is too great and at the same time too closely related to the particular conditions and institutions of each part of the country, to be met successfully by any unit of government alone. Federal aid to the States and also State aid to the local units of government are measures in harmony with our political institutions and Federal-State relationships.

Although Federal aid to the States has in the past been granted for vocational rehabilitation and for public-health services, particularly in the field of maternal and infant hygiene, Federal financial cooperation with the States has heretofore largely been confined to grants for education, the militia, experiment stations, and highways. The Social Security Act which provides Federal aid for regular, recurrent welfare activities upon a permanent basis—as

TABLE 84.—*Grants to States for social security*

Purpose of appropriation	Fiscal year		
	1935-36	1936-37	Subsequent to 1937
Unemployment compensation administration.....	\$4,000,000	\$49,000,000	\$49,000,000
Old-age assistance.....	49,750,000	(¹)	(¹)
Aid to dependent children.....	24,750,000	(¹)	(¹)
Maternal and child health.....	3,800,000	3,800,000	3,800,000
Crippled children.....	2,850,000	2,850,000	2,850,000
Child welfare.....	1,500,000	1,500,000	1,500,000
Vocational rehabilitation.....	² 841,000	² 841,000	1,938,000
Public health.....	³ 8,000,000	³ 8,000,000	³ 8,000,000
Aid to the blind.....	3,000,000	(¹)	(¹)
Total.....	98,491,000	-----	-----

¹ Future appropriations will be amounts sufficient to carry out the purposes of this section of the act.

² The appropriation authorized in the Social Security Act is supplementary to an annual appropriation of \$1,097,000 authorized for the fiscal years 1935-36 and 1936-37 under ch. 219, 41 Stat. 735 (29 U. S. C. § 31), as amended by ch. 265, 43 Stat. 430 (29 U. S. C. § 31); ch. 414, 46 Stat. 524 (29 U. S. C. § 31); and ch. 324, 47 Stat. 448 (29 U. S. C. § 31).

³ In addition to this appropriation for distribution to States, the act authorizes an annual appropriation of \$2,000,000 for investigation by the Public Health Service of disease and problems of sanitation.

is the established practice in many foreign countries—is an extremely significant development in the United States in opening up new avenues of Federal-State cooperation in financing programs of public welfare.

In addition to the public-assistance program embodied in the Social Security Act, the Congress has authorized Federal assumption of two additional functions in the promotion of the general welfare: (1) the offer of encouragement to States in the enactment of unemployment compensation laws and (2) the establishment of a Federal system of old-age benefits for workers who retire at age 65 or over from regular employment.

COSTS OF THE FEDERAL PROGRAM

The Social Security Act authorizes a total appropriation of nearly \$98,500,000 for grants to States for unemployment compensation administration and public welfare and assistance during the fiscal year 1935-36; and for subsequent years an appropriation of amounts far in excess of this is authorized to carry out the purposes of the act. The distribution of the authorized appropriation is shown in table 84.

Five of these authorized appropriations—for maternal and child health, for crippled children, for child welfare, for public health, and for vocational rehabilitation¹²—are the same amounts for 1935-36 and for subsequent years, and a sixth, unemployment compensation administration, will remain fixed after 1936.

After the first fiscal year no amounts are named as suitable appropriations for old-age assistance, aid to dependent children, or aid to the blind. These Federal costs will increase substantially over the years because of future increases in the number eligible for such aid and because States will doubtless tend to increase the size of their grants to individuals when Federal aid becomes available.

NEW SOURCES OF FEDERAL REVENUE

In addition to its measures authorizing appropriations for the general welfare the Social Security Act contains in titles VIII and IX¹³ two tax measures, levying two excise taxes on employers and an income tax on the wages and salaries of employees.

Pay-roll taxes were imposed by Congress in preference to any other additional source of tax revenue. But in order to make sure that industry will not be unduly burdened by the immediate imposition of these taxes at maximum rates, the taxes begin at low rates and increase gradually over a period of years.

Title VIII levies a tax, beginning with the calendar year 1937, on both employers and employees in all employment within the United States except (1) agricultural labor; (2) domestic service in a private home; (3) casual labor not in the course of the employer's trade or business; (4) service performed by an individual who has attained the age of 65; (5) service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country; (6) service performed in the employ of the

¹² The appropriation authorized under the Social Security Act for 1935-36 and 1936-37 is supplementary to an annual appropriation for these two years amounting to \$1,097,000 authorized under ch. 219, 41 Stat. 735 (29 U. S. C. § 31), as amended by ch. 265, 43 Stat. 430 (29 U. S. C. § 31); ch. 414, 46 Stat. 524 (29 U. S. C. § 31); and ch. 324, 47 Stat. 448 (29 U. S. C. § 31).

¹³ 49 Stat. 636, 639; 42 U. S. C. (1935 Supp.), §§ 1001-1011, 1101-1110.

United States Government or of an instrumentality of the United States; (7) service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions; (8) service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual. The act of August 29, 1935, levying an excise tax upon carriers and an income tax upon their employees¹⁴ further exempts from the tax employment by a carrier as defined in that act. The tax rate for each tax starts at 1 percent of pay roll in 1937, 1938, and 1939, and increases by one-half percent increments every 3 years to 1.5 percent in 1940, 1941, and 1942; 2.0 percent in 1943, 1944, and 1945; 2.5 percent in 1946, 1947, and 1948; and 3.0 percent in 1949 and thereafter.

Both employer and employee pay at the same rate—the employer on the wages he pays and the employee on the wages he receives. Wages for both employer and employee tax are defined as all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, except that any remuneration paid to an individual by a single employer in excess of \$3,000 per annum is not taxable.

The two taxes are to be collected from the employer, who is authorized to deduct from the employee's wages the amount to which the employee is liable. The Bureau of Internal Revenue, under the direction of the Secretary of the Treasury, is responsible for collecting the revenue, which will be paid into the general funds of the Federal Government. Collections will be made either by making or filing returns or by stamps, coupons, tickets, books, or other device prescribed by the Commissioner of Internal Revenue.

It is anticipated that the revenue received from these two taxes will amount to \$1,706,300,000 in 1949, when the maximum rate is in effect.

Title IX imposes an excise tax on employers who employ eight or more persons in some portion of each of some 20 days in different weeks during the taxable year. In addition to the exclusion of employers with less than eight employees, the following employments are excluded from the tax: (1) Agricultural labor; (2) domestic service in a private home; (3) service performed as an officer or member of the crew of a vessel on the navigable waters of the United States; (4) service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of 21 in the employ of his father or mother; (5) service performed in the employ of the United States Government or of an instrumentality of

¹⁴ Ch. 813, 49 Stat. 974; 45 U. S. C. (1935 Supp.), §§ 241-253.

the United States; (6) service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions; (7) service performed in the employ of a corporation, community chest, fund, or foundation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

The tax is levied on the total pay roll of employers who are covered by title IX. The rate starts at 1 percent of the entire remuneration paid for employment, as defined for the purposes of title IX, including the cash value of all remuneration paid in any medium other than cash. In 1937 the tax on pay rolls increases to 2 percent, and in 1938 it reaches its maximum of 3 percent. The employer alone is subject to this tax, which, like the two imposed under title VIII, is to be collected by the Bureau of Internal Revenue and merged with the general revenues of the Treasury.

The amount of revenue collected by the tax imposed by title IX cannot be estimated even approximately, for employers in States with unemployment compensation laws approved by the Social Security Board will be allowed a tax deduction up to 90 percent of the Federal tax for contributions to the State unemployment compensation fund for employment as defined for the purposes of the Federal tax. A 3-percent levy in 1933 would have yielded \$517,000,000 in the entire United States, according to the estimates presented in table 16. If all States in the Union had approved unemployment compensation systems with the same coverage and tax rates as those established by title IX, only 10 percent of the \$517,000,000, or \$51,700,000, would have been paid into the Federal Treasury in that year, since 90 percent would have been claimed by employers as a tax deduction. It is impossible to prophesy how rapidly unemployment compensation systems will be established in the various States and how much of the tax will actually be collected by the Bureau of Internal Revenue.

The actual effect of the two excise taxes upon employers, starting at 1 percent of pay rolls in 1936 and increasing to 6 percent in 1949, is not subject to any accurate prediction. This extra labor cost (1) may be borne by the employer, or (2) may be passed on to the consumer in increased prices, or (3) may be shifted to the employee through a lowering of wage rates. What will actually happen in any particular case will depend upon the circumstances. Employers will obviously desire to pass this charge on to the consumer, but failing ability to do this, owing to a competitive market, price structure, or other reasons, they will have to absorb the charge or pass it back to the employee. Doubtless the total cost of the excise taxes will be borne in part by employee, employer, and consumer, but it is impossible to predict in what proportions.

The anticipated effect of a pay-roll tax is often exaggerated. According to the latest available census of manufactures, labor costs in the United States during 1933 amounted to only 21 percent, on the average, of the value of the product. This means that a 1-percent tax on wages would add only twenty-one hundredths of 1 percent of the value of the product; a 3-percent tax would add sixty-three hundredths of 1 percent; and a 6-percent tax would add 1.26 percent. The pay-roll tax, however, applies not only to manufacturing but also to each other phase of production and consumption. In order to appraise the effect of a pay-roll tax it is, therefore, necessary to consider the total labor cost in products and services affected by the tax. It has been estimated that the labor cost of goods or services averages somewhat less than two-thirds of the final value of the product. If this estimate is accepted as correct, it would indicate that a 1-percent tax would on the average result in an increase of not more than two-thirds of 1 percent in the final value. Moreover, labor costs vary greatly in the part which they play in the total value of commodities. Table 85, which shows the cost of various taxes on wages for selected industries in terms of the value added by manufacture and total value of products, indicates that labor costs are extremely small in the manufacture of food products, oil and gas, and tobacco, amounting in each case to only 10 percent of the value of the product or even less. In the manufacture of flour and butter, for example, labor costs amount to only 5 percent of the value of the product. A pay-roll tax of 1 percent would increase the manufacturing costs of these items by only one-twentieth of 1 percent. On the other hand, textile and agricultural machinery, aircraft and boats, machine tools, pottery, and jewelry show relatively high labor costs, ranging from 34 percent for jewelry to 53 percent for aircraft. Even in the latter cases, a 1-percent tax would increase the manufacturing cost only from one-third to one-half of 1 percent.

TABLE 85.—*The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers¹ for selected industries in terms of value added by manufacture and total value of products*

Industry	Earnings (wages plus salaries ¹) (in thousands)	Total value of products (in thousands)	Value added by manufac- ture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1- percent tax	1937, 3- percent tax	1949, 6- percent tax
Total.....	\$6, 618, 109	\$31, 358, 840	\$14, 610, 401	\$0. 0021	\$0. 0063	\$0. 0126
Food and kindred products.....	771, 829	6, 604, 036	2, 393, 021	. 0012	. 0036	. 0072
Beverages.....	19, 480	111, 297	69, 424	. 0017	. 0051	. 0102
Bread.....	221, 683	919, 778	491, 313	. 0024	. 0072	. 0144
Butter.....	20, 507	385, 512	68, 669	. 0005	. 0015	. 0030
Preserves.....	54, 834	439, 988	171, 568	. 0012	. 0036	. 0072
Cereals.....	9, 065	111, 026	56, 011	. 0008	. 0024	. 0048
Confectionery.....	29, 614	211, 833	97, 669	. 0014	. 0042	. 0084
Flour.....	31, 373	574, 210	135, 539	. 0005	. 0015	. 0030
Malt liquors.....	41, 780	342, 947	266, 753	. 0012	. 0036	. 0072
Distilled liquors.....	3, 071	60, 850	36, 934	. 0005	. 0015	. 0030
Meat packing.....	144, 954	1, 490, 095	287, 546	. 0010	. 0030	. 0060

¹ Excluding Officials.

TABLE 85.—The cost of a 1-, 3-, and 6-percent tax on pay rolls of wage earners and salaried workers¹ for selected industries in terms of value added by manufacture and total value of products—Continued

Industry	Earnings (wages plus salaries ¹) (in thousands)	Total value of products (in thousands)	Value added by manufac- ture (in thousands)	Cost of pay-roll taxes per dollar of value of product		
				1936, 1- percent tax	1937, 3- percent tax	1949, 6- percent tax
Textile products.....	\$1,154,186	\$4,811,238	\$2,351,403	\$.0025	\$.0075	\$.0150
Bags.....	9,526	92,115	33,578	.0010	.0030	.0060
Wool rugs.....	20,863	71,425	41,393	.0029	.0087	.0174
Women's clothing.....	147,107	846,300	389,876	.0017	.0051	.0102
Men's clothing.....	105,813	445,220	230,580	.0024	.0072	.0144
Cotton goods.....	232,240	861,170	457,734	.0027	.0081	.0162
Dyeing and finishing.....	71,971	278,942	136,140	.0026	.0078	.0156
Hats.....	13,744	40,600	21,462	.0033	.0099	.0198
Knit goods.....	148,487	498,350	260,689	.0030	.0090	.0180
Shirts.....	29,287	119,717	60,060	.0024	.0072	.0144
Silk and rayon goods.....	82,086	290,578	146,967	.0028	.0084	.0168
Forest products.....	341,982	1,127,405	618,223	.0030	.0090	.0180
Furniture.....	92,389	297,730	155,143	.0031	.0093	.0186
Mechanically processed wood.....	11,942	41,523	23,777	.0029	.0087	.0174
Paper and allied products.....	219,037	1,172,743	518,696	.0019	.0057	.0114
Bags.....	7,158	49,379	20,083	.0014	.0042	.0084
Boxes.....	47,552	223,004	96,678	.0021	.0063	.0126
Paper.....	100,440	560,963	249,196	.0018	.0054	.0108
Printing and publishing.....	582,430	1,733,437	1,355,592	.0034	.0102	.0204
Book binding and blank books.....	20,038	56,011	40,325	.0036	.0108	.0216
Printing:						
Books, music.....	169,924	519,990	378,751	.0033	.0099	.0198
Periodicals and newspapers.....	332,352	1,004,999	820,299	.0033	.0099	.0198
Chemicals and allied products.....	311,540	2,117,513	1,149,040	.0014	.0042	.0084
Druggists' preparations.....	20,969	146,776	103,205	.0014	.0042	.0084
Paints and varnishes.....	36,607	289,442	136,416	.0008	.0024	.0048
Patent and proprietary remedies.....	15,003	138,145	99,913	.0011	.0033	.0066
Rayon and allied products.....	43,706	156,932	112,901	.0028	.0084	.0168
Soap.....	20,451	200,128	106,621	.0010	.0030	.0060
Products of petroleum and coal.....	201,719	1,871,494	585,933	.0009	.0027	.0054
Gas (manufactured).....	68,129	295,480	216,291	.0023	.0069	.0138
Refining.....	111,360	1,378,637	314,200	.0008	.0024	.0048
Rubber products.....	125,440	472,744	261,347	.0027	.0081	.0162
Other than tires and shoes.....	37,183	131,411	73,530	.0028	.0084	.0168
Tires and tubes.....	70,648	299,313	159,921	.0024	.0072	.0144
Leather and its manufactures.....	254,071	996,773	452,036	.0025	.0075	.0150
Boots and shoes.....	159,884	553,425	267,122	.0029	.0087	.0174
Leather, finished.....	48,909	237,202	99,025	.0021	.0063	.0126
Stone, clay, and glass products.....	175,818	608,699	396,544	.0029	.0087	.0174
Cement.....	18,280	86,921	59,989	.0021	.0063	.0126
Glass.....	54,858	191,948	128,538	.0029	.0087	.0174
Pottery.....	21,001	43,718	31,539	.0048	.0144	.0288
Iron and steel and their products (not including machinery).....	612,296	2,463,001	1,062,172	.0025	.0075	.0150
Blast furnace products.....	13,774	213,685	29,729	.0006	.0018	.0036
Bolts, etc.....	9,762	32,874	17,524	.0030	.0090	.0180
Steam and hot-water apparatus.....	25,693	69,234	49,173	.0037	.0111	.0222
Rolling-mill and steel-work products.....	304,099	1,143,889	451,800	.0027	.0081	.0162
Tin cans.....	27,604	207,946	70,900	.0013	.0039	.0078
Nonferrous metals and their products.....	212,723	1,068,753	427,526	.0020	.0060	.0120
Aluminum products.....	14,862	61,464	27,436	.0024	.0072	.0144
Jewelry.....	14,344	42,652	25,869	.0034	.0102	.0204
Machinery (not including transportation equipment).....	695,549	2,069,419	1,280,230	.0034	.0102	.0204
Agricultural implements.....	12,936	30,539	18,561	.0042	.0126	.0252
Electrical machinery.....	163,874	553,431	340,917	.0030	.0090	.0180
Machine tools.....	18,736	41,434	30,590	.0045	.0135	.0270
Radios and phonographs.....	37,903	121,802	63,281	.0031	.0093	.0186
Textile machinery.....	23,855	60,323	41,945	.0040	.0120	.0240
Transportation equipment.....	388,746	2,058,195	765,905	.0019	.0057	.0114
Aircraft and parts.....	13,824	26,460	18,503	.0052	.0156	.0312
Motor-vehicle bodies and parts.....	174,188	761,225	321,592	.0023	.0069	.0138
Motor vehicles.....	129,262	1,096,946	329,179	.0012	.0036	.0072
Ship and boat building.....	41,381	92,696	61,524	.0045	.0135	.0270
Miscellaneous industry.....	258,566	2,312,635	679,043	.0011	.0033	.0066
Cigars and cigarettes.....	51,054	777,148	200,999	.0007	.0021	.0042

¹ Excluding officials.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures: 1933; Summary by Industries* (mimeographed release of Jan. 23, 1935).

THE NEW FEDERAL RESPONSIBILITY

For the first time in the history of the United States the Federal Government has utilized its taxing and appropriating powers for a Nation-wide, permanent attack against destitution and its causes. The Social Security Act has launched a program for the general welfare whereby the Federal Government will share with the States the financial responsibility for certain public-welfare services.

The role of the Federal Government in the social security program is threefold:

- (1) Granting funds to States—
 - (a) For aid to dependent individuals and administration of State public-assistance plans,
 - (b) For the provision or extension of services for the alleviation or prevention of conditions leading to dependency, and
 - (c) For the administrative expenses of unemployment compensation systems;
- (2) Levying a tax throughout the United States with credit offset to remove the economic deterrent in the establishment of State unemployment compensation systems; and
- (3) Establishing an old-age benefit system which will serve to reduce old-age dependency among wage earners who are employed in industry or commerce.

The grants to States, which cover nine different types of welfare activities, in all instances require State initiative in the establishment of State plans or services which meet the approval of the Federal agency authorized to allot funds to the States.

The States must take the initiative in plans for adequate State-wide measures to provide for the dependent aged, for the dependent blind, and for dependent children in families deprived of a parent's support. In these three types of public-assistance programs the Federal Government shares the financial responsibility for administration of the State agencies and for money payments to the individual recipients of State aid.

State plans for each of these three public-assistance measures must receive the approval of the Social Security Board before the Federal grants may be allotted. The conditions for approval of each State plan, which are summarized in appendix XII, require State-wide operation of the program, financial participation by the State, centralization and efficient operation of State administration or supervision, submission of reports required by the Social Security Board, and opportunity for fair hearing to persons whose claim for assistance is denied. The Social Security Act also specifies the limits of the citizenship and residence requirements and, in the case of old-age assistance, the age requirements which the State laws may impose.

The Federal Government in the Social Security Act also authorizes grants to States (1) to raise the standard and increase the extent of (a) maternal and child-health services and services for crippled children, (b) child-welfare services, (c) public-health services, (d) vocational rehabilitation; and (2) to pay the costs of administering State unemployment compensation systems.

The conditions established by the act for grants to States for maternal and child-health services and services for crippled children—like those for public assistance—require the submission of State plans and State financial participation. The Children's Bureau, through the Secretary of Labor, will authorize the annual distribution of \$20,000 to each State for maternal and child-health services and \$20,000 for services and facilities for crippled children or for children suffering from conditions which lead to crippling. The remainder of each of the appropriations for these purposes authorized by the Social Security Act (\$2,780,000 for maternal and child health, and \$1,830,000 for crippled children) will be distributed to States on the basis of such factors as birth rates and need.

In the Social Security Act, the appropriations for child welfare and for public health are not specifically conditioned on State financial participation. The Children's Bureau and the Public Health Service are responsible for administering the \$1,500,000 and \$8,000,000, respectively, authorized as annual appropriations for these two purposes in cooperation with State authorities. (See appendix XII.)

An earlier act "to provide for the promotion of vocational rehabilitation of persons disabled in industry or otherwise and their return to civil employment", approved June 2, 1920, and as amended,¹⁵ requires the submission of a State plan of vocational rehabilitation to the Federal agency for approval. Appendix XII summarizes the conditions required for Federal grants to the States with plans for vocational rehabilitation. The provisions of the Social Security Act merely supplement the Federal funds available to the States as grants to State vocational rehabilitation programs, bringing the total to \$1,938,000 a year until June 30, 1937. After that date an annual appropriation of \$1,938,000 is authorized for this purpose by the Social Security Act. The Office of Education of the Department of the Interior is the Federal agency authorized to administer the service.

The grants to States for the administrative expenses of their unemployment compensation systems are administered by the Social Security Board which must approve State unemployment compensa-

¹⁵ 29 U. S. C., ch. 4, §§ 31, 32, 34, 35, 37, 39, 40.

tion laws before the grants may be allotted. The conditions for approval are those which will guarantee that the State law in its framework and operation provides a genuine compensation system, efficiently administered on a sound financial basis. These grants, for which an annual appropriation of \$49,000,000 is authorized after June 30, 1936, represent only one phase of Federal action to promote State protection of workers against the hazard of unemployment. Title IX, with its uniform tax upon employers throughout the country, removes a competitive economic barrier which has hitherto prevented the enactment of State laws except in Wisconsin. State legislators have feared that the imposition of an unemployment compensation tax on employers would drive industry to States without such legislation. A credit offset allowed against 90 percent of the uniform Federal tax on the pay rolls of employers of eight or more will remove this deterrent. Employers in States without unemployment compensation laws will not escape the tax burden imposed in progressive States which protect their workers against the risk of unemployment.

The program widest in scope and affecting the largest number of individuals is that incorporated in the section establishing an old-age benefit system. While the old-age assistance grants to States are designed to alleviate the destitution of individuals who are old now and are without sufficient means for self-support, the old-age benefit system looks forward toward prevention of old-age dependency among individuals who have not yet reached old age. All workers in industry and commerce, regardless of the size of the establishment by which they are employed, will, after December 31, 1936, accumulate credit on their wages toward retirement incomes. Of all the programs it will be the slowest to get under way, since no annuities will be paid to workers before January 1, 1942. But once annuities become payable, more individuals will benefit from this section of the act than from any other part of the program. The initial coverage of the system is estimated at 25 million workers.

A word needs to be said about the method of administration which will be used in the old-age benefit system. It is the only part of the program which is not based on Federal-State cooperation, the principle which underlies all other sections of the act. Instead the Federal Government assumes the entire responsibility for its administration.

Throughout their working lives, individuals employed in industry and commerce will gradually accumulate wages which will entitle them to old-age benefits payable by the Federal Government when they reach the retirement age. While the States do not share in the

responsibility of administering the old-age benefit system, it is expected that their burden of providing for destitute aged residents will gradually be lightened.

The old-age benefit system of the Social Security Act is perhaps the most significant and far-reaching of the entire program, for it touches at many points upon other phases of economic security. Permitted to retire at 65 years of age from gainful occupations with the income given them on the basis of their past employment, superannuated workers will leave open many employment opportunities for younger persons, thus reducing the volume of unemployment. Younger persons will in large measure be freed from the cost of supporting their aged parents and relatives and, as a result, will be able to provide more adequately for their own children. Moreover, public and private welfare agencies, when the drain of assisting the needy aged is lessened, can concentrate their efforts to a greater degree upon eradicating the causes of economic insecurity rather than alleviating its effects. Under the Social Security Act, \$49,750,000 was authorized as an appropriation for old-age assistance for the fiscal year 1935-36, an amount constituting nearly half of the total Federal appropriation authorized for the entire program. (See table 84.)

Approximately one-third of the total appropriations authorized in the act for the first year were for measures designed to improve the physical and economic welfare of children. Approximately one-twelfth was to be allocated to vocational rehabilitation and aid to the blind and the remaining one-twelfth to the furtherance of public-health services in the States. When, through the operation of the old-age benefit system, old-age dependency assumes smaller proportions in the sum total of economic distress a far larger proportion of the Federal and State expenditures for the general welfare may be diverted to remedial rather than palliative measures.

APPENDIXES

APPENDIX I

PROCEDURES FOLLOWED IN ESTIMATING UNEMPLOYMENT COMPENSATION COVERAGE IN THE UNITED STATES, 1922-33

The coverage, or the compensable labor force, of a plan for unemployment compensation might be defined as that portion of the persons able and willing to work (employables) who would be affected by the operation of the unemployment compensation program. This group would include the employed for whom contributions are made to the compensation fund as well as the unemployed who draw benefits from it. The size of the group would necessarily be influenced by limitations included in the provisions of the program. In arriving at the estimates presented in the tables which supplement this discussion, only two general limitations have been imposed, since they constitute the only ones that are measurable. The first of these, which will be referred to hereafter as an "occupational" exclusion, provides that all self-employed workers and workers in certain employments are not eligible to participate in the plan; and the second, termed hereafter a "size-of-firm" exclusion, removes from participation in the program employees attached to firms with less than eight employees in at least 20 weeks in the year. The assumed occupational exclusion eliminates all proprietors, owners, independent operators, and other self-employed, and the following employments: agriculture; domestic service in private homes; officers and crews of vessels on the navigable waters of the United States; persons working for a son, daughter, or spouse, and children under 21 in the employ of a father or mother; employees of the United States Government or of its instrumentalities, of a State government or of its political subdivisions or instrumentalities; employees of nonprofit organizations operated exclusively for religious, charitable, scientific, educational, or literary purposes, or for the prevention of cruelty to children or animals.

These limitations could, in any plan, be modified and other limitations added. For example, workers 65 years and over might be excluded; workers on common carriers engaged in interstate commerce might be excluded; or all employees might be included regardless of occupational or size-of-firm factors. Such modifications in exclusions would, however, change the estimates of coverage.

The most abundant source of data for estimating the coverage of an unemployment compensation plan limited by the exclusions stated above is the fifteenth census of the United States, taken in April 1930. The general report on occupations, which includes a tabulation of gainful workers distributed by industry, occupation, and age, was especially valuable since as a rule it made possible the segregation of most occupational exclusions in absolute numbers. This general report was also the source used as a base for Mr. Nathan's estimates of employment and unemployment so that fortunately these estimates could be utilized in the coverage calculations without additional adjustment which would otherwise have been necessary. The year 1930 was the base year for all the coverage calculations as well as for the employment and unemployment estimates.

TOTAL COMPENSABLE LABOR FORCE, APRIL 1930

The first step in the procedure for estimating coverage was to eliminate from the gainful workers those made ineligible by the occupational exclusion. For this purpose it was possible to use the census enumeration in all cases except those in which only a portion of the number in an occupational group, or only a part of an industry, was excluded. The nature of these exclusions and sources of data are indicated in table I-1, and the amount of the reductions by industries is shown in table I-2. It may be seen, for example, from table I-1, that 33 percent of manicurists and barbers, 90 percent of oystermen and fishermen, and all those in the independent hand trades are excluded as self-employed workers. It was estimated that 10 percent of the employees in electric-power plants and 5 percent of the employees in gas works were attached to municipally owned concerns. Consequently, these employees were excluded as public servants. The aggregate of all the occupational exclusions amounts to about 20,134,000, or 41 percent of the gainful-worker group. Variation from industry to industry in the proportion of gainful workers excluded may be seen in table I-2.

TABLE I-1.—Occupations excluded from the unemployment compensation plan, United States, April 1930

Industry	Occupations excluded
Agriculture.....	All.
Forestry and fishing.....	All owners, operators, proprietors, forest rangers, foresters (as public servants), and 90 percent of oystermen and fishermen (as self-employed).
Coal mines.....	All owners, operators, proprietors.
Other mines and quarries.....	Do.
Oil and gas wells.....	Do.
Manufacturing.....	All owners, operators, proprietors, and all fruit and vegetable canning industries.
Gas works.....	All owners, operators, and proprietors plus 5 percent of all gainful workers, as public servants (public-owned plants).
Electric power plants.....	All owners, operators, and proprietors plus 10 percent of all gainful workers, as public servants (public-owned plants).
Building industry.....	All owners, operators, proprietors.
Independent hand trade.....	All gainful workers as self-employed.
Construction and maintenance of roads.....	All owners and operators plus 40 percent of the residual group as public servants.
Garages, greasing, etc.....	All owners, operators, proprietors.
Postal service.....	All gainful workers as public servants.
Steam railroads.....	All owners, operators, proprietors.
Street railroads.....	Do.
Telephone and telegraph.....	Do.
Other transportation and communication.....	Do.
Truck, transfer, and cab.....	Do.
Water transportation.....	All except 50 percent of boatmen, canal men, and lock-keepers, and 50 percent of longshoremen and stevedores.
Trade (wholesale and retail).....	All owners, operators, proprietors.
Banking and brokerage.....	Do.
Insurance.....	All owners, operators, proprietors, and agents (as self-employed).
Real estate.....	Do.
Public service.....	All professional pursuits operated for religious, charitable, scientific, literary, educational purposes, and for the prevention of cruelty to children or animals.
Professional service.....	Do.
Recreation and amusement.....	All owners, operators, proprietors, and self-employed in professional pursuits.
Hotels, boarding houses, and restaurants.....	All owners, operators, proprietors.
Domestic and personal service.....	33 percent of barbers, manicurists, etc. (as self-employed), and all domestic servants in private homes.
Laundries.....	All owners, operators, proprietors.
Cleaning, dyeing, and pressing.....	Do.
Industry not specified.....	Do.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, "General Report on Occupations," vol. V (U. S. Government Printing Office, Washington, D. C., 1933), ch. 7, table 2.

The next step in estimating coverage was to eliminate from the groups remaining after the occupational exclusions those employees made ineligible by attachment to small establishments. For the purpose of this exclusion, the only sources of available data are the 1929 United States industrial censuses of mines and quarries, of manufacturing, and of the distributive industries. Failure of even these censuses to show the exact analysis desired made it necessary to use different methods for different industries in order to find the percentage of workers to be excluded. A description of each procedure follows.

TABLE I-2.—Occupational exclusions of gainful workers from the unemployment compensation plan by industries, United States, April 1930

Industry	Total gainful workers (A) ¹	Occupational exclusion		Net included after occupational elimination (D)
		Number (B) ¹	Percent (C)	
Total.....	48,829,920	20,133,669	41.232	28,696,251
Agriculture.....	10,483,917	10,483,917	100.000	-----
Forestry and fishing.....	268,992	79,659	29.614	189,333
Coal mines.....	691,288	2,863	.414	688,425
Other mines and quarries.....	266,643	3,436	1.289	263,207
Oil and gas wells.....	198,446	9,556	4.815	188,890
Manufacturing.....	11,406,075	295,869	2.594	11,110,206
Manufacturing.....	11,001,890	261,008	2.372	10,740,882
Gas works.....	114,930	5,819	5.063	109,111
Electric power plants.....	289,255	29,042	10.040	260,213
Building industry.....	2,574,968	153,746	5.971	2,421,222
Independent hand trades.....	360,329	360,329	100.000	-----
Construction and maintenance of roads.....	454,823	190,369	41.856	264,454
Garages, greasing, etc.....	423,843	50,718	11.966	373,125
Postal service.....	283,936	283,936	100.000	-----
Steam railroads.....	1,583,067	678	.043	1,582,389
Street railroads.....	195,408	20	.010	195,388
Telephones and telegraph.....	578,602	324	.056	578,278
Other transportation and communication.....	918,734	292,742	31.864	625,992
Truck, transfer, and cab.....	483,148	30,752	6.365	452,396
Water transportation.....	299,804	260,005	86.725	39,799
Other transportation and communication.....	135,782	1,985	1.462	133,797
Trade (wholesale and retail).....	6,109,790	1,835,600	30.044	4,274,190
Banking, brokerage, real estate, insurance.....	1,420,274	471,350	33.187	948,924
Banking and brokerage.....	624,783	221,504	35.453	403,279
Real estate.....	288,192	117,767	40.864	170,425
Insurance.....	507,299	132,079	26.036	375,220
Public service.....	1,049,576	1,049,576	100.000	-----
Professional service.....	2,965,742	2,272,115	76.612	693,627
Recreation and amusements.....	443,205	212,561	47.960	230,644
Hotels, restaurants, and boarding houses.....	1,357,381	366,625	27.010	990,756
Domestic and personal service.....	3,037,568	1,685,324	55.483	1,352,244
Laundries, cleaning, dyeing.....	419,624	31,715	7.558	387,909
Laundries.....	310,379	15,440	4.977	294,939
Cleaning, dyeing, pressing.....	109,245	16,275	14.898	92,970
Industry not specified.....	1,337,689	641	.048	1,337,048

¹ U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, "General Report on Occupations", vol. V (U. S. Government Printing Office, Washington, D. C., 1933), ch. 7, table 2.

Mines and Quarries.—The data available in the census of mines and quarries are limited in two ways: The scope of enumeration excludes establishments having less than \$5,000 annual sales volume, thus omitting the number of wage earners working in many of the small establishments; and the only tabulation on the size of firm includes wage earners only, thus excluding salaried workers, the majority of whom are employed by the larger establishments. Since these limitations have opposite influences, and because of the minuteness of the percentages of exclusion, it was assumed that they were offsetting, and, therefore, the distribution found in the census was not adjusted in any way. Since no distribution was given by the census for firms with eight or more employees, it

was necessary to interpolate on a smoothed curve of size-of-firm distributions. Tables I-3 and I-4 summarize the distributions found in the census of mines and quarries, and indicate that 33 percent of the establishments and about 1 percent of the workers in the industry are excluded from coverage.

Manufacturing.—The data reported on the distribution of employees by size of firm in the census of manufactures is subject to the same limitations as in the census of mines and quarries and was consequently treated in the same manner. Table I-5 summarizes the estimated distribution, which shows 112,863 or 53 percent of the establishments and 362,388 or 4 percent of the employees excluded from coverage.

TABLE I-3.—Number and percent of coal-mining establishments and wage earners, by number of wage earners per establishment, United States, 1929

Number of wage earners per establishment	Establishments		Wage earners	
	Number	Percent	Number	Percent
Total.....	5, 174	100. 00	601, 533	100. 00
1-7 ¹	1, 707	33. 00	6, 015	1. 00
8 and over ¹	3, 467	67. 00	595, 518	99. 00

¹ Distribution between 1-7 and 8 and over obtained by interpolation on a smoothed curve of census size-of-firm distribution.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States; Mines and Quarries: 1929* (U. S. Government Printing Office, Washington, D. C., 1933), table 18, p. 23.

TABLE I-4.—Number and percent of mining and quarrying establishments and wage earners, by number of wage earners per establishment, United States, 1929

Number of wage earners per establishment	Establishments		Wage earners	
	Number	Percent	Number	Percent
Total ¹	10, 068	100. 00	806, 418	100. 00
1-7 ²	3, 322	33. 00	12, 096	1. 50
8 and over ²	6, 746	67. 00	794, 322	98. 50

¹ Exclusive of data for 36 enterprises employing no wage earners, which operated 36 plants.

² Distribution between 1-7 and 8 and over obtained by interpolation on a smoothed curve of census size-of-firm distribution.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States; Mines and Quarries: 1929, op. cit.*, table 18, p. 23.

Distribution Industries.—The censuses of wholesale and of retail distribution show no tabulations of the distribution of employees by size of establishment. However, both report the size of establishment by volume of sales. It was therefore necessary to assume a relationship between the volume of sales and the number of employees, and to make estimates on this basis.

Wholesale distribution.—The following distributions were used from the census of wholesale distribution:

(1) *Wholesale trade.*—A summary of the number of employees and the volume of sales by type of establishment includes all establishments and employees in the industry.

(2) *Wholesalers only.*—A distribution of 79,840 establishments, employees attached, and volume of sales, by type of establishment.

(3) *Wholesale merchants.*—A distribution of 76,590 establishments by type of establishment and volume of sales. This group is included in the group "Wholesalers only."

"Wholesale merchants" is the only group classified by volume of sales and this, therefore, was used as the basic distribution. This classification included about 96 percent of "wholesalers only" establishments. The distribution, however, did not include an enumeration of the number of employees attached to the establishments. It was necessary, therefore, to estimate the number of employees in the "wholesale merchants" group on the basis of the number of employees enumerated under the classification of "wholesalers only" before distributing them according to the volume of sales per establishment in the "wholesale merchants" group. This was done by reducing the number of employees in proportion to the difference between total sales. The resulting number of employees was distributed in proportion to sales in each sales classification (by type of establishment) and the number thus placed in each classification was then divided by the number of establishments within that classification to find the average number of employees per store. The establishments were then arrayed according to these averages and the results summarized. How-

TABLE I-5.—Number and percent of manufacturing establishments and wage earners, by number of wage earners per establishment, United States, 1929

Number of wage earners per establishment	Establishments ¹		Wage earners	
	Number	Percent	Number	Percent
Total.....	210,959	100.00	8,838,743	100.00
1-7 ²	112,863	53.50	362,388	4.10
8 and over ²	98,096	46.50	8,476,355	95.90

¹ Establishments with less than \$5,000 sales in 1929 not included.

² Distribution between 1-7 and 8 and over obtained by interpolation on a smoothed curve of census size-of-firm distribution.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States; Manufactures: 1929*, vol. I (U. S. Government Printing Office, Washington, D. C., 1933), ch. 4, table 1, p. 62.

ever, the "wholesale merchants" group included only 45 percent of wholesale-trade employees. This distribution was adjusted to include the employees and establishments in the entire "wholesalers only" group, as shown in table I-6. To make the distribution more inclusive, those wholesale-trade groups with characteristics somewhat similar to those contained in the "wholesale merchants" group were considered to have the same percentage distribution of employees and establishments as the type to which they were compared. This process increased the size of the distribution to include about 75 percent of all establishments. To the remaining 25 percent, i. e., the establishments for which no comparison could be made, arbitrary estimates were assigned. They are chiefly such types as chain-store warehouses, district-sales houses, general-sales houses, etc., and it was assumed that a large proportion of the employees would be covered by an insurance plan. Consequently, in most cases the entire enumeration was included in the compensable part of the distribution. However, for a few types such as bulk-tank stations, brokers, commission merchants, resident buyers, etc., which have no great significance in terms of the relative number of employees represented, smaller percentages of inclusion were applied. Wholesale manufacturers were entirely excluded from the estimates since they are covered in the 1929 census of manufactures. The summary of the results is shown in table I-7, which shows 117,703, or approximately 70 percent of the establishments, and 263,862, or only about 17 percent of the employees excluded.

Retail Distribution.—The 1930 census of retail distribution contained the following data that were usable in obtaining desired estimates: The total number of employees, the number of owners and firm members, total volume of sales, number of stores classified by annual net volume of sales, and number of stores classified by type of operation. Again, assuming that the average sale per worker remained constant, workers were distributed according to volume of sales. Own-

TABLE I-6.—*Estimated distribution of "wholesalers only" establishments and employees, by average number of employees per establishment, United States, 1929*¹

Average number of employees per establishment	Distribution of establishments			Distribution of employees		
	Number	Percent	Cumulative percent	Number	Percent	Cumulative percent
Total.....	79,840	100.00	-----	912,143	100.00	-----
0 to 0.9.....	16,795	21.05	21.05	7,763	0.85	0.85
1 to 1.9.....	10,144	12.71	33.76	15,396	1.69	2.54
2 to 2.9.....	5,612	7.03	40.79	14,330	1.57	4.11
3 to 3.9.....	8,755	10.97	51.76	30,155	3.31	7.42
4 to 4.9.....	2,473	3.10	54.86	10,982	1.20	8.62
5 to 5.9.....	2,194	2.75	57.61	13,133	1.43	10.05
6 to 7.9.....	9,508	11.92	69.53	61,539	6.75	16.80
8 to 9.9.....	2,037	2.55	72.08	18,321	2.01	18.81
10 to 14.9.....	8,944	11.21	83.29	106,252	11.65	30.46
15 to 24.9.....	5,331	6.68	89.97	104,584	11.47	41.93
25 to 49.9.....	3,414	4.28	94.25	115,537	12.67	54.60
50 to 99.9.....	3,406	4.27	98.52	255,474	28.00	82.60
100 or over.....	1,227	1.48	100.00	158,777	17.40	100.00

¹ See p. 389 for method used in compilation of this table.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930; Distribution*, vol. II, "Wholesale Distribution" (U. S. Government Printing Office, Washington, D. C., 1933), table 4, p. 81.

TABLE I-7.—*Estimated distribution of establishments and employees in wholesale trade, by average number of employees per establishment, United States, 1929*

Average number of employees per establishment	Establishments		Employees	
	Number	Percent	Number	Percent
Total.....	¹ 169,285	100.00	1,569,130	100.00
0 to 7.....	117,704	69.53	263,614	16.80
8 and over.....	51,581	30.47	1,305,516	83.20

¹ Wholesale manufacturers employing 35,912 and numbering 417 establishments have been excluded from the distribution since they are included in the census of manufactures.

SOURCES: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930; Distribution*, vol. II, "Wholesale Distribution," *op. cit.*, table 4, p. 81; see table I-6 above.

ers and firm members were then deducted. It was assumed that stores having a sales volume of less than \$10,000 were operated solely by owners or firm members. The stores with sales volume from \$10,000 to \$75,000 were assumed to have one owner or firm member per store actively engaged in sales work. Results of this procedure are shown in table I-8.

Since many chain stores presumably fall below the \$75,000 annual sales-volume classification, it was deemed necessary to make an adjustment to include stores belonging to chain organizations. It was estimated that 70 percent of all chain

stores appear in the group with less than \$75,000 annual sales, and that this group employed 50 percent of the employees in the chain-store type of retail outlet. Therefore, these proportions were shifted for the purposes of coverage into the higher group with more than \$75,000 annual sales. The adjusted summary distribution is given in table I-9, which shows 1,466,000, or about 95 percent, of the establishments as excluded as against 1,681,029, or 42.5 percent, of the employees. Graphic interpolation was used to determine more accurately the volume-of-sales size of the stores having eight or more employees.

TABLE I-8.—*Estimated distribution of retail stores, employees, and average number of employees per store, by volume of sales per store, United States, 1929*¹

Annual volume of sales per store	Distribution of stores			Distribution of employees			Average number of employees per store
	Number	Percent	Cumulative percent	Number	Percent	Cumulative percent	
Total.....	1,543,158	100.0	-----	² 3,955,362	100.0	-----	-----
Less than \$5,000.....	419,378	27.2	27.2	-----	-----	-----	-----
\$5,000 to \$9,999.....	254,308	16.5	43.7	-----	-----	-----	-----
\$10,000 to \$19,999.....	312,865	20.3	64.0	184,400	4.7	4.7	0.59
\$20,000 to \$29,999.....	173,458	11.2	75.2	277,022	7.0	11.7	1.60
\$30,000 to \$49,999.....	176,767	11.5	86.6	524,284	13.3	25.0	2.97
\$50,000 to \$74,999.....	92,049	6.0	92.6	454,147	11.5	36.5	4.93
\$75,000 to \$99,999.....	36,820	2.4	95.0	333,449	8.4	44.9	9.06
\$100,000 to \$199,999.....	49,497	3.2	98.2	661,947	16.7	61.6	13.36
\$200,000 to \$299,999.....	12,966	.8	99.0	307,027	7.8	69.4	23.68
\$300,000 to \$499,999.....	8,467	.6	99.6	314,018	7.9	77.3	37.09
\$500,000 to \$999,999.....	4,524	.3	99.9	302,883	7.7	85.0	66.95
\$1,000,000 and over.....	2,059	.1	100.0	596,185	15.0	100.0	289.55

¹ See p. 390 for method used in compilation of this table.

² Adjusted for part-time workers and chain-store managers.

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930; Distribution*, vol. I, "Retail Distribution," pt. I (U. S. Government Printing Office, Washington, D. C., 1933), table 4-A, p. 59.

TABLE I-9.—*Estimated distribution of establishments and employees in retail trade, by number of employees per average establishment, United States, 1929*

Average number of employees per establishment	Establishments		Employees	
	Number	Percent	Number	Percent
Total.....	1,543,158	100.00	3,955,362	100.00
0 to 7.....	1,466,000	95.00	1,681,029	42.50
8 and over.....	77,158	5.00	2,274,333	57.50

SOURCE: Table I-8, above.

Other Industries.—The foregoing discussion outlines the procedures for the industries for which the size of establishment was available. These industries, however, included only 60 percent of the total compensable labor force. To the remaining 40 percent a percentage exclusion for each industry on the size-of-firm basis was arbitrarily determined and applied. Assistance was obtained from specialists in the various industries in determining each of these percentages whenever possible. It was assumed that the size-of-firm exclusion would not affect employment in gas works, electric power plants, steam railroads, street railroads, telephone and telegraph companies, and water trans-

portation. The estimates of exclusions in the other industries are shown in the tabulation below:

Estimated percent of workers attached to establishments with seven or less employees, United States, 1922-33

[Industries for which no data were available]

	<i>Percent of workers excluded</i>
Forestry and fishing.....	75
Oil and gas wells.....	15
Building.....	30
Construction and maintenance of roads.....	10
Garages.....	85
Truck, transfer, and cab.....	60
Other transportation and communication.....	40
Banking and brokerage.....	25
Real estate.....	30
Insurance.....	10
Professional service.....	90
Recreation and amusement.....	50
Hotels, restaurants, and boarding houses.....	40
Domestic and personal service.....	75
Laundries.....	25
Cleaning, dyeing, and pressing.....	30
Industry not specified.....	25

The size-of-firm reduction in all industries amounts to about 6,416,000 or 22 percent of the total number of gainful workers. The final number of gainful workers, approximately 22,280,000 in April 1930, eligible for participation in the unemployment compensation plan, is displayed by industry in table I-10. It will be seen that industries in which the higher incidence of unemployment occurs, such as manufacturing, transportation, and mining, have a relatively high coverage:

THE EMPLOYMENT STATUS OF THE COMPENSABLE LABOR FORCE, APRIL 1930

Having derived an estimate of the eligible compensable labor force in April 1930, it was next necessary to determine the employment status of the compensable labor force in order to discover how many persons would be covered by the system and how many would be beneficiaries of the fund.

In determining the exclusions from total employment in each industry it was necessary to estimate the employment in the industries by occupations since the incidence of unemployment is decidedly less as the skill of the occupation becomes more significant. Since employment statistics by socio-economic groupings¹ were not available for April 1930, the number unemployed had to be estimated in each grouping and deducted from the gainful workers in each corresponding grouping in order to obtain the number employed therein. Obtaining unemployment by industry and occupation was the chief difficulty in such a procedure. However, in volume II of the "General Report on Unemployment," *Fifteenth Census of the United States: 1930*, an occupational enumeration is made of gainful workers and of the unemployed in classes A and B. This is summarized by socio-economic groups in table I-11.

¹ These are summary occupational groupings and include the managerial, professional, clerical, skilled, and unskilled groups.

Since classes A and B combined constitute over 90 percent of the enumerated unemployed, it was assumed that the occupational distribution of the unemployed in classes A and B would hold for the total estimated unemployed. Accordingly, these ratios were applied to "gainful workers" in the various occupational groups in each industry and the resulting estimates were adjusted so that their summation would equal the estimated number of unemployed in each industry in April 1930. By deducting these adjusted estimates from the number of gainful workers, the number of employed in each industry by occupational groupings was obtained.

TABLE I-10.—"Size-of-firm" exclusion of gainful workers by industries, United States, April 1930

Industry	Net included after occupational elimination	Size-of-firm exclusion		Compensable labor force	Percent of industry covered
		Number	Percent		
Total.....	28,696,251	6,416,138	22.359	22,280,113	45.628
Agriculture.....	0	0	-----	0	0.000
Forestry and fishing.....	189,333	142,000	75.000	47,333	17.596
Coal mines.....	688,425	6,884	1.000	681,541	98.590
Other mines and quarries.....	263,207	3,948	1.500	259,259	97.231
Oil and gas wells.....	188,890	28,334	15.000	160,556	80.907
Manufacturing.....	11,110,206	440,376	4.000	10,669,830	93.545
Manufacturing.....	10,740,882	440,376	4.100	10,300,506	93.625
Gas works.....	109,111	0	0.000	109,111	94.937
Electric power plants.....	260,213	0	0.000	260,213	89.960
Building industry.....	2,421,222	726,367	30.000	1,694,855	65.820
Independent hand trades.....	0	-----	0.000	0	0.000
Construction and maintenance of roads.....	264,454	26,445	10.000	238,009	52.330
Garages, greasing, etc.....	373,125	317,156	85.000	55,969	13.205
Postal service.....	0	0	-----	0	0.000
Steam railroads.....	1,582,289	0	0.000	1,582,389	99.957
Street railroads.....	195,388	0	0.000	195,388	99.990
Telephone and telegraph.....	578,278	0	0.000	578,278	99.944
Other transportation and communication.....	625,992	324,957	51.900	301,035	32.766
Truck, transfer, and cab.....	452,396	271,438	60.000	180,958	37.454
Water transportation.....	39,799	0	0.000	39,799	13.275
Other transportation and communication.....	133,797	53,519	40.000	80,278	59.123
Trade (wholesale and retail).....	4,274,190	1,624,192	38.000	2,649,998	43.373
Banking, brokerage, real estate, and insurance.....	948,924	189,470	20.000	759,454	53.472
Banking and brokerage.....	403,279	100,820	25.000	302,459	48.410
Real estate.....	170,425	51,128	30.000	119,297	41.395
Insurance.....	375,220	37,522	10.000	337,698	66.568
Public service.....	0	0	-----	0	0.000
Professional service.....	693,627	624,264	90.000	69,363	2.339
Recreation and amusement.....	230,644	115,372	50.000	115,272	26.009
Hotels, restaurants, and boarding houses.....	990,756	396,302	40.000	594,454	43.794
Domestic and personal service.....	1,352,244	1,014,183	75.000	338,061	11.129
Laundries, cleaning, dyeing, and pressing.....	387,909	101,626	26.200	286,283	68.224
Laundries.....	294,939	73,735	25.000	221,204	71.269
Cleaning, dyeing, pressing.....	92,970	27,891	30.000	65,079	59.572
Industry not specified.....	1,337,048	334,262	25.000	1,002,786	74.964

SOURCE: Tables and text, pp. 386-392.

The next step was to reduce these estimates of employed gainful workers by the occupational and size-of-firm exclusions. It was assumed that the percentage of employed workers in each occupational grouping within each industry who are barred from eligibility to the plan by the occupational exclusion would be the same as was the percentage of gainful workers eliminated by that exclusion from the corresponding occupational grouping within the industry; these percentages were accordingly applied to employed workers.

After the occupational reduction had been made, the same percentage exclusions were applied to the employed in industrial groups as were applied to gainful workers for the size-of-firm exclusion.

The employed coverage, resulting from the two reductions, is shown by type of exclusion in table I-12, and in somewhat different form in table I-13. It

may be seen that the percentage of the employed workers within each industry included in the compensation plan differs slightly from the percentage of total gainful workers covered within each corresponding industry (table I-10). These differences are caused by the higher incidence of unemployment in the lower socio-economic groups, especially among the skilled and unskilled groups, where unemployment is much greater than in the managerial group.

TABLE I-11.—*Distribution of total gainful workers and unemployed workers by socio-economic groups in the United States, April 1930*

Socio-economic group	Gainful workers	Unemployed	Percent
Managerial.....	¹ 4,760,647	106,946	2.24
Professional.....	3,253,884	90,506	2.78
Clerical.....	7,868,844	325,263	4.13
Skilled.....	6,129,466	689,784	11.25
Unskilled.....	² 19,145,315	1,976,248	10.32
Total.....	41,158,116	3,187,647	7.75

¹ Farm owners omitted (6,012,012).

² All unpaid family workers in agriculture omitted (1,659,792).

SOURCE: U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*; "Unemployment," vol. II (U. S. Government Printing Office, Washington, D. C., 1932), ch. 1, table 3, p. 13.

The procedure thus far may be summarized as follows: First, the total compensable labor force was obtained by excluding agricultural workers, domestics, family workers, sailors, public servants, employees of nonprofit organizations, and employees working in small establishments; next, the number of employed who would contribute to the operation of the plan was estimated.

The number of unemployed covered in the plan remains to be obtained. This was estimated as the difference between the total compensable labor force and the covered employed, and amounted to approximately 3,177,000, or about 72 percent of the total number unemployed; it is shown by industries in table I-14. All three are compared in table I-15.

It should be remembered that these estimates of employed, unemployed, and total compensable labor force are all influenced by restrictions specifically defining coverage. Were these restrictions changed, coverage would vary accordingly. The procedure outlined herein, however, is illustrative of the methods that may be utilized in estimating the actual coverage finally determined upon.

EMPLOYMENT STATUS OF THE COMPENSABLE LABOR FORCE, 1922-33

The foregoing discussion applies to April 1930 only and merely serves as a starting point for the determination of the compensable labor force and its employment status during the whole period 1922-33. On the basis of indexes of gainful workers and employment it was possible to extend the estimates for April 1930 forward and backward.

Data available for this procedure were much more meager for the years 1923-28 than for the years 1929-34; consequently these two segments of the period were treated separately. However, the procedure in general was the same and included the following steps: First, total coverage was determined on the basis of changes in the number of gainful workers; second, employed coverage was extended by means of employment indexes; and, finally, by the difference between total and employed coverage, unemployed coverage was found.

TABLE I-12.—Employed compensable labor force by industry and by type of exclusion, United States, April 1930

Industry	Gainful workers			Occupational exclusion			Size-of-firm exclusion		Compensable gainful workers		
	Total ¹	Unem- ployed ²	Employed ²	Percent ex- cluded by occu- pation ³	Number excluded by occupa- tion	Net after occupa- tional ex- clusion	Percent ex- cluded by size of firm ⁴	Number excluded by size of firm	Employed	Unem- ployed	Total
Total.....	48,829,920	4,388,587	44,441,333	45.105	20,045,131	24,396,202	21.656	5,293,224	19,102,978	3,177,135	22,280,113
Agriculture.....	10,483,917	197,311	10,286,606	100.000	10,286,606	0	0.000	0	0	0	0
Forestry and fishing.....	268,992	38,848	230,144	⁵ 32.538	74,884	155,260	75.000	116,445	38,815	8,518	47,333
Coal mines.....	691,288	192,296	498,992	⁵ 0.455	2,229	496,763	1.000	4,967	491,796	189,745	681,541
Other mines and quarries.....	266,643	39,186	227,457	⁵ 1.416	3,221	224,236	1.500	3,364	220,872	38,387	259,259
Oil and gas wells.....	198,446	29,401	169,045	⁵ 5.290	8,942	160,103	15.000	24,015	136,088	24,468	160,556
Manufacturing.....	11,406,075	1,425,208	9,980,867	⁵ 2.805	279,963	9,700,904	4.000	388,036	9,312,868	1,356,962	10,669,830
Building industry.....	2,574,968	670,397	1,904,571	⁵ 6.561	124,959	1,779,612	30.000	533,884	1,245,728	449,127	1,694,855
Independent hand trades.....	360,329	18,188	342,141	100.000	342,141	0	0.000	0	0	0	0
Construction and maintenance of roads.....	454,823	73,173	381,650	⁵ 45.989	175,517	206,133	10.000	20,613	185,520	52,489	238,009
Postal service.....	283,936	3,470	280,466	100.000	280,466	0	0.000	0	0	0	0
Steam railroads.....	1,583,067	129,780	1,453,287	0.043	625	1,452,662	.000	0	1,452,662	129,727	1,582,389
Street railroads.....	195,408	10,309	185,099	⁵ 0.011	20	185,079	.000	0	185,079	10,309	195,388
Telephone and telegraph.....	578,602	24,365	554,237	0.056	310	553,927	.000	0	553,927	24,351	578,278
Other transportation and communica- tion.....	918,734	114,443	804,291	⁵ 35.011	281,590	522,701	51.900	271,288	251,413	49,622	301,035
Trade (wholesale and retail).....	6,109,790	360,805	5,748,985	⁵ 33.011	1,897,797	3,851,188	38.000	1,463,451	2,387,737	262,261	2,649,998
Banking, brokerage, real estate, insur- ance.....	1,420,274	44,858	1,375,416	33.187	456,459	918,957	20.000	183,791	735,166	24,288	759,454
Public service.....	1,049,576	40,852	1,008,724	100.000	1,008,724	0	0.000	0	0	0	0
Professional service.....	2,965,742	79,397	2,886,345	⁵ 84.177	2,429,639	456,706	90.000	411,035	45,671	23,692	69,363
Recreation and amusement.....	443,205	50,422	392,783	⁵ 52.696	206,981	185,802	50.000	92,901	92,901	22,371	115,272
Hotels, restaurants, and boarding houses.....	1,357,381	112,682	1,244,699	⁵ 29.677	369,389	875,310	40.000	350,124	525,186	69,268	594,454
Domestic and personal service.....	3,037,568	199,486	2,838,082	⁵ 60.962	1,730,152	1,107,930	75.000	830,948	276,982	61,079	338,061
Laundries, cleaning, dyeing, pressing.....	419,624	25,014	394,610	⁵ 8.304	32,768	361,842	26.200	94,803	267,039	19,244	286,283
Garages, greasing, etc.....	423,843	33,740	390,103	⁵ 13.148	51,291	338,812	85.000	287,990	50,822	5,147	55,969
Industry not specified.....	1,337,689	474,956	862,733	⁵ 0.053	458	862,275	25.000	215,569	646,706	356,080	1,002,786

¹ U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*, "General Report on Occupations," vol. V (U. S. Government Printing Office, Washington, D. C., 1933), ch. 7, table 2.

² Estimates furnished by Robert R. Nathan. These estimates, with slight revisions, were published in "Estimates of Unemployment in the United States, 1929-35," *International Labour Review*, vol. XXXIII, no. 1, January 1936, tables I and II.

³ Table I-2, p. 387 (see also footnote 5 below).

⁴ Table I-10, p. 393.

⁵ It was assumed that there was no unemployment in the occupations excluded, because these were made up principally of owners and proprietors. The percentage excluded by occupation from the total gainful workers was multiplied by the ratio of the total gainful workers to the employed gainful workers in order to allow for this adjustment. This ratio was gainful workers/employed workers = 1.09875.

TABLE I-13.—*Employed compensable labor force by industries, United States, April 1930*

Industry	Total employed workers			Compensable employed workers		
	Number	Percent of total	Employed workers not covered	Number	Percent of total	Percent of total employed workers in the industry
Total.....	44, 441, 333	100. 00	25, 338, 355	19, 102, 978	100. 00	42. 985
Agriculture.....	10, 286, 606	23. 14	10, 286, 606	0	0. 000	0. 000
Forestry and fishing.....	230, 144	. 52	191, 329	38, 815	. 203	16. 866
Coal mines.....	498, 992	1. 12	7, 196	491, 796	2. 574	98. 558
Other mines and quarries.....	227, 457	. 51	6, 585	220, 872	1. 156	97. 105
Oil and gas wells.....	169, 045	. 38	32, 957	136, 088	. 712	80. 504
Manufacturing.....	9, 980, 867	22. 46	667, 999	9, 312, 868	48. 752	93. 307
Building industry.....	1, 904, 571	4. 29	658, 843	1, 245, 728	6. 521	65. 407
Independent hand trades.....	342, 141	. 77	342, 141	0	0. 000	0. 000
Construction and maintenance of roads.....	381, 650	. 86	196, 150	185, 520	. 971	48. 610
Garages, greasing, etc.....	390, 103	. 88	339, 281	50, 822	. 266	13. 028
Postal service.....	280, 466	. 63	280, 466	0	0. 000	0. 000
Steam railroads.....	1, 453, 287	3. 27	625	1, 452, 662	7. 605	99. 957
Street railroads.....	185, 099	. 42	20	185, 079	. 969	99. 989
Telephone and telegraph.....	554, 237	1. 25	310	553, 927	2. 900	99. 944
Other transportation and communication.....	804, 291	1. 81	552, 878	251, 413	1. 316	31. 259
Trade (wholesale and retail).....	5, 748, 985	12. 94	3, 361, 248	2, 387, 737	12. 500	41. 533
Banking, brokerage, real estate, and insurance.....	1, 375, 416	3. 09	640, 250	735, 166	3. 848	53. 450
Public service.....	1, 008, 724	2. 27	1, 008, 724	0	0. 000	0. 000
Professional service.....	2, 886, 345	6. 49	2, 840, 674	45, 671	. 239	1. 582
Recreation and amusement.....	392, 783	. 88	299, 882	92, 901	. 486	23. 652
Hotels, restaurants, and boarding houses.....	1, 244, 699	2. 80	719, 513	525, 186	2. 749	42. 194
Domestic and personal service.....	2, 838, 082	6. 39	2, 561, 100	276, 982	1. 450	9. 759
Laundries, cleaning, dyeing, and pressing.....	394, 610	. 89	127, 571	267, 039	1. 398	67. 672
Industry not specified.....	862, 733	1. 94	216, 027	646, 706	3. 385	74. 960

SOURCE: Table I-12, p. 395.

TABLE I-14.—*Unemployed compensable labor force, United States, April 1930*

Industry	Total unemployed workers			Compensable unemployed workers		
	Number	Percent of total	Number not covered	Number	Percent of total	Percent of unemployed workers in specified industry
Total.....	4, 388, 587	100. 00	1, 211, 452	3, 177, 135	100. 00	72. 40
Agriculture.....	197, 311	4. 50	197, 311	0	0. 00	0. 00
Forestry and fishing.....	38, 848	. 89	30, 330	8, 518	. 27	21. 93
Coal mines.....	192, 296	4. 35	2, 551	189, 745	5. 97	98. 67
Other mines and quarries.....	39, 186	. 89	799	38, 387	1. 21	97. 96
Oil and gas wells.....	29, 401	. 67	4, 933	24, 468	. 77	83. 22
Manufacturing.....	1, 425, 208	32. 47	68, 246	1, 356, 962	42. 71	95. 23
Building industry.....	670, 397	15. 27	221, 270	449, 127	14. 15	66. 99
Independent hand trades.....	18, 188	. 41	18, 188	0	0. 00	0. 00
Construction and maintenance of roads.....	73, 173	1. 67	20, 684	52, 489	1. 65	71. 73
Garages, greasing, etc.....	33, 740	1. 77	28, 593	5, 147	. 16	15. 25
Postal service.....	3, 470	. 08	3, 470	0	0. 00	0. 00
Steam railroads.....	129, 780	2. 96	53	129, 727	4. 08	99. 96
Street railroads.....	10, 309	. 23	0	10, 309	. 32	100. 00
Telephone and telegraph.....	24, 365	. 56	14	24, 351	. 77	99. 94
Other transportation and communication.....	114, 443	2. 61	64, 821	49, 622	1. 56	43. 36
Trade (wholesale and retail).....	360, 805	8. 22	98, 544	262, 261	8. 25	72. 69
Banking, brokerage, real estate, and insurance.....	44, 858	1. 02	20, 570	24, 288	. 76	54. 14
Public service.....	40, 852	. 93	40, 852	0	0. 00	0. 00
Professional service.....	79, 397	1. 81	55, 705	23, 692	. 75	29. 84
Recreation and amusement.....	50, 422	1. 51	28, 051	22, 371	. 70	44. 37
Hotels, restaurants, and boarding houses.....	112, 682	2. 57	43, 414	69, 268	2. 18	61. 50
Domestic and personal service.....	199, 486	4. 55	138, 407	61, 079	1. 92	30. 62
Laundries, cleaning, dyeing, and pressing.....	25, 014	. 57	5, 770	19, 244	. 61	76. 93
Industry not specified.....	474, 956	10. 82	118, 876	356, 080	11. 21	76. 97

SOURCE: Table I-12, p. 395.

TABLE I-15.—*Estimated compensable labor force in the United States, April 1930*

Category	Total		Employed		Unemployed	
	Number	Percent	Number	Percent	Number	Percent
All gainful workers.....	48, 829, 920	100. 0	44, 441, 333	100. 00	4, 388, 587	100. 00
Number of workers excluded from plan by occupation ¹	20, 133, 669	41. 3	20, 045, 131	45. 11	88, 538	2. 02
Size-of-firm exclusion ²	6, 416, 138	13. 1	5, 293, 224	11. 91	1, 122, 914	25. 58
Total number of workers excluded from the plan.....	26, 549, 807	54. 4	25, 338, 355	57. 02	1, 211, 452	27. 60
Compensable labor force.....	22, 280, 113	45. 6	19, 102, 978	42. 98	3, 177, 135	72. 40

¹ Occupational exclusions eliminate all agricultural workers, owners, operators, self-employed persons, and public servants.

² Size-of-firm exclusion eliminates workers employed by firms with 7 or less employees not eliminated by occupation.

SOURCE: Table I-12, p. 395.

Compensable Labor Force and Its Employment Status, 1922-28.—Since employment data classified by industrial groups were not available for 1922-28, they could not be used in computing the compensable labor force. For want of a better grouping, therefore, calculations were made for the period on the basis of the total nonagricultural classification. An index of industrial coverage was derived from a yearly estimate of gainful workers in industry obtained as follows: First, the total number of gainful workers was estimated by increasing the 1920 census figure by 773,000 each year after 1920; then from these yearly figures the estimated gainful workers in agriculture each year were deducted. The use of a constant yearly increase in total gainful workers probably minimizes the amount of labor brought into the market in the early 1920's, but this underestimate tends to make the figures conservative.

The employment status of the compensable labor force in industry was computed as follows: An employment index was constructed from a series derived by deducting nonagricultural unemployment estimates² from the total number of gainful workers in nonagricultural pursuits, with April 1930 regarded as 100. These index numbers were applied to nonagricultural employed coverage as of that date and yielded the desired estimates of employed coverage in industry for the years 1922-28.

The difference between the employed compensable labor force and the total compensable labor force was considered the unemployed coverage. The results of the foregoing calculations are displayed in table I-16.

Compensable Labor Force and Its Employment Status, 1929-33.—For the period 1929-33, data segregated by industrial groups were available so that it was possible to use more refined procedures than were used for the previous period.

The employed compensable labor force was estimated by applying employment indexes to the employed coverage by industries with April 1930 as a base. Since it was not possible to allocate unemployment by industries in the same manner as employment, because of the mobility of labor, unemployed coverage could be estimated only as the summation of the differences between employed coverage by industry and total coverage by industry for any year as compared

² Estimates of nonagricultural unemployment, 1922-27, Committee of the President's Conference on Unemployment, *Recent Economic Changes* (McGraw-Hill Book Co., New York, 1929), vol. II, p. 478; 1928 estimates by the staff of the committee.

to April 1930, plus a portion of the total accumulated increment to gainful workers.

The increase in the size of the covered group was determined on the assumption that the normal number of entrants into the gainful-worker group, by definition, necessarily replaces employed workers or is an addition to the employed worker group, and also on the basis that the increase is distributed evenly throughout all industries. With these two factors in mind the increment of 1,049,000 gainful workers between April 1930 and 1933 is no longer composed of the new entrants but of those workers who have been replaced by new entrants and so are unemployed. Assuming no change in the size of the group it was estimated that the proportion of the increment covered bore the same ratio to the total increment as the covered unemployed bore to the

TABLE I-16.—*Estimated compensable labor force, United States, 1922-33*

Year	Total gainful workers	Compensable labor force					
		Total		Employed		Unemployed	
		Number	Percent of gainful workers	Number	Percent of April 1930 compensable labor force ¹	Number	Percent of compensable labor force
1922.....	43,160,792	² 18,789,145	43.53	16,055,289	84.046	2,733,856	14.55
1923.....	43,934,064	19,225,240	43.76	17,645,994	92.373	1,579,246	8.21
1924.....	44,707,336	19,661,335	43.98	17,685,537	92.580	1,975,798	10.05
1925.....	45,480,608	20,097,430	44.19	18,417,372	96.411	1,680,058	8.37
1926.....	46,253,880	20,533,525	44.39	18,962,189	99.263	1,571,336	7.65
1927.....	47,027,152	20,969,620	44.59	19,275,287	100.902	1,694,333	8.08
1928.....	47,800,424	21,405,715	44.78	19,629,074	102.754	1,776,641	8.30
1929.....	48,573,700	21,841,810	44.97	20,660,062	108.151	1,181,748	5.41
1930.....	48,903,200	² 22,277,905	45.56	18,743,460	98.118	3,534,445	15.87
1931.....	49,227,700	22,714,000	46.14	16,385,579	85.775	6,328,421	27.86
1932.....	49,554,700	23,150,095	46.72	13,783,563	72.154	9,366,532	40.46
1933.....	49,881,700	23,586,190	47.28	13,782,608	72.149	9,803,582	41.56

¹ 100=19,102,978 or the employed compensable labor force, April 1930.

² For any given year between 1922 and 1930 the number of the total compensable labor force=

$$22,277,905 - (1930 - \text{year}) \left[\left(\frac{\text{gainful workers 1920} - \text{gainful workers 1930}}{10} \right) - \sum \left(\frac{\text{gainful workers in agriculture 1922-28} - \text{gainful workers in agriculture 1930}}{8} \right) \right] 79.2 \text{ percent.}$$

total unemployed. Thus, the difference between total coverage in April 1930 and employed coverage in 1933 is 8,495,297, or 66 percent of the 12,976,000 total number of gainful workers unemployed. This percentage was applied to the total accumulated increment in gainful workers since April 1930 and the results of the calculation were added to both total and unemployed coverage.

These methods may have the weakness of not accounting for the changes in the relationship of employment in the small establishments to total employment and the changes in the incidence of unemployment in the socio-economic groups, but since no data are available to correct for these factors, no adjustment could be made.

Table I-16 summarizes coverage for the entire period displaying the total, employed, and unemployed compensable labor force, and the percent of gainful workers covered, as well as the unemployment rate in the compensable group.

The Compensable Labor Force by States.—It is impossible to utilize existing data on nonagricultural employment and unemployment by States in the construction of accurate tables for the compensable labor force. Estimates have been made, however, which will serve to indicate the relative numbers who may be covered by State unemployment compensation systems and the degree of unemployment among these covered workers in 1930, 1931, 1932, and 1933. Table I-17 presents these estimates. It has already been noted in table 23 (p. 108) that the percentage of gainful workers who will be covered by State unemployment compensation systems varies considerably in proportion to the extent of industrialization of the State. It is also apparent from the estimates in table I-17 that the percentage of unemployment within the compensable labor force of the several States will vary considerably. Table 6 (p. 60) shows the States arrayed by order of the percentage of unemployment within the covered group in April 1930 and in 1933, as compared with the average of 1930-33 and the United States average. In 1930, 14 States had unemployment averages higher than that for the United States as a whole (Nevada, Michigan, Rhode Island, Illinois, Ohio, Oregon, New Jersey, Massachusetts, Montana, Vermont, California, Utah, New York, and Indiana). In the estimates of unemployment in the compensable labor force in 1933, 17 States had higher percentages than the average for the country as a whole, and the States are arrayed in an order different from the 1930 rank (Michigan, Pennsylvania, New Mexico, New Jersey, Arkansas, Nevada, New York, Arizona, Florida, Montana, Rhode Island, Illinois, Colorado, Massachusetts, Wyoming, Utah, and Indiana).

TABLE I-17.—Estimates of the compensable labor force, 1930-33, by States

State	Average number of workers in compensable labor force (in thousands)				Average number employed (in thousands)				Average number unemployed (in thousands)				Percent of compensable labor force									
													Employed					Unemployed				
	1930	1931	1932	1933	1930	1931	1932	1933	1930	1931	1932	1933	1930-33	1930	1931	1932	1933	1930-33	1930	1931	1932	1933
United States.....	22, 279	22, 319	22, 317	22, 416	19, 104	16, 768	14, 248	14, 611	3, 175	5, 551	8, 069	7, 805	72. 5	85. 7	75. 1	63. 8	65. 2	27. 5	14. 3	24. 9	36. 2	34. 8
Alabama.....	312	306	300	295	273	238	194	204	39	68	106	91	74. 9	87. 5	77. 8	64. 7	69. 2	25. 1	12. 5	22. 2	35. 3	30. 8
Arizona.....	73	73	75	76	63	54	47	46	10	19	28	30	70. 7	86. 3	74. 0	62. 7	60. 5	29. 3	13. 7	26. 0	37. 3	39. 5
Arkansas.....	164	160	153	149	145	127	94	89	19	33	59	60	72. 7	88. 4	79. 4	61. 4	59. 7	27. 3	11. 6	20. 6	38. 6	40. 3
California.....	1, 267	1, 279	1, 288	1, 303	1, 080	950	881	900	187	329	407	403	74. 2	85. 2	74. 3	68. 4	69. 1	25. 8	14. 8	25. 7	31. 6	30. 9
Colorado.....	172	170	171	172	148	131	112	109	24	39	59	63	73. 0	86. 0	77. 1	65. 5	63. 4	27. 0	14. 0	22. 9	34. 5	36. 6
Connecticut.....	372	375	377	380	319	277	230	254	53	98	147	126	71. 8	85. 8	73. 9	61. 0	66. 8	28. 2	14. 2	26. 1	39. 0	33. 2
Delaware.....	47	47	46	47	42	36	33	38	5	11	13	9	79. 7	89. 4	76. 6	71. 7	80. 9	20. 3	10. 6	23. 4	28. 3	19. 1
District of Columbia..	112	113	113	114	100	90	81	88	12	23	32	26	79. 4	89. 3	79. 6	71. 7	77. 3	20. 6	10. 7	20. 4	28. 3	22. 7
Florida.....	271	273	274	277	233	205	170	171	38	68	104	106	71. 1	86. 0	75. 1	62. 0	61. 7	28. 9	14. 0	24. 9	38. 0	38. 3
Georgia.....	382	371	366	356	339	296	256	303	43	75	110	53	80. 9	88. 7	79. 8	69. 9	85. 1	19. 1	11. 3	20. 2	30. 1	14. 9
Idaho.....	56	54	54	54	49	42	37	38	7	12	17	16	76. 2	87. 5	77. 8	68. 5	70. 4	23. 8	12. 5	22. 2	31. 5	29. 6
Illinois.....	1, 645	1, 655	1, 661	1, 670	1, 383	1, 215	1, 014	1, 048	262	440	647	622	70. 3	84. 1	73. 4	61. 0	62. 8	29. 7	15. 9	26. 6	39. 0	37. 2
Indiana.....	580	581	577	577	496	433	353	375	84	148	224	202	71. 6	85. 5	74. 5	61. 2	65. 0	28. 4	14. 5	25. 5	38. 8	35. 0
Iowa.....	337	335	332	329	301	266	228	221	36	69	104	108	76. 2	89. 3	79. 4	68. 7	67. 2	23. 8	10. 7	20. 6	31. 2	32. 8
Kansas.....	270	268	267	266	238	210	187	190	32	58	80	76	77. 0	88. 1	78. 4	70. 0	71. 4	23. 0	11. 9	21. 6	30. 0	28. 6
Kentucky.....	320	314	308	308	276	243	215	229	44	71	93	79	77. 3	86. 3	77. 4	69. 8	74. 4	22. 7	13. 7	22. 6	30. 2	25. 6
Louisiana.....	301	301	298	298	261	228	196	202	40	73	102	96	74. 0	86. 7	75. 7	65. 8	67. 8	26. 0	13. 3	24. 3	34. 2	32. 2
Maine.....	149	149	149	149	128	112	99	116	21	37	50	33	76. 3	85. 9	75. 2	66. 4	77. 9	23. 7	14. 1	24. 8	33. 6	22. 1
Maryland.....	341	342	343	344	301	318	224	237	40	24	119	107	78. 8	88. 3	93. 0	65. 3	68. 9	21. 2	11. 7	7. 0	34. 7	31. 1
Massachusetts.....	1, 019	1, 026	1, 030	1, 034	864	753	654	658	155	273	376	376	71. 3	84. 8	74. 3	63. 5	63. 6	28. 7	15. 2	26. 6	36. 5	36. 4
Michigan.....	978	989	996	1, 006	783	679	553	531	195	310	443	475	64. 1	80. 1	68. 7	55. 5	52. 8	35. 9	19. 9	31. 3	44. 5	47. 2
Minnesota.....	400	399	397	396	345	303	272	269	55	96	125	127	74. 7	86. 3	75. 9	68. 5	67. 9	25. 3	13. 7	24. 1	31. 5	32. 1
Mississippi.....	170	161	153	147	150	132	108	107	20	29	45	40	78. 8	88. 2	82. 0	70. 6	72. 8	21. 2	11. 8	18. 0	29. 4	27. 2
Missouri.....	630	630	627	627	547	481	413	419	83	149	214	208	74. 0	86. 8	76. 3	65. 9	66. 8	26. 0	13. 2	23. 7	34. 1	33. 2
Montana.....	79	76	77	76	67	58	45	47	12	18	32	29	70. 5	84. 8	76. 3	58. 4	61. 8	29. 5	15. 2	23. 7	41. 6	38. 2
Nebraska.....	179	179	179	176	160	142	125	120	19	37	54	56	76. 7	89. 4	79. 3	69. 8	68. 2	23. 3	10. 6	20. 7	30. 2	31. 8
Nevada.....	20	20	20	20	16	14	12	12	4	6	8	8	67. 5	80. 0	70. 0	60. 0	60. 0	32. 5	20. 0	30. 0	40. 0	40. 0
New Hampshire.....	99	100	100	100	85	73	68	76	14	27	32	24	75. 7	85. 9	73. 0	68. 0	76. 0	24. 3	14. 1	27. 0	32. 0	23. 0
New Jersey.....	959	970	980	990	812	705	602	591	147	265	378	399	69. 5	84. 7	72. 7	61. 4	59. 7	30. 5	15. 3	27. 3	38. 6	40. 3
New Mexico.....	49	48	49	49	43	37	31	29	6	11	18	20	71. 8	87. 8	77. 1	63. 3	59. 2	28. 2	12. 2	22. 9	36. 7	40. 8
New York.....	3, 084	3, 111	3, 134	3, 159	2, 635	2, 312	1, 950	1, 915	449	799	1, 184	1, 244	70. 6	85. 4	74. 3	62. 2	60. 6	29. 4	14. 6	25. 7	37. 8	39. 4
North Carolina.....	371	369	366	366	320	278	242	291	51	91	124	75	76. 8	86. 3	75. 3	66. 1	79. 5	23. 2	13. 7	24. 7	33. 9	20. 5
North Dakota.....	62	61	59	59	55	49	45	42	7	12	14	17	79. 3	88. 7	80. 3	76. 3	71. 2	20. 7	11. 3	19. 7	23. 7	28. 8
Ohio.....	1, 337	1, 345	1, 346	1, 352	1, 131	987	824	894	206	358	522	458	71. 3	84. 6	73. 4	61. 2	66. 1	28. 7	15. 4	26. 6	38. 8	33. 9
Oklahoma.....	304	303	300	299	263	227	195	207	41	76	105	92	74. 0	86. 5	74. 9	65. 0	69. 2	26. 0	13. 5	24. 8	35. 0	30. 8
Oregon.....	190	192	192	193	161	142	136	148	29	50	56	45	76. 5	84. 7	74. 0	70. 8	76. 7	23. 5	15. 3	26. 0	29. 2	23. 3

Pennsylvania.....	2, 013	2, 021	2, 028	2, 08 0	1, 731	1, 509	1, 242	1, 216	282	512	786	864	70. 0	86. 0	74. 7	61. 2	58. 5	30. 0	14. 0	25. 3	33. 8	41. 5
Rhode Island.....	167	169	170	171	138	120	100	106	29	49	70	65	68. 5	82. 6	71. 0	58. 8	62. 0	31. 5	17. 4	29. 0	41. 2	38. 0
South Carolina.....	197	192	187	183	176	152	129	155	21	40	58	28	80. 6	89. 3	79. 2	69. 0	84. 7	19. 4	10. 7	20. 8	31. 0	15. 3
South Dakota.....	68	67	66	65	62	55	49	49	6	12	17	16	80. 8	91. 2	82. 1	74. 2	75. 4	19. 2	8. 8	17. 9	25. 8	24. 6
Tennessee.....	340	334	329	324	299	262	225	244	41	72	104	80	77. 6	87. 9	78. 4	68. 4	75. 3	22. 4	12. 1	21. 6	31. 6	24. 7
Texas.....	795	798	793	796	698	612	521	531	97	186	272	265	74. 2	87. 8	76. 7	65. 7	66. 7	26. 8	12. 2	23. 3	34. 3	33. 3
Utah.....	75	74	75	75	64	56	49	48	11	18	26	27	72. 6	85. 3	75. 7	65. 3	64. 0	27. 4	14. 7	24. 3	34. 7	36. 0
Vermont.....	60	60	59	59	51	45	40	40	9	15	19	19	73. 9	85. 0	75. 0	67. 8	67. 8	26. 1	15. 0	25. 0	32. 2	32. 2
Virginia.....	352	347	343	339	312	273	231	246	40	74	112	93	76. 9	88. 6	78. 7	67. 3	72. 6	23. 1	11. 4	21. 3	32. 7	27. 4
Washington.....	325	327	327	329	279	245	219	222	46	82	108	107	73. 8	85. 8	74. 9	67. 0	67. 5	26. 2	14. 2	25. 1	33. 0	32. 5
West Virginia.....	263	263	263	264	230	202	174	182	33	61	89	82	74. 8	87. 5	76. 8	66. 2	68. 9	25. 2	12. 5	23. 2	33. 8	31. 1
Wisconsin.....	487	487	484	482	420	366	320	335	67	121	164	147	74. 3	86. 2	75. 2	66. 1	69. 5	25. 7	13. 8	24. 8	33. 9	30. 5
Wyoming.....	36	35	36	36	32	28	23	23	4	7	13	13	74. 1	88. 9	80. 0	63. 9	63. 9	25. 9	11. 1	20. 0	36. 1	36. 1

SOURCE: Based on U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*; "Unemployment" (U. S. Government Printing Office, Washington, D. C., vol. I, 1931; vol. II, 1932); changes in gainful workers estimated from data furnished by Bureau of the Census and Bureau of Agricultural Economics. The distribution of the compensable labor force by States is proportionate to the industrial distribution of gainful workers within the respective States. (See tables I-10 and I-12.) Employment changes are based on the Bureau of Labor Statistics indexes of industrial employment and percentage changes by States in industrial employment.

APPENDIX II

PROCEDURES FOLLOWED IN ESTIMATING DURATION OF UNEMPLOYMENT IN THE UNITED STATES, 1922-33

The amount of benefits paid under any unemployment compensation plan is based upon the number of weeks lost by the eligible unemployed within a specified benefit period. In order to find the proportion of total time lost by the unemployed which will be compensated by benefit payments, it is necessary to estimate the distribution of the eligible unemployed by the duration of their unemployment. A study of duration of unemployment was undertaken for the purpose of determining from the available data the most probable distribution of the eligible unemployed in the United States by duration of unemployment in the different years in order to estimate the amount of benefits payable under a hypothetical plan of unemployment compensation in effect from 1922 to 1933, inclusive.

SOURCES AND INADEQUACIES OF AVAILABLE DATA

Complete data on unemployment duration can be obtained only from enumerations covering both the employed and the unemployed taken at frequent and regular intervals of time. In fact, a history of the employment of each individual in a group would have to be traced in order to procure complete data for accurately computing benefits to be paid to the group. No such record of employment and unemployment experiences exists for any considerable number of persons over any considerable period of time.

Such unemployment data as have been accumulated in recent years are those collected by the United States Bureau of the Census, the United States Bureau of Labor Statistics, various State departments of labor, and local research organizations. These are fragmentary and sporadic from the standpoint of a chronological record for the United States as a whole over a period of time. The United States census of unemployment taken in April 1930 covered the entire United States, whereas the unemployment census taken in January 1931 covered only 19 cities. During previous and succeeding years surveys have been made in only a few localities and only in very few instances for consecutive periods.

Not only are various years and areas inadequately represented in the available studies, but unemployment itself is incompletely surveyed. Only those unemployed on the day a census was taken are listed in the unemployment tabulations, and consequently the part-time unemployment and the idleness previously experienced by those employed on the enumeration day are ignored. Furthermore, no account is taken of intermittent unemployment. These census or survey results thus present a discontinuous or static picture of unemployment rather than a continuous or dynamic picture. This necessitated the assumption that the duration characteristics of the unemployed at the time of the census or survey would also apply to the unemployed at other times when the rate of unemployment was practically the same.

There are other inadequacies in the data: (1) the surveys were made independently for diverse purposes and under various circumstances; (2) some were

complete coverages, others were samples, selective and random; (3) duration was only one factor considered; (4) the definition of unemployment and classifications of the unemployment tabulations varied; (5) the method of presentation of the tabulations differed; e. g., the first duration interval in one study was expressed as "more than 1 day", in another study as "1 week or less", in yet another as "less than 1 month", etc.; (6) duration intervals varied, some surveys showing duration by weeks, some by months, and others by still longer periods.

Various procedures or adjustments were devised to minimize as much as possible the effects of the limitations of the original data, and it is thought that the different distributions of unemployment by duration secured in this study are the best obtainable from the available material and are fair approximations for the United States in the various years under consideration.

STUDIES USED AND INFORMATION TAKEN FROM THEM

Of the available surveys on duration only those were utilized which covered entire cities, or areas representative of entire cities, which segregated the unemployed "able and willing to work" from the total unemployed population, and which presented enumerations in such form that they were either comparable or could apparently be made comparable with other enumerations used. These surveys were drawn from the following sources:

United States Bureau of Labor Statistics, *Bulletin No. 195*, July 1916, 16 cities in the East and Middle West, March and April 1915.

United States Bureau of Labor Statistics, *Bulletin No. 195*, July 1916, New York City, February and September 1915.

United States Bureau of Labor Statistics, *Bulletin No. 409*, June 1926, Columbus, Ohio, last week in October, each year 1921-1925.

Monthly Labor Review, April 1930; Maryland Commissioner of Labor and Statistics Survey, Baltimore, Md., February, each year 1928-1930.

New York State Department of Labor, *Bulletin No. 163*, 1930, and *Bulletin No. 179*, 1932; Buffalo Foundation Surveys, Buffalo, N. Y., November, each year 1929-1932.

United States Bureau of Labor Statistics, *Bulletin No. 520*, June 1930, and *Bulletin No. 555*, March 1932; University of Pennsylvania Industrial Research Department, Wharton School of Finance and Commerce, *Special Report No. 3*, March 1, 1932, Philadelphia, Pa., April, each year, 1929-1932.

University of Minnesota, *Employment Stabilization Research Institute Bulletin*, vol. I, no. 6, August 1932, Minneapolis, St. Paul, and Duluth, Minn., November 1930.

U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*; "Unemployment" (U. S. Government Printing Office, Washington, D. C., vol. I, 1931; vol. II, 1932).

New York State Department of Labor Statistics, *Special Bulletin No. 173*, 1932, Syracuse, N. Y., November 1931.

Report Louisville Employment Survey, Commonwealth of Kentucky, Department of Labor, Louisville, Ky., March 16-May 16, 1933.

The above surveys yielded material of two types:

(1) *Distributions of unemployment*.—Ninety-two different "duration" distributions of the unemployed able and willing to work, including over 5,000,000 schedules, and representing 46 different cities widely scattered over the United States, in 10 different and nonconsecutive years. Nineteen of these distributions represent the results of the United States Unemployment Census in 19 cities in January 1931, and 35 cities were selected from the April 1930 United States Unemployment Census.

(2) *Percent of gainful workers unemployed*.—The number of gainful workers, the number of unemployed able and willing to work, and the percentage of gainful workers unemployed within a city on the day the survey was made were also used for the majority of the enumerations.

The 92 enumerations were recorded in such fashion that for each an absolute frequency, a percentage frequency, and a cumulative percentage frequency dis-

tribution of the unemployed according to the length of their idleness (since their last regular employment) at the date of the survey were displayed or could be readily computed. Table II-1 and figure II-1, showing the data for Los Angeles for April 1930 and January 1931, are illustrative of the 92 sets of distributions obtained from the studies. In the cases where the enumerations were limited to representative areas, it was assumed that the distribution of the unemployed able and willing to work within the area was representative of all the unemployed able and willing to work in the entire city, and the frequency distributions were weighted accordingly.

TABLE II-1.—*Distribution of the unemployed by duration of unemployment, Los Angeles, California, April 1930 and January 1931*

Interval	Distribution April 1930 ¹			Distribution January 1931 ¹		
	Number ²	Percent	Cumulative percent	Number ³	Percent	Cumulative percent
Total.....	50,047	100.0	-----	104,542	100.0	-----
Under 1 week.....	3,081	6.2	6.2	5,249	5.0	5.0
1 or 2 weeks.....	9,667	19.3	25.5	10,304	9.9	14.9
3 or 4 weeks.....	8,479	16.9	42.4	13,747	13.2	28.0
5 to 8 weeks.....	9,032	18.0	60.5	18,612	17.8	45.8
9 to 13 weeks.....	7,284	14.6	75.0	15,933	15.2	61.1
14 to 17 weeks.....	3,512	7.0	82.0	8,596	8.2	69.3
18 to 26 weeks.....	4,479	8.9	91.0	14,149	13.5	82.8
27 to 39 weeks.....	1,542	3.1	94.1	6,385	6.1	88.9
40 to 52 weeks.....	1,899	3.8	97.9	8,398	8.0	97.0
53 to 104 weeks.....	751	1.5	99.4	2,618	2.5	99.5
105 weeks and over.....	320	.6	100.0	551	.5	100.0

¹ U. S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States: 1930*; "Unemployment", *op. cit.* Classes A and B combined. Class A=Persons out of a job, able and willing to work, and looking for a job. Class B=Persons having jobs but on lay-off without pay, excluding those sick or voluntarily idle.

² *Ibid.*, vol. I, table 8, p. 151.

³ *Ibid.*, vol. II, table 4, p. 378.

Where the percentage unemployed was given for a sample area only, this percentage was assumed to be representative of the entire city. Some studies failed to record the number of gainful workers; in these instances an approximation of the number of gainful workers was obtained from the next preceding and following United States census of occupations figures by straight-line interpolation; the percentage of unemployed was then based on this approximation.

The 92 distributions of the unemployed and the 92 percentages of unemployment, together with the estimates of unemployment in the compensable labor group in the United States during the years 1922-33, composed the basic material from which duration estimates were obtained.

ADJUSTMENT OF DATA TO A COMPARABLE BASIS

Since no one of the 92 distributions could tenably be presumed to represent the situation in the United States as a whole, the only possible procedure was to combine them in some logical manner. Unfortunately, however, the distributions from different surveys were presented in different time intervals. For example, the United States Bureau of Labor Statistics surveys of New York City in 1915 used these intervals:

1 to 7 days.	61 to 90 days.
8 to 13 days.	91 to 120 days.
14 to 30 days.	121 to 180 days.
31 to 60 days.	181 days and over.

The intervals used in the University of Pennsylvania survey of Philadelphia in 1931 were :

- | | |
|---------------------|----------------------|
| 1 day and over. | More than 6 months. |
| More than 1 week. | More than 7 months. |
| More than 1 month. | More than 8 months. |
| More than 2 months. | More than 9 months. |
| More than 3 months. | More than 10 months. |
| More than 4 months. | More than 11 months. |
| More than 5 months. | More than 1 year. |

This disparity in classification made it necessary to adopt a common class interval to which all the series were converted. This was done by interpolation. For each enumeration the original percentage distribution was plotted on a cumu-

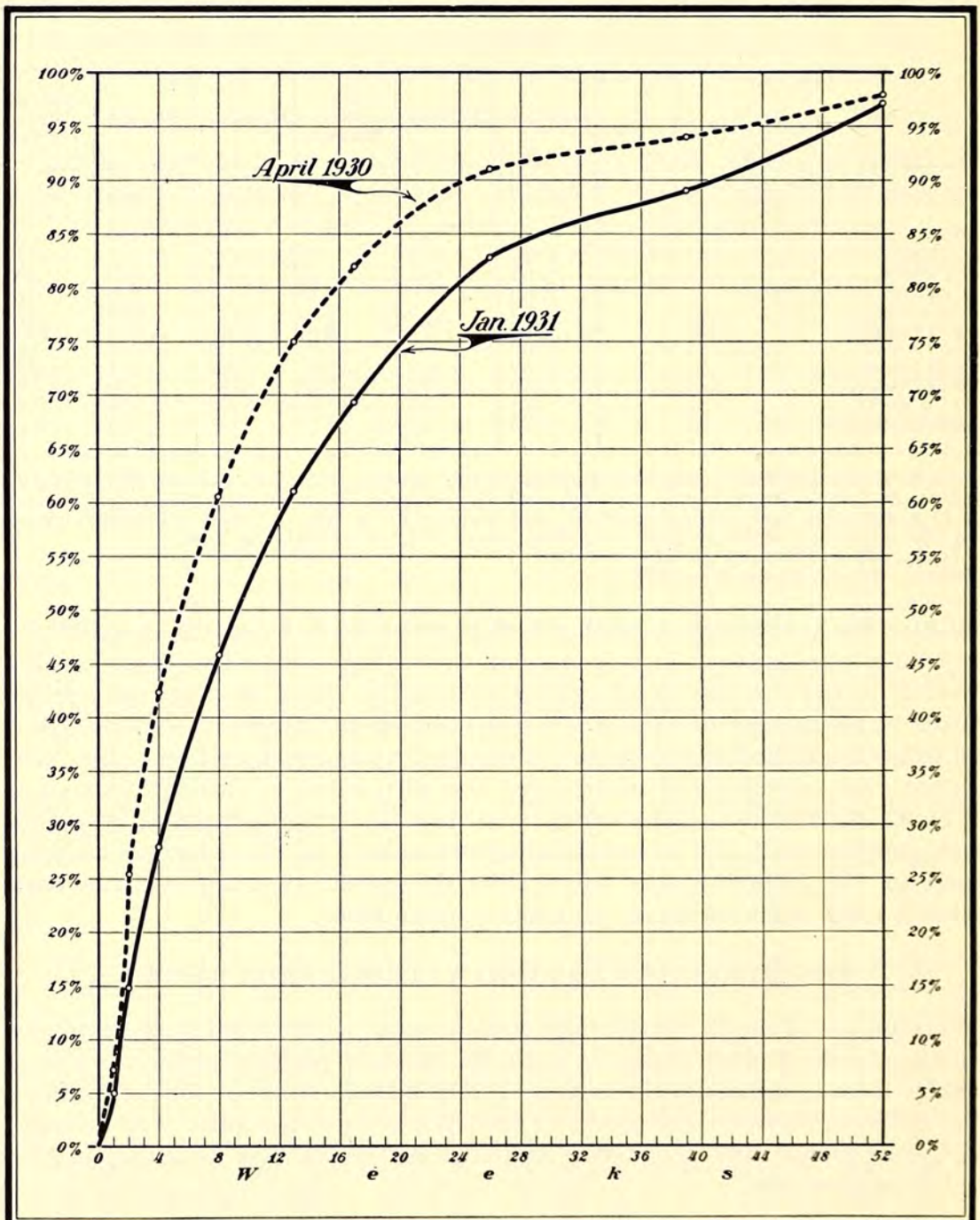


FIGURE II-1.—Curves showing cumulative distribution of the unemployed by duration of unemployment, Los Angeles, Calif.

TABLE II-2.—Duration of unemployment by weeks, Los Angeles, California, April 1930 and January 1931¹

Interval ²	Distribution, April 1930			Distribution, January 1931		
	Percent, cumulative	Percent	Frequency	Percent, cumulative	Percent	Frequency
Total.....		100.0	50,047		100.0	104,542
1 week or less.....	7.3	7.3	3,654	5.0	5.0	5,227
2 weeks or less.....	24.5	17.2	8,610	14.8	9.8	10,241
3 weeks or less.....	34.8	10.3	5,156	22.1	7.3	7,633
4 weeks or less.....	42.3	7.5	3,754	28.0	5.9	6,169
5 weeks or less.....	47.5	5.2	2,602	33.0	5.0	5,227
6 weeks or less.....	52.5	5.0	2,502	37.6	4.6	4,809
7 weeks or less.....	56.9	4.4	2,202	41.8	4.2	4,391
8 weeks or less.....	60.5	3.6	1,802	45.8	4.0	4,182
9 weeks or less.....	64.1	3.6	1,802	49.2	3.4	3,554
10 weeks or less.....	67.2	3.1	1,551	52.5	3.3	3,450
11 weeks or less.....	70.1	2.9	1,451	55.6	3.1	3,241
12 weeks or less.....	72.7	2.6	1,301	58.5	2.9	3,032
13 weeks or less.....	75.0	2.3	1,151	61.1	2.6	2,718
14 weeks or less.....	76.8	1.8	901	63.3	2.2	2,300
15 weeks or less.....	78.6	1.8	901	65.4	2.1	2,195
16 weeks or less.....	80.4	1.8	901	67.5	2.1	2,195
17 weeks or less.....	82.0	1.6	801	69.3	1.8	1,882
18 weeks or less.....	83.4	1.4	701	71.3	2.0	2,091
19 weeks or less.....	84.8	1.4	701	73.1	1.8	1,882
20 weeks or less.....	86.0	1.2	601	74.7	1.6	1,673
21 weeks or less.....	87.2	1.2	601	76.3	1.6	1,673
22 weeks or less.....	88.2	1.0	500	77.9	1.6	1,673
23 weeks or less.....	89.1	.9	450	79.3	1.4	1,464
24 weeks or less.....	89.8	.7	350	80.5	1.2	1,255
25 weeks or less.....	90.5	.7	350	81.8	1.3	1,359
26 weeks or less.....	91.0	.5	250	82.8	1.0	1,045
27 weeks or less.....	91.4	.4	200	83.5	.7	732
28 weeks or less.....	91.7	.3	150	84.2	.7	732
29 weeks or less.....	92.0	.3	150	84.8	.6	627
30 weeks or less.....	92.2	.2	100	85.3	.5	523
31 weeks or less.....	92.4	.2	100	85.8	.5	523
32 weeks or less.....	92.6	.2	100	86.3	.5	523
33 weeks or less.....	92.8	.2	100	86.7	.4	418
34 weeks or less.....	93.0	.2	100	87.1	.4	418
35 weeks or less.....	93.2	.2	100	87.5	.4	418
36 weeks or less.....	93.4	.2	100	87.8	.3	314
37 weeks or less.....	93.6	.2	100	88.2	.4	418
38 weeks or less.....	93.8	.2	100	88.6	.4	418
39 weeks or less.....	94.0	.2	100	89.0	.4	418
40 weeks or less.....	94.2	.2	100	89.5	.5	523
41 weeks or less.....	94.5	.3	150	90.0	.5	523
42 weeks or less.....	94.8	.3	150	90.5	.5	523
43 weeks or less.....	95.1	.3	150	91.0	.5	523
44 weeks or less.....	95.4	.3	150	91.6	.6	627
45 weeks or less.....	95.7	.3	150	92.3	.7	732
46 weeks or less.....	96.0	.3	150	92.9	.6	627
47 weeks or less.....	96.3	.3	150	93.5	.6	627
48 weeks or less.....	96.6	.3	150	94.3	.8	836
49 weeks or less.....	96.9	.3	150	94.9	.6	627
50 weeks or less.....	97.3	.4	200	95.6	.7	732
51 weeks or less.....	97.6	.3	150	96.4	.8	836
52 weeks or less.....	97.9	.3	150	97.0	.6	627
Over 52 weeks.....	100.0	2.1	1,051	100.0	3.0	3,136

¹ Interpolated cumulative percent values as read from cumulative curves and derived percent and frequency distributions.

² These intervals apply to cumulative percent distributions only. The second interval for percent distribution and frequency distribution would read, "2 weeks or less, but more than 1 week"; the third, "3 weeks or less, but more than 2 weeks", etc.

SOURCE: Table II-1.

lative basis, and through the plotted points a smoothed curve was drawn. By reading successive differences of cumulative percentages taken from the curve, a percentage distribution classified by weekly intervals was obtained; and comparable frequencies in terms of absolute numbers were obtained by applying the derived percentage distribution to the number unemployed. Table II-2 shows the values read from the cumulative percentage curves, together with the derived percentage and absolute frequency distributions, for Los Angeles, Calif., April 1930 and January 1931, and is typical of the 92 sets of data derived by the interpolation method.¹

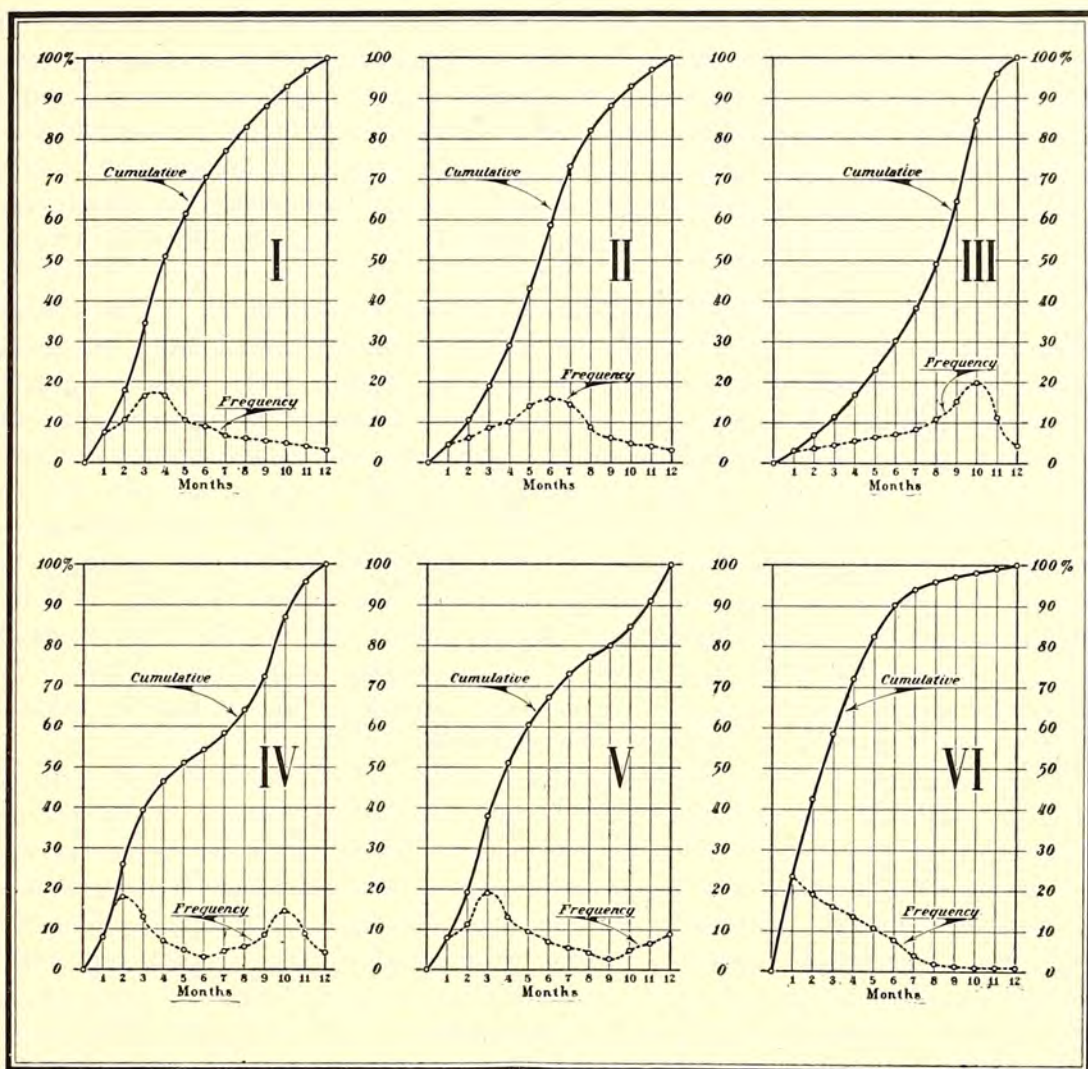
The cumulative percentage curve was used for breaking down the original data into small and regular intervals because of the peculiar properties which this curve, as contrasted with the simple frequency curve, for instance, is recognized to possess. The individuals in a large group of unemployed might be classified into a number of different frequency distributions; one distribution of the group is obtained when the difference between successive duration intervals is 1 week; another results when the difference is 1 month, etc., but, if the percentages of each of these frequency distributions are cumulated and plotted against time, the resulting cumulative curves will tend to be identical. In other words, a cumulative distribution curve represents all the different frequency distributions that can be made of a given group. Once the cumulative curve for the group is determined, any desired frequency distribution can be obtained by reading points at equal intervals along the curve.

The points plotted for each of the 92 curves occurred at irregular and often infrequent intervals, so that it was sometimes difficult to determine the exact direction of the curve. Therefore, preliminary to drawing curves through the plotted points, certain hypothetical frequency distributions, presumably representing all the types which might occur, were set up, and corresponding frequency and cumulative curves were plotted from these hypothetical data. In constructing the distributions it was assumed that an unemployment duration classification for a given locality at a given instant of time does not necessarily produce a normal or bell-shaped probability curve, nor necessarily a skewed curve. Figure II-2 shows these hypothetical distributions and the corresponding curves. Curves I, II, III, V, and VI have the largest percentage of unemployed occurring within a single duration interval. Curve IV shows a concentration of the unemployed at two duration intervals. It would be possible to have even three peak periods in the frequency distribution. However, such a distribution is not very probable if the longest unemployment period is only 1 year. An analysis of the six types of curves was very helpful in drawing the cumulative curves representing the 92 tabulations. It is interesting that all six types of hypothetical curves were represented among those plotted from the original data, and that of the six, curve V occurred most frequently.

COMBINING THE 92 FREQUENCY DISTRIBUTIONS AND APPLYING THE RESULTING COMPOSITE CURVES

If all years in the period 1922-33 and all areas for each year had been adequately represented in the sample, the most logical basis for combining the distributions would have been on a time basis by years. However, a representative sampling of different sections of the country during any given year

¹ A large-scale, millimeter-ruled graph paper, 20 centimeters wide, was used in order to insure accurate plotting and readings from the cumulative percentage curves. On the scale, 1 centimeter equaled 2 percent plotted vertically, and 1 centimeter equaled 2 weeks plotted horizontally.



	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CHART I												
Frequency.....	<i>Pct.</i> 7.5	<i>Pct.</i> 10.5	<i>Pct.</i> 16.5	<i>Pct.</i> 16.5	<i>Pct.</i> 10.5	<i>Pct.</i> 9.0	<i>Pct.</i> 6.5	<i>Pct.</i> 6.0	<i>Pct.</i> 5.3	<i>Pct.</i> 4.7	<i>Pct.</i> 4.0	<i>Pct.</i> 3.0
Cumulative.....	7.5	18.0	34.5	51.0	61.5	70.5	77.0	83.0	88.3	93.0	97.0	100.0
CHART II												
Frequency.....	4.5	6.3	8.5	10.0	14.0	15.5	14.5	9.0	6.0	5.0	4.0	3.0
Cumulative.....	4.5	10.5	19.0	29.0	43.0	58.5	73.0	82.0	88.0	93.0	97.0	100.0
CHART III												
Frequency.....	3.0	3.8	5.0	4.9	6.3	7.3	8.0	10.7	15.5	20.0	11.3	4.2
Cumulative.....	3.0	6.8	11.8	16.7	23.0	30.3	38.3	49.0	64.5	84.5	95.8	100.0
CHART IV												
Frequency.....	7.9	18.1	13.2	7.1	4.5	3.2	4.3	5.7	8.3	14.7	8.7	4.3
Cumulative.....	7.9	26.0	39.2	46.3	50.8	54.0	58.3	64.0	72.3	87.0	95.7	100.0
CHART V												
Frequency.....	7.7	11.3	19.0	13.0	9.5	6.8	5.7	4.1	2.9	4.6	6.4	9.0
Cumulative.....	7.7	19.0	38.0	51.0	60.5	67.3	73.0	77.1	80.0	84.6	91.0	100.0
CHART VI												
Frequency.....	23.4	19.0	16.1	13.5	10.5	7.6	3.9	1.8	1.2	1.0	1.0	1.0
Cumulative.....	23.4	42.4	58.5	72.0	82.5	90.1	94.0	95.8	97.0	98.0	99.0	100.0

FIGURE II-2.—Typical curves showing hypothetical distributions of the unemployed by duration of unemployment.

was not furnished by the data, and the different years within the period were by no means equally represented in the sample. In fact, enumerations were entirely lacking for 1 or 2 years of the period and for several other years data were available for only one or two cities. Consequently some reasonable basis of combination other than a time basis had to be sought. A logical basis seemed to be the percentage of unemployment, and a set of composite distributions of duration of unemployment for different magnitudes of unemployment was accordingly built.

The 92 surveys were segregated into 5 groups according to the percentage of gainful workers unemployed at the time the survey was made. Originally 10 percentage intervals of approximately equal height were used as a basis for combining the 92 surveys. But a number of the resulting composite distributions were without distinguishing characteristics. Consequently consecutive distributions which were practically alike were combined, and the five curves shown in figure II-3 were obtained. Surveys for which the percentage of unemployment ranged from 3.0-6.9 were included in the first group. For the second, third, fourth, and fifth groups the range was 7.0-10.9, 11.0-19.9, 20.0-29.9, and 30.0-42.9, respectively. Ten censuses fell into the first group, 24 fell into the second, 36 in the third, 16 in the fourth, and 6 in the fifth. The composite distributions obtained from these groupings are shown in table 18 on page 84. Figure II-3 shows the corresponding cumulative curves.

After obtaining the five duration distributions, the next step was to apply them to national unemployment. Two assumptions offered a basis for the application of the curves. The first was that the duration curve varies with the degree of unemployment or, in other words, as the relative proportion of workers unemployed increases, the average duration of unemployment also increases. One would expect a larger proportion of the unemployed within the shorter duration intervals if, for instance, the percentage unemployed was only 3.0. If 48.0 percent of the gainful workers were idle, one would expect the majority of the unemployed to have been without work for relatively long periods. The larger the proportion of the labor force unemployed, the greater the difficulty of speedy reemployment, and the longer the duration of unemployment.

To check the validity of this assumption a correlation between average duration and the percentage of unemployment for each of the 92 enumerations was made using the Pearsonian coefficient of correlation formula. A positive coefficient of 0.71 with a probable error of plus or minus 0.03 was obtained for those unemployed less than 1 year. This coefficient is sufficiently high and the probable error sufficiently small to lend support to the supposition that a fair positive correlation exists between the shape of the distribution curve and the relative amount of unemployment.

The second assumption was that a distribution curve at a certain percentage of unemployment is representative of the duration situation in the covered group in the United States when a corresponding percentage of unemployment exists in that group. Thus if the rate of unemployment in the covered group is 6.0 percent in 1929, the "3.0-6.9" curve derived from the surveys is accepted as representative of the group. Table II-3 tends to support this assumption.

In the third column, table II-3 shows to which years each of the five composite curves was assigned. The fifth and sixth columns show the average percentage of unemployment in the compensable group in the United States for each of the five combinations of years as compared with the average percentage of unemployment in cities for which surveys of unemployment for the corresponding years were used. The fairly close agreement between percent-

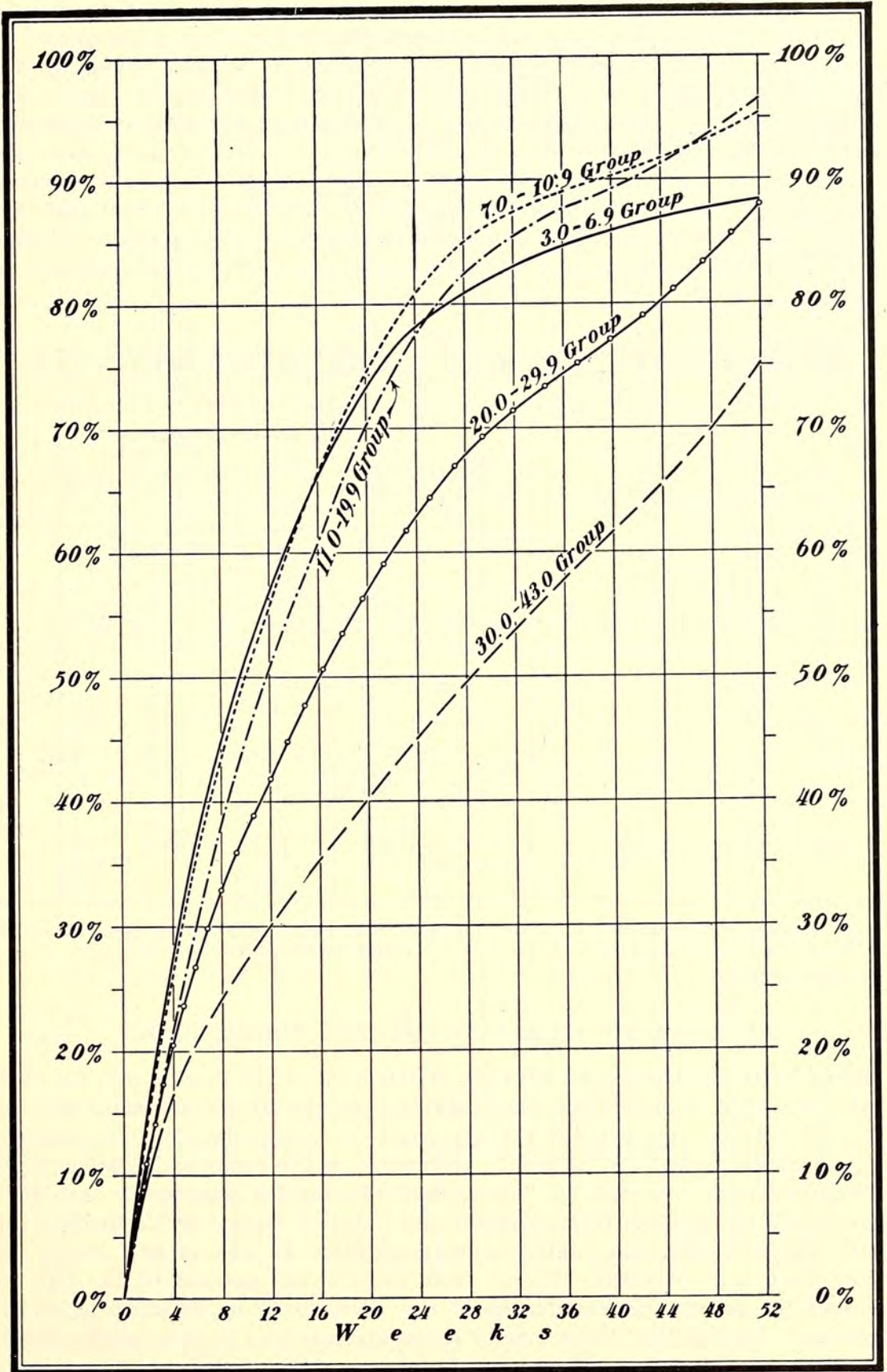


FIGURE II-3.—Curves showing composite cumulative duration distributions of the unemployed.

ages in columns 5 and 6 indicates that the unemployment conditions prevailing during given years in cities sampled in this study were generally representative of the compensable group in the United States during the same years.²

The composite census distributions are assumed to be more typical of the duration experience of the compensable unemployed than of the total unemployed population. The total number of unemployed includes farmers and farm laborers, and the incidence of unemployment in that group is quite dissimilar to that for urban gainful workers. Both the 92 "duration" enumerations and the unemployed covered group exclude agricultural labor almost completely. For this reason the unemployed compensable labor force was necessarily used with reference to the duration curves in table II-3 and throughout this study.

TABLE II-3.—Average unemployment rate in compensable labor force, for years represented by each composite curve, and in cities in corresponding years

Composite curve (1)	Range in unemployment rate for each composite curve (2)	Years represented by each composite curve (3)	Rate of unemployment in total compensable labor force (4)	Average rate of unemployment		Number of cities (7)
				In total compensable labor force (5)	In cities in corresponding years (6)	
I.....	3.0-6.9	1929	6.1	6.1	8.7	3
II.....	7.0-10.9	1923	7.3	8.3	7.9	21
		1926	7.4			
		1925	7.8			
		1927	8.3			
		1928	8.5			
		1924	9.4			
III.....	11.0-19.9	1915 ¹	10.0	14.8	11.7	43
		1922	13.1			
		1930	15.3			
IV.....	20.0-29.9	1921	15.9	26.6	24.9	21
		1931	26.6			
V.....	30.0-43.0	1932	39.0	39.1	38.1	4
		1933	39.2			

¹ Although no curve was assigned to 1915 since it is outside the period covered, it is necessarily included in the third column because it is included in the basic data represented in the sixth column.

SOURCE: See p. 404.

ESTIMATING TIME LOST BY THE UNEMPLOYED

After having estimated the duration distribution of the unemployed for each year from 1922 through 1933, the probable time lost by them remained to be calculated before compensation costs could be approximated. The method utilized assumed that the estimated percentage of the compensable labor force unemployed each year and the "percentage" distribution assigned to each year represented the average unemployment and duration situations throughout the year. For example, the twelfth column of table 18 (on p. 84) shows for years when unemployment affected from 11.0 to 19.9 percent of the gainful workers the percentage distribution of the unemployed by duration of unemployment. During 1922 the degree of unemployment was in this range. Reading from the table it appears that 5 percent of the gainful workers were

² The apparent discrepancy in 1929 is probably caused by the small number of city surveys used.

unemployed 1 week or less, 21.1 percent 4 weeks or less, 25.2 percent 5 weeks or less, 43.5 percent 10 weeks or less, 70.1 percent 20 weeks or less, 89.5 percent 40 weeks or less, and 94.8 percent 50 weeks or less. The average number of unemployed in 1922 is estimated as 2.61 million persons.³ These percentages of unemployment by duration are assumed to be the same for the first 1-week period and for all subsequent 1-week periods throughout the year. Seasonal fluctuations are disregarded except to the extent that seasonal factors are reflected in the averages of the basic data. This means that although the identity of the unemployed is recognized to shift continually throughout the year, the average number unemployed for the year and the distribution of that number are assumed to be represented by the one set of data. In other words, at the end of each week in the year 1922, 2.61 millions of the unemployed are assumed to have lost a full week's time, though the individuals represented by the 2.61 millions are not identical for each week. The total time lost by all the unemployed in 1922 would therefore be estimated as 135.72 million man-weeks ($2,610,000 \times 52$ weeks) or as 2.61 million man-years.

Suppose a benefit period of 16 weeks and a waiting period of 4 weeks were provided by the unemployment compensation plan. Then at the end of each week in 1922, 49.0 percent of the unemployed would have been unemployed from 5 to 20 weeks, inclusive, and would therefore have been eligible for a full week of benefits (70.1 percent—21.1 percent). The total compensable weeks lost would equal 66.50 million weeks ($2,610,000 \times 52$ weeks \times 49.0 percent) or 1.28 million years. By applying compensable man-weeks to average weekly benefits or compensable man-years to average yearly benefits, the total amount of benefits could be approximated. The detail of this procedure is set forth in appendix III.

³ This estimate and the computations based upon it are on the basis of the coverage assumed in the report of the Committee on Economic Security to the President.

APPENDIX III

PROCEDURES FOLLOWED IN ESTIMATING THE MAXIMUM DURATION OF BENEFITS

Through procedures outlined in appendixes I and II, an attempt was made to collect and arrange pertinent data into an order usable in estimating the cost of an assumed unemployment compensation system for the United States. The financial considerations of compensation for unemployment will be determined by the income derived from contributions, by the compensable wage loss of the employees covered, and by the duration of unemployment. The cost of the system is dependent in part upon the length of the benefit period, and this in turn is determined by the established policy of the system, i. e., whether solvency is to be maintained throughout a complete business cycle, including a major depression, or during prosperous periods and minor depressions only. The maximum duration of benefits established under either policy would doubtless be maintained throughout the business cycle, but a deficit would be incurred during major depressions if the system had been constructed on the basis of maintaining solvency during minor depressions only.

In the pages which follow the maximum duration of benefits for the unemployed has been estimated for the United States as a whole on the basis of maintaining solvency through what might be considered a major business cycle, namely, the years 1922-33. A considerably longer maximum duration of benefits would have resulted if the depression years 1931-33 had been excluded and the computations had been based on the unemployment experience of 1922-30.

CONTRIBUTIONS

Since the source of funds for operation of the assumed plan of unemployment compensation is a percentage tax on pay rolls, it was necessary to obtain the total amount of pay roll taxable in order to approximate the probable income yielded by the tax. The general procedure was to determine the average earnings of the covered group each year and to apply this figure to the employed compensable labor force. The data available, however, necessitated the division of the experience period into two segments, 1922-28 and 1929-33. The source of data for the first period was *The National Income and Its Purchasing Power*, by Willford I. King, published by the National Bureau of Economic Research in 1930. The estimates of wages and salaries for all groups except agriculture, government, and unclassified industry were used, the latter industry being eliminated since it consisted chiefly of service employees of whom only a small portion were assumed to be covered by the system. To arrive at an estimate of average earnings for the other half of the experience period, *National Income, 1929-32*¹ was used. Agriculture, government, and domestic and personal-service industries were excluded from the calculations, and yearly aggregate and average earnings were calculated for the residue.

¹U. S. Bureau of Foreign and Domestic Commerce, Division of Economic Research. Letter from the Acting Secretary of Commerce, *National Income 1929-32*, S. Doc. No. 124, 73d Cong., 2d sess. (U. S. Government Printing Office, Washington, D. C., 1934).

The procedure described above resulted in the assessable earnings estimates shown in table III-1. Contributions at rates of 3, 4, and 5 percent are shown in table 16 on p. 81.

TABLE III-1.—*Assessable wages and salaries of employed compensable labor force, United States, 1922-33*

Year	Average earnings	Number (in thousands)	Total assessable pay roll (in millions of dollars)	Year	Average earnings	Number (in thousands)	Total assessable pay roll (in millions of dollars)
1922	\$1,410	16,055	\$22,638	1928	\$1,516	19,629	\$29,758
1923	1,475	17,646	26,028	1929	1,599	20,660	33,035
1924	1,520	17,686	26,883	1930	1,573	18,743	29,483
1925	1,527	18,417	28,123	1931	1,477	16,386	24,202
1926	1,566	18,962	29,694	1932	1,283	13,784	17,685
1927	1,584	19,275	30,532	1933	1,250	13,783	17,229

COMPENSABLE WAGE LOSS

The general method of determining the benefits possible on the basis established in appendix II was to estimate the total compensable wage loss for each year and to distribute it according to the composite "percentage" distribution of duration of unemployment (table 18, p. 84).

To arrive at the total compensable wage loss, the basis used was that employed in determining the income from the compensable labor force. In table III-1 the estimated average earnings of the employed compensable labor force are displayed for each year. It was assumed that this would be the wage base used in calculating benefits. (See table 17 on p. 82.) Since a benefit rate of 50 percent was assumed, with a maximum of \$15 per week, the average *compensable* wage loss (per man-year) was estimated to be 45 percent of the wage loss per man-year.

This assumption would not be strictly accurate, since the provisions of the plan stipulated that benefits were to be one-half of the *usual* full-time pay rather than the *average* pay. A correction in wage-loss estimates for this provision was impossible, first and chiefly because of the absolute lack of pertinent data, and second, because of the difficulty of defining the usual full-time wage. A correction factor for this inaccuracy is included in the actuarial adjustments. (See p. 419.) The average compensable wage loss having been computed, it was multiplied by the estimated total man-years of unemployment (derived from table 17) to arrive at the total compensable wage loss for each year. The total compensable wage loss for each year was then distributed in accordance with the assigned distribution of the duration of unemployment previously displayed in table 18 (p. 84).

The wage-loss distributions for 1923 through 1933 were combined into one cumulative distribution, as shown in table 19 on p. 86. This table may be readily used to ascertain the number of weeks of benefits payable with a 3-percent contribution rate under a system aiming at solvency through 1933. For example, the estimated total income available for benefits for the period 1923-33 is \$8,746,000,000. If a waiting period of 4 weeks is required, \$5,026,000,000 of the compensable wage loss will not be compensated by benefits. The sum of these two is \$13,772,000,000, which in table 19 falls between the compensable wage losses for 20 and 21 weeks of unemployment. If benefits are paid for 17 weeks

(21 weeks less the 4-week waiting period), \$8,970,000,000 will be paid out (13,996,000,000—5,026,000,000) and the fund will have a deficit of \$224,000,000. If benefits are paid for 16 weeks (20 weeks less the 4-week waiting period), \$8,586,000,000 will be expended (13,612,000,000—5,026,000,000) and the fund will retain a surplus of \$160,000,000 (8,746,000,000—8,586,000,000).

Table 19 can also be used in similar manner to ascertain the combination of any waiting period and duration of benefits which will match the total income available for benefits. The results of the preceding method of estimating maximum duration and amount of benefits take no account of factors yet to be discussed, which are not measurable by available data and which tend to change the maximum benefit period. Before final cost estimates can be obtained adjustments for these factors should be considered.

ADJUSTMENTS

There are a number of factors in the legislative provisions of the assumed unemployment compensation system which have not been evaluated in any of the previous sections and which will definitely affect the cost; furthermore, there are limitations in the data which will also affect the cost and for which no adjustments have been made; and, lastly, the effect of the imposition of a plan of this nature must be measured in terms of claim experience. The present section attempts to evaluate these factors.

The surveys of unemployment which have been analyzed and built up into a series of distribution tables showing the percentage of employees who are unemployed for varying intervals (table 18, p. 84) give so impressive a display and have been forced into so orderly an arrangement that it is very difficult to remember throughout that the material is not directly applicable to the problem of cost determination. The data cover only unemployment at the time of the surveys and do not show total unemployment records as they will develop over a period of time. Dr. I. Rubinow carefully points out the inherent limitations of this type of census, but says that nothing better is available.² Mr. A. D. Watson's actuarial report on the Canadian unemployment insurance bill,³ based on censuses showing aggregate duration of unemployment during the preceding 12 months, provides data which are a little closer to the form of duration table applicable to benefits of this sort. The Railroad Retirement Board's data on the duration of unemployment among a closed group of railroad employees which had been put on furlough and taken back into employment also were valuable as a check on the distributions developed.⁴ However, comparison of these distributions reveal limitations in each of these sets of material. The Canadian data are incomplete for the period of unemployment which occurred prior to the beginning of the 12 months' period but which was completed within the 12-month period, and, likewise, it was impossible to ascertain the duration of the unemployment of an unemployed person beyond the date that the census was taken. In the railroad data information on a special group of men taken back into their original employment is not indicative of what may have happened to the other employees whose unemployment histories were not available after severance of employment.

² Dr. I. M. Rubinow in his discussion of a paper, "Calculation of the Cost of Unemployment Benefits With Particular Reference to Ohio and Pennsylvania," by Prof. Clarence A. Kulp (*Casualty Actuarial Proceedings*, vol XX, pp. 170-179).

³ Actuarial Report on the Contributions Required to Provide Unemployment Insurance Benefits Within the Scheme of the Draft of an Act Entitled "The Employment and Social Insurance Act." (No. 158A—1935).

⁴ Unpublished data furnished by the Railroad Retirement Board.

When one attempts to modify a duration-frequency table he must recognize that any modification requires that the whole schedule be completely replaced by some other schedule or schedules. In the absence of material which would provide an adequate substitute it seemed advisable to use the estimated distributions in their present form and then attempt to assess in some aggregate fashion the weight of the many factors which should be considered and which might modify the result.

The various factors arising from special provisions of the plan and from the inadequacy of the data may now be weighted and an allowance given to other immeasurable contingencies.

	Correction factor ⁵	
	Positive	Negative
I. ADJUSTMENTS FOR SPECIAL PROVISIONS OF THE PLAN ⁶	<i>Percent</i>	<i>Percent</i>
(1) <i>Requirement of 40 weeks of insured employment and contribution in the preceding 2 years.</i> —The 2-year waiting period before benefits are paid means that only on additions to employment is this limitation effective. A period of 40 weeks will elapse before any real coverage exists for the new entrants. Although the employed compensable labor force in 1933 is estimated at only 13,783,000 persons, the number may rise to nearly 21,000,000 if the level of 1929 is again reached, adding 6,877,000 employed persons to the group covered, or a gain of 50 percent among the present group. If this increase were spread over a period of 10 years by uniform percentage rates of increase, 4 percent of the employed group at any time might be excluded from benefits because of the recency of their employment. If this increase in employment took place very speedily, but still uniformly, for example, over only 3 years, the percentage not eligible for benefits might go to 8 percent (assuming 17,000,000 average coverage with periodic groups of 700,000 and 1,400,000 new employees, respectively). This progress, however, will not be smooth; it will be supplemented by further lay-offs and further reemployment, and it is even possible that the reemployment will occur very slowly. Failure to reemploy might be accompanied by an increased stability among those at work. Although it is not possible to estimate exactly the influence of reemployment and stability of employment in the future, these factors have been assessed together at a weight of.....		—5
(2) <i>Three weeks' disqualification from benefits for workers discharged for proved misconduct or voluntary quits without reasonable cause.</i> —It seems improbable that more than 20 percent of the terminations of employment in the compensable group will result from discharge for proved misconduct or from voluntary quits without reasonable cause. It is also doubtful if any compensation plan will entirely exclude these cases from benefits. In accordance with the assumed provisions for an unemployment compensation system the average disqualification from benefits will be at least four weeks. If only 20 percent of the benefit claims had this disqualification, the cost for that group would not be reduced by more than 15 percent and the cost for the entire group would result in a correction of 3 percent. The weight is estimated as.....		—2
(3) <i>Suspension of benefits during trade disputes and workmen's compensation or other compulsory insurance benefits.</i> —Reduction of benefits from these sources cannot be clearly assessed. Without health insurance in the social insurance picture, there will be no credits for compensable illness. For nonpayment of benefits during trade disputes and during the receipt of accident compensation it seemed that a generous credit to cost would involve a weight of.....		—1
(4) <i>Ability to work.</i> —One of the fundamental principles of unemployment compensation systems is that only those who can prove their ability to work and their attempt to find work are eligible for benefits. Many of those who are out of work because of illness at the time of their termination of employment will not be reported as unemployed and probably have not been so reported in many of the censuses, although some censuses show as high as 3 percent of employment terminations resulting from disability. Some other surveys have indicated that 1.5 or 2 percent of the unemployed are out of work because of sickness; some studies show even more. In these surveys, however, the unemployed individuals might tend to give "poor health" as the reason for their unemployment, whereas if poor health in unemployment compensation plans disqualified the benefit claimant, a smaller proportion would probably use this as a reason. Since not all sickness will be reported as unemployment, and since many cases of such sickness will be of short duration, enabling the individual to go back to work to a place which has been held open for him, a reasonable credit seemed to entitle this item to a weight of.....		—1

⁵ A positive correction factor increases and a negative factor decreases each interval in the distribution of compensable wage loss by the percentage specified.

⁶ Estimates of W. R. Williamson, staff actuary, Committee on Economic Security.

	Correction factor																			
	Positive	Negative																		
	Percent	Percent																		
I. ADJUSTMENTS FOR SPECIAL PROVISIONS—Continued																				
(5) <i>Special treatment of part-time unemployment.</i>																				
(a) <i>Part-time unemployment of those receiving in wages less than \$1 more than full-time benefits.</i> —An analysis of part-time work (see p. 64) showed that in the present unemployment situation a certain group was employed at less than 50 percent full-time work. Possibly 5 percent of the current working force may have been working less than 50 percent of its time for 2 or 3 years. If they are working less than 50 percent of their time, workers cannot qualify for more than 5 or 6 weeks of benefits by the assumed rule which allows 1 week of benefits to 4 weeks of covered employment. In normal years the proportion of such part-time workers is probably similar. Some extra benefits will be drawn under this provision. The addition to cost has been placed at.....	+2																			
(b) <i>Benefits for regular part-time workers.</i> —If benefits are to be paid for unemployment arising only in that part of time customarily worked, it is assumed that the workers will be compensated for the loss of such limited time. The correction for such treatment would be.....	0																			
(6) <i>"Four-to-one" ratio of weeks of employment to weeks of benefits.</i> —This limitation of the benefits payable to those customarily unemployed may act as a balance against the extra benefits for those customarily employed. Distribution tables of unemployment from 1923 to 1930 in Great Britain lead one to expect that about 15 percent of the unemployed will be subject to this limitation, reducing anticipated costs by 5 percent. In the absence of any other very authoritative information, a reasonable weight to give to this factor is therefore assumed as.....		-5																		
(7) <i>Extra weeks of unemployment benefits for long service without benefits in "1-to-20 ratio."</i> —Assuming that the existence of concurrent contributions is also necessary to warrant these longer duration benefits, it will be several years before this factor adds very much to the cost. It is desirable, however, not to underestimate the weight of the factor when the plan is in full operation. It is correctly believed that unemployment is most common among those with short periods of service with a given employer and least frequent among those with a long period of service with the same employer. In this case, however, it is not service with one employer which qualifies for benefits. The man who leaves one position to take another, with no intervening period of unemployment, will build up rights to added benefits in the same manner as the man who retains a single position. In fact, the British experience seems to show that year by year at least 60 percent of the employees were continuously employed. With additional credit allowed for these good risks, a considerable volume of additional benefit rights would be accumulated by these persons. Over a period of 7¼ years nearly 45 percent of the insured British workers collected no benefits whatever. It may be assumed that there is a large stable force of workmen in the United States, just as there is in Great Britain, who experience long periods of service without unemployment. In normal times many would be free from the risk of unemployment, although, even in such times, many men with long service periods lose their positions. In times of depression, lay-offs involve a considerable number of men with long, almost uninterrupted, records of service. The benefit of extra weeks for long service depends upon the distribution of the unemployed by such past qualifying service. While in good times it is possible that 75 percent of the unemployed might claim only a week or two additional at the most, 25 percent might be entitled to several extra weeks of benefit. In depressions, when the unemployed group is composed of hitherto steady as well as unsteady workers, a distribution such as the following might be found:																				
	<table border="1"> <thead> <tr> <th>Distribution (Percent)</th> <th>Extra weeks (Per capita)</th> <th>Weeks (Aggregate)</th> </tr> </thead> <tbody> <tr> <td>40</td> <td>None</td> <td>-----</td> </tr> <tr> <td>20</td> <td>3</td> <td>60</td> </tr> <tr> <td>20</td> <td>6</td> <td>120</td> </tr> <tr> <td>20</td> <td>9</td> <td>180</td> </tr> <tr> <td>Total</td> <td>100</td> <td>360</td> </tr> </tbody> </table>	Distribution (Percent)	Extra weeks (Per capita)	Weeks (Aggregate)	40	None	-----	20	3	60	20	6	120	20	9	180	Total	100	360	
Distribution (Percent)	Extra weeks (Per capita)	Weeks (Aggregate)																		
40	None	-----																		
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20	6	120																		
20	9	180																		
Total	100	360																		
Average, 3.6 extra weeks.																				
This would probably represent at least a 35-percent increase in the amount of time compensated, and the provision of additional benefits introduces the possibility of a decided increase in cost. While the added benefits may not be so serious in good times, they will intensify the strain in bad times, and the provision unquestionably implies a continuity of program upon which the employee will count. A cautious estimate of increase in cost seems to justify a minimum weight of.....	+10																			
(8) <i>Commutation of benefits to a lump sum.</i> —This provision might tend to overvalue at the time of commutation the benefits which might otherwise be paid, and give a little more benefit in some instances than would otherwise be the case. It does not seem necessary, however, to weight this factor at more than.....	+1																			
(9) <i>Wage base for benefits.</i> —One very important correction factor derives from the fact that contributions are made on the basis of wage received including both part- and full time work, while benefits are paid in the main on the basis of proportion of full time lost. It appears that from 1924 to 1929 this might place benefits 5 percent above the contribution base, while for 1930 to 1933 this increase might be 10 percent. Since the greater weight of benefits occurs in these later years, this correction factor is conservatively fixed at.....	+6																			

	Correction factor	
	Positive	Negative
II. ADJUSTMENTS FOR INADEQUACY OF DATA	<i>Percent</i>	<i>Percent</i>
<p>(1) <i>Correction for type of census.</i>—The censuses used as the basis of estimates purport to show the length of unemployment since the date of last work. The figures for the first week seem altogether too small, undoubtedly indicating that very brief periods out of work have not been regarded as real unemployment by the employees questioned. In the distribution the weight of the first week of unemployment is, therefore, probably understated. The number of unemployed in that period should probably be increased by as much as 50 percent. On the other hand, if successive periods of unemployment are to be totaled for a true duration table applicable to the plan, some sizable proportion of those who, in the census, said that they had been unemployed less than 4 weeks, are really, for benefit purposes, members of the group unemployed from 4 to 16 weeks. Because of former periods of unemployment within the year (which are of less financial importance the longer the present period of unemployment) these unemployed persons would be thrown into the period beyond the 16 weeks and would be eligible for no benefits for the weeks in excess of 16. This means (a) that the proportion within the waiting period is probably really less than shown by the duration tables, even taking into account the understatement of unemployment of less than 1 week, and (b) that the nonbenefit group beyond the 16 weeks is probably really larger than shown. Dr. I. M. Rubinow⁷ assumes that these corrections will cancel out. The change in cost estimates, however, is considered to be worth a weight of.....</p>		-5
<p>(2) <i>Correction for lack of recent data on duration of unemployment.</i>—The duration tables have been built up from censuses among the unemployed taken in urban districts where the majority of the compensable labor force will reside. The data have in the main been collected in periods of rather level, or increasing rates of unemployment, and very little in the census material is directly applicable to such a year as 1922—a period of diminishing unemployment. In a period of diminishing unemployment it seems probable that the duration tables shown will overstate the group falling within the waiting period, that is, the group recently unemployed, since prolonged periods of unemployment will be rarer, employers will tend to reemploy the workers who have been unemployed for shorter periods. In 1933 a decrease in benefit costs might occur differently. It has been stated, in certain quarters, that one-third of the unemployed recently interviewed had been unemployed for a 2-year period. In the duration distribution for high rates of unemployment, only 25 percent are shown as having had more than 1 year of unemployment. If the proportion beyond the benefit period is understated, possibly only 16 percent of the unemployed would be eligible for benefit in 1933 instead of 21 percent. This might make some reduction in cost for 1933. The assigned weight is.....</p>		-3
III. CONTINGENCY ALLOWANCES		
<p><i>Increased benefits because of the "use" of the plan.</i>—The conviction that, if an unemployment compensation plan were in existence, it would be "used" more effectively as time went on, results from a consideration of the following factors:</p> <p>(a) In the absence of an unemployment compensation system, many employers have hopefully carried a few excess workers on the pay rolls or have spread work among the entire personnel instead of laying men off. Where the workers carried cannot be effectively used, and their retention creates a waste from the standpoint of production cost, employers would doubtlessly be justified, legally and ethically, in dismissing more promptly these superfluous workers if a compensation system were available to provide benefits.</p> <p>(b) As Sam Lewisohn said in the discussion at the Conference on Economic Security, Washington, D. C., Nov. 14, 1934: "Everybody likes a vacation." Persons who receive unemployment compensation, when work opportunities are slight, will not look for a new position so zealously when they have a little income to live on.</p> <p>(c) Scarcity of work and the probable low wage receipts for each wage earner, together with the existence of unemployment benefits may induce many persons to enter the labor market. These persons ordinarily would not be classed as gainful workers. The experience of an increasing number of married women seeking work in Great Britain illustrates this feature, adding to the compensable labor force a considerable number of other workers and, without increase in a available work, adding to the number of the prospective beneficiaries.</p> <p>(d) Taxation for unemployment compensation will increase production costs, reducing profits unless, or until, the costs are passed on to consumers. Employers will tend to cut production costs as far as possible by permanent elimination of the workers who are substandard in efficiency and health. In the absence of an unemployment compensation system humanitarian considerations might make the employers reluctant to weed out such employees, but if the discharged workers were to be eligible for unemployment benefits the claim lists would be increased by unemployment of this type. The operation of group life insurance in the southern textile mills is an illustration of this point. Large groups of employees were eliminated with the apparent knowledge that they would be supported by the disability provisions of the group life contracts. Large unemployment benefits were paid under this guise. The issue is rather a serious one, not only in the South but among similar types of organization in the North.</p>		

⁷ Chap. XII, *Report of the Ohio Commission on Unemployment Compensation, pt. II* (F. J. Heer Printing Co., Columbus, Ohio, 1933), pp. 215, 216.

	Correction factor	
	Positive	Negative
III. CONTINGENCY ALLOWANCES—Continued	<i>Percent</i>	<i>Percent</i>
(e) The same increased desire for efficiency will demand better technological methods and will eliminate more employees by the simplification of methods and as an early effort toward stabilization of employment. Manufacturers will be forced to increase their efficiency of operation, since price competition will become increasingly important.		
(f) A growing knowledge of ways in which unemployment can be made compensable will undoubtedly appear.		
Some of these influences cannot be regarded as of permanent importance. Unemployment, as such, will hardly be seriously affected by them, but unemployment which is compensable can reasonably be increased and employer and employee alike, being human beings and having human needs, will undoubtedly recognize the existence of a plan which will furnish compensation to ward off immediate need and so will develop an ability to "use" the plan. In addition to the increased cost occasioned by the "use" of the plan, some allowance must be made for still other items not measured or measurable at this time.		
The weight given these contingency allowances is.....	+33	-----
Total.....	+52	-22
Net increase.....	+30	-----

The weights assigned to the various factors listed above give a total negative correction factor of -22 percent and a total positive factor of +52 percent. The net increase is therefore +30 percent.

FINAL ESTIMATES OF DURATION

For the estimates of duration of benefits the total adjustment determined in the previous section was applied to the material presented in appendix II.

The 30-percent adjustment factor was applied to the wage loss in each duration interval for the period 1923-33. From the tabulation on page 89 it may be observed that with a 3-percent contribution rate and a 4-week waiting period the maximum length of benefit period permitted by the adjusted figures would be 12 weeks (as compared with 16 weeks permitted by the unadjusted data) under a plan designed to remain solvent through 1933. By matching income approximations with wage-loss estimates, table 20 (p. 87) can be used to determine the maximum duration of benefits and maximum amount of benefits for any combination of contribution rates or waiting period.

However, it is recommended that not too trusting a use be made of the intervals of the distribution as one approaches 52 weeks, since the degree of the reliability of the distribution decreases as the length of the duration interval increases.

If the features upon which the above adjustment factor depends are changed, the size of this factor will change, and so also the wage-loss distribution. Once the size of a new adjustment factor is determined upon, the wage-loss distribution may be computed by multiplying the amounts shown in table 19 (p. 86) by 1 plus the percentage adjustment.

Changes in actual benefit requirement may introduce other modifications, but the crudeness of the basic data has been sufficiently set forth to suggest that little addition of accuracy will be gained as a result of any further small adjustments.

Many of the above factors used in adjusting the estimates of the duration of compensable wage loss are little more than reasonable guesses based on the best judgment which could be exercised. Only a few of the factors could be derived from basic data even of limited nature and scope.

APPENDIX IV

THE HISTORY AND DEVELOPMENT OF THE UNITED STATES EMPLOYMENT SERVICE ¹

This report is a brief summary of the history of the United States Employment Service and an outline of its functions and activities. The data are presented under the following heads:

(1) The Pre-War Period, (2) Activities During the World War, (3) The Post-War Period, (4) The Contribution of the Demonstration Centers, (5) The Reorganization of 1931, (6) The Principles of the Wagner-Peyser Act, (7) Operation Under the Wagner-Peyser Act, (8) Emergency Needs and the National Reemployment Offices, (9) The Progress Record in Employment Work.

The development of a public employment system in the United States has been spasmodic and irregular because it has been conceived until recently as an emergency service to meet a temporary and limited type of public-welfare need. Public employment offices in this country were originally established to meet the problem of distributing immigrant labor which tended to concentrate in ports of entry to inland industrial centers. This service was later expanded to enable workers for the agricultural districts to be recruited from across State boundaries. The first program of national significance arose in answer to the needs of (1) recruiting workers for the war industries during the World War and (2) demobilizing soldiers and workers after the war. It was not until 1933 that the foundations of a sound public employment system were laid in the Wagner-Peyser Act, which was passed as part of the recovery program. With the passage of the Federal Social Security Act of August 1935 the public employment offices became a permanent branch of the social-welfare agencies of the country.

THE PRE-WAR PERIOD

The United States Employment Service had its inception in the creation, in February 1907, of the Division of Information in the Bureau of Immigration and Naturalization, a unit in the (then) Department of Commerce and Labor. There were two aspects of its work at that time, the first being the direction of the flow of immigrant labor to job openings, the second the collection of information that would be of value in this distribution process.² From the beginning it was realized that all functions of the Service were dependent upon

¹ This report was prepared by Gladys L. Palmer.

² The purpose of the Division of Information, as expressed by the Secretary of Commerce and Labor, was "to bring about a distribution of immigrants arriving in this country, thus preventing, as far as possible, the congestion in our larger Atlantic seaport cities that has attended the immigration of recent years; and, second, to supply information to all our workers, whether native, foreign-born, or alien, so that they may be constantly advised in respect to every part of the country as to what kind of labor may be in demand, the conditions surrounding it, the rate of wages, and the cost of living in the respective localities." U. S. Department of Commerce and Labor, *Annual Report, 1908* (U. S. Government Printing Office, Washington, D. C., 1909), p. 25.

accurate knowledge of available jobs and of available workers, and of economic conditions in the area in which the Service was operating. Contacts were made with widespread sources of information: Associations of manufacturers, individual employers of labor, trade-unions, township correspondents of the Department of Agriculture, postmasters, farmers, State boards of agriculture, State bureaus of labor and statistics, boards of trade, chambers of commerce, factory-inspection departments, newspaper items announcing new work or new factories. Material from these sources presented the first outline picture of the employment market throughout the country.

Little actual placement or distribution work was done by the Division. The information collected on lands available for rent and sale, soil, climate, and market conditions, on details of farm and farm work, and to a lesser extent of business and industrial opportunities, was published in bulletins and made available to those immigrants who wanted it. Some effort was made to list openings and to direct applicants to specific jobs, but the placement accomplished was unimportant and was limited by the resources of the Division itself and the fact that few newly arrived immigrants were able to pay their transportation to inland points where jobs were to be had. The work of the Division did not extend much beyond that of helping aliens, although no limitation in this respect was imposed either by law or policy. One employee in each of the immigration offices was detailed to the information and distribution work.

Two conditions resulting from the outbreak of the World War in 1914 were conducive to an expansion in the functioning of the Division of Information. On the one hand, immigration decreased materially and left the immigration offices with little to do, and, on the other hand, unemployment became serious in the country as a result of the industrial dislocation caused by the war.

The Federal Department of Commerce and Labor had been reorganized into two separate departments in 1913. The Bureau of Immigration, and with it the Division of Information, became a bureau of the newly created Department of Labor. Legislative authority to include among its duties advancement of opportunities of workers "for profitable employment" was contained in the organic act establishing the Department of Labor. The three factors—the need for finding work for large numbers of unemployed, together with available personnel, and the legislative authority to carry out an employment program—were so timed that a Nation-wide placement agency for citizens resulted. A serious unemployment situation was thus responsible for the first recognition of the need of a public employment system.

Plans were formulated for an organization of Federal employment exchanges upon a national scale. The country was divided into 18 administrative zones, each zone in charge of a supervisor delegated from the personnel of the immigration offices within the zone. The entire distribution service was thus coordinated with the immigration field service.

The Farm Labor Service was the first of the specialized employment services to be developed. Through cooperation with the Post Office Department and the Department of Agriculture, representatives of the employment service who were located in the harvest and fruit districts directed applicants across State boundaries. The Farm Labor Service made the first move toward educating the public and gaining its cooperation by arranging with railroad representatives to report farm labor shortages to public, rather than private, employment agencies. The Division of Information served the shipmasters, who complained of a shortage of qualified seamen. It also directed the unemployed to other States, the successful placement of persons thrown out of work after

the Salem fire being an example. It helped in placing Mexican refugees in 1915 and 1916 and directed 15,000 returning National Guardsmen to jobs.³ Thus, during the years from 1914 to 1916, the character of the Employment Service changed from that of directing aliens to inland jobs to that of a placement agency for the unemployed. The number of citizen applicants for placement first exceeded the number of alien applicants in 1916.

ACTIVITIES DURING THE WORLD WAR

The entrance of the United States into the World War in April 1917 again changed the major functions and administrative relationships of the Employment Service. All phases of the Service were now devoted to directing the human productive energies of the Nation into the channels most necessary for carrying on the war. Fundamentally the task of the Federal Employment Service became one of recruiting labor, both on behalf of private industry and the Government. It had also to direct and apportion the labor supply, once recruited, to the work most essential in the war emergency.

The Employment Service underwent numerous changes during the latter half of 1917 and the first half of 1918. Reorganization was necessary in the development of the Service to meet the war needs of the country. State lines were made zone lines. The increasing volume of war work and changing concepts concerning the function of the Service brought a demand for the separation of the Employment Service from the Bureau of Immigration. This was accomplished in January 1918.

The difficulties under which the public employment offices were conducted at this time seriously affected their efficiency.⁴ The public had not yet realized that the Service was not limited to aliens; most of the headquarters and sub-branches were in charge of persons who had had little or no experience with any sort of placement work. In addition it was felt throughout the Immigration Service that the employment work was merely incidental and that with the return of immigration, such as the country had had before the war, the employees in the Division of Information would be reassigned to regular immigration work. In the mind of the public, the Employment Service was still overshadowed by the Immigration Service, and the demands of war necessitated basic changes in organization.

As reorganized in January 1918, the Employment Service was made a separate bureau of the Department of Labor, and the Division of Information was made a part of the enlarged Employment Service. This had been made possible by a congressional appropriation of \$250,000 in October 1917 and by an allotment from the President's fund for "national security and defense" of \$825,000 early in December of that year to defray expenses in connection with the work of the distribution of productive labor throughout the United States. The availability of new funds with which to organize services upon a more elaborate scale made it imperative that all the activities and facilities of the United States Employment Service should be placed under a single directing head. The Division of Information, which formerly included the United States Employment Service, was temporarily separated from the Bureau of Immigra-

³ Smith, D. H., *The United States Employment Service*, Institute for Government Research, Service Monographs of United States Government, no. 28 (Johns Hopkins Press, Baltimore, 1923), pp. 5-8.

⁴ Herndon, John J., Jr., *Public Employment Offices in the United States*, U. S. Department of Labor, Bureau of Labor Statistics, Bulletin no. 241, July 1918, p. 51.

tion; the entire energy, until the close of the fiscal year, was devoted to the extension of the employment service.⁵

The United States was then divided into 13 employment districts, which approximately followed the geographical lines of the Federal Reserve Bank System, with the exception that the employment districts in all instances were organized to follow State lines. A memorandum of the Secretary of Labor, effective as of March 1, 1918, contained provisions for a director and assistant director of the Employment Service, and a Policies and Planning Board, composed of the chiefs of the eight different divisions into which the service was divided; a division of information, administration, and clearance; a division of personnel; a public-service reserve division; a boys' working-reserve division; a farm-service division; a woman's division; a Negro division; and a division whose duty it was to issue the United States Employment Service Bulletin. The Policies and Planning Board was abandoned shortly after its creation, but the organization of the other divisions remained substantially the same to the end of the fiscal year.

The newly established plan of organization soon became insufficient to meet the emergency employment needs of the country. The War Labor Policies Board took the initiative in proposing that the employment function in all war contract work be centralized in the United States Employment Service.⁶ This was immediately followed by a Presidential proclamation which pointed out that "a central agency must have sole direction of all recruiting of civilian workers in war work; and in taking over this great responsibility must, at the same time, have power to assure essential industry an adequate supply of labor, even to the extent of withdrawing workers from nonessential production." The President therefore urged "all employers engaged in war work to refrain after August 1, 1918, from recruiting unskilled labor in any manner except through this central agency." The task thus imposed resulted in an acute situation for the Employment Service, and its executives realized the inadequacy of the organization to fulfill the new demands placed upon it. Upon recommendation of a committee of employment experts, they adopted a policy of centralized control and decentralized operation. In substance, the changes made in the organization consisted in (a) abolition of the system of 13 employment districts, thereby automatically making the State the unit of operation, gradually eliminating the district superintendencies; (b) centralization of responsibility for field organization in the Federal directors of employment for the States; (c) establishment of uniform methods of office operation; and (d) concentration of the administrative work at Washington into five divisions, each in charge of a director.⁷ These five divisions—control, field organization, clearance, personnel, and information—

⁵ All officers, clerks, and employees of the Bureau of Information and the Immigration Service who were found to be experienced in the work of the U. S. Employment Service were transferred without prejudice to the Employment Service with the understanding that should appropriations for this purpose be discontinued such officers, clerks, and employees should be retransferred to their former positions. *Sixth Annual Report of the Secretary of Labor* (U. S. Government Printing Office, Washington, D. C., 1918), p. 207.

⁶ "All recruiting of industrial labor for public or private work connected with the war shall be conducted through or in accordance with methods authorized by the U. S. Employment Service. * * * The full power of the Government shall be exercised through such agency to supply all the labor requirements of war industry and by means of volunteer recruitment to transfer men to such extent as may be necessary from non-war work to war work. * * * An immediate campaign to secure the unskilled labor needed in war work shall be made by the U. S. Employment Service." Quoted in "Public Employment Services", *Monthly Labor Review*, vol. 32, no. 1, January 1931, p. 17.

⁷ *Sixth Annual Report of the Secretary of Labor* (U. S. Government Printing Office, Washington, D. C., 1918), p. 216.

absorbed the previously existing services, sections, and divisions. The specialized work of these units, however, was carried on without a break. This new plan went into effect August 5, 1918.

In order to assist in the recruiting of unskilled labor for war work and to aid in the further extension of the machinery of the Employment Service throughout the country, a system of State advisory boards, community labor boards, and State organization committees, composed of joint representation from employers, employees, and the United States Employment Service was initiated. There were, in addition, industrial advisers who furnished information concerning the need for skilled labor and the labor supply in each community and who assisted the district boards in arriving at their decisions as to whether or not individuals were performing work necessary to the effective operation of the military forces. The results of this entire plan were evidenced in a reduction of labor turnover, the expedition of transfer of unskilled labor from non-war work to war work, and the direction of the unemployed or partially employed to industries closely allied to the prosecution of the war.

Some appreciation of the contribution rendered by the United States Employment Service may be had from the following brief summary of its activities during the 18 months the United States was in the War.⁸ Few of the pre-war specialized services retained their identity. The Farm Labor Service was an exception, and it continued its distribution of farm labor to the wheat, cotton, apple, peach, and grape districts. The United States Boys' Working Reserve was made up of boys over 16 who were organized from the cities in order to help with the seasonal farm work. There was some guidance toward work with a reasonable future career for those boys desiring industrial employment. The Women's Land Army was a group of trained and supervised women who helped with the cultivation and harvesting of crops. Efforts were made to place the "aged" worker as a measure of alleviating the drain upon manpower. One of the largest divisions of work was that of the Public Service Reserve which acted as a registration agency for patriotic citizens desiring to offer their services to the Government with or without pay. It registered over 300,000 men of various skilled and unskilled trades. A shipyard and marine section was one of the emergency services of the Employment Service. It recruited 19,000 mechanics for the United States Shipping Board and aided in directing and placing stevedores and other marine workers who are ordinarily an immobile labor group. On October 1, 1917, the Department of Labor took over the work of the National League for Women's Service which had been contacting, registering, and placing women available for war work. There was the large task of informing the public, and particularly manufacturers, concerning the service. The greatest volume of work came in connection with the selection and placement of skilled and unskilled labor. The work of this division exceeded even that of the Farm Labor Division. It appealed to trade-unions, it arranged for the furlough of men of certain trades from the Army into industry, it recruited all unskilled labor except for railroads, farms, and nonwar work, after August 1, 1918; and it administered a revolving fund of \$250,000 for the transportation of labor. This fund was left almost intact, since in most cases the employer receiving the labor was charged with the cost of transportation.

At the height of its war-time expansion in the fiscal year 1918-19, the United States Employment Service registered over 6 million workers, received

⁸ Smith, D. H., *The United States Employment Service*, Institute for Government Research, Service Monographs of United States Government, no. 28 (Johns Hopkins Press, Baltimore, 1923), pp. 13-28.

notice of over 10 million job openings, and placed approximately 5 million workers.⁹ There were 773 offices located in 605 cities in 48 States and the District of Columbia. The total Federal appropriation for operation of the employment offices in the fiscal year 1918-19 was \$5,772,000.¹⁰

THE POST-WAR PERIOD

The end of the war brought a complete reversal in the employment situation and consequently necessitated a readjustment of the activities of the United States Employment Service to meet the new conditions. The Employment Service was now faced with the problem of finding jobs for all the returning soldiers as well as for all those who had been employed in the war industries and were no longer needed. From a seasonal point of view the armistice came at a difficult time: jobs were needed in the early winter months when normal out-of-door work was being suspended and when farmers, having just released all the extra help which they had employed during the summer and fall, made no demands for additional labor.

Cooperation between the War Department, the War Industries Board, and the Department of Labor led to a judicious cancelation of war contracts, demobilization of the Army with the least possible danger to the labor situation, and the creation of over 2,000 bureaus throughout the country for assisting returning soldiers and sailors. The war-time divisions, such as the Boys' Working Reserve, the Public Service Reserve, the Stevedores and Marine Workers' Division, and the Mining Division, were discontinued. After the armistice was signed several special types of work were undertaken, the most significant ones being the Junior Section for the purpose of giving vocational guidance to boys and girls between the ages of 16 and 21, the Handicap Section for the purpose of helping persons handicapped by age or some physical disability, and the Professional and Special Section for the purpose of assisting highly trained men and women to find positions for which they were qualified.

The major problem facing the United States Employment Service after the war was the inadequacy of financial appropriations. Because the service had been considered by the public as an emergency service rather than a part of a permanent program for organizing the labor market in the country, there was not sufficient public support to maintain a permanent public employment system on an adequate basis. Within a year after the peak of maximum activity in 1918, the entire chain of Federal employment offices was abandoned or turned over to the States and municipalities for continuation.

From 1919 to 1931 the United States Employment Service continued to function only as a clearing house for information, standards, and statistics, and, to a limited extent, for interstate clearance on placements. A skeleton organization was maintained which operated on an annual budget of about \$200,000. The Farm Labor Division for recruiting and distributing harvest labor was maintained, some activity was continued in the Junior Division, and the placement service for handicapped workers was carried on in cooperation with rehabilitation agencies. Leadership in the development of adequate public employment offices throughout the country, however, passed to the municipalities and the States and to private organizations interested in the field.

The States had taken the initial lead in the development of public employment offices in this country. As early as 1890 Ohio passed a law establishing

⁹ Compiled from the *Seventh Annual Report of the Secretary of Labor* (U. S. Government Printing Office, Washington, D. C., 1919), p. 275 and p. 292.

¹⁰ Harrison and Associates, *Public Employment Offices*, Russell Sage Foundation (New York, 1924), p. 624.

State-city employment offices in its five principal cities. By January 1, 1933, about half of the States supported 139 such offices. Many of these offices had unsuitable quarters and were staffed with untrained or poorly qualified personnel, because appropriations were meager and salaries too low to attract the type of person needed for the work.

THE CONTRIBUTION OF THE DEMONSTRATION CENTERS

The major exceptions to the inadequate type of local employment office that generally prevailed were found in certain experimental centers. Three such centers were supported jointly by State funds and private foundation grants in the years from 1931 to 1933. These demonstration centers were instrumental in promoting the development of adequate standards of operating efficiency in local employment offices and had planned a research program designed to promote a better understanding of unemployment problems and the difficulties involved in a large-scale effort to organize the labor market. Duluth, Minneapolis, and St. Paul were combined into a tri-city demonstration center under the Employment Stabilization Institute of the University of Minnesota. Special experimental offices were developed in Rochester and Philadelphia, and some experimentation was also carried on in the New York City employment offices. In connection with these demonstrations, and in other States as well, a number of State commissions were appointed to study unemployment problems or to improve the existing facilities of the public employment offices.

It is difficult to appraise adequately the contribution of the demonstration centers, hence only a brief summary of their activities is attempted here. The Minnesota experiment emphasized research. A well-rounded program of research was developed, stressing analysis of the economic factors governing employment and unemployment in the State and analysis of the individual unemployed person in relation to his vocational aptitudes and chances of success on a job. This clinical approach to the solution of the problems of unemployed individuals has received increasing attention in recent years, and the Minnesota studies of occupational patterns or profiles have laid the groundwork for interesting experimentation in job analysis in terms of psychological test results. The Tri-City Employment Stabilization Committee also assumed advisory control of the Minnesota Employment Service for a 2-year period beginning in 1931. The functions and arrangements of the local employment offices were reorganized, a more adequate record-keeping system was introduced, and other improvements in the service effected.

In the Rochester Public Employment Center emphasis was placed on promoting community contacts, particularly those with employer groups, and on experimentation with refined public employment techniques. Considerable experimentation with psychological tests for clerical workers was made here, not primarily for research purposes as in Minnesota but as a tool for vocational guidance to the individual. The research program in Rochester stressed the analysis of costs of placement and other administrative problems in the local employment office. Possibly the outstanding contribution of the Rochester center was in the field of experimentation in record keeping and the analysis of functional or administrative problems in the office.

The Philadelphia Employment Office was, from the beginning of its experimental period, swamped with the problems arising from a high rate of unemployment in a large metropolitan center. Its contribution therefore came to be largely that of demonstrating adequate employment work for large numbers of applicants. The office made interesting experiments in lay-out and general office policy and procedure, and the results of many of these experiments were

later adopted by the United States Employment Service. It demonstrated that adequate personal interviews could be given unemployed workers, although hundreds of thousands were "at the gates." The Philadelphia office actually did a great deal of vocational counseling in a wide range of occupations, although it was not equipped for psychological testing. Special research studies of the occupational trends in the city and of the characteristics of unemployed workers in the local labor market were made. The employment center and its sponsors, during the period of experimentation, laid the groundwork for a long-time program of research in the problems of the local employment market in Philadelphia.

It was upon the experience of these three demonstration centers and the work of such cities as Milwaukee and Cleveland and such States as Wisconsin and New York that the growing science of public employment administration was based. Out of this experience came the new principles of employment work incorporated in the Wagner-Peyser Act.

THE REORGANIZATION OF 1931

A number of attempts were made during the period from 1919 to 1932 to obtain Federal funds for a Nation-wide public employment system. Conferences of interested persons were held, and several bills were introduced into Congress. The Kenyon-Nolan bill was introduced in the Senate in June 1919. This bill in amended form was later sponsored by Senator Wagner and reached public hearings in 1928, 1929, and 1930. Although the bill passed both houses in 1931, it was vetoed by the President. The "Doak reorganization" of the employment offices was launched a few weeks later to meet the growing demand for public employment offices.

The reorganized employment service failed to take cognizance of much of the experience of the United States Employment Service during the war period and also failed to benefit by the experience of the States which had developed increasingly effective public employment offices between 1920 and 1931. The greatest need of the public employment offices at the time was for well-planned coordination of all public employment activities. Under Secretary Doak, Federal employment offices were set up as a competing system to other established services. Fifty-three of the 96 cities which had Federal employment offices in 1932 were cities in which a State or State-city employment office was already located.¹¹ Even the veterans' employment offices and farm-labor agencies, which were under Federal control, were not coordinated with the other offices or the service as a whole.

A second major need of the public employment offices was for trained and well-qualified personnel. From its very beginning the effectiveness of the work and the reputation of the Federal service had been hampered by the "spoils system" and by the appointment of untrained workers. There was little indication of a reversal of this trend in the years 1931 and 1932.

A third major need of the public employment system in 1932 was for adequate standards of premises and operation. The United States Employment Service during this period sacrificed the adequacy of housing, lay-out, and effective operation of local employment offices to obtain geographic coverage on a Nation-wide scale. As a result, the competing offices set up in the cities where other employment offices were already in operation frequently had less attractive housing and were operated less efficiently than the older local offices

¹¹ Kellogg, Ruth, *The United States Employment Service* (University of Chicago Press, Chicago, 1933), p. 83.

on the other side of the street or around the corner. There was so much confusion in the use of terms and in the reporting systems of the Federal offices and those cooperating with them, that it is difficult to procure any reliable data on the activities of the Federal employment service during this period.

The inadequacy of the service rendered by the Federal organization, the waste engendered by two competing systems of public employment offices, and growing public interest in the problem led to the introduction of a revised employment service bill by Senator Wagner, later known as the Wagner-Peyser Act. This act was passed as part of the recovery program and became effective June 6, 1933.

THE PRINCIPLES OF THE WAGNER-PEYSER ACT

The Wagner-Peyser Act abolished the then existing United States Employment Service and created a new service as a separate bureau in the Department of labor. Its major function is to promote and develop a national system of employment offices by assisting in establishing and maintaining them in the States. This provision recognizes the principle that the organization and conduct of employment offices is best done by State and municipal governments. The function of the Federal office under this arrangement is to develop and maintain minimum standards of operation, promote uniformity in procedures and record keeping, maintain interstate clearance of labor, and thus integrate the local and State services into a Nation-wide employment system. The United States Employment Service is authorized on its own responsibility to maintain a special placement service for veterans and for farm labor and to operate a public employment office in the District of Columbia.¹²

The Wagner-Peyser Act permits grants-in-aid to the State employment systems when affiliated with the United States Employment Service. For the first year of operation an appropriation of \$1,500,000 was authorized, and \$4,000,000 was authorized for each of the 4 succeeding years. Three-fourths of each annual appropriation is apportioned to the States on the basis of their populations. The remainder may be used for administrative purposes or to maintain authorized special services. The Federal funds granted to the affiliated State services will match each State appropriation, provided the State appropriation is not less than 25 percent of the apportionment according to population, and in no event less than \$5,000 for the year. An amendment to the act was approved May 10, 1935, to the effect that after January 1, 1935, the minimum Federal appropriation to an affiliated State would be \$10,000.

Under the act a plan for the operation of a State employment service must be submitted by the proper State agency and be approved by the United States Employment Service. In this plan of operation the State employment service must agree to conform to the standards of the United States Employment Service relating to personnel, premises, procedures, and other administrative arrangements, and to submit such reports of expenditures and operations as are required. A State advisory council, composed of representatives of employers,

¹² The veterans' placement service of the United States Employment Service formerly operated separate veterans' placement offices. These have been discontinued and a State veterans' placement representative acts to clear all employment questions affecting veterans and sees that the interests of veterans are protected in the regular work of the local offices. This is another step in the integration of the activities of various branches of the service. The farm-labor division is maintained as a semi-independent unit and the District of Columbia office is conducted as an independent unit of the service. All three units are responsible to the Director of the United States Employment Service.

employees, and the public at large, must also be appointed with the cooperation of the United States Employment Service.

By November 1934, 22 State employment services had become affiliated with the United States Employment Service. These services are in the following States: Arizona, Colorado, Connecticut, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Virginia, West Virginia, Wisconsin, and Wyoming. These State services operate 168 employment offices in 140 cities. The 140 cities include 85 percent of all cities with over half a million population and 62 percent of the cities with over 100,000 population. They also include 75 percent of the total workers normally engaged in manufacturing industries.¹³ During the fiscal year ending June 30, 1934, when only 18 State employment systems were affiliated with the Federal Service, 3,445,553 new applications for employment were received and 1,470,131 job openings were filled by the affiliated offices.¹⁴ By June 21, 1935, 24 States had presented plans for State employment offices which were approved as meeting the requirements of the Wagner-Peyser Act and 16 additional States had passed laws providing for affiliation with the United States Employment Service. Thus, only 8 States have made no provision for such affiliation.

OPERATION UNDER THE WAGNER-PEYSER ACT

Possibly the most interesting features in the Wagner-Peyser Act were (a) the establishment and formulation of standards as the major function of the Federal office, and (b) State compliance with minimum standards as a condition of Federal grants-in-aid. Federal grants had previously been given to States for other public-welfare needs, but no device had ever before been developed to set minimum technical standards of operation and then to test for compliance with the accepted standards. This process of setting Federal standards is still in a stage of experimentation for several reasons. The major interest of the United States Employment Service is to improve and strengthen existing employment offices rather than to exert pressure on States to "administer a system." The time required for conformity to standards must be somewhat flexible, and the local groups must be carried along in an educational campaign. No group of well-established local services can be changed overnight. The administrative organization in the States, for example, may have to be completely changed and the local offices relocated and reorganized. The adoption of a merit system in the appointment of personnel may work havoc in certain local centers. In the meantime the employment offices since 1933 have been under tremendous pressure to perform emergency services in connection with the relief program and other community activities in addition to their regular placement functions. All these factors make the establishment of standards a slow and experimental process.

The major work of Federal-State relationships under the Wagner-Peyser Act is at present divided between two sections of the central administrative organization in Washington. The Division of Operations approves operating agreements with the States, conducts "compliance surveys" to assure maintenance of standards, and controls such regional offices or field-work activities as may be

¹³ Speech by Frank Persons, Director of the United States Employment Service, Boston, Sept. 29, 1934, before the International Association of Governmental Labor Officials.

¹⁴ United States Employment Service, *Twelve and One-half Million Registered for Work, 1934* (U. S. Government Printing Office, Washington, D. C., 1935), appendix tables.

established by the United States Employment Service. The Division of Standards and Research is responsible for the initial development of forms and procedures to be used in the States, for the organization of a statistical program, and for experimentation and research in the general field of employment problems.

Possibly the most interesting of the experiments in the formulation of standards by the United States Employment Service is in the field of personnel. Although the States affiliating with the Employment Service have been permitted several choices with regard to the selection of personnel, a majority of them have elected to use the merit system of appointments initiated by the United States Employment Service. In the fall of 1934 all but 4 of the 22 State affiliated systems and the District of Columbia had utilized the services of the merit examination system conducted by the United States Employment Service or had made appointments according to State civil-service requirements. This represents no mean achievement in the first 2 years of operation of the Wagner-Peyser Act.

A number of other important aspects of public employment work have received consideration and have been the basis of policy determination. Standards with regard to adequacy of premises and signs or other advertising have been developed as the minimum basis of operation of local employment offices. The State advisory councils have been considered valuable enough to be required as a condition of State affiliation with the Federal employment service and, in addition, local advisory councils have been recommended. Policy on such important questions as the referring of workers to plants in which there is a labor dispute has been developed on a uniform basis, insofar as State labor laws do not interfere with such uniformity. Other problems of policy and office procedure are being discussed and eventually minimum standards for these will also be developed.

To date, no program of field supervision has been worked out. The States have been left to administer their part of the agreement with little if any supervision. "Compliance surveys" may have had an indirect supervisory effect, but are not intended to replace the plans for regional supervision originally contemplated. Experimentation with expansion of the supervisory functions of the United States Employment Service has of necessity proceeded carefully, with due allowance for the State interests involved.

Progress has also been made in the direction of developing an adequate clearance system. Several States, such as Wisconsin, Pennsylvania, and New York, maintain intrastate clearance systems.¹⁵ The United States Employment Service has developed plans for intrastate and interstate clearance for placement in public-works projects. This experiment like the others discussed above indicates the type of work which will be of increasing importance in future years when the public employment system becomes an established part of every community's public-welfare activities.

Under the Wagner-Peyser Act, the United States Employment Service is commissioned to publish information concerning "opportunities for employment and other information of value in the operation of the system." To this end the Division of Standards and Research has developed a statistical program based on daily reporting of the major activities of all local offices in the system. This statistical information, if sufficient analytical service can be maintained, will present the most detailed picture of the important economic factors in local

¹⁵ Pennsylvania cleared over 500 applicants between offices in 1933; New York filled 40 jobs a month in the summer of 1934 through its district clearance system.

and national employment markets that any country has undertaken.¹⁶ It should become in time the basis for a program of extensive planning on the occupational and vocational aspects of major unemployment situations. An allied activity of the Division of Standards and Research is the proposal of a job-specification research program. One phase of this project will be useful in establishing standard terminology in job specifications and occupational classifications. Another phase of this project will use clinical methods in studying individuals who are successful in the jobs analyzed and will attempt to define specification standards of training, experience, and ability. This project is being partially supported by private foundation grants and is being supervised by a technical advisory committee composed of members named by the Social Science Research Council and members designated from the national advisory council of the United States Employment Service.

Another service which has been performed by the Division of Standards and Research concerns the checking of alleged labor shortages throughout the country. The N. R. A. code authorities received requests to permit extension of the regulations on maximum hours because of alleged labor shortage in specified occupations in certain areas. The United States Employment Service checked the shortages through its local offices to see whether any bona fide labor shortages existed. Temporary local shortages may occur frequently, but it is seldom that a regional or Nation-wide labor shortage exists. In the spring of 1934, for example, many such requests were checked, and only one alleged Nation-wide shortage was actually verified upon investigation.

Most of the States which have been slow to take advantage of Federal subsidy under the Wagner-Peyser Act have been handicapped by lack of funds. This problem may delay for some years the affiliation of the States not now affiliated. But the 40 States which have provided for affiliation and which include most of the industrialized sections of the country are now assured of more adequate financial support and the technical assistance necessary to expand their functions and activities in a Nation-wide program of great future promise. The principles established in the Wagner-Peyser Act are viewed by most students of the question as a sound basis for the slow but permanent expansion of public employment work in the United States.

EMERGENCY NEEDS AND THE NATIONAL REEMPLOYMENT SERVICE

Although the Wagner-Peyser Act incorporated the principles considered important in a permanent development program of employment offices, it was not flexible enough to meet emergency needs for rapid expansion. The first emergency need arose in July 1933, when it was decided that labor for public-works projects (except for the employment of union labor in customary ways through recognized locals of the unions) was to be obtained through employment agencies designated by the United States Employment Service. This was to assure that the designated legal employment preferences¹⁷ on public-works projects would be,

¹⁶ The Canadian employment offices supply similar information to a central office, but adequate statistical analysis has never been developed for the interpretation of local labor market conditions or of special occupational or industrial situations.

¹⁷ Section 206 (4) of the National Industrial Recovery Act (48 Stat. 205) reads to the effect that "in the employment of labor in connection with any such (public-works) project, preference shall be given, where they are qualified, to ex-service men with dependents, and then in the following order: (a) To citizens of the United States and aliens who have declared their intention of becoming citizens, who are bona fide residents of the political subdivision and/or county in which the work is to be performed, and (b) to citizens of the United States and aliens who have declared their intention of becoming

maintained and that wasteful migration of labor from place to place would be discouraged. In November 1933 the Civil Works Program was launched, and the United States Employment Service was given the task of selecting half or more than half of the 4 million individuals placed on civil-works projects. The combination of these emergency tasks necessitated some sort of employment agency in every county in the United States. To meet this need the National Reemployment Service was created as an emergency organization, financed and administered by the Federal Government. It supplements the work of the permanent State employment services, and in no State is there overlapping or duplication of effort.

At the peak of its activity in 1933 the National Reemployment Service had 3,320 local offices and registered some 9,000,000 applicants within a 10 weeks' period. The number of offices has recently been reduced to 600 district offices, each serving an area of one or more counties.¹⁸ For the fiscal year ending in June 1934, the National Reemployment Service registered 9,189,421 applicants and made 5,481,392 placements, 85 percent of which were in public employment.¹⁹ During this same period the record of activity for all public employment offices in the country was a total of 12,634,974 applicants and 6,952,000 placements.¹⁹

The difficulties to be met in such a rapid expansion of public employment work were very real. Adequate facilities were frequently lacking; floor space and equipment had to be borrowed by the reemployment offices. The relief administrations generously gave personnel to staff the offices—in many States contributing half or more than half of the personnel required—and volunteer workers were effectively used in some States. The difficulties attendant upon providing adequate employment service in remote rural outposts tested the ingenuity of the staffs of the reemployment offices. Itinerant agents and chains of substations were tried. In some counties, as many as 36 substations were established for registration of the unemployed and of persons in families on relief. New workers had to be trained in the work of registration since few experienced employment experts were available at the time.

The facilities of the established employment offices in the affiliated systems were also taxed to the utmost to meet the demands of the emergency works program. Important community services in relation to the relief program have thus been performed by the public employment offices under both systems.

The National Reemployment Service has been an effective demonstration of registration and placement activities in many counties or States which have never before had a public employment office. It is to be hoped that this demonstration will stimulate popular support for acceptance of the provisions of the Wagner-Peyser Act and for expansion of the existing employment service. The difficulty is that as long as the Federal Government establishes and maintains employment offices in the States and counties which do not have them, local legislators are under no incentive to match funds for affiliation under the Wagner-Peyser Act.

citizens, who are bona fide residents of the State, Territory, or District in which the work is to be performed, provided that these preferences shall apply only where such labor is available and qualified to perform the work to which the employment relates * * *." These preferences applied only to the work program of 1933-34.

¹⁸ Speech by W. Frank Persons, Director of the United States Employment Service, before the Twentieth Annual Meeting of the International Association of Government Labor Officials, Boston, Sept. 29, 1934.

¹⁹ United States Employment Service, *Twelve and One-half Million Registered for Work*, *op. cit.*, appendix tables.

Mr. Persons, the Director of the United States Employment Service, recently stated that "in those States which have affiliated employment services, it is the objective of the United States Employment Service to merge the State service and the National Reemployment Service as quickly as it is financially and administratively possible."²⁰ In New York, New Jersey, and Connecticut there has been an amalgamation of the two services. In other States, on the other hand, there are two uncoordinated services reporting to different divisions in the United States Employment Service, one under Federal control, and one under Federal-State control. There are, therefore, three relationships of States to the Federal Government in the Employment Service; one group of States has National Reemployment Service offices under Federal control only; one group has both National Reemployment Service and State employment service offices under separate Federal and Federal-State control; and a third group has both types of offices under a unified administration. Eventually, both systems will probably meet the same standards of operation required by the United States Employment Service, but it is essential that the two services in the States where there is no coordination of activities be merged as rapidly as possible.

THE PROGRESS RECORD IN EMPLOYMENT WORK

It was only a few years ago that the future looked dark for public employment work except in one or two States and in a few demonstration cities. In the short time since the passage of the Wagner-Peyser Act and the development of an employment policy for placement on public-works and work-relief projects, tremendous progress has been made in the development of an adequate system of public employment offices in this country. There has been a slow but substantial improvement in the standards of operation of the offices already in existence which have become affiliated with the United States Employment Service. Both the established offices and the emergency offices have benefited by the experience of registering and classifying large numbers of applicants and placing workers on all types of work projects.

The States which have had considerable experience with public employment offices have forged ahead with their experiments, assured of more financial support than was formerly available. Salaries in employment work are still low in comparison with similar types of professional work, and facilities are frequently less than adequate. In many communities the long-time program of developing a high type of placement service had to be temporarily set aside the past years to take care of emergency projects. But despite these drawbacks progress is noticeable in all States. Some cities, for example, are experimenting with specialized bureaus for certain industries or selected occupational groups. Special programs have been developed for young unemployed persons in a number of cities. Vocational training and retraining projects have been

²⁰ Speech before the International Association of Governmental Labor Officials, Boston, Sept. 29, 1934.

A recommendation of the Committee on Employment Exchanges adopted by the National Conference for Labor Legislation, Washington, Feb. 14-15, 1934, stated: "That the placement services now conducted by local offices of the National Reemployment Service in States where there are regular State employment services affiliated with the United States Employment Service, insofar as these local reemployment offices fit into the permanent long-time program of the State services, be merged with the latter as rapidly as practicable, with due regard to the financial problems involved and to the maintenance of the necessary placement services in the regions naturally tributary to the offices so merged." *Report of Proceedings*, p. 74.

sponsored or assisted by the public employment offices in many centers. At least one State has experimented in the transfer of unemployed workers from dying trades in one county to expanding industries in another section of the State. Research projects in the problems of local and regional employment markets have been started or continued. All these local experiments need further financial support and might be more valuable if coordinated into a general research and planning program on unemployment problems in local employment centers. But the impression of most observers who have been in touch with public employment work for more than 2 years is that "the employment offices are on the upgrade."

The experience of the United States Employment Service since June 1933 has been invaluable preparation for the administration of an unemployment compensation plan, no matter what its form may take. The success of State unemployment compensation systems, as well as of any work-relief program, depends in part upon the adequacy of the placement work of the public employment offices and any other contribution they can make to the solution of unemployment problems. The development of this aspect of the work of a public employment service is at best a slow process. The administrative problems involved, for example, in attempting to offer a placement service or a qualified employment agent within the walking distance of every workingman in the country are stupendous. There is every reason to believe that the principles of expansion provided in the Wagner-Peyser Act are sound, and that the adequate functioning of the public employment system should not be sacrificed to procure widespread geographic coverage in the immediate future.

The Federal Social Security Act specifies as a condition for approval of a State unemployment compensation plan that all benefits shall be paid through public employment offices or such other agencies as the Social Security Board may approve. When, in addition to the present placement activities of State employment offices and the National Reemployment Service, the public employment offices in the United States are called upon to handle the work of registry, certification, and payments for all unemployed persons within the State who are covered by the State unemployment compensation system, the number of branch offices and of personnel will need to be greatly increased. In the early summer of 1935, the total personnel in the United States employed by the State employment offices and the National Reemployment Service was 7,750, or approximately 1 per 3,500 persons who would be covered by unemployment compensation if all States enacted legislation with the same coverage as that of the Federal Social Security Act. This number would have to be increased at least fivefold to offer facilities comparable to those available in the German and British employment exchange systems.²¹

²¹ In the administration of both placement and compensation functions, the British employment exchanges had in 1931 an average total staff of 25,521 persons, including those employed at the headquarters in Kew. This represents approximately 1 employee of the employment exchange for every 490 persons covered by the insurance system. In Germany the ratio of employment office personnel to persons insured was approximately 1:595 in 1932. Table IV-1 indicates by States the distribution of employment office personnel in the United States, the approximate number of persons who would be covered by a State unemployment compensation system, and the number of employment office personnel who would be required on a basis of 1:500 persons covered. Approximately 44,000 persons will be needed to perform the employment office functions on this basis, an increase of 471 percent over the 1935 total personnel in State employment offices and the National Reemployment Service. The estimates of personnel required by States are purely relative and take no account of variations in the severity of unemployment between States. In times of widespread unemployment the work of the employment offices will be very extensive.

TABLE IV-1.—*Personnel of public employment offices by States, 1935, compared with estimated number needed for unemployment compensation activities*

States	Personnel employed in public employment offices, 1935			Approximate unemployment compensation coverage, 1933 ³	Approximate number of employment office personnel needed on basis of 1:500 covered
	State employment offices ¹	National Reemployment Service ²	Total		
Total, United States.....	1, 503	6, 247	7, 750	22, 416, 000	44, 832
Alabama.....		191	191	295, 000	590
Arizona.....	6	69	75	76, 000	152
Arkansas.....		209	209	149, 000	298
California.....	49	207	256	1, 303, 000	2, 606
Colorado.....	27	103	130	172, 000	344
Connecticut.....	34	41	75	380, 000	760
Delaware.....		13	13	47, 000	94
District of Columbia.....	22		22	114, 000	228
Florida.....		104	104	277, 000	554
Georgia.....		113	113	356, 000	712
Idaho.....		33	33	54, 000	108
Illinois.....	175	170	345	1, 670, 000	3, 340
Indiana.....	72	121	193	577, 000	1, 154
Iowa.....	49	173	222	329, 000	658
Kansas.....		310	310	266, 000	532
Kentucky.....		87	87	308, 000	616
Louisiana.....	70		70	298, 000	596
Maine.....		40	40	149, 000	298
Maryland.....		74	74	344, 000	688
Massachusetts.....	74	110	184	1, 034, 000	2, 068
Michigan.....	52	78	130	1, 006, 000	2, 012
Minnesota.....	65	214	279	396, 000	792
Mississippi.....		73	73	147, 000	294
Missouri.....	50	165	215	627, 000	1, 254
Montana.....		134	134	76, 000	152
Nebraska.....		166	166	176, 000	352
Nevada.....	6	22	28	20, 000	40
New Hampshire.....	9	27	36	100, 000	200
New Jersey.....	77	41	118	990, 000	1, 980
New Mexico.....	6	67	73	49, 000	98
New York.....	258	309	567	3, 159, 000	6, 318
North Carolina.....		170	170	366, 000	732
North Dakota.....		70	70	59, 000	118
Ohio.....	169	366	535	1, 352, 000	2, 704
Oklahoma.....	18	46	64	299, 000	598
Oregon.....	24	31	55	193, 000	386
Pennsylvania.....	88	684	772	2, 080, 000	4, 160
Rhode Island.....		61	61	171, 000	342
South Carolina.....		167	167	183, 000	366
South Dakota.....		101	101	65, 000	130
Tennessee.....		116	116	324, 000	648
Texas.....		390	390	796, 000	1, 592
Utah.....		71	71	75, 000	150
Vermont.....		23	23	59, 000	118
Virginia.....	17	131	148	339, 000	678
Washington.....		102	102	329, 000	658
West Virginia.....	16	90	106	264, 000	528
Wisconsin.....	61	135	196	482, 000	964
Wyoming.....	9	29	35	36, 000	72

¹ Data furnished by U. S. Employment Service, Department of Labor. The numbers given are the total personnel paid by Wagner-Peyser and P. W. A. funds as of July 10, 1935, from reports submitted by State directors of employment.

² Data furnished by U. S. Employment Service, Department of Labor. The numbers represent the total personnel paid by the U. S. Employment Service, the Federal Emergency Relief Administration, and by county and community governments in May 1935.

³ From table I-17, p. 400.

A greater concentration of the employment function of the relief program in the public employment offices has accompanied recent work-program developments and appears to be good governmental administrative policy and sound economic policy. Local offices not only register and classify all employable persons on relief, but refer and place workers on all types of work projects. What amounts to a perpetual occupational inventory of applicants on relief is

maintained, and the labor supply available for all work projects is reported to the relief and works authorities. The employment offices report to the relief authorities when persons on relief are placed in private employment. The work program in the country as a whole should be enriched by utilization of employment techniques under skilled personnel and by the increasing use of the knowledge of employment office workers concerning local, State, and national employment conditions.

The program of the United States Employment Service, in the last analysis, is a long-time as well as an emergency program, with work ahead in good times as well as bad. Its contribution to the emergency needs of the present is not in any way minimized by this comment. The problem of lack of balance and adjustment between the demand for labor and its supply in the hundreds of occupations in which American workers are employed is always present. Endless "pounding the pavements", looking for work, is just as wasteful in periods of prosperity as in periods of depression. Careful selection of workers for jobs is an important social and economic function during any phase of the business cycle. The mass of American workers now depend, and will continue to depend, upon jobs in private employment as their main sources of income. Thus, the efforts of the public employment offices to organize the labor market constitute both a direct and an indirect approach to economic security for the individual. The United States Employment Service, consequently, is one of the most strategically placed governmental agencies for making an important and lasting contribution to the movement for greater economic security for American workers.

SUMMARY OF STATE UNEMPLOYMENT COMPENSATION LAWS, JANUARY 1, 1936¹

State and date of law enacted	Type of fund	Coverage		Contributions (Percentage in relation to pay roll)					Benefits			Employment quality	Waiting period	Ratio of benefit week to duration of previous employment		Maximum duration of ordinary benefits	State administrative agency		
		Size of firm	Employment exclusions	Wage exclusions	Employer	Employee	State	Merit rating	Total unemployment					Benefits begin					
									Rate	Maximum	Minimum				Partial unemployment			Ordinary	Additional
ALABAMA Ch. 465, Laws 1935, Sept. 14, 1935	Funded fund with merit rating	Employer of 6 or more weeks each of 20 weeks	Agricultural labor. Domestic service in private homes. Service on vessels on navigable waters. Service by individual in employ of one, daughter, or spouse and service by child under 21 for Government employment. Federal, State, local. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations.	None.	6.6 percent, 1935; 1.8 percent, 1937-22 percent, 1938, 1939, and 1940 thereafter.	1 percent.	None.	After 1940, Commission determines merit rating on employer's contribution and benefits experience; minimum, 14 percent; maximum, 4 percent; average approximately 1 percent.	50 percent of wages.	\$10 per week.	None.	Wages plus partial benefits to equal 82 percent of weekly total unemployment benefits.	Jan. 1, 1936.	26 weeks' employment within 52 weeks or 40 within 104 weeks.	Total or partial benefits: 1 week within 2 weeks; 2 weeks partial unemployment counted as 1 week total unemployment.	1 to 4 within 104 weeks.	1 to 26 within 20 weeks.	16 weeks within 12 weeks.	ALABAMA Unemployment Compensation Commission.
CALIFORNIA Ch. 325, Laws 1935, June 25, 1935	Funded fund with separate employer accounts for merit rating and separate employment and reserve plans.	Employer subject to Federal medicare tax. Employer of 4 or more weeks each of 20 weeks.	Agricultural labor. Domestic service in private homes. Service on vessels on navigable waters. Service by individual in employ of one, daughter, or spouse and service by child under 21 for Government employment. Federal, State, local. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment covered by unemployment compensation act of Congress.	None.	6.9 percent, 1935; 1.4 percent, 1937, 1938, 1939, and 1940 thereafter.	1 percent.	0.45 percent, 1936; 0.50 percent, 1937; 1 percent thereafter; not to exceed 60 percent of payroll of employer.	After 1940, if during preceding unemployment period, rate, 10 percent; 10-12 percent, 1941-1942; 10 percent, 1943-1944; 10 percent, 1945-1946; 10 percent or more, 1 percent, minimum, 1 percent.	50 percent of wages.	\$15 per week.	\$7 per week.	Wages plus partial benefits to equal weekly total unemployment benefits.	Jan. 1, 1936.	26 weeks' employment within year.	Total benefits: 4 weeks within 12 weeks through 26-week period; thereafter 3 weeks. Partial benefits: No waiting period.	1 to 4.	No provision.	For 26, not exceeding 100 weeks of contributions, 10 weeks of benefits within 12 months; for more than 100 contributions, 29 weeks within 12 months.	CALIFORNIA Unemployment Insurance Commission. In State Department of Employment.
DISTRICT OF COLUMBIA Pub. Law No. 246, 75th Cong., 2d Sess., Aug. 22, 1932	Funded fund with merit rating.	Employer of 1 or more	Domestic service in private home. Casual labor. Service by individual in employ of one, daughter, or spouse and service by child under 21 for Government employment. Legislative duties for Congress. Service as district school officer or teacher, member of police or fire department, or person subject to Civil Service Administration. Employment in nonprofit organizations and schools and nonprofit leagues or associations.	None.	1 percent, 1936; 2 percent, 1937; 3 percent thereafter.	None.	1935, \$100,000; 1937, \$125,000; 1938, \$175,000. Merit rating thereafter.	After 1935, Board determines merit rating on employer's contribution and benefits experience; minimum, 1 percent.	40 percent of wages plus 10 percent for dependent spouse (maximum, 4 percent for each dependent person, not less than 3 percent, 40 percent maximum).	\$15 per week.	None.	Wages plus partial benefits to equal 87 percent of weekly total unemployment.	Jan. 2, 1935.	13 weeks' employment within 52.	Total or partial benefits: 3 weeks within 30 weeks; 2 weeks partial unemployment counted as 1 week total unemployment.	1 to 1 within 104 weeks.	1 to 20 within 20 weeks.	16 weeks within 12 weeks.	DISTRICT OF COLUMBIA Unemployment Compensation Board.
MASSACHUSETTS Ch. 105, Laws 1935, Aug. 12, 1935	Funded fund with merit rating. Employer plan.	Employer of 4 or more weeks each of 20 weeks	Farm labor. Personal domestic service in private home. Government employment. Federal, State, local, non-profit approved governmental relief project. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations.	Person employed at rate of \$1,500 a year or more excluded from benefits but included in determination whether employer is insured.	1 percent, 1935; 2 percent, 1937; 3 percent, 1938, 1939, and 1940 thereafter.	None.	After 1935, Commission determines merit rating on employer's contribution and benefits experience; minimum, 1 percent.	50 percent of wages.	\$15 per week.	\$5 per week.	No provision.	Jan. 1, 1936.	30 days' employment within 52 weeks or 120 days within 104 weeks.	Total benefits: 4 consecutive weeks within 12 months; 2 weeks partial unemployment counted as 1 week of total unemployment.	1 to 4 within 104 weeks.	1 to 16 within 16 weeks.	16 weeks within 12 weeks.	MASSACHUSETTS Unemployment Compensation Commission.	
NEW HAMPSHIRE Ch. 95, as amended by Ch. 142, Laws 1935, May 29, 1935	Funded fund with separate employer accounts for merit rating.	Employer of 4 or more weeks each of 20 weeks. All employees not otherwise liable for the Federal tax.	Farm labor. Domestic service in private home. Government employment. Federal, State, local. Employment as teacher or other person in public or private school. Service by physician and nurse in hospital. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment covered by unemployment compensation act of Congress.	Employer not subject to Federal tax. Nonseasonal persons employed at rate of more than \$2,500 a year excluded from contribution basis and benefits but included in determination whether employer is subject.	1 percent, 1935; 2 percent, 1937; 2.5 percent, 1938, 1939, and 1940 thereafter.	None.	After 1935, Commission determines merit rating for employer's 3 or 5-year contributions and benefits experience; reserve in 3-year period, 10-12 percent, rate, 3 percent; 12-15 percent, 1940-1941; 15 percent or more, rate, 1 percent; minimum, 1 percent.	50 percent of wages.	\$15 per week.	If wages \$10 a week or less, 70 percent of wages; benefit not to exceed \$5 per week.	Wages plus partial benefits to equal 82 percent of weekly total unemployment benefits, but not exceeding 60 percent of employer's full-time employment.	Jan. 1, 1936.	40 days' employment within 52 weeks.	Total or partial benefits: 3 weeks but further requirements provided in law.	1 to 4 within 104 weeks.	1 to 24 within 6 years to maximum of 70 weeks.	16 weeks within 12 weeks.	NEW HAMPSHIRE Commissioner of Labor.	
NEW YORK Ch. 145, Laws 1935, April 22, 1935	Funded fund.	Employer of 4 or more weeks each of 13 weeks	Farm labor. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment of spouse or minor child.	Nonseasonal persons employed at rate of more than \$2,500 a year or 500 a week excluded from contribution basis and benefits but included in determining whether employer is subject.	1 percent, 1936; 2 percent, 1937; 2 percent, 1938, 1939, and 1940 thereafter.	None.	None.	50 percent of wages.	\$15 per week.	\$5 per week.	No provision.	Jan. 1, 1936.	30 days' employment within 52 weeks or 120 days within 104 weeks.	Total benefits: 3 weeks, but not more than 1 week within calendar year.	1 week to 15 days within 52 weeks.	No provision.	16 weeks within 12 weeks.	NEW YORK Industrial Commissioner.	
OREGON Ch. 20, Laws 1935, Sept. 15, 1935	Funded fund with separate employer accounts for merit rating, separate employment and reserve plans.	Employer of 4 or more weeks each of 20 weeks	Agricultural labor. Domestic service in private home. Service on vessels on navigable waters. Service by individual in employ of one, daughter, or spouse and service by child under 21 for Government employment. Federal, State, local. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations.	None.	6.9 percent, 1935; 1.4 percent, 1937, 1938, 1939, and 1940 thereafter.	None.	After 1935, Commission determines merit rating for employer's guaranteed employment, account adequate to maintain them is amount equal to limiting provision of law. After law, Commission determines merit rating on employer's contribution, based on employer's contribution, minimum, 4.7 percent; average for all employers, 2.7 percent.	50 percent of wages.	\$15 per week.	\$7 per week.	Wages plus partial benefits to equal weekly total unemployment benefits of less than \$2 paid.	Jan. 2, 1936.	26 weeks' employment within 52 weeks or 40 within 104 weeks.	Total or partial benefits: 3 weeks within 12 weeks; 1 week partial unemployment counted as 1/2 week of total unemployment.	1 to 4 within 104 weeks.	No provision.	15 weeks within 12 weeks.	OREGON Unemployment Compensation Commission. Composed of members of the State Industrial Accident Commission.	
UTAH Ch. 145, Laws 1935, Mar. 29, 1935	Employer reserve accounts.	Employer of 6 or more.	Farm labor. Nonseasonal persons employed at rate of \$1,500 a year or more excluded from contribution basis and benefits but included in determining whether employer is subject.	None.	1 percent during 1935; 2 percent thereafter.	None.	After 1935, Commission determines merit rating for employer per employee in 3-year period, 10-12 percent, 1940-1941; 15 percent or more, 1 percent, or more, as contribution.	50 percent of wages.	\$14 per week.	\$5 per week.	No provision.	Jan. 1, 1936.	20 weeks' employment within 52 weeks.	Total benefits: 3 weeks within 12 weeks.	1 to 3 within 52 weeks.	No provision.	16 weeks within 12 weeks.	UTAH Industrial Commission.	
WASHINGTON Ch. 145, Laws 1935, Mar. 21, 1935	Funded fund with merit rating.	Employer of 4 or more weeks each of 13 weeks	Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations.	None.	1 percent in 1936 and 1937; 1.5 percent, 1938, 1939, and 1940 thereafter.	1 percent.	After 1935, Commission determines merit rating on employer's contribution and benefits experience; minimum, 2 percent; average, approximately 3 percent.	50 percent of wages.	\$15 per week.	None.	Wages plus partial benefits to equal 82 percent of weekly total unemployment.	Jan. 1, 1936.	26 weeks' employment within 52 weeks or 40 within 104 weeks.	Total or partial benefits: 4 weeks within 12 weeks; 1 week of partial unemployment counted as 1/2 week of total unemployment.	1 to 4 within 104 weeks.	1 to 16 within 20 weeks.	16 weeks within 12 weeks.	WASHINGTON Unemployment Compensation Commission.	
WISCONSIN Ch. 20, Laws 1935, Jan. 25, 1935	Employer reserve accounts with separate employer plan.	Employer of 4 or more weeks each of 20 weeks.	Farm labor. Domestic service in private home. Government employment. Federal, State, local. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations. Employment in nonprofit religious, charitable, scientific, literary, educational, or business organizations.	Salary of \$50 per month or more excluded from contribution basis until end of 1935, but exclusion continues if Federal tax paid on advance contribution basis until Feb. 28, 1936. Receipt of final monthly salary of \$100 or more for at least 10 out of the 12 preceding months by employee insured.	1 percent from July 1, 1935; thereafter 1.5 percent thereafter.	None.	After 1935, Commission determines merit rating for employer's 3-year contributions and benefits experience; reserve in 3-year period, 10-12 percent, 1940-1941; 15 percent or more, 1 percent, or more, as contribution.	50 percent of wages.	\$14 if wages less than \$25; \$12-15 if between \$25 and \$50; \$15 if more than \$50.	\$5 per week.	Wages plus partial benefits to equal or exceed weekly total unemployment benefits, further specified by law.	July 1, 1935.	4 weeks' employment by given employer.	Total benefits: 5 weeks within 12 weeks; 2 weeks partial unemployment counted as 1 week within 52 weeks per employer.	1 to 4 within 52 weeks within benefit rate is \$10 a week; 1 to 4 weeks benefit rate is \$12.50; 1 to 6 weeks benefit rate is \$15 a week.	No provision.	\$4, 30.4, or 15 weeks (in successive 12-month periods) in which contributions are made. (Part between 1 and 30 weeks within any 52 weeks as completed under rate provisions.)	WISCONSIN Industrial Commission.	

¹ For more recent analysis of existing State laws, including their amendments, see current issue of the Social Security Board publication, Analysis of State Unemployment Compensation Laws.

APPENDIX VI

UNEMPLOYMENT INSURANCE PROVISIONS OF THE CANADIAN EMPLOYMENT AND SOCIAL INSURANCE ACT¹

[Assented to June 28, 1935; 25-26 George V, Chap. 38]

I. TYPE OF LAW

A national² pooled system of unemployment compensation in conjunction with a national system of public employment offices. Contributions are to be collected by the Dominion to be used for the direct payment of benefits to the unemployed. Effective date to be set by the administrative authority.

II. SCOPE OF LAW

The law is limited mainly to compensation of total unemployment; partial unemployment is compensated only when the insured contributor is unemployed three or more days in a week, and no benefits are payable for fractional days of unemployment. Seasonal employment is in the main excluded from coverage by the requirement of 24 weeks of employment in a year. In addition the administrative authority may make regulations regarding contributions and benefits for persons who are normally employed in seasonal occupations. Regulations may also be made by the administrative authority regarding contributions, the amount and duration of benefits, and the definition of continuous unemployment for part-time workers, married women, and piece workers.

III. COVERAGE

A. *Persons included.*

Employment of any person in Canada 16 years of age and over is covered by the act, whether the employed person is paid by one or more employers, by time, or by the piece, or otherwise.

Employment outside of Canada or partly outside is included if the purpose is the execution of some particular work by persons who were insured con-

¹This act also contains provisions entitled "National Health" which empower the administrative authority to cooperate with any governmental units or other organizations on the problem of health and to collect information and report from time to time on the subject of health insurance.

²The preamble of the act asserts that under the provisions of the Treaty of Versailles, to which Canada was signatory, Canada agreed that it would endeavor to secure and maintain fair and humane conditions of labor and that the well-being of industrial wage earners is of supreme international importance. In order to discharge these obligations and for the purpose of maintaining interprovincial and international trade, the unemployment insurance measure was enacted. This law was declared unconstitutional by the Supreme Court of Canada on July 17, 1936, in a decision entitled: "In the Matter of a Reference as to Whether the Parliament of Canada Had Legislative Jurisdiction to Enact the Employment and Social Insurance Act, Being Chapter 36 of the Statutes of Canada, 1935." On July 29, 1936, the Judicial Committee of the Privy Council granted the Dominion Government leave to appeal this decision. The Privy Council, on Jan. 28, 1937, declared the act invalid.

tributors immediately before leaving Canada for an employer resident of Canada or having business in Canada, being employment which, if it were employment in Canada, would make the person covered by the act, subject to any prescribed conditions, modifications, or exceptions.

Unless excluded by the act or by special order of the administrative authority, employment by the Dominion Government or by provincial or municipal governments is covered by the act.

B. Employment exclusions.

- (1) Agriculture, horticulture, and forestry.
- (2) Fishing.
- (3) Lumbering and logging, exclusive of such saw, planing, and shingle mills, as are reasonably continuous in their operations.
- (4) Hunting and trapping.
- (5) Transportation by water or by air, and stevedoring.
- (6) Domestic service, exclusive of employment in profit enterprises.
- (7) Professional nurse or probationer undergoing training as a nurse.
- (8) Teacher, including teachers of music and dancing in schools or private capacity.
- (9) Royal Canadian Mounted Police, Navy, air force, and permanent active militia.
- (10) Dominion, provincial, or municipal police.
- (11) Civil-service employment, and employment in public service certified as permanent by the administrative authority of the act.
- (12) Agent employed on commission, fee, or profit-sharing basis.
- (13) Casual employment otherwise than for the purpose of the employer's trade or business.
- (14) Employment defined by the administrative authority as subsidiary only and not as the principal means of livelihood.
- (15) Employment by husband or wife.
- (16) Employment for which no wages are paid where the person employed is the child of, or is maintained by, the employer.
- (17) Employment in which persons are employed and paid for playing any game.

C. Wage exclusions.

Employment other than by way of manual labor and at a remuneration exceeding in value \$2,000 a year is excluded from both contributions and benefits; provided that any person in respect of whom contributions have been paid as an insured contributor for not less than 500 weeks may continue as an insured contributor.

IV. CONTRIBUTIONS

Contributions are flat rates payable weekly by the employer and employee which vary in accordance with the age and sex of the employee, as follows:

Age and sex of employed person	Employer contribution	Employee contribution	Age and sex of employed person	Employer contribution	Employee contribution
21 years and over:			18-17 years:		
Men.....	\$0.25	\$0.25	Boys.....	\$0.11	\$0.11
Women.....	.21	.21	Girls.....	.09	.09
21-18 years:			17-16 years:		
Men.....	.18	.18	Boys.....	.07	.07
Women.....	.15	.15	Girls.....	.06	.06

The Dominion Government contributes to the unemployment fund one-fifth of the aggregate deposits of employers and employees and also bears the cost of administering the system and of maintaining the public employment offices. Exclusive of administrative expenses, the costs of the system are borne in the following proportions: Employer, five-twelfths; employee, five-twelfths; Government, two-twelfths.

The employer pays the total of his own and his employees' contributions. The portion due from the employee may be recovered by the employer by wage deduction.

A weekly contribution is due if the individual is wholly or partly employed in any calendar week, but is not due if no remuneration has been received and no services rendered during any such week. An employee is entitled to a refund of contributions paid by him for any days of any such week (exclusive of any fraction of a day) in respect of which he proves that he was unemployed within the period of 5 years immediately preceding the date on which he makes application for unemployment benefit, and the whole of the refund to which he may be so entitled shall be payable to him at the same time as the first payment of unemployment benefit is payable to him on that application.

V. BENEFITS

A. Amount of benefits.

Benefits are flat rates which vary in accordance with the age and sex of the insured and with the number and class of the dependents, as follows:

Age and sex of insured person	Daily rate	Weekly rate	Age and sex of insured person	Daily rate	Weekly rate
21 years and over:			17-16 years:		
Men.....	\$1.00	\$6.00	Boys.....	\$0.30	\$1.80
Women.....	.85	5.10	Girls.....	.25	1.50
21-18 years:			Dependents' benefit:		
Men.....	.70	4.20	Adult.....	.45	2.70
Women.....	.60	3.60	Child.....	.15	.90
18-17 years:					
Boys.....	.45	2.70			
Girls.....	.35	2.10			

Benefits paid to insured contributor with dependents cannot exceed 80 per cent of wages.

B. Duration of benefits.

(1) *Normal benefits.*—Normal benefits are paid for a maximum of 78 days (or 13 weeks of 6 days) of continuous unemployment.

(2) *Additional benefits.*—Additional benefits beyond the 78-day period are allowed if the insured contributor has made not less than 100 contributions during the preceding 5 insurance years. One day of additional benefit is allowed for each weekly contribution during the 5-year period (maximum 260), and from this total is subtracted 1 day for each 3 days of benefit received during the same 5-year period.

Fractions of a day are disregarded in the above computation, and every two contributions paid for a contributor under the age of 18 years are counted as one contribution. The number of additional days so computed is in no case to continue the benefit rights of the insured beyond the end of his benefit year. The benefit year is a period of 12 months beginning on the date on which the insured, in making his application for benefits, proves for the first time that he fulfills statutory conditions for benefits.

C. Statutory conditions for the receipt of benefits.

(1) *Contribution period.*—Not less than 40 full weeks of contributions during the 2 years preceding the claim for benefit. The insured cannot credit to this period any days of unemployment for which he received a refund of contributions paid by him, but if the insured can prove, for a period, physical or mental disability, noninsured or self employment, such period shall extend the

2-year qualification period to a period not to exceed 4 years in all. The insured must have had bona fide employment in insurable employment for such weeks which are credited toward the qualification period.

A person who has exhausted his benefit rights must have paid 13 weekly contributions since the Sunday last before the last day for which he received benefits in order to qualify for benefits in his succeeding benefit year.

(2) *Application for benefits.*—Application for unemployment benefit must be made in the prescribed manner and proof given that unemployment has been continuous since the date of application.

(3) *Bona fide unemployment.*—The applicant for benefits must prove that he is capable of and available for work but unable to find suitable employment.

Refusal of employment offered in consequence of a shortage of work due to a trade dispute; or at wages lower, or under conditions less favorable, than those habitual to the individual in his usual occupation, or less favorable than those observed by agreements between employers and employees; and refusal of employment if by acceptance thereof the insured contributor would lose the right to membership in organizations of workers shall not be considered as disqualifying the applicant for eligibility for benefits.

D. Waiting period.

Nine days of continuous unemployment must elapse before the commencement of benefit.

Any 3 days of unemployment, whether consecutive or not, within a period of 6 consecutive days shall be treated as a continuous period of unemployment, and any two such continuous periods separated by a period of not more than 6 weeks shall be treated as one continuous period of unemployment. No payment of benefits is made for any fraction of a day.

E. Disqualifications from benefits.

(1) *Statutory disqualifications.*—Persons who fail to meet the three statutory conditions (40 weeks of contribution within the past 2 years; prescribed method of application for benefits; bona fide unemployment) are completely disqualified from receiving benefits.

(2) *Trade disputes.*—If an insured contributor has lost his employment by reason of a trade dispute he is disqualified from receiving benefits so long as the stoppage continues. This disqualification does not apply in any case where the insured person proves that he is not participating in, financing, or directly interested in the trade dispute and does not belong to a grade or class of workers of which immediately before the commencement of the stoppage there were members employed at the premises at which the stoppage is taking place any of whom are participating in or financing or directly interested in the dispute.

Where separate branches of work which are commonly carried on as separate businesses in separate premises are carried on in separate departments on the same premises, each of these departments shall be deemed to be a separate factory.

(3) *Temporary disqualification for other causes.*—An insured person may be temporarily disqualified from receiving benefits for not more than 6 weeks, beginning with such date as may be determined by the court of referees or the umpire, as the case may be, in the following instances:

- (a) *Misconduct.*—If he has been discharged from his employment by reason of his own misconduct.
- (b) *Voluntary leaving.*—If he has voluntarily left his employment without just cause.

(c) *Failure to comply with instructions for finding suitable employment.*—

If he neglects to avail himself of an opportunity for suitable employment or refuses or fails to carry out written instructions of the employment office to find suitable employment. Employment arising out of a trade dispute, employment at wages or under conditions less favorable than his usual occupation, or employment less favorable than that observed by agreements between employers and employees is not deemed suitable employment except that after a reasonable interval of unemployment any employment shall not be deemed unsuitable if it is not the usual occupation of the insured, so long as such employment is at wages not lower and under conditions not less favorable than those observed by agreements, or failing such agreements those recognized by reasonable and fair employers. No insured person is to be disqualified, however, for refusal to accept employment if such acceptance would make him lose the right to become a member, continue to be a member and observe the lawful rules of, or to refrain from becoming a member of any association, organization, or union of workers.

(4) *Other disqualifications.*—Individuals who are inmates of any prison or public institution, permanently or temporarily not in Canada, or in receipt of an old-age pension, are disqualified from the receipt of benefits.

VI. ADMINISTRATION

A. *Employment and Social Insurance Commission.*

(1) *Commissioners.*—The act is to be administered by an employment and social insurance commission, consisting of a chief commissioner and two other commissioners appointed by the governor in council. One of the commissioners is to be appointed after consultation with organizations representative of workers, and the other after consultation with organizations representative of employers. The term of office is 10 years, and the commissioners are eligible for reappointment if they are under 70 years of age at the expiration of their terms. Retirement is automatic at the age of 70. The salaries of the commissioners are fixed by the governor in council.

(2) *Other employees.*—Employees of the commission are subject to civil service and are to be employed subject to the approval of the governor in council. Technical and professional persons may be employed by the commission subject to the approval of the governor in council.

(3) *Powers of the commission.*—The commission is given wide powers to make regulations. It is authorized to appoint insurance officers and panels of employer representatives for the courts of referees, to organize and operate a national employment service, and to prescribe procedures, penalties, and the manner and methods of paying contributions and benefits. It is also directed to make investigations for the purpose of proposing to the governor provisions for (a) insurance for those excluded from coverage, (b) assistance during unemployment to insured and noninsured not entitled to benefits, (c) vocational training and rehabilitation.

(4) *Administrative expenses.*—The administrative costs of unemployment insurance are to be borne by the Dominion Government.

B. *Employment service.*

(1) *Establishment, maintenance, and control.*—The act provides for the organization, management, maintenance, and control of a national employment

service under the supervision of the commission. The governor in council may repeal by proclamation the Employment Offices Coordination Act of 1927, under which the Dominion Department of Labour cooperated with provincial governments in maintaining free public employment offices.

(2) *Location.*—The commission is directed to establish regional divisions with a central office for each division and such employment offices as are necessary.

(3) *Local advisory committees.*—The commission may establish local advisory committees for the offices which shall include equal numbers of members chosen after consultation with local organizations representative of workers and employers, respectively.

C. *Advisory committee.*

(1) *Functions.*—The governor in council appoints the unemployment insurance advisory committee to give advice and assistance to the commission and to make recommendations for amendments of the act. The committee is directed to study the financial conditions of the unemployment insurance fund and to make recommendations for its solvency.

(2) *Membership.*—The committee is to consist of a chairman and not fewer than four nor more than six other members. The regular term of office is to be 5 years. Other than the chairman, one or two members are to be appointed after consultation with organizations representative of workers and an equal number after consultation with employers.

D. *The unemployment insurance fund.*

(1) *Deposit of revenue.*—All revenue received from the sale of unemployment insurance stamps or other means, if any, is to be deposited by the minister of finance in the Bank of Canada to the credit of the commission. The fund is to be used solely to pay insurance benefits. The minister of finance is also to deposit one-fifth of the aggregate deposits from funds provided by Parliament.

(2) *Investment of funds.*—The funds are to be invested only on the authorization of an investment committee of three members, one nominated by the commission, one by the minister of finance, and one by the governor of the Bank of Canada. The commission may pledge any of the securities of the fund to borrow money to pay unemployment benefits.

E. *Claims and appeals.*

(1) *Insurance officers.*—These officers are employed by the commission in each regional division. All claims for benefits and all questions arising in connection with claims are to be submitted to an insurance officer who may allow a claim, but who cannot disallow a claim on the following grounds:

- (a) That the claimant has failed to fulfill the qualification of being capable of and available for work but unable to obtain suitable employment;
- (b) That the claimant is disqualified by reason of discharge for misconduct, voluntary leaving without just cause, or for having refused or failed to apply for suitable employment;
- (c) That the claimant does not fulfill one or more of the additional conditions for the receipt of benefits or is subject to restrictions on the amount or period of benefits imposed by such regulations.

The insurance officers refer to the court of referees all claims in which there is any question whether the claimant's benefits are to be reduced.

(2) *Courts of referees.*—The courts of referees are to be composed of a chairman appointed by the governor in council and one or more members

chosen to represent employers with an equal number of members chosen to represent insured contributors, chosen from panels set up by the commission. Courts may be set up in such a manner and in such numbers as the governor in council finds necessary for each regional division.

When a claim is disallowed by an insurance officer the claimant, at any time within 21 days after the decision of the insurance officer is communicated to him, or as the commission may allow, may appeal to the court of referees.

(3) *Umpire*.—The umpire is designated by the governor in council from among the judges of the exchequer court of Canada and of the superior courts of the Provinces of Canada. Such deputy umpires as may be deemed necessary may also be appointed.

An appeal to the umpire can be made from a decision of the court of referees at the instance of:

- (a) An insurance officer;
- (b) An association of employed persons of which the claimant is a member;
- (c) The claimant, where the decision is not unanimous or with the permission of the chairman.

Such appeals must be made within 6 months from the date of decision of the court of referees or such longer period as the umpire may allow.

APPENDIX VII

OLD-AGE INSURANCE IN GREAT BRITAIN¹

In 1932 Great Britain and Northern Ireland were providing old-age pensions to a total of 2,231,016 persons aged 65 and over under the combined Old-Age Pensions Act, 1908-24, and under the Widows', Orphans', and Old-Age Contributory Pensions Act, 1925-32. Of the total old-age pensions, 699,853 were granted to men and women between 65 and 70 under the "contributory pensions" scheme; and 1,531,163 to persons over 70 under the noncontributory Old-Age Pensions Acts, 1908-24. Of those over 70 years old receiving noncontributory pensions, 662,638 were receiving their pensions by virtue of the special relaxations in qualifications for noncontributory pensions extended to those who had been in receipt of a contributory pension between the ages of 65 and 70.²

NONCONTRIBUTORY PENSIONS

Under the existing provisions of the noncontributory Old-Age Pensions Acts, 1908-24, Great Britain grants a gratuitous old-age pension of 10s. a week at age 70 to those with annual incomes of less than £49 17s. 6d., exclusive of sick benefits for not more than 3 months and exclusive of unearned annual incomes up to £39. The rate of the pension is graded with the rate of income: The full rate of pension of 10s. a week is granted to those with an annual income of less than £26 5s., and the pension diminishes to a minimum of 1s. a week as annual income increases to a maximum of £47 5s. but less than £49 17s. 6d.³

In practice, nearly all the pensions are paid at the maximum rate; i. e., in Great Britain and Northern Ireland in 1932 only 26,288 pensions out of the total of 1,531,163 noncontributory pensions paid in that year were at the reduced rate.⁴ To be eligible for a pension, the applicant must have been a British citizen for at least the last 10 years and must have resided in the United Kingdom a minimum period—if a natural-born citizen, not less than 12 years since attaining age of 50 and if a naturalized citizen, not less than 20 years.⁵ In addition, the applicant is disqualified from a pension under the following conditions: When detained in an insane asylum; while imprisoned without option of fine; while maintained in a poor-law institution for other than medical aid; and upon conviction for intoxication, under special circumstances.⁶ The Minister of Health is the appeal authority; through the Ministry, the act is actually administered by the pension officers of the board of customs and

¹ This report was written by Olga S. Halsey.

² Compiled from: Great Britain, Ministry of Labour, *Twenty-first Abstract of Labour Statistics of the United Kingdom* (1919-33) (H. M. Stationery Office, London, 1934), Cmd. 4625, pp. 170-173.

³ Hohman, Helen, *The Development of Social Insurance and Minimum Wage Legislation in Great Britain* (Houghton Mifflin, Boston, 1933), p. 44.

⁴ Great Britain, Ministry of Labour, *Twenty-first Abstract of Labour Statistics of the United Kingdom* (1919-33), p. 173.

⁵ Cohen, Percy, *The British System of Social Insurance* (Phillip Allan, London, 1932), pp. 108, 110.

⁶ Great Britain. Old-Age Pensions Act, 1908 (7 Edw. 7, c. 40), as amended, sec. 2.

excise (under the exchequer), who act as pension officers for representative local pension committees appointed by the local county and borough councils. The pension officers conduct the necessary investigations, while decisions as to whether statutory conditions are fulfilled rest with the pension committees.⁷ The pensions are paid through the local post office—the pensioner is furnished with a book of pension orders, which are cashed at the post office as they become due.⁸

During 25 years' administration the number of pensioners and the annual expenditure have both increased. The number of pensioners has increased in the United Kingdom from 647,494 in 1909⁹ to 1,579,938 in 1933 for Great Britain and Northern Ireland (i. e., the same area minus the Irish Free State).¹⁰ During the same years the expenditure for the same geographical units has increased from £2,026,000 to £41,047,000.¹¹

The existing provisions are the result of a number of amending acts which have substantially liberalized the original act of 1908. The rate of pension has been raised from the original maximum of 5s. a week to its present maximum of 10s. a week; the maximum income which a person may have and qualify for a pension under the noncontributory act has been increased from £31 10s. to a maximum of £49 17s. 6d.; the method of computing income has been liberalized; the qualifications regarding British citizenship and length of residence in Great Britain have been made less stringent and the original character qualifications have been made much less severe.¹² In addition, the means test and qualifications as to citizenship and residence have been abolished entirely for those in receipt of an old-age pension under the Contributory Pensions Acts, 1925–32, who transfer to a non-contributory pension at age 70.¹³ The removal of these conditions applies to more than 40 percent of the total pensions granted in 1932 in Great Britain and Northern Ireland under the old-age pensions acts, 1908–24, i. e., to 662,638 out of a total of 1,531,163 pensions.¹⁴

CONTRIBUTORY PENSIONS

The agitation to lower the pensionable age to 65 and to provide a universal pension had its fruition in the old-age pension granted to those between 65 and 70 years of age under the provisions of the Widows', Orphans', and Old-Age Contributory Pensions Act of 1925; at the same time the means test was abolished, together with requirements of nationality and residence for those receiving a non-contributory pension at age 70 after having been in receipt of a contributory pension between ages 65 and 70.

The Widows', Orphans', and Old-Age Contributory Pensions Act of 1925, came into operation in 1926, with contributory old-age pensions payable January 2, 1928.¹⁵ This act combines pensions to widows and orphans with an old-age pen-

⁷ Great Britain, Old-Age Pensions Act, 1908, sec. 7.

⁸ Cohen, Percy, *loc. cit.*, p. 108.

⁹ Great Britain, Ministry of Labour, *Eighteenth Abstract of Labour Statistics of the United Kingdom* (H. M. Stationery Office, London, 1926), Cmd. 2740, p. 212.

¹⁰ Great Britain, Ministry of Labour, *Twenty-first Abstract of Labour Statistics of the United Kingdom* (1919–33), p. 173.

¹¹ *Ibid.*

¹² Hohman, Helen, *op. cit.*, pp. 36–44.

¹³ Great Britain, *Seventh Annual Report of the Ministry of Health, 1925–26* (H. M. Stationery Office, London, 1926), Cmd. 2724, p. 125.

¹⁴ Great Britain, Ministry of Labour, *Twenty-first Abstract of Labour Statistics of the United Kingdom* (1919–33), Cmd. 4625, p. 173.

¹⁵ Great Britain, *Seventh Annual Report of the Ministry of Health, 1925–26*, Cmd. 2724, pp. 123, 127; Cohen, Percy, *op. cit.*, p. 71.

sion for those between 65 and 70. It utilizes the contributory principle, previously adopted for health and unemployment insurance, and continues to distribute the cost between workers, employers, and the national treasury.

The contributory pension act interlocks with health insurance; that is, the scope of the two acts is almost the same, and the contributions for the two forms of insurance are combined in a single stamp. Thus the total number of persons insured in 1933 in England under the contributory pensions acts or for whom contributions were payable totaled 15,876,000 as compared with 15,598,000 insured under health insurance.¹⁶ The funds for pensions and for health insurance are entirely separate, although the administration is unified.¹⁷

A flat-rate contribution for the combined widows', orphans', and old-age insurance, uniform for all wage and age groups was provided; in the case of men the employer pays 4½d. weekly, while the worker also pays 4½d., or a total of 9d.; for women employees the employer pays 2½d. and the worker herself 2d., or a total of 4½d. The combined weekly contribution of men for both health insurance and pensions is 1s. 6d. and for women 1s. 1d.¹⁸ Upon the introduction of the pension plan, contributions under both health and unemployment insurance were lowered. The net increase in contributions for those coming under all three schemes was 4d. for men and 2d. for women, divided equally between the employer and the worker.¹⁹

The national exchequer assumed the financial responsibility of pensions at 70 for those qualifying under the relaxed provisions of the contributory pensions act and in addition, for the first 10 years, it made an annual contribution of £4,000,000 to contributory pensions.²⁰ Exchequer contributions were increased under the 1929 act which liberalized benefit provisions. Under this amending act the exchequer grant begins at £9,000,000 for the year 1930-31 and increases by £1,000,000 a year until 1945-46, when the exchequer grant will total £21,000,000 a year.²¹ During the second 10 years of the plan men's contributions are to be increased by 2d. and women's by 1d., divided equally between employer and worker, with corresponding additional increases during the succeeding 10-year periods beginning January 1, 1946, and January 1, 1956.²²

The act provides a contributory pension of 10s. a week to insured men and women between the ages of 65 and 70 and to wives between 65 and 70 when their husbands are entitled to a contributory pension. Or, if a wife or widow is over 70 when her husband is entitled to a contributory pension, she becomes eligible for a noncontributory pension, without the application of the tests regarding means, nationality, or residence. The right to sickness and disablement benefits under the health-insurance act and to unemployment benefits cease at age 65; under these acts workers' contributions terminate at age 65. Upon reaching 70 all persons in receipt of a contributory pension become eligible for a noncontributory pension, without the application of the means test or that of nationality or of residence.²³ To be eligible for a pension at 65 the insured must have had a certain minimum amount of insurance to his credit; first, 5

¹⁶ Great Britain, *Fifteenth Annual Report of the Ministry of Health, 1933-34* (H. M. Stationery Office, London, 1934), Cmd. 4664, pp. 358, 363.

¹⁷ Cohen, Percy, *loc. cit.*, p. 91.

¹⁸ Cohen, Percy, *loc. cit.*, p. 60.

¹⁹ Great Britain, *Seventh Annual Report of the Ministry of Health, 1925-26*, Cmd. 2724, p. 124.

²⁰ Cohen, Percy, *loc. cit.*, p. 93.

²¹ *Ibid.*, p. 94.

²² *Ibid.*, pp. 92-93.

²³ Great Britain, *Seventh Annual Report of the Ministry of Health, 1925-26*, Cmd. 2742, p. 125; Cohen, Percy, *op. cit.*, p. 75.

years' continuous insurance prior to reaching age 65; second, 104 contributions must have been paid since his last reentry into insurance; and finally, an average of 39 contributions in each of 3 years prior to the sixty-fifth birthday. Under amending acts this last condition is waived in the case of those who have had a record of 10 years' continuous insurance prior to attaining the age of 58¼ years. In effect, persons with 10 years' continuous insurance before they reach 58¼ years are continued in insurance, even though they may be continuously unemployed until reaching the age of 65.²⁴

The insurance is administered through a central administration of the Ministry of Health, with some assistance from the local authorities, while pensions are paid through the local post office. All claims for pensions are made in the first instance to the Ministry of Health.²⁵

The amending act of 1929 further liberalized the provisions: Wives between 65 and 70 whose husbands had passed 70 when pensions were first payable under the act became entitled to a pension between 65 and 70; residence qualifications were repealed and pensions were made payable in any part of the British Empire and workers might retain their insurance in any part of the empire.²⁶ Steps have been taken to keep unemployed workers insured or to facilitate their return to insurance.²⁷

During the few years' operation the number of pensioners has increased; pensioners in Great Britain and Northern Ireland between 65 and 70 have increased from 544,242 in 1928 to 699,853 in 1932; those in receipt of a pension at 70, free from all restrictions as to means, nationality, etc., have increased from 298,161 in 1928 to 662,638 in 1932 and to 765,246 in 1933.²⁸ This increase in persons over 70 receiving pensions under the special provisions of the Widows', Orphans', and Old-Age Contributory Pensions Act has been accompanied by a decrease in the numbers receiving a pension under the normal provisions of the noncontributory Old-Age Pensions Act; i. e., a decline from 1,112,869 in 1926 and 868,525 in 1932 to 814,692 in 1933. The net effect, however, has been to increase by approximately 40 percent those receiving noncontributory pensions; i. e., an increase from 1,112,869 in 1926 to 1,531,163 in 1932 and to 1,579,938 in 1933.²⁹ Expenditures for pensions of those between 65 and 70 have increased in England from £2,703,000 in 1928 (the first year effective) to £15,547,000 in 1932 and to £16,381,000 in 1934.³⁰

²⁴ Great Britain, Widows', Orphans', and Old-Age Contributory Pensions Act, 1925, sec. 8; *Eleventh Annual Report of the Ministry of Health, 1929-30*, Cmd. 3667, p. 188; *Fourteenth Annual Report of the Ministry of Health, 1932-33*, Cmd. 4372, p. 208; Cohen, Percy, *loc. cit.*, pp. 72, 75.

²⁵ Great Britain, *Seventh Annual Report of the Ministry of Health, 1925-26*, Cmd. 274, p. 127.

²⁶ Great Britain, *Eleventh Annual Report of the Ministry of Health, 1929-30* (H. M. Stationery Office, London, 1930), Cmd. 3667, pp. 187, 188; Cohen, Percy, *loc. cit.*, pp. 55, 89, 90.

²⁷ Great Britain, *Fourteenth Annual Report of the Ministry of Health, 1932-33* (H. M. Stationery Office, London, 1933), Cmd. 4372, pp. 208, 217.

²⁸ Great Britain, Ministry of Labour, *Twenty-first Abstract of Labour Statistics of the United Kingdom (1919-33)*, Cmd. 4625, pp. 171, 173.

²⁹ *Ibid.*, p. 173.

³⁰ Great Britain, *Fifteenth Annual Report of the Ministry of Health, 1933-34* (H. M. Stationery Office, London, 1934), Cmd. 4664, p. 353.

APPENDIX VIII

THE CANADIAN PENSION SYSTEMS¹

Legislation in Canada provides for a Dominion-Provincial system of non-contributory old-age pensions in provinces where old-age pensions legislation has been enacted,² as well as a system of voluntary annuities.

NONCONTRIBUTORY PENSIONS

Under the terms of the Dominion statute old-age pensions administration is vested in a Provincial pension authority established by each Province, while the Department of Labour administers the statute for the Northwest Territories. The statute provides for payment by the Dominion Government to each Province of an amount equal to 75 percent of Provincial disbursements for old-age pensions. Section 8 of the Old-Age Pensions Act, which defines the qualifying provisions for eligibility to pensions, reads as follows:

Provision shall be made for the payment of a pension to every person who, at the date of the proposed commencement of the pension—

- (1) Is a British subject, or, being a widow who is not a British subject, was such before her marriage;
- (2) Has attained the age of 70 years;
- (3) Has resided in Canada for the 20 years immediately preceding the date aforesaid;
- (4) Has resided in the Province in which the application for pension is made for the 5 years immediately preceding the said date;
- (5) Is not an Indian as defined by the Indian Act;
- (6) Is not in receipt of an income of as much as three hundred and sixty-five dollars (\$365) a year; and
- (7) Has not made any voluntary assignment or transfer of property for the purpose of qualifying for a pension.

Under a separate parents' maintenance act financially competent children are made responsible for the support of their parents in all Provinces which have old-age pension statutes.

The maximum amount of pension payable is \$240 per annum, subject to a reduction of the amount of pensioner's income in excess of \$125 yearly, and, in cases where a pensioner has during part of the 20 years immediately preceding the date of the proposed commencement of pension resided in a Province where the act is not in force, the pension payable is reduced by the same proportion as the duration of the pensioner's residence in these Provinces bears to 20 years.

Table VIII-1 gives a summary of the date of enactment of noncontributory old-age pensions in each Province of the Dominion, the number and percent of the pensioners as of December 31, 1934, the average monthly pensions, and the total payments by the Provinces and the Dominion. Table VIII-2 shows the increase in pensioners, both in actual numbers and as a percentage of the population over 70 years of age from 1931 to 1934.

¹ This report was prepared by Walter F. Eade under the direction of Edwin E. Witte.

² The Old-Age Pensions Act, R. S. C. 1927, ch. 156, as amended by ch. 42 of the Statutes of Canada, 1931.

TABLE VIII-1.—*Noncontributory old-age pensions in Canada*

Province	Date of enactment of law	Pensioners as of Dec. 31, 1934		Average monthly pensions	Total payments since beginning of act to Dec. 31, 1934	
		Number	Percent of population over 70 ¹		Province	Dominion
Alberta.....	Aug. 1, 1929	6,947	41.80	\$17.69	\$5,259,775.27	\$3,581,406.52
British Columbia.....	Sept. 1, 1927	8,893	36.43	19.29	9,469,553.70	6,071,793.14
Manitoba.....	Sept. 1, 1928	9,995	48.52	18.61	10,044,150.35	6,559,037.81
Nova Scotia.....	Mar. 1, 1934	11,970	45.29	14.40	1,538,865.09	1,154,148.81
Ontario.....	Nov. 1, 1929	48,899	31.78	18.42	45,363,651.95	30,061,366.10
Prince Edward Island.....	July 1, 1933	1,496	26.34	9.91	225,181.39	168,886.04
Saskatchewan.....	May 1, 1928	9,904	48.71	16.30	9,195,300.25	6,020,614.45
Northwest Territories.....	Jan. 25, 1929	7	7.86	18.98	7,774.58	7,774.58
Total.....		98,111			81,104,252.58	53,625,027.45

¹ Based on the estimates of population for 1934, by Dominion Bureau of Statistics.

SOURCE: *The Labour Gazette*, Department of Labour, Canada, vol. XXXV, no. 2, February 1935, p. 142.

TABLE VIII-2.—*Distribution of noncontributory old-age pensioners by Provinces in Canada*

Province	Number				Percent of total population over 70			
	Dec. 31, 1931 ¹	Dec. 31, 1932 ¹	Dec. 31, 1933 ¹	Dec. 31, 1934 ²	1931	1932 ³	1933 ³	1934 ⁴
Alberta.....	4,191	5,105	5,244	6,947	29.65	34.95	34.80	41.80
British Columbia.....	6,298	6,945	7,128	8,893	30.27	32.55	32.58	36.43
Manitoba.....	6,840	8,032	8,280	9,995	37.99	43.86	44.49	48.52
Nova Scotia.....				11,970				45.29
Ontario.....	41,228	42,315	42,853	48,899	29.16	29.47	29.40	31.78
Prince Edward Island.....				1,496				26.34
Saskatchewan.....	7,389	8,113	8,195	9,904	41.92	45.04	44.55	48.71
Northwest Territories.....	5	6	5	7	.74	.89	.74	7.86
Total.....	65,951	70,516	71,707	98,111				

¹ Canada Year Book 1933. Data for 1931, 1932, 1933.

² *The Labour Gazette*, Department of Labour, Canada, vol. XXXV, no. 2, February 1935, p. 142.

³ Population estimated for 1932 and 1933 by extrapolating 1931 census data.

⁴ Based on estimates of population for 1934, by Dominion Bureau of Statistics.

VOLUNTARY ANNUITIES

In addition to gratuitous pensions for the aged, Canada provides a voluntary system of contributory old-age pensions. Because of the similarity between the United States and Canada in monetary unit and costs and standards of living, it will be of interest to consider the Canadian Government annuity plan in some detail. The plan is purely voluntary and is operated on a nonprofit basis. The maximum limit of the annuity is now \$1,200, an amendment in 1931 having reduced the maximum from \$5,000. The contracts pay 4-percent interest, compounded annually, the interest and administrative cost being paid by the Government.

The plan of Government annuities can, of course, reach only those who are able and willing to save a portion of their earnings under Government supervision. The small size of the annuities sold in 1930 is indicated in table VIII-3. Nearly 84 percent of the contracts written in that year were for less than \$600.

The 1931 amendment to the Annuities Act, which fixed the upper limit at \$1,200 a year, was influenced by the fact that only 4.4 percent of the contracts in force were for more than \$1,200.

There appears to be no direct basis on which the Canadian annuity plan can be compared with other types of old-age pension systems. Assuming, however, that all annuity contracts were made to provide an old-age pension to the annuitant at the age of 70, some idea of the coverage can be obtained. During the year ending March 31, 1931, there were 1,772 contracts written in all Provinces combined. Figures based on that portion of the population who were over 70 years of age in 1931 show that only one-half of 1 percent were covered. During the same period in six of the Provinces alone there were 65,951 noncontributory pensioners on the list, representing about 19 percent of the population over 70 years in all Provinces.

TABLE VIII-3.—*Distribution of Canadian Government annuity contracts written in 1930*¹

Range	Contracts		Range	Contracts	
	Number	Percent of total		Number	Percent of total
Total.....	1,772	100.00			
Less than \$600.....	1,482	83.73	\$1,500-\$2,000.....	15	0.85
\$600-\$1,200.....	212	11.97	\$2,000-\$2,500.....	16	.90
\$1,200-\$1,500.....	38	2.14	\$2,500-\$5,000.....	9	.51

¹ "Government Annuities Act", *The Labour Gazette*, Department of Labour, Canada, vol. XXXI, no. 7, July 1931, p. 764.

The Government Annuities Act has been in operation in Canada since September 1, 1908. Since its inception and up to March 1933, the number of annuity contracts written amount to only 16,394 with a total annuity valuation of \$36,214,050. Of this number of contracts written, 1,994, or 12.2 percent, have been canceled, leaving only 14,400 contracts still in force.

The annuities are divided into two classes—deferred annuities and immediate annuities—and may be purchased to mature at 50, 55, 60, 65, and 70 years at the option of the annuitant.

There are four plans upon which deferred annuities may be purchased.

Plan "A" is the most popular and provides for the payment of the amounts contributed plus 4 percent compound interest to the annuitant's family upon death before the time annuity commences, or should the annuitant reach the retirement age, he or she will receive the annuity in quarterly payments thereafter until death.

Plan "B" is suitable for those who have no dependents, and provides the largest annuity for the least money. This plan permits no refund should the annuitant die before annuity begins but provides for quarterly payments to the annuitant for the rest of his or her life. Premiums, of course, vary according to the age of retirement selected. Usually the annuities are purchased to mature at 55, 60, or 65 years.

The third plan is called the "guaranteed deferred annuity." This plan is exactly like plan "A" but further provides, should the annuitant die after the annuity time occurs, for payment to the deceased's family for a fixed period of 10, 15, or 20 years. Should the annuitant live beyond the guaranteed period, the annuity will be paid for life. The cost of this plan is slightly higher than plan "A."

The fourth plan is termed "deferred last survivor annuity." Under this plan, two people, such as husband and wife, take out an annuity with conditions similar to the other plans; the annuity is paid as long as both live, and the full amount is paid to the survivor as long as he or she lives.

Deferred annuities may be purchased by a lump-sum payment in advance, or by small monthly, quarterly, semiyearly, or yearly payments. There is no forfeiture if payments are not kept up. They may be made later, or the annuity to be paid will be adjusted accordingly.

Immediate annuities are designed for older people who have passed the working age and who have savings to invest. These savings are invested with the Government in the form of an annuity, and quarterly payments are made to the individual commencing 3 months after purchase of the plan, as long as the annuitant lives.

In the class of immediate annuities there are three plans—ordinary life, guaranteed annuity, and the last survivor annuity.

The ordinary life plan is the cheapest form and requires that all the money be paid in one lump sum. Annuity commences 3 months thereafter and terminates with the last payment before death.

The guaranteed annuity plan is purchased by a cash payment, and commences 3 months from purchase date, but by this plan the annuitant is guaranteed payment of the annuity for a fixed number of years—10, 15, or 20. Otherwise, this plan is the same as the "guaranteed deferred annuity."

The immediate last survivor annuity is identical to the "deferred last survivor annuity", except that the purchase price is paid in full at the outset.

The advantages set forth by the Canadian Government annuities are: Their security; their exemption from taxation; that they are payable for life; that they are nontransferable; that they cannot be lost or stolen, forfeited, or seized or garnisheed by law or courts; that they require no medical examination; and that the age eligibility ranges from 5 to 85 years.

The number of annuities in force on March 31, 1933, was as follows: Immediate, 5,824; deferred, 8,576; a total of 14,400. The total amount of immediate annuities purchased was \$2,435,272, an average of \$418 per contract.

The financial statement for 1932-33 and the valuation as of March 31, 1933, are as follows:³

Government annuities fund statement, 1932-33

ASSETS	
Fund on Mar. 31, 1932.....	\$26, 582, 543. 61
Receipts 1932-33 less payments.....	2, 581, 359. 41

Fund on Mar. 31, 1933.....	\$29, 163, 903. 02
Amount to be transferred to maintain reserve.....	184, 237. 98
RECEIPTS	
Immediate annuities.....	\$2, 473, 634. 56
Deferred annuities.....	1, 106, 541. 65
Refunds.....	803. 95
Interest on fund at 4 percent.....	1, 062, 640. 61
Amount transferred to maintain reserve.....	289, 435. 39

Total.....	4, 933, 056. 16

³ Dominion of Canada, *Report of the Department of Labour for the Fiscal Year Ending Mar. 31, 1933* (J. O. Patenaude, Ottawa, 1933), p. 39.

Government annuities fund statement, 1932-33—Continued

PAYMENTS

Payments under immediate contracts.....	\$2, 301, 109. 93
Return of premiums with interest.....	17, 755. 64
Return of premiums without interest.....	32, 831. 18
Balance, Mar. 31, 1933.....	2, 581, 359. 41
Total.....	\$4, 933, 956. 16

Valuation Mar. 31, 1933, of annuity contracts issued pursuant to the Government Annuities Act

Classification	Num- ber	Amount of annuity	Total value of annui- ties pur- chased
Immediate annuities, ordinary.....	3, 468	\$1, 491, 401	\$11, 943, 335
Immediate annuities, guaranteed.....	1, 507	514, 106	5, 204, 759
Immediate annuities, last survivor.....	849	429, 765	4, 819, 126
Total.....	5, 824	2, 435, 272	21, 967, 220
Deferred annuities.....	8, 576	-----	7, 380, 921
Total.....	14, 400	-----	29, 348, 141

APPENDIX IX

SURVIVORS' INSURANCE IN FOREIGN COUNTRIES¹

Insurance for the survivors of wage earners is a form of protection against old-age dependency, together with provision for younger widows with dependent children. This protection is afforded by death benefits in the form of lump-sum payments or joint-survivor annuities, as well as by straight pensions to dependent survivors. A provision for death benefits linked to a contributory old-age insurance system has the advantage of assuring a wage earner that he is not purchasing his old-age protection at the expense of his family in the event of his death.

In all the foreign countries which have survivors' insurance there is provision made for the children of the insured until they reach an employable age. Whether or not the widows or widowers of the insured persons receive benefits depends in most foreign laws on whether they are free and able to earn their living. Thus, in the following countries a pension is paid to the widow if she has dependent children: Austria, Czechoslovakia, Luxemburg, and Russia. Some countries pay pensions to widows who have reached an age where they can no longer find employment. They are: Austria, Belgium, Czechoslovakia, Germany, Hungary, Luxemburg, Netherlands, Poland, and Russia. The following countries make provision for all widows regardless of age: Bulgaria, France, Great Britain, Greece, and Yugoslavia.

Provision for survivors made by foreign governments takes two forms, pensions and insurance. Pensions to widows and orphans are found in the British Dominions, i. e., New Zealand, New South Wales, and seven Canadian Provinces; and in Denmark.² Insurance benefits to widows (as distinguished from other classes of needy mothers) and to orphans for large groups of the population are found in 13 European countries (including Great Britain), while a few South American countries require this type of insurance for special groups of employees—those in public utilities, in banks, on railroads, etc.³ The oldest legislation of this type made provision for workers with special risks—seamen and miners; the first general provision for insurance benefits to widows and orphans is found in the German act of 1911, which was an extension of the invalidity and old-age insurance for persons employed in industry, commerce, and agriculture.⁴

The majority of insurance and pension legislation has been passed in the post-war period. The first general compulsory insurance legislation for widows and orphans (i. e., for other than special industrial groups, such as miners and seamen) was adopted in 1911 by Germany and was followed in 1913 by

¹ This report was prepared by Olga S. Halsey.

² Armstrong, Barbara Nachtrieb, *Insuring the Essentials* (Macmillan Co., New York, 1932), pp. 446-461; International Labour Office, *Studies and Reports*, series M, no. 9, *Non-contributory Pensions* (Geneva, 1933), p. 135.

³ International Labour Office, *Studies and Reports*, series M, no. 10, *Compulsory Pension Insurance* (Geneva, 1933), pp. 6-10.

⁴ International Labour Office, *International Survey of Social Services* (Geneva, 1933), p. 279.

legislation in the Netherlands. The first pension legislation was adopted in 1911 by New Zealand and by the State of Illinois, followed in 1913 by Denmark and 16 American States.⁵

The European post-war insurance movement dates from 1922, when Russia, Yugoslavia, and Greece enacted insurance legislation providing widows' and orphans' pensions for employed persons, although the Greek legislation was enforced to a very limited extent, and that in Yugoslavia has not yet been placed in operation; in 1924 Czechoslovakia and Belgium followed; in 1925, Great Britain; in 1927, Austria (although the provision in this law for widows' and orphans' pensions has never been enforced); and in 1928, France and Hungary concluded the list of nations providing widows' and orphans' pensions through insurance for other than small, special industrial groups.

Before summarizing the insurance provisions, certain broad distinctions between benefits under insurance and pensions systems should be pointed out. Pensions systems commonly grant a pension subject to a means test or other proof of need and subject to conditions of residence, moral character, etc., to widows with children and often to other categories of mothers with dependent children, such as mothers divorced or separated from, or deserted by, their husbands, or to mothers with husbands permanently invalided or in prison. European widows' and orphans' insurance systems commonly grant a pension to children and to widows, as distinguished from other classes of dependent mothers, provided, however, that the insurance record of the deceased meets certain specified standards as to length of insurance, number of weekly contributions, etc. The pension granted to widows of wage earners is further limited in most European systems: These usually provide a pension to her only when she is an invalid, when she is over a specified age, or when she has a specified number of children. Great Britain, France, and Belgium are among the few nations which do not impose these restrictions upon pensions of widows of wage earners. Notwithstanding these limitations, the widows in receipt of pensions outnumber the children receiving pensions in most of the European systems of widows' and orphans' insurance. This is a distinctly different emphasis from that of the American laws for aid to dependent children in which the children are the chief concern. In the United States a mother is granted a pension for the purpose of enabling her to care for her own children.

European provision for survivors' insurance is commonly combined with insurance against invalidity and old age, and thus forms one of several benefits in a single compulsory system. The scope of the legislation necessarily varies from one country to another. In general, insurance is compulsory for persons employed under a contract of hire or for wages, in industry, commerce, and agriculture, with specified exceptions. Frequently, however, different classes of workers are insured in different and independent insurance systems within the same country. Thus, under one law, Germany provides pensions to widows and children of miners; under another, pensions to workers engaged in industry, commerce, and agriculture; and under a third, to salaried employees.⁶ This separate provision for special classes of workers, notably miners and seamen, is frequent on the continent,⁷ with separate legislation for

⁵ International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, pp. 6-9; International Labour Office, *Non-contributory Pensions*, *op. cit.*, pp. 137-140; International Labour Office, *International Survey of Social Services*, *op. cit.*, p. 494; Armstrong, *op. cit.*, pp. 446-449; and United States Children's Bureau, *Mothers' Aid in 1931*, Bureau Publication No. 220 (Government Printing Office, Washington, D. C., 1933).

⁶ International Labour Office, *International Survey of Social Services*, *op. cit.*, pp. 279-288.

⁷ *Ibid.*, and International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, pp. 80-118.

the two major groups: Persons employed under a contract of hire in industry, in commerce, and in agriculture; and persons employed on a salary. In general, agricultural workers are included in the same legislation as that for industrial and commercial workers. Austria, however, provides a special law for agricultural workers, passed in 1928, but not in operation as regards provision for widows and orphans. Hungary, however, specifically exempts agricultural workers.⁸ Great Britain, France, and Russia are exceptions to the continental practice and provide for all types of workers in a single act. In Great Britain The Widows', Orphans', and Old-Age Contributory Pensions Act of 1925 insures all persons working under a contract of hire, including seamen, miners, agricultural workers, and nonmanual workers earning less than an annual specified rate, with specified exceptions.⁹ The various foreign countries which have provided insurance for widows and orphans, the classes of workers insured, the numbers insured, and the number of beneficiaries are given in table IX-1.

The first obvious fact disclosed by this table is that, except in Germany and Great Britain, where totals of 22,197,000 and 17,000,000 workers, respectively, are insured, and in Russia and France, for which the figures are not available, the absolute numbers insured under any one scheme are relatively small. Of the smaller nations for which figures are available, Czechoslovakia and the Netherlands alone insure more than 2,000,000 workers. In those nations which make separate provision for wage earners, for salaried employees, and for miners, the wage earners are the largest group of insured workers. Comparison of the percentage of the total population insured (in those countries for which data are easily available) reveals some interesting differences: Great Britain insures 38.4 percent of her total population; Germany, 34.5 percent; the Netherlands, 34.3 percent; and Czechoslovakia, 14.9 percent. Although figures for other small nations are lacking, available data suggest the probability that the industrialized nations are those which insure the largest portion of their total populations.

The ratios which the numbers of widows and of orphans receiving pensions in each country form of the total population of the country concerned are also of interest. In countries for which complete data are available, the numbers of widows receiving pensions per 10,000 of total population vary from 21.62 in the Netherlands, through 30.7 in Czechoslovakia, 118.82 in Great Britain, up to a maximum of 126.3 in Germany. The ratios of children receiving pensions per 10,000 of total population run distinctly lower; beginning with a minimum of 14.2 in Czechoslovakia, the ratios run through 16.6 in the Netherlands to 68.5 in Great Britain, up to a maximum of 116.2 in Germany, or a little more than eight times the minimum rate in Czechoslovakia. Under the insurance systems, as under pensions, the ratios of those assisted vary widely, depending, of course, upon such prerequisites as the proportion of the population insured, the length of the required period of insurance, the required number of previous contributions, and the limitations imposed upon beneficiaries.

Comparison of the ratios of children pensioned under the insurance legislation with those assisted under legislation for aid to dependent children in those areas of the United States administering the law is suggestive. For the United

⁸ International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, pp. 7, 80-118.

⁹ Great Britain, Widows', Orphans', and Old-Age Contributory Pensions Act, 1925 (15 and 16 Geo. 5, c. 70), as reprinted by: International Labour Office, Legislative Series, 1925, G. B. 7, pp. 723-758; and Great Britain, National Insurance Act, 1911, secs. 1, 2, first schedule; as reprinted by: U. S. Bureau of Labor, *Bulletin No. 102*, "British National Insurance Act, 1911" (U. S. Government Printing Office, Washington, D. C., 1912); and International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, p. 93.

TABLE IX-1.—The insured population and beneficiaries of foreign survivors' insurance laws ¹

Country and insured classes	Year	Number insured	Beneficiaries		Number of beneficiaries per 10,000 insured population		Amount of pensions				
			Widows	Orphans	Widows	Orphans	Total annual expenditures		Average annual pension		
							Widows	Orphans	Widows	Orphans	
Argentine Republic, total.....		55,534									
Public utility (private system).....	1930	44,329			(²)	(²)	564,473 pesos		(²)	(²)	(²)
Banks.....	1929	9,205			(²)	(²)	(²)	(²)	(²)	(²)	(²)
Austria: Salaried employees.....	1930	³ 227,232	8,894	3,150	39.14	13.86	10,392,051 sch. ⁴	1,646,548 sch. ⁴	1,168 sch.	523 sch.	
Belgium: Miners.....	1930	225,781	15,276	2,696	676.58	119.41	20,134,270 fr.	1,117,555 fr.	1,318 fr.	413 fr.	
Brazil: Public utilities (public and private systems).	1929	140,435	3,867		27.54		2,877,133 milreis		756 milreis		
Czechoslovakia, total.....		2,660,594	45,262	20,861							
Workers, industry, commerce, agriculture.	1930	2,199,254	3,399	4,752	15.46	21.61	1,916,924 kč.	2,170,894 kč.	563 kč.	457 kč.	
Salaried employees.....	1931	321,000	10,978	5,286	341.99	164.67	(²)	(²)	(²)	(²)	
Miners.....	1929	140,340	30,885	10,823	2,200.73	771.20	38,442,000 kč.	4,669,000 kč.	1,245 kč.	431 kč.	
France: Miners.....	1930	(²)	28,248	4,707			58,296,473 fr. ⁵	1,719,162 fr. ⁵	2,064 fr.	365 fr.	
Alsace-Lorraine, total.....	1930	⁶ 582,287									
Workers.....	1930	⁶ 528,000	12,503	4,809	236.80	91.08	8,610,410 fr.	2,323,067 fr.	689 fr.	483 fr.	
Salaried employees.....	1930	54,287	843	365	155.29	67.24	508,554 fr. ⁷	67,759 fr. ⁷	603 fr.	186 fr.	
Germany, total.....	1930	22,197,251	812,040	746,934							
Workers, industry, commerce, agriculture.	1930	⁶ 18,000,000	642,100	648,900	356.72	360.50	172,302,000 RM.	128,067,000 RM.	268 RM.	197 RM.	
Salaried employees.....	1930	⁶ 3,500,000	63,512	37,207	181.46	106.31	31,049,000 RM. ⁸	17,933,000 RM. ⁸	489 RM.	482 RM.	
Miners (workers).....	1930	⁹ 649,589	¹⁰ 99,673	¹⁰ 57,592	1,534.40	886.59	33,810,500 RM. ¹¹	2,726,400 RM. ¹¹	339 RM.	47 RM.	
Miners (salaried employees).....	1930	⁹ 47,662	6,755	3,235	1,417.27	678.74	6,589,500 RM. ¹²	1,335,300 RM. ¹²	975 RM.	412 RM.	
Great Britain: Workers and salaried employees.	1930	17,180,000	532,000	307,000	309.66	178.70	£16,891,000		£20 2s.7d.		
Hungary: Miners.....	1929	¹⁰ 43,995	3,735	2,212	848.96	502.78	665,701 pengö.	130,837 pengö.	178 pengö.	59 pengö.	
Luxemburg: Workers, industry, and commerce.	1928	¹⁰ 65,261	575	704	88.11	107.87	485,721 fr.		380 fr.		
Netherlands, total.....		2,717,300	17,072	13,162							
Workers and salaried employees.....	1930	2,679,397	16,762	12,225	62.56	45.67	2,581,155 fl.	1,993,753 fl.	153 fl.	163 fl.	
Miners.....	1929	37,903	¹⁰ 310	¹⁰ 937	81.79	247.21	31,650 fl. ¹³	77,842 fl. ¹³	102 fl.	83 fl.	

- ¹ Compiled and computed from International Labour Office, *Compulsory Pension Insurance, op. cit.*, pp. 227-361.
- ² Not available.
- ³ Including 6,463 voluntarily insured persons.
- ⁴ Exclusive of lump sum and various grants for invalidity, old age, and widows' and orphans' pensions.
- ⁵ Exclusive of 1,147,587 francs in a lump sum granted at death.
- ⁶ Estimate.
- ⁷ Exclusive of 331,974 francs in lump-sum payments and refund of contributions.
- ⁸ Exclusive of 7,793,500 R.M. lump sum and refund of contributions, all classes of benefit.
- ⁹ Annual weighted average.
- ¹⁰ Average number during year.
- ¹¹ Exclusive of 1,830,900 R.M. lump-sum payments at death and 779,500 R.M. other lump-sum payments.
- ¹² Exclusive of 284,000 R.M. lump-sum payments at death and 25,300 R.M. other lump-sum payments.
- ¹³ Exclusive of 4,648 florins in funeral benefit.

States as a whole, in those areas providing aid to dependent children in 1931, the number of children aided per 10,000 of total population was 28—a higher ratio than that under the insurance laws of Czechoslovakia and the Netherlands, but much lower than the ratios prevailing in Great Britain and Germany. On the other hand, if all the areas in the United States administering aid to dependent children should come up to the standard attained in Wisconsin of assisting 24 families or 76.2 children per 10,000 of total population, the ratio in the United States would be exceeded only by the much higher ratio of 116.2 in Germany. In other words, comparison of these ratios reveals that insurance *per se* is not necessarily the means of assisting a larger proportion of orphaned children than the United States is already aiding or could aid under laws for aid to dependent children, if the legislation and administration were brought up to the best existing American practice. Foreign countries as well as the United States, however, fell short of an ideal which would be that of providing generous survivors' pensions for all persons included in a contributory old-age insurance system.

Comparison of the number of widows and children pensioned under the various systems per 10,000 insured in each system also reveals significant variations. Germany and Great Britain again show the highest ratios. Within each country the ratios vary for each individual group of workers covered: The miners, where insured in special funds, show higher rates than other workers insured in other funds, as in Germany, Czechoslovakia, and the Netherlands. In Germany widows and orphans of wage earners have higher ratios than those for survivors of salaried employees; in Czechoslovakia the positions are reversed.

A comparison of the ratios of widows pensioned with those of children in each of the various insurance systems reveals that in general the number of widows pensioned per 10,000 insured is higher than that for the children in all but four instances—among workers in Czechoslovakia, Germany, and Luxemburg and among miners in the Netherlands. In these countries, however, the widow is eligible for a pension only if she is an invalid; otherwise she must be 65 years of age or over, as in Czechoslovakia and Germany; or have two or more dependent children, as in Czechoslovakia; or in Luxemburg, be 55 or over or have three or more dependent children.¹⁰

In other instances the children constitute from 17.65 percent up to 72.9 percent of the widows aided. In Great Britain, where a pension is granted widows, regardless of incapacity or age, the children are but 57.7 percent of the widows pensioned. This preponderance of widows over orphans might be explained if pensions to children terminated at a very young age; but, as it has been pointed out, children are eligible for pensions in the different countries at ages ranging from 13 to 18 years.

The benefits provided under survivors' insurance consist of pensions to widows and to children, and in some countries an additional temporary pension, or, as in Russia, a funeral benefit is provided. Such benefits are granted only to survivors of insured persons whose insurance records meet certain standard specifications, such as length of insurance, number of insurance contributions, age at entry into insurance, length of period married. In addition, pensions usually are provided only to those widows who meet certain specifications.¹¹ Under insurance plans for wage earners, as distinguished from those for salaried employees, a pension is often payable only if the widow is incapaci-

¹⁰ Armstrong, *op. cit.*, ch. X, pp. 629-632.

¹¹ *Ibid.*; International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, pp. 227-362.

tated; or, if she is not incapacitated, only if she has reached a specified age; or, as in Austria, Czechoslovakia, and Luxemburg, if she has a specified number of dependent children (two or more in Austria and Czechoslovakia and three in Luxemburg). In only a few countries are widows of wage earners granted a pension regardless of incapacity or age—for example, as in Belgium, Great Britain, and France. In the Netherlands a widow may draw a pension only if the husband was not in receipt of an invalidity pension at the time of his death.

In some countries conditions under which widows of salaried employees may draw pensions are more liberal than those for widows of wage earners. For example, the German insurance for wage earners grants a pension to their widows only if they are more than 65 years old or are incapacitated to the extent that they are unable to earn one-third of the amount usually earned by able-bodied women; widows of salaried workers are entitled to a pension regardless of physical incapacity or age.¹² Pensions are payable to children only while they are under a specified age, varying from a minimum of 13 years in France to a maximum of 18 in Luxemburg and Austria, although the last law is not enforced.¹³

The pension granted is usually a proportion of the invalid pension to which the deceased would have been entitled. In the case of half orphans, the pension ranges from 15 to 25 percent of the pension of the insured; whole orphans receive higher per-capita amounts, from 30 to 40 percent. In France a pension is payable to half orphans only when there are three or more children, and to whole orphans regardless of the number. Other countries make no distinction between children with one or both parents dead. Thus, in Yugoslavia, where the law is not yet enforced, children are entitled to one-fourth of the pension of the deceased parent; and in Germany to two-fifths. The total pension to all survivors is usually limited to the amount of the invalidity pension to which the deceased would have been entitled; in Germany it is further limited by the provision that it may not exceed 80 percent of the earnings of an able-bodied worker in the occupation of the deceased.¹⁴ Great Britain, on the other hand, provides a fixed pension of 5s. a week for the first half orphan; 3s. weekly for each additional half orphan, and 7s. 6d. weekly for each whole orphan. For widows the pension also is usually a portion of the pension to which the deceased would have been entitled. In a few countries it is a fixed amount,¹⁵ as the 10s. weekly pension to widows in Great Britain.

It is impossible to give any definite sums as the pensions payable to widows and orphans because these usually are but fractions of the invalid pension to which the deceased would have been entitled on the basis of his insurance record, which necessarily varies from individual to individual. However, an effort has been made in table IX-1 to give an approximate idea of the size of the pensions by calculating the average pensions received. These figures have the usual weakness of averages and have the additional shortcoming that they do not include certain lump-sum payments applicable to invalidity and old-age pensions as well as to survivors' pensions, other lump-sum payments at death, and returns of contributions.

¹² Armstrong, *op. cit.*, p. 454.

¹³ Armstrong, *op. cit.*, chart X, pp. 629-632; International Labour Office, *International Survey of Social Services*, *op. cit.*, p. 496.

¹⁴ Armstrong, *op. cit.*, chart X, pp. 629-632; International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, p. 293.

¹⁵ International Labour Office, *Compulsory Pension Insurance*, *op. cit.*, p. 306.

The expenditure for widows' pensions in foreign systems is in excess of that for children. The total amounts expended for children's pensions are smaller percentages of the sums granted widows than the percentages which the numbers of children pensioned are of the widows. This difference is reflected in the average size of the pension granted; the pension for children is uniformly less than that for widows. To some extent, of course, there may be overlapping—a widow and her children may both be in receipt of pensions. But in the majority of systems this overlapping is probably small, except in those few instances in which pensions are granted widows with two or more, or three or more dependent children, regardless of the age or physical condition of the widow.

On the whole, it may be said that the European systems of widows' and orphans' insurance emphasize protection for the widows. In most instances the widows pensioned outnumber the children, while the expenditure for widows is disproportionately greater—a disproportion which is reduced to some extent by

TABLE IX-2.—*Comparison of average survivors' pensions with weekly wages for unskilled labor in engineering trades*

Country and insured group	Monetary unit	Weekly wages of unskilled engineering laborers ¹	Average weekly pensions ²			
			Widows		Orphans	
			Amount	Percent of unskilled engineering wage	Amount	Percent of unskilled engineering wage
Austria, salaried employees.....	Schillings.....	38.89	22.46	57.8	10.06	25.9
Belgium, miners.....	Francs.....	145.80	25.35	17.4	7.98	5.5
Czechoslovakia, workers in industry, commerce, agriculture.	Crowns.....	170.26	10.83	6.4	8.79	5.2
Czechoslovakia, miners.....	Crowns.....	170.26	23.94	14.1	8.29	4.9
France, miners.....	Francs.....	153.21	39.69	25.9	7.02	4.6
Germany, workers in industry, commerce, agriculture.	Marks.....	34.89	5.15	14.8	3.79	10.9
Germany, salaried employees.....	Marks.....	34.89	9.40	26.9	9.27	26.6
Germany, miners (workers).....	Marks.....	34.89	6.52	18.7	.90	2.6
Germany, miners (salaried employees).....	Marks.....	34.89	18.75	53.7	7.92	22.7
Hungary, miners.....	Pengös.....	23.52	3.42	14.5	1.13	4.8
Netherlands, workers and salaried employees.	Florins.....	25.31	2.94	11.6	3.13	12.4
Netherlands, miners.....	Florins.....	25.31	1.96	7.7	1.60	6.3

¹ From Armstrong, *op. cit.*, p. 417. Calculated on the basis of 48 hours' work at ordinary time rates, compiled from averages for Jan. 1 of each year for the periods 1926-30. When no figure was available for January, the one for the nearest month was taken.

² Average annual pension given in table IX-1 prorated on a weekly basis.

the possibility of overlapping and the payment of both widows' and children's pensions in the same household.

In analyzing the operation of European pension systems, one other question remains—that of the adequacy of the pension grants. Notwithstanding the inadequacy of the average to measure the size of pension grants, the average pension as given in table IX-1 indicates that the pensions are pitifully small. How small they may be in terms of purchasing power in the various countries, it is impossible to gauge in the absence of an international index of the cost of living for the various countries. In table IX-2 the average widows' and orphans' pensions in countries for which data are available are compared with the average weekly wage of unskilled labor in engineering. The widows' pensions range from nearly 6 to 58 percent of the weekly wage for unskilled labor, with the highest

ratio in the system for salaried workers in Austria and the lowest for industrial workers in Czechoslovakia. The figures do not suggest that widows and children in foreign countries are more generously provided for than mothers in the United States, where in 1931 a State average of \$21.78 a month was the median grant to mothers among the States providing aid to dependent children.¹⁶

¹⁶ U. S. Children's Bureau, *op. cit.*, p. 17.

APPENDIX X

FINANCIAL HISTORY OF THE WORKERS' INVALIDITY, OLD-AGE, AND SURVIVORS' INSURANCE OF GERMANY¹

Since the United States is taking its first steps toward a Nation-wide system of old-age benefits and since forecasts are made, actuarial and otherwise, as to what will happen to such a system within the next half century, it appears of value to investigate the experience of a country which has had such a system in operation for the past 44 years. Germany adopted contributory invalidity and old-age insurance covering its entire working population in 1891 and has retained this system up to the present time. The system was in existence for more than 20 years before the World War, survived the war, which made an end to many another institution, recovered from an inflation which ruined the financial structure of many other enterprises, withstood the stress of the severe depression of the last few years, and is now being continued under a national policy which has altered some of the most fundamental establishments of German economic life.

The German system has thus withstood nearly every conceivable hazard which a social insurance system might meet, but, of necessity, it has survived these hazards only by being modified and changed many times. This report presents a history of these changes, chiefly from the financial point of view. For this reason large sections of the history are omitted. For example, administrative procedure and enforcement provisions were studied only insofar as they exerted an influence on the finances of the insurance system. The political background is given only in passing. It might have been of value to study the forces which framed the original law and modified it in the course of its existence. However, it was felt that such an attempt would lead too far afield. Hence, the scope of the study is limited to a short survey of the distribution of costs, the financial condition of the fund, the investment of the reserve, the cost of administering the law, the rate of contribution, the benefits paid, and the number of persons in receipt of benefits throughout the years. In addition the history of the law itself is briefly summarized to provide a background.

A SHORT HISTORY OF THE LAW

The invalidity and old-age insurance law was part of the program which Bismarck offered to the German working population after having suppressed the labor movement by a stringent law. His hope was that by giving the workers a share of the Government's money in times of need and giving it to them as a matter of right, he could change the aims of the labor movement directed toward the overthrow of the Government, even though that share

¹ This report was prepared by Marianne Sakmann under the direction of Edwin E. Witte.

was a small one. The law was conceived from the point of view of conservative, enlightened benevolence rather than from the point of view of the workers.

The law was introduced in 1889 and was adopted by Parliament with a small majority of 20 votes against the opposition of the labor party and the left-wing groups. It was amended in 1899 and again in 1911, and both times the amendments were adopted by a vast majority of Parliament. These amendments carried with them a considerable expansion of the original provisions, the 1911 amendment adding survivors' insurance to the insurance against invalidity and old age incorporated in the original law.

Bismarck's hope for "buying out" the labor movement by giving them a stake in the existing government was fulfilled only in part. As a matter of fact, the establishment of social insurance gave considerable impetus to the labor movement. The Social Democratic Party opened offices all over the country in which organized and unorganized workers might obtain legal advice on how to make good their claims for pensions. The small amount of the pensions gave the party an opportunity to campaign against the "hunger pensions", to point to the large reserve which might well be used for increasing benefits, and to blame the employers for their opposition against such a procedure. In these campaigns they reached each worker, because they all had a stake in the system. The conservatives viewed this development with particular concern, since the membership of the Social Democratic Party and its proportion of votes increased from year to year.

However, looking back over this development and over the history of the Social Democratic Party since the war, one may well ask oneself whether Bismarck did not achieve his original aim. Gradually the German labor movement lost its revolutionary character, and the elements in it which advocated concentration on immediate aims won out over the radical elements which believed in an overthrow of the Government and of the entire capitalistic system.

The course followed by the Social Democratic Party under the republic bears out this statement. This party took an active share in the Government all through the twenties, but its efforts appear to have been bent rather toward receiving a greater share in wages and insurance benefits under the existing system than toward any fundamental revision of the system. This attitude is reflected in the many amendments to the invalidity insurance law adopted after the war. They were all directed toward liberalizing existing provisions. At no time was the suggestion made to abandon the system and substitute another.

Some writers have said that the present National-Socialist Government has abolished the German social insurance system or has modified it to such an extent that it can no longer be recognized. This is not true so far as invalidity insurance is concerned. Since the advent of the present party to power, the many decrees issued dealing with the subject all express the intention of retaining the system in its original form. The significant and perhaps the most important change—from the point of view of the workers at least—is that benefits have been drastically cut.

DISTRIBUTION OF COSTS

The Share of the Federal Government.—When the plan for invalidity and old-age insurance was first discussed, the possibility of distributing the cost equally between employers, employees, and the Federal Government was seriously taken into consideration. However, this plan was abandoned for the reason that if the Federal Government assumed one-third of the cost of each pen-

sion, the higher-paid worker would be favored over the low-paid worker. In order to remove this injustice, it was decided that the Federal subsidy be a fixed supplement to each pension granted. This amount was set at 50 marks a year for invalidity, old-age, and widows' pensions and remained at that figure up to the time of the war. After the war it was changed several times, but has remained at 72 marks since 1925. The Federal subsidy to orphans' pensions is half that amount. (See table X-1.)

Table X-2 shows the actual amount which the Federal Government contributed toward the pension payments throughout the years and the proportion this amount bears to the total pension payments. It will be seen that, on the whole, the Federal Government has paid approximately one-third of the cost of the pensions. This share was as high as 40 percent in the beginning of the scheme, when the earned portion of the pensions was comparatively low.

The contribution of the Federal Government also includes a payment toward the pensions for the time which the insured spent in compulsory military service.

In addition, the Federal Government originally bore the cost of selling insurance stamps and the payment of pensions through the post offices as well as the cost of administration of the Federal insurance office. But as a result of the great financial difficulties resulting from the present depression, the regional offices were required to reimburse the post office for its services beginning with 1930.

Before the war the Federal Government did not share in the cost of medical treatment and of family allowances for the dependents of persons undergoing such treatment. However, after the war a certain proportion of the custom receipts was allocated to the regional insurance offices for medical purposes. This amounted to 40 million marks a year from 1925 to 1929, inclusive. In the following years it was gradually cut down.

When the wage tax was levied under the Brüning government in 1929, it was determined that if the income from that tax exceeded a certain amount, the excess would be given to the insurance system. Such an excess was collected only in 1 year, namely, 1929.

Since the insurance offices found themselves in financial straits during the last years of the depression, the Government replaced these uncertain receipts in 1932 by a fixed yearly amount of 163 million marks. This was raised to 200 million marks in 1933.

Several times in the history of the German insurance scheme the Federal Government granted it certain special subsidies in addition to the regular allowance. This occurred first during the inflation from 1920 to 1924, when the pensions were no longer sufficient to take care of the pensioners. A subsidy was given to the regional offices to be distributed by them on a relief basis.

Again, whenever the pensions were increased during the twenties, the Federal Government bore a part of the increase. Thus, when in 1927 survivors' pensions were extended to all widows over 65 years of age, regardless of whether or not they were invalids, and to survivors of insured persons who had died before 1912, the Government assumed the entire responsibility for this increase. When additional credit was given for the contributions paid before 1921 and since 1924, the Government again paid the increase in the pensions already in force.

Common Reserve Fund and Individual Funds.—When the law was adopted in 1891 it provided that each regional office should pay its share of the benefits out of the contributions it collected. The only provision for pooling any part of the contributions stipulated that each regional office transmit to a common reserve fund a certain proportion of the reserve it had accumulated. This common reserve fund was to be touched **only in cases of extreme necessity and only with the sanction of the Federal insurance office.**

TABLE X-1.—Legal provisions for computing invalidity, old-age, and survivors' pensions

INVALIDITY PENSIONS, 1891 TO 1934

Date	Federal subsidy	Fixed basic amount	Increment	Children's bonus		Contribution period
				Amount	Age limit	
1891 to 1899.....	Marks 50	60 marks.....	For each weekly contribution in wage classes I, II, III, and IV: 2, 6, 9, 13 pfennige.	None.....		235 weekly contributions.
1900 to 1911.....	50	After 500 weekly contributions in wage classes I, II, III, IV, and V: 60, 70, 80, 90, 100 marks.	For each weekly contribution in wage classes I, II, III, IV, and V: 3, 6, 8, 10, 12 pfennige.	None.....		200 weekly contributions.
1912 to period of inflation.....	50	After 500 weekly contributions in wage classes I, II, III, IV, and V: 12, 14, 16, 18, 20 pfennige for each contribution up to 500.	do.....	$\frac{1}{10}$ of invalidity pension for each child to maximum of $\frac{3}{10}$. No maximum from 1916 on.	15	Do.
December 1923.....	Total monthly pension, 2 billion marks.....					
January 1924 to July 1924.....	36	120 marks.....	10 percent of total contributions paid after Jan. 1, 1924.	36 marks for each child.....	18	Do.
August 1924 to March 1925.....	48	do.....	do.....	do.....	18	Do.
April 1925 to July 1925.....	72	do.....	10 percent of total contributions paid after Jan. 1, 1924. For each contribution paid before Sept. 30, 1921, wage classes II, III, IV, V: 2, 4, 7, 10 pfennige.	do.....	18	Do.
August 1925 to June 1926.....	72	168 marks.....	20 percent of total contributions paid after Jan. 1, 1924. For each contribution paid before Sept. 30, 1921, wage classes II, III, IV, V: 2, 4, 7, 10 pfennige.	90 marks for each child.....	18	Do.
July 1926 to March 1927.....	72	do.....	do.....	do.....	15	Do.
April 1927 to March 1928.....	72	do.....	20 percent of total contributions paid after Jan. 1, 1924. For each contribution paid before Sept. 30, 1921, wage classes I, II, III, IV, V: 2, 4, 8, 14, 20, pfennige.	do.....	15	Do.
April 1928 to September 1929.....	72	do.....	20 percent of total contributions paid after Jan. 1, 1924. For each contribution paid before Sept. 30, 1921, wage classes I, II, III, IV, V: 3, 6, 12, 18, 27 pfennige.	120 marks for each child.....	15	Do.

October 1929 to June 1932.....	72	do.....	20 percent of total contributions paid after Jan. 1, 1924. For each contribution paid before Sept. 30, 1921, wage classes I, II, III, IV, V: 4, 8, 14, 20, 30 pfennige.	do.....	15	250 weekly contributions.
July 1932 to December 1933.....	72	84 marks.....	do.....	90 marks for each child.....	15	Do.
January 1934 to.....	72	Canceled.....	For each weekly contribution in wage classes I to X; 8, 14, 20, 26, 32, 38, 44, 50, 56, 62 pfennige. For each contribution paid before Sept. 30, 1921, wage classes I, II, III, IV, V: 4, 8, 14, 20, 30 pfennige. Minimum 72 marks a year.	do.....	15	Do.

OLD-AGE PENSIONS, 1891 TO 1934

Date	Federal subsidy	Increment	Contribution period	Age requirement
1891 to 1899.....	<i>Marks</i> 50	For each weekly contribution in wage classes I to IV: 4, 6, 8, 10 pfennige. Maximum, 1,410 weekly contributions.	1,200 contribution weeks (minus 47 weeks for each year the insured is beyond 40 at the time he becomes insured).	70
1900 to 1915.....	50	Wage classes I to V: 60, 90, 120, 150, 180 marks.....	1,200 contribution weeks (minus 40 weeks for each year by which the insured exceeds the age of 40 at the time he becomes insured).	70
1916 to November 1922.....	50	do.....	1,200 contribution weeks (minus 40 weeks for each year by which the insured exceeds the age of 35 at the time he becomes insured).	65
December 1922 to September 1929.....	Same as invalidity pension.....	do.....	Same as invalidity pension.....	65
October 1929 to.....	do.....	do.....	750 weekly contributions.....	65

TABLE X-1.—Legal provisions for computing invalidity, old-age, and survivors' pensions—Continued
SURVIVORS' PENSIONS, 1912 TO 1934

Date	Widows' pension			Orphans' pension				
	Federal subsidy	Fixed basic amount	Increment	Federal subsidy	Fixed basic amount	Increment	Age limit	
From 1912 to period of inflation (1921).	Marks 50	$\frac{3}{10}$ of basic amount of invalidity pension.	$\frac{3}{10}$ of increment of invalidity pension.	Marks 25	$\frac{3}{10}$ for first child, $\frac{1}{10}$ for each additional child, of basic amount of invalidity pension. Up to 1916 maximum of $\frac{3}{10}$.	$\frac{3}{10}$ for first child, $\frac{1}{10}$ for each additional child, of increment of invalidity pension. Up to 1916 maximum of $\frac{3}{10}$.	15	
December 1923.....	Total monthly pension of 1.2 billion marks.....			Total monthly pension, 1 billion marks.....			15	
January 1924 to July 1924.....	36	$\frac{3}{10}$ of basic amount of invalidity pension.	$\frac{3}{10}$ of increment of invalidity pension.	24	$\frac{3}{10}$ of basic amount of invalidity pension for each child.	$\frac{3}{10}$ of increment of invalidity pension for each child.	18	
August 1924 to March 1925.....	48	do.....	do.....	24	do.....	do.....	18	
April 1925 to June 1926.....	72	do.....	do.....	36	do.....	do.....	18	
July 1926 to June 1932.....	72	do.....	do.....	36	do.....	do.....	15	
July 1932 to December 1933.....	72	$\frac{3}{10}$ of basic amount of invalidity pension.	$\frac{3}{10}$ of increment of invalidity pension.	36	$\frac{3}{10}$ of basic amount of invalidity pension for each child.	$\frac{3}{10}$ of increment of invalidity pension for each child.	15	
January 1934 to.....	72	Canceled.....	do.....	36	Canceled.....	do.....	15	
		Combined survivors' pension not to be higher than invalidity pension plus children's bonus.						

TABLE X-2.—Total benefit payments and distribution of cost

Year	Invalidity pensions, including sickness pensions and supplementary pensions	Old-age pensions	Widows' pensions, including widows' sickness pensions	Orphans' pensions	Refunds and single cash payments to widows and orphans	Payments to salaried employees' fund	Total pensions	Expenditures for curing invalidity	Total benefit payments	From regional offices			From Federal Government		
										Amount	As percent of total benefit payments	As percent of pension payments	Amount (in thousands of marks)	As percent of total benefit payments	As percent of pension payments
(In thousands of marks)															
1891.....	(1)	15,299					15,299	(1)	15,299	9,249	60.5	60.5	6,050	39.5	39.5
1892.....	1,339	21,025					22,364	32	22,396	13,355	59.6	59.7	9,041	40.4	40.4
1893.....	5,207	22,706					27,913	108	28,021	16,684	59.5	59.8	11,337	40.5	40.6
1894.....	10,032	24,420					34,452	365	34,817	20,893	60.0	60.6	13,924	40.0	40.4
1895.....	15,333	26,497			219		42,049	632	42,681	25,748	60.3	61.2	16,933	39.7	40.3

1896	20,845	27,327			1,975	50,147	1,176	51,323	32,090	62.5	74.0	19,233	37.5	38.4
1897	27,061	27,556			3,391	58,008	1,886	59,894	38,057	63.5	65.6	21,837	36.5	37.6
1898	34,363	27,450			4,497	66,310	2,630	68,940	44,539	64.6	67.2	24,401	35.4	36.8
1899	42,368	26,826			5,446	74,640	4,016	78,656	51,548	65.5	69.1	27,108	34.5	36.3
1900	54,224	26,224			6,617	87,065	5,664	92,729	61,967	66.8	71.2	30,762	33.2	35.3
1901	66,322	24,656			6,925	97,903	7,369	105,272	71,401	67.8	72.9	33,871	32.2	34.6
1902	80,377	23,507			7,134	111,018	9,396	120,414	82,564	68.6	74.4	37,850	31.4	34.1
1903	95,035	22,113			7,556	124,704	10,450	135,154	93,299	69.0	74.8	41,855	31.0	33.6
1904	107,981	20,868			7,858	136,707	11,649	148,356	103,080	69.5	75.4	45,276	30.5	33.1
1905	117,427	19,476			8,172	145,075	13,144	158,219	110,869	70.1	76.4	47,350	29.9	32.6
1906	124,618	18,355			8,436	151,409	14,630	166,039	117,281	70.6	77.5	48,758	29.4	32.2
1907	130,281	17,312			8,855	156,448	16,443	172,891	123,270	71.3	78.8	49,621	28.7	31.7
1908	136,338	16,353			9,237	161,928	19,548	181,476	130,955	72.2	80.9	50,521	27.8	31.2
1909	142,716	15,550			9,420	167,686	21,343	189,029	137,529	72.8	82.0	51,500	27.2	30.7
1910	148,977	15,011			9,430	173,418	23,408	196,826	144,288	73.3	83.2	52,538	26.7	30.3
1911	154,505	14,468			10,246	179,219	24,646	203,865	150,583	73.9	84.0	53,282	26.1	29.7
1912	161,811	14,053	167	629	1,970	178,630	26,562	205,192	150,123	73.2	84.0	55,069	26.8	30.8
1913	170,750	13,738	801	2,573	620	188,482	29,851	218,333	159,807	73.2	84.8	58,526	26.8	31.1
1914	180,255	13,335	1,524	4,459	789	200,362	33,643	234,005	171,989	73.5	85.8	62,016	26.5	31.0
1915	184,607	13,099	2,351	11,465	2,727	214,249	38,635	252,884	183,339	72.5	85.6	69,545	27.5	32.5
1916	198,449	26,860	3,381	23,041	2,985	254,716	39,228	293,944	209,536	71.3	82.3	84,408	28.7	33.1
1917	200,601	41,951	4,429	31,959	2,743	281,683	35,820	317,503	223,423	70.4	79.3	94,080	29.6	33.4
1918	274,224	38,424	8,080	35,965	2,512	359,205	42,447	401,652	310,986	77.4	86.6	90,666	22.6	25.2
1919	341,536	71,881	12,636	43,324	2,631	472,008	65,630	537,638	436,061	81.1	92.4	101,577	18.9	21.5
1920	510,423	116,788	22,634	59,905	1,660	711,410	163,730	875,140	No data	No data	No data	No data	No data	No data
1921	1,013,267	262,737	77,272	158,004	1,391	1,512,671	249,327	1,761,998	No data	No data	No data	No data	No data	No data
1922	2,048,736	543,324	228,572	617,062		3,437,694	No data	No data	No data	No data	No data	No data	No data	No data
1923	Pension payments for December, four quintillion marks (R.M. 4,000,000,000,000,000)													
1924	227,386	18,360	20,323	81,697		347,766	23,336	371,102	275,493	74.2	79.2	95,609	25.8	27.5
1925	381,886	22,598	33,817	109,331		547,632	41,287	588,919	427,414	72.6	78.0	161,505	27.4	29.5
1926	510,837	22,732	48,220	127,289		325	709,403	50,496	759,899	75.7	81.1	184,463	24.3	26.0
1927	595,266	21,409	67,950	117,907		9,774	812,306	60,107	872,413	75.9	81.5	210,585	24.1	25.9
1928	731,634	21,712	97,752	131,428		9,356	991,832	78,188	1,070,070	70.1	75.6	320,288	29.9	32.3
1929	862,733	20,831	124,431	134,539		12,728	1,155,262	97,622	1,252,884	69.2	75.1	385,306	30.8	33.4
1930	960,914	19,177	172,326	128,105		21,024	1,301,546	99,315	1,400,861	71.8	77.2	395,728	28.2	30.4
1931	1,026,912	16,641	183,529	117,467		26,247	1,370,796	69,018	1,439,814	72.2	75.8	400,942	27.8	29.2
1932	925,366	13,386	141,895	58,572		33,280	1,172,499	40,969	1,213,468	68.8	71.2	378,321	31.2	32.3
1933	869,157	10,500	130,782	48,213		27,515	1,086,167	35,139	1,121,306	64.7	66.8	396,132	35.3	36.5
1934	896,542	9,143	136,094	47,437		29,066	1,118,282	40,948	1,159,230	61.7	64.0	443,628	38.3	39.7

¹ Less than 500 marks.

The experience of the first 10 years showed that certain regional offices, especially those in the agricultural sections of the country, had great difficulty in making the required remittances to the reserve fund. The finances of these regional offices were in a very poor condition compared with the highly industrialized sections of the country. The explanation for this difference was found in the fact that the cities attracted young and healthy people from the country and therefore had a much lower incidence of the risks of invalidity and old age. It became apparent that it would be desirable to pool some of the expenditures and a greater portion of the reserve in order to equalize the conditions between various sections of the country. For this reason the provision under which the regional offices had to transmit a certain amount to the reserve fund was abandoned in 1900. In its place a certain proportion of the contributions received was to be set aside by each regional office, and out of this common fund there was to be paid that part of the pensions which was independent of the length of the contributory period; i. e., three-fourths of the old-age pensions and the fixed basic amount of the invalidity pensions. In the beginning the regional offices had to set aside for the purposes of this common fund 40 percent of the contributions they received.

This transfer was a book transaction only, since the funds themselves remained the property of the regional offices, and were invested by them as they saw fit.

By a very intricate method of computation, it was determined at the end of each year what portions of the total pension payments had to be borne by the common fund, the individual funds, and the government. From 1900 to 1912 the distribution of the cost was as shown in table X-3. This redistribution of the cost of benefits had the desired effect of relieving the agricultural sections of the country at the expense of the industrialized regions.

TABLE X-3.—*Percentage distribution of cost of pensions between the individual funds, the common fund, and the Federal Government*

Year	Percent borne by—			Year	Percent borne by—		
	Individual funds	Common fund	Federal Government		Individual funds	Common fund	Federal Government
1900.....	20.4	44.3	35.3	1907.....	23.6	44.7	31.7
1901.....	20.8	44.7	34.5	1908.....	24.4	44.4	31.2
1902.....	20.9	45.0	34.1	1909.....	25.1	44.2	30.7
1903.....	21.4	45.1	33.5	1910.....	25.7	44.0	30.3
1904.....	21.8	45.1	33.1	1911.....	26.7	43.6	29.7
1905.....	22.4	45.0	32.6	1912.....	22.2	47.0	30.8
1906.....	22.9	44.9	32.2				

Gradually the charges to be borne by the common reserve fund were increased, and the fund received a larger and larger proportion of the contributions collected. In 1926 the distinction between individual funds and common fund was given up altogether, and all pension payments were charged to the regional offices in proportion to their collections during the preceding year.

RESERVE SYSTEM VERSUS PAY-AS-YOU-GO SYSTEM

When the invalidity and old-age insurance law was first discussed, the question of whether to have a system of accumulation and to build up reserves or to adopt a pay-as-you-go system and to make the assessments only large enough to meet current expenditures was one of the most difficult to decide. The advocates of the accumulated reserve system pointed to the stability which it would give and the fact that each generation would pay for its own pensions, while the pay-as-you-go plan would put an unjust burden on future generations. The advocates

of the system of assessment to meet current expenditures considered the building up of large reserves as dangerous from a political point of view. They also believed that this accumulation of capital would result in a lowering of the interest rate.

The final plan adopted in the original law was a compromise between these two extremes, and the system of assessment to meet the capital value of pensions was introduced. Under it the reserve accumulated is only large enough to meet the capital value of the pensions granted within each period of 5 years. The contributions of one generation are not accumulated until that generation becomes eligible for benefits; rather they are used for meeting the capital value of the pensions of a previous generation. Under this system the reserve is not as large as under an accumulated reserve system. The rate of contribution has to be increased gradually, but this increase is not as great as under a pay-as-you-go system, since the rate starts at a higher level. The period of stability is reached earlier than under a pay-as-you-go system. As under the latter, the initial generation is favored over against those that enter insurance at a later date, but the later generations are less heavily penalized.

The original actuarial forecasts proved to be too conservative. The reserve accumulated during the first 10 years exceeded the estimates of the actuaries. It was considered unwise to lower the contribution rates, and so the system of assessment to meet capital value of pensions was abandoned in 1900 and that of collective accumulation substituted. Under this system the value of all present and future contributions had to be sufficient to cover the capital value not only of all current pensions, but of all future obligations as well. The reserve would, of course, be considerably greater than originally anticipated, but it would not be necessary to increase the contribution rate unless benefits were changed.

This system was retained up to the time of the war and inflation. It broke down when, as a result of the inflation from 1914 to 1923, the larger part of the reserve was wiped out. The insurance was then put on a pay-as-you-go basis, i. e., the contributions were only sufficient to meet the current expenditures and to build up a small reserve for emergencies. As a result of the present depression and its resultant unemployment, receipts declined so rapidly that a deficit occurred in 1931, 1932, and 1933. The present Government has expressed its intention to return to the system of collective accumulation. A cut in benefits is a first step in this direction, and an announced increase in contributions will be the second step. Whether or not it will be possible to return to this system will, no doubt, depend on the general economic development of the country.

Germany has had experience with almost all possible methods of financing a general workers' insurance scheme. This experience proves that no method can withstand a general collapse in the economic structure of a country. The system of assessment to meet capital value of pensions and that of collective accumulation worked well under the stable conditions before the war, but the war and its after effects wiped out the reserve on which the stability of the system was based. The pay-as-you-go scheme collapsed under the strain of the present depression. It appears very doubtful whether pre-war conditions can be restored by decree. All of which proves that a social insurance scheme is no more stable than the government or the financial condition of the country which administers it.

THE INVESTMENT OF THE RESERVE

General Investments.—The regional offices keep the funds which they collect and invest them according to certain rules laid down by law—provisions chiefly in the direction of protecting the safety of the investments. A certain propor-

tion of the funds is to be invested in Federal and State bonds. Beyond that, the regional offices are free to do as they please.

Table X-4 shows the size of the reserve and the various kinds of securities and loans in which it has been invested. The reserve amounted to slightly over 2 billion marks in 1913. The figures after that time are influenced by the inflation which began soon after 1914. In 1900 it had been estimated that the reserve would eventually reach a total of 2.5 billion marks, but in 1912 survivors' insurance was added to the system, and no doubt the reserve would eventually have reached a greater amount if the war had not interfered. However, the period of inflation from 1914 to 1923, during which the value of the German mark sank to almost zero, all but wiped out the capital on which the stability of the system was previously based. Only 15.5 percent, or slightly over 300 million marks, was left of the capital owned by the insurance offices before the war. The insurance system has never regained its former stability, and it has been in financial difficulties ever since that time. For even before the present depression, in 1927, an actuarial forecast was made which showed that the expenditures would exceed the receipts from 1928 on unless contributions were raised or benefits cut.

The decline in the reserve since 1931 resulted from the deficit of the insurance offices because of the drop in receipts. This situation was made worse by the fact that securities had to be sold at a loss of approximately 10 percent of the purchase price.

TABLE X-4.—*Investment of reserve, 1891 to 1933*¹

(Figures represent purchase price of securities in millions of marks)

Year	Securities			Loans			Real estate	Equipment (book value) ²	Cash, including bank credit	Total gross reserve	Debts	Total net reserve
	Federal bonds	State bonds, including State railway bonds	Other bonds, including bonds of communes and parishes	To communes and parishes	Mortgages	Savings bank deposits						
1891.....	5	22	29	14	3	(3)	2	-----	1	76	-----	76
1892.....	14	35	49	37	6	(3)	5	-----	5	151	-----	151
1893.....	22	47	71	60	12	(3)	8	-----	6	226	-----	226
1894.....	25	55	99	84	23	(3)	9	-----	9	304	-----	304
1895.....	26	64	129	102	42	(3)	9	-----	8	380	-----	380
1896.....	25	71	167	119	61	(3)	9	-----	7	459	-----	459
1897.....	25	73	198	146	79	(3)	11	-----	5	537	-----	537
1898.....	25	72	217	186	100	(3)	11	-----	7	618	-----	618
1899.....	25	77	231	219	120	(3)	15	-----	13	700	-----	700
1900.....	29	109	280	238	152	2	22	-----	14	846	-----	846
1901.....	32	111	298	264	175	3	31	-----	14	928	-----	928
1902.....	32	120	316	288	196	4	38	-----	13	1,007	-----	1,007
1903.....	34	126	336	306	218	5	44	-----	15	1,084	-----	1,084
1904.....	34	131	354	326	240	5	49	-----	21	1,160	-----	1,160
1905.....	36	134	367	351	262	6	55	-----	26	1,237	-----	1,237
1906.....	36	137	379	386	287	7	61	-----	24	1,317	-----	1,317
1907.....	35	139	384	435	314	8	69	-----	21	1,405	-----	1,405
1908.....	36	144	384	473	344	10	77	-----	21	1,489	-----	1,489
1909.....	38	148	384	505	382	11	82	-----	23	1,573	-----	1,573
1910.....	42	157	382	540	416	12	85	-----	28	1,662	-----	1,662
1911.....	52	174	381	564	455	13	89	-----	31	1,759	-----	1,759
1912.....	67	225	380	604	499	15	92	7	41	1,930	-----	1,930
1913.....	77	286	382	651	560	16	97	8	31	2,108	-----	2,108
1914.....	225	322	383	709	600	17	101	8	27	2,392	141	2,251
1915.....	478	322	375	754	615	18	106	9	27	2,704	350	2,354

See footnotes at end of table.

TABLE X-4.—*Investment of reserve, 1891 to 1933*¹—Continued

(Figures represent purchase price of securities in millions of marks)

Year	Securities			Loans			Real estate	Equipment (book value) ²	Cash, including bank credit	Total gross reserve	Debts	Total net reserve
	Federal bonds	State bonds, including State railway bonds	Other bonds, including bonds of communes and parishes	To communes and parishes	Mortgages	Savings bank deposits						
1916	745	318	362	749	616	16	108	9	12	2,935	507	2,428
1917	1,009	310	351	736	617	16	108	9	26	3,182	663	2,519
1918	1,204	290	317	670	602	15	108	9	41	3,256	807	2,449
1919	1,203	289	297	623	565	15	108	12	18	3,130	796	2,334
1920	1,172	288	291	590	536	13	135	21	39	3,085	994	2,091
1921	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	3,616	592	3,024
1922	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
1923			125				104	10	15	254	1	253
1924			153				105	11	61	330	1	329
1925	18	2	38	30	127	7	111	12	130	475	44	431
1926	54	6	74	45	158	9	118	14	163	641	54	587
1927	67	17	166	118	200	14	126	16	211	935	54	881
1928	88	40	237	239	315	34	143	19	220	1,335	58	1,277
1929	216	41	248	289	393	32	163	22	239	1,643	60	1,583
1930	225	46	284	290	451	27	183	24	167	1,697	60	1,637
1931	200	38	245	258	445	10	190	26	112	1,524	72	1,452
1932		326			700		189	24	112	1,351	84	1,267
1933		310			656		185	21	135	1,307	79	1,228
1934												1,409

¹ The figures for the special funds are included only from 1900 on.² Less than 500,000 marks.³ The equipment was listed as property only from 1912 on.⁴ No data.

The question may be raised why the accumulated capital was not larger. Comparing it with estimates of the reserve that will be built up under the proposed United States wage and pay-roll taxes, it appears small indeed. There are several reasons for this. In the first place, wages are lower in Germany than in this country. In the second place, contributions before the war did not amount to much more than 2 percent of these wages, the benefits being correspondingly low. In the third place, the insured population is only about half the size it will be here. Then, stress has been laid in Germany on the curing of invalidity from the beginning, and this has meant that a large portion of the expenditures has been spent for rehabilitation of invalid workers rather than for the payment of pensions. Finally, and most important of all, full old-age benefits were given to workers who reached retirement age without requiring that they qualify for pensions by a long contributory period.

Table X-5 indicates the percentage distribution of the various kinds of investments of insurance reserve funds. This table shows what a large percentage of the capital has been invested in securities and loans to local governments. This was to be expected, since the law left the investment of the funds to the discretion of the regional offices, and each locality obviously wished to keep the funds which it raised. During the war the proportion of the reserve invested in Federal bonds increased greatly because of the fact that the insurance offices helped to finance the war by subscribing to war loans. The total invested by them in such loans in the course of the war amounted to almost one and one-half billion marks, or to more than half the total reserve. The investments in Federal Government bonds increased again from 1929 on, because the Government paid its share of the cost of pensions by bonds rather than in cash.

TABLE X-5.—Investment of reserve by type of investment

Year	Percentage of total investment									
	Securities			Loans			Real estate	Equip-ment ¹	Cash	
	Fed-eral bonds	State bonds	Other bonds	To com-munes and parishes	Mort-gages	Savings bank deposits				
1891	7.0	28.5	37.3	19.0	4.1	0.1	2.6	-----	1.4	
1892	9.0	23.2	32.7	24.7	3.8	.1	3.5	-----	3.0	
1893	9.7	20.9	31.5	26.6	5.3	.1	3.4	-----	2.5	
1894	8.3	18.1	32.6	27.5	7.5	.1	2.8	-----	3.1	
1895	6.8	16.8	33.9	26.9	11.0	.1	2.4	-----	2.1	
1896	5.4	15.4	36.4	25.9	13.3	(²)	2.1	-----	1.5	
1897	4.7	13.6	36.8	27.2	14.7	(²)	2.0	-----	1.0	
1898	4.1	11.6	35.1	30.1	16.2	(²)	1.8	-----	1.1	
1899	3.6	11.0	33.0	31.2	17.2	(²)	2.1	-----	1.9	
1900	3.4	12.9	33.1	28.1	18.0	.3	2.6	-----	1.6	
1901	3.5	12.0	32.1	28.4	18.8	.3	3.4	-----	1.5	
1902	3.2	11.9	31.4	28.6	19.4	.4	3.8	-----	1.3	
1903	3.1	11.6	31.0	28.3	20.1	.4	4.1	-----	1.4	
1904	2.9	11.2	30.5	28.1	20.7	.5	4.3	-----	1.8	
1905	2.9	10.8	29.7	28.4	21.2	.5	4.4	-----	2.1	
1906	2.7	10.4	28.8	29.3	21.8	.6	4.6	-----	1.8	
1907	2.5	9.9	27.3	31.0	22.3	.6	4.9	-----	1.5	
1908	2.4	9.7	25.8	31.8	23.1	.7	5.1	-----	1.4	
1909	2.4	9.4	24.4	32.1	24.3	.7	5.2	-----	1.5	
1910	2.5	9.4	23.0	32.5	25.0	.8	5.1	-----	1.7	
1911	3.0	9.9	21.6	32.1	25.9	.7	5.1	-----	1.7	
1912	3.4	11.7	19.7	31.3	25.9	.7	4.8	0.4	2.1	
1913	3.6	13.6	18.1	30.9	26.6	.7	4.6	.4	1.5	
1914	9.4	13.5	16.0	29.6	25.1	.7	4.2	.4	1.1	
1915	17.7	11.9	13.9	27.9	22.7	.7	3.9	.3	1.0	
1916	25.4	10.8	12.3	25.5	21.0	.6	3.7	.3	.4	
1917	31.7	9.8	11.0	23.1	19.4	.5	3.4	.3	.8	
1918	37.0	8.9	9.7	20.5	18.5	.5	3.3	.3	1.3	
1919	38.4	9.2	9.5	19.9	18.1	.5	3.4	.4	.6	
1920	38.0	9.3	9.4	19.1	17.4	.4	4.4	.7	1.3	
1923	49.0							40.9	4.1	6.0
1924	46.3							31.9	3.2	18.6
1925	3.9	.5	8.0	6.3	26.7	1.4	23.3	2.5	27.4	
1926	8.5	1.0	11.5	7.0	24.6	1.4	18.4	2.2	25.4	
1927	7.2	1.9	17.7	12.6	21.4	1.5	13.5	1.7	22.5	
1928	6.6	3.0	17.8	17.9	23.6	2.5	10.7	1.4	16.5	
1929	13.2	2.5	15.1	17.6	23.9	1.9	9.9	1.3	14.6	
1930	13.3	2.7	16.8	17.1	26.5	1.6	10.8	1.4	9.8	
1931	13.1	2.5	16.1	17.0	29.2	.6	12.5	1.7	7.3	
1932							14.0	1.8	8.3	
1933	24.1			51.8			14.2	1.6	10.3	
	23.7			50.2						

¹ The value of the equipment was entered as part of the reserve only from 1912 on.

² Less than $\frac{1}{10}$ of 1 percent.

Investments Promoting the General Welfare.—A very large proportion of the reserve has always been used for the purpose of promoting the general welfare. Before the war about one-half of the accumulated capital—or the share representing the workers' own contributions—was employed in many varied enterprises which would all eventually benefit the insured class. Funds were lent to communities for the purpose of building workers' dwellings, hospitals, convalescent homes, public-health centers, labor colonies, public baths, homes for the blind, kindergartens, water works, and sewerage systems. Insurance funds were also used to finance consumers' cooperatives and to promote public instruction. The regional offices themselves built hospitals and sanatoria in which invalid workers were treated. A smaller portion of the funds was used for extending credit to agricultural sections of the country. The funds served the

purpose of financing mortgages, light railways to outlying districts, improvement of land and roads, stock breeding, alleviation of shortage of feed, drainage and irrigation, cultivation of moorland, reforestation, and similar enterprises. Table X-6 gives the history of these investments.

TABLE X-6.—*Investments promoting the general welfare*

Year	Workmen's dwellings ¹	Agricultural credit ²	Construction of hospitals ³	Institutions built by regional offices ⁴	Investments promoting the general welfare			Total reserve	Percent of reserve used for general welfare
					Total made	Paid back to end of year	Total at end of year		
(In millions of marks)									
1896.....	12	13	6	-----	31	-----	31	460	6.7
1897.....	21	17	10	-----	48	-----	48	538	8.9
1898.....	35	36	14	-----	85	-----	85	617	13.8
1899.....	52	45	36	-----	133	-----	133	700	19.0
1900.....	78	55	54	12	199	-----	199	846	23.5
1901.....	88	65	108	18	279	-----	279	929	30.0
1902.....	103	67	128	24	322	-----	322	1,007	32.0
1903.....	118	70	149	29	366	-----	366	1,084	33.8
1904.....	133	73	178	33	417	-----	417	1,160	35.9
1905.....	151	76	211	36	474	-----	474	1,238	38.3
1906.....	173	79	246	41	539	-----	539	1,319	40.9
1907.....	196	90	293	47	626	-----	626	1,404	44.6
1908.....	239	96	340	54	729	86	643	1,490	43.2
1909.....	281	103	389	56	829	108	721	1,574	45.8
1910.....	320	110	447	60	937	124	813	1,662	48.9
1911.....	362	114	482	64	1,022	141	881	1,759	50.1
1912.....	418	114	517	68	1,117	161	956	1,929	49.6
1913.....	483	120	562	80	1,245	180	1,065	2,105	50.6
1914.....	533	129	605	85	1,352	206	1,146	2,252	50.9
1915.....	559	134	631	89	1,413	224	1,189	2,355	50.5
1916.....	567	135	642	92	1,436	242	1,194	2,428	49.2
1917.....	572	135	698	94	1,499	274	1,225	2,519	48.6
1918.....	578	135	701	97	1,511	328	1,183	2,451	48.3
1919.....	576	135	683	97	1,491	393	1,098	2,334	47.0
1920.....	590	135	686	121	1,532	451	1,081	2,091	51.7
1921.....	659	135	704	149	1,647	530	1,117	3,023	37.0
1922 ⁵	-----	-----	-----	-----	-----	-----	-----	-----	-----
1923 ⁵	-----	-----	-----	-----	-----	-----	-----	-----	-----
1924 ⁵	-----	-----	-----	-----	-----	-----	-----	-----	-----
1925.....	34	7		20	61	-----	61	431	14.2
1926.....	57	14	-----	43	114	-----	114	589	19.4
1927.....	110	37	-----	42	189	-----	189	882	21.4
1928.....	213	84	-----	46	343	-----	343	1,278	26.8
1929.....	316	113		67	496	-----	496	1,582	31.4
1930.....	375	24	106	90	595	-----	595	1,637	36.3
1931.....	373	24	104	95	596	-----	596	1,451	41.1
1932.....	364	22	100	102	588	-----	588	1,267	46.4

¹ Including hostels for single persons, etc.

² Including mortgages, light railways, improvement of land and roads, stock breeding, alleviation of shortage of feed, drainage of land and irrigation, cultivation of moorland, reforestation.

³ Including convalescent homes, public-health centers, labor colonies, public baths, homes for the blind, kindergartens, slaughterhouses, waterworks and sewerage systems, consumers' cooperatives, public instruction, and other similar public-service institutions.

⁴ Hospitals, sanatoria, tuberculosis sanatoria, convalescent homes, institutions for disabled workers, etc.

⁵ No data.

The public-service institutions established or financed by insurance funds were not distributed equally throughout the country, but the question as to which regional offices did most in this respect has not been studied. It is believed that the industrial regions, such as Berlin and the port cities which had a strong labor movement, had a greater share in these activities than did the rural and small-town sections.

Interest on Investments.—The prophesies that a large reserve would lead to a lowering of the interest rate proved fallacious. Before 1914 the average interest rate hardly ever fell below 3.5 percent, the rate which had been used in making the first actuarial forecasts. It was slightly above that in most of the years. When large investments were made in war loans at an interest rate of 5 percent, the average rate for all investments went up to over 4 percent. Since 1928 the rate has been about 5 percent.

It may be seen from table X-7, which shows the receipts and expenditures of the regional offices from 1891 to 1934, that the income from investments was sufficient to cover more than one-half of the cash benefit payments in the years immediately preceding the war.

ADMINISTRATION

Up to the time of the present National-Socialist regime, the administration of the insurance law was characterized by a large degree of local autonomy. Before the war there were 31 regional insurance institutes, plus 10 special funds for railroad workers, miners, and seamen, all responsible for making the collections, investing the funds, and fixing the benefits. These 41 funds were administered according to rules laid down by a statute adopted by the locality, the province, or the state, which to be valid had to be submitted to the Federal insurance institute for approval in order to make sure that it was in accordance with the provisions of the Federal law. The Versailles Treaty reduced the number of regions by 2 to a total of 29. In addition, some of the special funds were consolidated so that only 6 existed at the time when the present party came to power. These regional offices and special funds had a large degree of autonomy. They administered the law, kept the funds which they collected, and invested them. In these investments they were limited by certain rules contained in the Federal law, for example, that a certain proportion of the total had to be invested in Federal and state securities. But on the whole the funds remained in the section of the country in which they were raised and were used for whatever purpose the regional office thought fit. Only in the matter of appeal proceedings was the Federal insurance office supreme. The final court of appeal in all insurance matters has consisted of judges who are a part of the Federal insurance office.

The post office sells the contribution stamps to employers, and also makes the monthly benefit payments in accordance with instructions received from regional offices.

Under the present government, the local autonomy of the regional offices was curtailed by a law adopted July 15, 1934. This law contemplates a much greater centralization of the administration, and it also empowers the Minister of Labor to request the regional offices to invest a greater share of their funds in Federal securities than had been the case up to that time.

Another recent change consisted in the introduction of the "leadership" principle. Up to 1933 a board consisting of representatives of employers and employees performed supervisory functions over the officials administering the law. This board is replaced by a "leader" by the law of July 15, 1934.

The Federal Insurance Institute was an independent Government office up to 1922. In that year it was put under the Ministry of Labor and has remained there up to the present time.

It will be seen from table X-7, showing the receipts and expenditures from 1891 to 1934, that the cost of administering the insurance system rose steadily up to the time of the present depression. The functions of administration remained very much the same throughout the years, except that from 1930 on,

TABLE X-7.—Receipts and expenditures, 1891-1934

[In thousands of marks]

Year	Receipts				Expenditures						Balance or deficit at end of year
	Contributions	Interest on investments and rent on property owned by regional offices ¹	Other receipts, including fines and profit on sale of securities	Total receipts	Pension payments	Refunds and single cash payments to widows and orphans	Medical treatment, family allowances for persons undergoing treatment, and orphan asylums	Administration	Other expenditures, including loss on sale of securities	Total expenditures	
1891.....	93, 972	757	39	94, 768	9, 250	-----	-----	3, 838	61	13, 149	81, 619
1892.....	95, 643	3, 746	164	99, 553	13, 323	-----	32	4, 776	59	18, 190	81, 363
1893.....	96, 909	6, 585	185	103, 679	16, 576	-----	108	4, 952	92	21, 728	81, 951
1894.....	100, 036	9, 503	640	110, 179	20, 528	-----	365	5, 267	120	26, 280	83, 899
1895.....	102, 721	12, 402	1, 002	116, 125	24, 897	219	632	5, 889	174	31, 811	84, 314
1896.....	109, 136	15, 319	538	124, 993	28, 939	1, 975	1, 176	6, 420	344	38, 854	86, 139
1897.....	112, 812	18, 005	387	131, 204	32, 781	3, 390	1, 886	6, 879	353	45, 289	85, 915
1898.....	117, 952	20, 815	396	139, 163	37, 413	4, 497	2, 630	7, 672	239	52, 451	86, 712
1899.....	127, 263	23, 704	297	151, 264	42, 086	5, 446	4, 016	8, 580	298	60, 426	90, 838
1900.....	128, 770	27, 271	267	156, 308	49, 688	6, 616	5, 664	10, 029	1, 215	73, 212	83, 096
1901.....	134, 814	30, 481	359	165, 654	57, 107	6, 924	7, 369	10, 676	175	82, 251	83, 403
1902.....	138, 986	33, 441	400	172, 827	66, 035	7, 133	9, 396	11, 694	254	94, 512	78, 315
1903.....	146, 276	36, 257	334	182, 867	75, 294	7, 555	10, 450	12, 552	213	106, 064	76, 803
1904.....	154, 088	38, 778	359	193, 225	83, 574	7, 858	11, 649	13, 745	275	117, 101	76, 124
1905.....	161, 292	41, 314	355	202, 961	89, 554	8, 171	13, 144	14, 700	257	125, 826	77, 135
1906.....	170, 126	44, 140	317	214, 583	94, 215	8, 436	14, 630	15, 864	453	133, 598	80, 985
1907.....	178, 643	47, 160	368	226, 171	97, 973	8, 854	16, 443	16, 901	458	140, 629	85, 542
1908.....	184, 422	50, 598	340	235, 360	102, 170	9, 237	19, 548	18, 254	608	149, 817	85, 543
1909.....	188, 438	53, 631	324	242, 393	106, 765	9, 420	21, 344	19, 661	703	157, 893	84, 500
1910.....	197, 354	56, 736	364	254, 454	111, 449	9, 430	23, 408	21, 367	753	166, 407	88, 047
1911.....	209, 806	60, 014	335	270, 155	115, 691	10, 246	24, 646	21, 854	514	172, 951	97, 204
1912.....	273, 419	63, 947	7, 503	344, 869	121, 788	1, 773	26, 562	23, 481	1, 486	175, 090	169, 779
1913.....	289, 952	70, 465	402	360, 819	129, 746	210	29, 851	24, 408	208	184, 423	176, 396
1914.....	267, 209	75, 834	348	343, 391	138, 066	280	33, 643	24, 156	265	196, 410	146, 981
1915.....	224, 021	84, 820	440	309, 281	143, 708	997	38, 635	23, 225	649	207, 214	102, 067
1916.....	222, 430	86, 651	361	309, 442	169, 195	1, 114	39, 228	25, 435	668	235, 640	73, 802
1917.....	251, 167	93, 444	473	345, 084	186, 540	1, 063	35, 820	29, 205	1, 373	254, 001	91, 083
1918.....	261, 183	96, 780	573	358, 536	272, 143	961	42, 950	38, 056	3, 533	357, 643	893
1919.....	312, 077	97, 191	787	410, 055	369, 372	1, 059	65, 630	58, 028	54	494, 143	-84, 088
1920.....	562, 919	100, 850	949	664, 718	608, 276	673	163, 730	133, 566	986	907, 231	-242, 513
1921.....	2, 793, 823	(²)	(²)	2, 891, 692	1, 452, 367	(²)	(²)	195, 174	(²)	1, 947, 029	944, 663
1922.....	(³)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
1923.....	(⁴)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
1924.....	362, 525	5, 845	7, 545	375, 915	252, 157	-----	23, 336	24, 171	554	300, 208	75, 707
1925.....	548, 934	13, 228	4, 988	567, 150	386, 126	-----	41, 287	32, 974	5, 407	465, 794	101, 356
1926.....	659, 600	19, 878	96, 034	775, 512	524, 941	-----	50, 496	37, 600	4, 859	617, 896	157, 616
1927.....	875, 217	29, 635	95, 690	1, 000, 542	601, 721	-----	60, 106	43, 413	2, 082	707, 322	293, 220
1928.....	1, 075, 846	54, 714	71, 195	1, 201, 755	671, 594	-----	78, 188	52, 203	3, 890	805, 875	395, 880
1929.....	1, 092, 047	78, 270	65, 093	1, 235, 410	769, 956	-----	97, 622	55, 029	8, 360	930, 967	304, 443
1930.....	986, 368	87, 836	51, 538	1, 125, 742	905, 818	-----	99, 315	61, 884	4, 085	1, 071, 102	54, 640
1931.....	819, 197	88, 822	16, 054	924, 073	969, 854	-----	69, 018	65, 116	5, 542	1, 109, 530	-185, 457
1932.....	642, 210	70, 733	12, 785	725, 728	794, 177	-----	40, 969	57, 266	17, 975	910, 387	-184, 659
1933.....	678, 680	57, 804	8, 146	744, 630	690, 035	-----	35, 139	53, 802	3, 107	782, 083	-37, 453
1934.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	180, 000

¹ The rent on property owned by the regional offices was entered on the books beginning with Dec. 1, 1899, and the rate at which it was computed was changed several times subsequently. It does not constitute actual receipts, but is merely a book entry.

² Unknown.

³ RM. 12,000,000,000 (twelve billion).

⁴ RM. 16,000,000,000,000,000 (sixteen quintillion).

as a result of the financial difficulties of the Federal Government, the regional offices had to reimburse the post offices for their services in selling stamps and paying cash benefits. Up to 1930 this service on the part of the post offices constituted a part of the Federal subsidy to the insurance scheme. The reimbursement to the post office now constitutes approximately 20 to 25 percent of the total cost of administration.

That the rise in the cost of administration results from the general expansion of the scheme, rather than inefficiency, may be seen from table X-8, which relates the cost of administration to the total expenditures and the total receipts.

TABLE X-8.—*Proportion of cost of administration to total expenditures and total receipts*

Year	Percentage of—		Year	Percentage of—		
	Total expenditures	Total receipts		Total expenditures	Total receipts	
1891.....	29.2	4.0	1913.....	13.2	6.8	
1892.....	26.3	4.8	1914.....	12.3	7.0	
1893.....	22.8	4.8	1915.....	11.2	7.5	
1894.....	20.0	4.8	1916.....	10.8	8.2	
1895.....	18.5	5.1	1917.....	11.5	8.5	
1896.....	16.5	5.1	1918.....	10.6	10.6	
1897.....	15.2	5.2	1919.....	11.7	14.2	
1898.....	14.6	5.5	1920.....	14.7	20.1	
1899.....	14.2	5.7	1921.....	} Not available		
1900.....	13.7	6.4	1922.....			
1901.....	13.0	6.4	1923.....			
1902.....	12.4	6.8	1924.....		8.1	6.4
1903.....	11.8	6.9	1925.....		7.1	5.8
1904.....	11.7	7.1	1926.....	6.1	4.8	
1905.....	11.7	7.2	1927.....	6.1	4.3	
1906.....	11.9	7.4	1928.....	6.5	4.3	
1907.....	12.0	7.5	1929.....	5.9	4.5	
1908.....	12.2	7.8	1930.....	5.8	5.5	
1909.....	12.5	8.1	1931.....	5.9	7.0	
1910.....	12.8	8.4	1932.....	6.3	7.9	
1911.....	12.6	8.1	1933.....	6.9	7.2	
1912.....	13.4	6.8				

The trend in the proportion of the cost of administration to the total expenditures is downward except for the years immediately preceding the war. One of the reasons for the increase in administrative cost in the years from 1906 to 1914 was that the distribution of the cost between the common pooled fund, the individual regional funds, and the Government according to a very complicated formula involved considerable work. Later on when costs were allocated to the regional offices in direct proportion to their receipts, much of this administrative detail work was eliminated. Another reason for the increase in the administrative cost before the war may be found in the increasing importance placed upon the curing of invalidity. The benefits paid for this purpose increased at a more rapid rate in those years than did the payment of pensions. Another possible reason may well be found in the work connected with investing the considerable reserve which had been accumulated by that time.

The proportion which the cost of administration bears to the total receipts shows no trend either upward or downward. These percentages reflect largely the employment conditions of the country, the percentage being high when employment is low, and low when employment is high.

COVERAGE

From the very beginning the German social insurance law has covered by compulsory insurance almost all persons working for a wage. The reason for bringing under the law the entire working population from the start may be found in the fact that Germany had general sickness and accident insurance laws before insuring its workers against invalidity and old age. The original law of 1889 included workers in agriculture and forestry as well as domestic service. Salaried employees were covered if their salaries did not exceed 2,000 marks a year. In 1912 this group of employees was insured under a separate law. Only one group of workers was included later which had not been covered at first. They were the home workers. The home workers in the textile, tobacco, and cigar industries were included by the amendment of 1899, and the remainder of this group by an amendment passed in 1923. Casual workers still remain excluded, but must obtain a special permit if they want to be relieved from the obligation of paying contributions.

The number of persons covered is shown in the following tabulation. The decline after the war resulted from the fact that Germany lost some territory through the Treaty of Versailles; the decline in 1934 was the result of unemployment.

Number of persons covered by invalidity insurance 1893-1934

1893	10,700,000
1898	11,600,000
1903	13,600,000
1907	14,600,000
1913	18,100,000
1924	17,000,000
1928	18,000,000
1934	17,000,000

The law provides that persons leaving an insurable occupation may continue their insurance voluntarily if they desire to do so. In that case, they are required to pay the employer's share of the contribution as well as their own.

The needs of independent craftsmen, small employers, and farmers are taken into consideration by providing that they may come under the scheme by paying the full contribution rate and a share of the administrative cost, provided they are not over 40 years of age at the time they become insured. This privilege is limited to people who do not employ more than two persons at any time of the year.

CONTRIBUTIONS

Contributions have been shared equally by employers and workers from the beginning of the scheme. Workers have always received credit for periods of illness, and for periods of compulsory military service and more recently also for periods of unemployment.

For the purpose of making the collections as simple as possible and still graduating the contribution in accordance with the wage of the worker, wage classes were initially established, the same contribution being required of all workers belonging to the same wage class.

The rates of contribution as well as the wage classes themselves have been changed frequently, as may be seen from table X-9. In order to be able to make some comparison with the proposed American law, these rates are expressed as percentages of the lower and upper limit of each wage class in table X-10. The period of inflation is omitted from the latter table for the reason that wage classes and contribution rates had to be changed frequently to keep step with the rapid decline in the value of the money.

TABLE X-9.—*Wage classes and contribution rates, 1891-1934*

[In marks]

Wage classes	Yearly income	Weekly contributions from—					
		Jan. 1, 1891, to Dec. 31, 1899	Jan. 1, 1900, to Dec. 31, 1911	Jan. 1, 1912, to Dec. 31, 1916	Jan. 1, 1917, to July 31, 1920	Aug. 1, 1920, to Dec. 19, 1920	Dec. 20, 1920, to Dec. 31, 1923
I.....	To 350.....	0.14	0.14	0.16	0.18	0.90	During the inflation period wage classes and contribution rates were changed frequently to keep step with the decline in the value of money. At the end of 1923 the weekly contribution in the highest wage class (V) was 1,160 billion marks.
II.....	More than 350 to 550.....	.20	.20	.24	.26	1.00	
III.....	More than 550 to 850.....	.24	.24	.32	.34	1.10	
IV.....	More than 850 to 1,150.....	.30	.30	.40	.42	1.20	
V.....	More than 1,150.....	.....	.36	.48	.50	1.40

Wage classes	Weekly wages	Weekly contribution from Jan. 1, 1924, to Sept. 27, 1925	Weekly wages	Weekly contributions from—			
				Sept. 28, 1925, to June 26, 1927	June 27, 1927, to Dec. 31, 1927	Jan. 1, 1928, to Dec. 31, 1933	From Jan. 1, 1934, on
I.....	To 10.....	0.20	To 6.....	0.25	0.30	0.30	0.30
II.....	More than 10 to 15.....	.40	More than 6 to 12.....	.50	.60	.60	.60
III.....	More than 15 to 20.....	.60	More than 12 to 18.....	.70	.90	.90	.90
IV.....	More than 20 to 25.....	.80	More than 18 to 24.....	1.00	1.20	1.20	1.20
V.....	More than 25.....	1.00	More than 24 to 30.....	1.20	1.50	1.50	1.50
VI.....	.....	.....	More than 30 to 36.....	1.40	1.80	1.80	1.80
VII.....	.....	.....	More than 36 to 42.....	.....	.....	2.00	2.10
VIII.....	.....	.....	More than 42.....	.....	.....	.....	2.40
IX.....	.....	.....	Voluntary class.....	.....	.....	.....	2.70
X.....	.....	.....	do.....	.....	.....	.....	3.00

TABLE X-10.—*Rate of contribution as percent of lower and upper limit of each wage class*

Wage class	Jan. 1, 1891, to Dec. 31, 1899	Jan. 1, 1900, to Dec. 31, 1911	Jan. 1, 1912, to Dec. 31, 1916	Jan. 1, 1917, to July 31, 1920	Aug. 1, 1920, to Dec. 19, 1920
I.....	To 1.9.....	To 1.9.....	To 2.1.....	To 2.4.....	To 12.0.
II.....	2.7 to 1.7.....	2.7 to 1.7.....	3.2 to 2.0.....	3.5 to 2.2.....	13.4 to 8.5.
III.....	2.1 to 1.3.....	2.1 to 1.3.....	2.8 to 1.7.....	3.0 to 1.8.....	9.4 to 6.1.
IV.....	1.7 to 1.2.....	1.7 to 1.2.....	2.3 to 1.6.....	2.4 to 1.7.....	6.6 to 4.9.
V.....	.....	1.5 to.....	2.0 to.....	2.1 to.....	5.7 to.

Wage class	Jan. 1, 1924, to Sept. 27, 1925	Sept. 28, 1925, to June 26, 1927	June 27, 1927, to Dec. 31, 1927	Jan. 1, 1928, to Dec. 31, 1933	From Jan. 1, 1934, on
I.....	To 2.0.....	To 4.2.....	To 5.0.....	To 5.0.....	To 5.0.
II.....	4.0 to 2.7.....	8.3 to 4.2.....	10.0 to 5.0.....	10.0 to 5.0.....	10.0 to 5.0.
III.....	4.0 to 3.0.....	5.8 to 3.9.....	7.5 to 5.0.....	7.5 to 5.0.....	7.5 to 5.0.
IV.....	4.0 to 3.2.....	5.6 to 4.2.....	6.7 to 5.0.....	6.7 to 5.0.....	6.7 to 5.0.
V.....	4.0 to.....	5.0 to 4.0.....	6.3 to 5.0.....	6.3 to 5.0.....	6.3 to 5.0.
VI.....	.....	4.7 to 3.9.....	6.0 to 5.0.....	6.0 to 5.0.....	6.0 to 5.0.
VII.....	.....	.....	.....	5.6 to.....	5.8 to 5.0.
VIII.....	.....	.....	.....	.....	5.7 to.

The contribution rate increased from approximately 2 percent of the wages in 1891 to 5–6 percent in 1934. The present government has announced that it is to be raised further by about 1.5 percent as soon as general business conditions have improved, and by a further 1.5 percent in 1950. When the law was first introduced it was predicted that the original rates would have to be doubled within 80 years. Subsequently the law was liberalized in a number of important respects, so that the original forecasts would not have held good under any circumstances.

On the whole, the low-paid worker pays the higher percentage of the wage. This apparent discrimination against persons belonging to a low-wage class was justified by the drafters of the original law by the statement that the administrative expenses for all workers were the same and that the low-paid workers should pay their share. From 1927 on, this injustice was rectified to some extent by having a uniform rate of 5 percent for the upper wage limit of each class.

BENEFITS

The original law covered the risks of invalidity and old age. Of these two risks that of invalidity was considered the more important from a social point of view. Not only was much stress laid on medical attention and treatment, but very soon after the law was put into effect, the expenditures for invalidity pensions exceeded many times those for old-age pensions. This was the case in spite of the fact that the old-age insurance was fully retroactive: the contribution period was shortened for the persons who were over 40 years old at the time they entered insurance by the number of years that they exceeded that age. For this reason the maximum old-age pension load was reached very soon after the law was adopted. Survivors' pensions were added in 1912 and took the place of the cash refunds which up to that time had been granted in cases of marriage, accident, and death.

Old-Age Pensions.—The original law provided that old-age pensions be paid from age 70 on after a contributory period of 1,200 weeks. This contributory period was shortened by 47 weeks for each year the worker was beyond 40 years of age, if the insured could prove that for 3 years preceding the effective date of the law he had been employed in an insurable occupation. If he could prove that, he was entitled to the full old-age pension after 1 week's contribution only. This is no doubt one of the main reasons why the reserve did not reach the proportionate size which is forecast for the proposed United States old-age benefit system. The conditions for receiving an old-age pension were liberalized in the law of 1900, and the provision for shortening the qualifying period was retained not only for the initial generation but for all persons who entered compulsory insurance after they were 40 years of age. Later this was changed to 35 years of age. From the beginning there had been a considerable movement toward lowering the age limit for the receipt of pensions, but it remained 70 until 1916. In that year it was lowered to 65.

The framers of the original law considered the old-age annuity merely a supplement to the earnings of the worker. It was not conceived as a retirement allowance. When the old person became incapable of working he could ask to have his old-age pension changed to an invalidity pension. The latter was higher, and under it the insured was given full credit for all contributions made. One of the changes made in 1922 under the Republic was to grant the person who had reached retirement age the full amount of the invalidity pension whether or not he was an invalid. This same law lowered the qualifying

period from 1,200 to 200 weeks. Under the pressure of the depression the qualifying period for an old-age pension was increased to 750 weeks in 1929.

Table X-1 gives a summary of the legal provisions according to which the amount of the old-age pensions has been computed at various times in the history of the law. It will be seen from this table that until 1922 the old-age pension consisted of the fixed Federal subsidy of 50 marks a year plus an increment varying with the wage class to which the insured belonged. After 1922 the old-age pension was computed in the same manner as the invalidity pension. It consisted of the fixed Federal subsidy, a fixed basic amount, plus an increment varying with the number and amount of contributions paid by the insured for the entire period during which he was covered.

The amount payable in the several wage classes after a contributory period of 2,000 weeks from the date of each change in the law may be seen from table X-11.

TABLE X-11.—*Yearly amount of old-age pension*

[Contributory period of 2,000 weeks from date of each change in the law]

Period	Amount of pension in marks for specified wage classes							
	I	II	III	IV	V	VI	VII	VIII
1891 to 1899.....	106	135	163	191	-----	-----	-----	-----
1900 to 1922.....	110	140	170	200	230	-----	-----	-----
January 1924 to July 1924.....	196	236	276	316	356	-----	-----	-----
August 1924 to March 1925.....	208	248	288	328	368	-----	-----	-----
April 1925 to July 1925.....	232	272	312	352	392	-----	-----	-----
August 1925 to March 1927.....	340	440	520	640	720	800	-----	-----
April 1927 to March 1928.....	360	480	600	720	840	960	-----	-----
April 1928 to June 1932.....	360	480	600	720	840	960	1,040	-----
July 1932 to December 1933.....	276	396	516	636	756	876	956	-----
January 1934 to.....	192	312	432	552	672	792	912	1,032

The amount of the old-age pension remained fairly stationary in the 24 years before the war. During the inflation period the pensioners found themselves in very great financial difficulties, as did everyone else who depended on a fixed income. From 1918 on it was necessary to grant the pensioners additional allowances, which soon were many times the amount of the pension itself. These supplementary allowances amounted to 8 marks a month in 1918 for all old-age and invalidity pensions, 20 marks in 1919, 30 marks in 1920, 70 marks in 1921, and from 1922 on, the pensioners were put on a needs test and received payments on a relief basis. The Federal Government shared with the states and localities the expense of the relief of the pensioners during this period. When the currency was stabilized in 1924, flat pensions were first paid to all persons entitled to them, and no credit was given for any contributions paid before the war. Soon, however, this system was abandoned, and from April 1925 on, pensions were increased in proportion to the number and the amount of the contributions paid before as well as after the war. (See table X-1.) From that time on the labor movement exerted political pressure, as a result of which the amount of the pension was more than trebled in all wage classes compared with pre-war benefits. The financial difficulties caused by the present depression made it necessary not only to compute the new pensions on a different basis but to cut all current pensions by 72 marks a year. In 1932 the Von Papen government cut the fixed basic amount by 50 percent, and the present government canceled this portion of the pension altogether. (See table X-1.) According to the law now in effect, the pensions in the lowest

wage class amount to only slightly over 50 percent of the pensions paid under the republic. The higher-paid workers fare somewhat better.

As has been shown in the section on the rate of contribution, contributions were increased in the period after the war in approximately the same proportion as benefits. The present government, moreover, does not propose to lower contribution rates. On the contrary, it is hoped that rates may be increased when employment has picked up sufficiently to lower the unemployment insurance contributions.

The actual average amount of the new pensions granted each year since 1891 is shown in table X-12. This table indicates the very gradual increase in the amount of the pensions before the war, the jump to two and then to three times the pre-war amount under the Republic, and the drastic cut under the Von Papen and present governments.

TABLE X-12.—Average yearly amount of old-age pension grants

Year	Marks	Year	Marks	Year	Marks	
1891.....	124	1906.....	161	1921.....	} (1)	
1892.....	128	1907.....	162	1922.....		
1893.....	130	1908.....	163	1923.....		
1894.....	126	1909.....	164	1924.....		
1895.....	133	1910.....	164	1925.....		
1896.....	134	1911.....	165	1926.....		
1897.....	137	1912.....	166	1927.....		
1898.....	139	1913.....	167	1928.....		
1899.....	143	1914.....	168	1929.....		
1900.....	146	1915.....	170	1930.....		487
1901.....	150	1916.....	179	1931.....		504
1902.....	153	1917.....	173	1932.....		516
1903.....	155	1918.....	175	1933.....		426
1904.....	157	1919.....	181	1934.....		390
1905.....	159	1920.....	183			

¹ Not available.

These figures do not mean very much unless they be related to the wages which the individual received before drawing a pension. Unfortunately it is as difficult to procure information on the average wage in Germany as it is in the United States. An attempt has been made to arrive at an estimate of the average yearly wage from the amount of contributions paid in each wage class. This is not a very satisfactory method of making an estimate, because it does not take into account the degree of unemployment. The official publication of the Federal insurance office refuses to draw any conclusions as to a general average wage of the insured population from the available figures. Keeping in mind these limitations, one may make the statement that the average old-age pension was approximately 28 percent of the average wage in the first 10 years of the insurance scheme. This percentage declined slightly in the years from 1900 to 1914 for the reason that wages increased considerably during this period. After the war the percentage increased, but no figures are available until 1930, when the proportion was about 35 percent. Because of the severe unemployment and the wage cuts after that time, the estimates are too uncertain to be of value.

Invalidity Pensions.—Invalidity was defined as loss of two-thirds of the normal earning capacity under the law of 1889, and this definition has been retained up to the present time. Since sickness insurance takes care of periods of illness of less than 26 weeks' duration, it was found desirable to have the invalidity benefit begin as soon as the sickness benefit ceased. No such provision was included in the original law, but the change was made in 1900. For

a number of years special sickness pensions were granted, but as time went on, these were combined with the invalidity pensions. At the present time a person who has exhausted his sickness benefits becomes eligible for the invalidity pension automatically and is entitled to it until his earning capacity is restored.

The qualifying period for the invalidity pensions was fixed at 235 weekly contributions in the original law. It was lowered to 200 weeks in 1900 and raised to 250 weeks in October 1929.

Table X-1 lists the provisions according to which the amount of the invalidity pension has been computed throughout the years. The invalidity pension consists of three parts:

(1) A fixed Federal subsidy, amounting to 50 marks a year before the war. After the war it was 36 marks for the first half of 1924, was raised to 48 marks in August of 1924, and finally to 72 marks in 1925. It has remained at that figure since then.

(2) A fixed basic amount. This was a flat 60 marks for each pension paid from 1891 to 1900. It was raised for wage classes II to V in 1900 by 10, 20, 30, and 40 marks, respectively. No further change was made until after the war. In 1924 it was raised to 120 marks for all wage classes, then to 168 marks in 1925, cut to 84 marks in 1932, and canceled altogether in 1934.

(3) An increment varying with the number and amount of contributions paid on behalf of each individual worker. Numerous changes were made in the computation of this increment. The details may be found in table X-1.

When survivors' insurance was added to the system of invalidity and old-age insurance in 1912, provision was made for children's bonuses for pensioners who had children under 15 years of age. In the beginning the children's bonus for each child was fixed at one-tenth of the invalidity pension. In 1924 it became a fixed amount of 36 marks for each child. In 1925 this was raised to 90 marks and in 1928 to 120 marks. In 1932 it was again reduced to 90 marks. From 1924 to 1926 the age limit was 18 instead of 15. However, this proved too expensive, and the age limit was again lowered to 15. Children who went to school remained entitled to a bonus up to the age of 21, and those who were incapable of earning a living because of infirmity received a bonus without an age limit. In 1931 these latter provisions were canceled by executive order, and now no bonus is paid for children who are over 15 years of age.

Table X-13 shows the amount of the invalidity pension in the various wage classes after a contributory period of 250, 500, 1,000, and 2,000 weeks from the time of each change in the law. The actual average invalidity pension granted in each year is shown in table X-14. These two tables show that, as in the case of the old-age pension, invalidity benefits rose only slightly before the war, were increased in the twenties to approximately two to three times their pre-war amount, and were cut drastically, especially in the lower wage classes, under the Von Papen and present governments. Not only were the new pensions computed on a lower basis from 1932 on, but all current pensions were cut by 72 marks a year. This drop is likely to continue if the policies of the present government are not modified.

If these average pension grants are related to the estimated average wage of the insured population, it appears that the pensions constituted approximately 25 percent of the wage before the war and that this proportion had risen to 35 percent by 1930. What the proportion has been since 1930 is difficult to estimate because of severe unemployment and the decline in wages. These percentages are estimated only, because no figures on the average wage of the insured population are available.

Survivors' Pensions.—Survivors' insurance was not a part of the original law, but was added in 1912 and extended later on. Before it was included in the law, refunds amounting to one-half of the contributions paid were given to

the dependents of insured persons who died or suffered an accident, and to women who married, provided they had been insured for not less than 200 weeks. These refunds had always been comparatively small. By 1912 they averaged slightly over 100 marks (\$25) in cases of death and accident, while they were only about 40 marks (\$10) in cases of marriage. After the introduction of survivors' insurance, the provision for refunds was canceled.

TABLE X-13.—Yearly amount of invalidity pension

[In marks]

Period	Wage classes							
	I	II	III	IV	V	VI	VII	VIII
Contributory period of 250 weeks								
1891 to 1899.....	115	125	133	143	-----	-----	-----	-----
1900 to 1921.....	88	100	110	120	130	-----	-----	-----
January 1924 to July 1924.....	161	166	171	176	181	-----	-----	-----
August 1924 to March 1925.....	173	178	183	188	193	-----	-----	-----
April 1925 to July 1925.....	197	202	207	212	217	-----	-----	-----
August 1925 to March 1927.....	253	265	275	290	300	310	-----	-----
April 1927 to March 1928.....	255	270	285	300	315	330	-----	-----
April 1928 to June 1932.....	255	270	285	300	315	330	340	-----
July 1932 to December 1933.....	171	186	201	216	231	246	256	-----
January 1934 to.....	144	144	144	144	152	167	182	197
Contributory period of 500 weeks								
1891 to 1899.....	120	140	155	175	-----	-----	-----	-----
1900 to 1921.....	125	150	170	190	210	-----	-----	-----
January 1924 to July 1924.....	166	176	186	196	206	-----	-----	-----
August 1924 to March 1925.....	178	188	198	208	218	-----	-----	-----
April 1925 to July 1925.....	202	212	222	232	242	-----	-----	-----
August 1925 to March 1927.....	265	290	310	340	360	380	-----	-----
April 1927 to March 1928.....	270	300	330	360	390	420	-----	-----
April 1928 to June 1932.....	270	300	330	360	390	420	440	-----
July 1932 to December 1933.....	186	216	246	276	306	336	356	-----
January 1934 to.....	144	144	172	202	232	262	292	322
Contributory period of 1,000 weeks								
1891 to 1899.....	130	170	200	240	-----	-----	-----	-----
1900 to 1921.....	140	180	210	240	270	-----	-----	-----
January 1924 to July 1924.....	176	196	216	236	256	-----	-----	-----
August 1924 to March 1925.....	188	208	228	248	268	-----	-----	-----
April 1925 to July 1925.....	212	232	252	272	292	-----	-----	-----
August 1925 to March 1927.....	290	340	380	440	480	520	-----	-----
April 1927 to March 1928.....	300	360	420	480	540	600	-----	-----
April 1928 to June 1932.....	300	360	420	480	540	600	640	-----
July 1932 to December 1933.....	216	276	336	396	456	516	556	-----
January 1934 to.....	152	212	272	332	392	452	512	572
Contributory period of 2,000 weeks								
1891 to 1899.....	150	230	290	370	-----	-----	-----	-----
1900 to 1921.....	170	240	290	340	390	-----	-----	-----
January 1924 to July 1924 ¹	196	236	276	316	356	-----	-----	-----
August 1924 to March 1925.....	208	248	288	328	368	-----	-----	-----
April 1925 to July 1925.....	232	272	312	352	392	-----	-----	-----
August 1925 to March 1927.....	340	440	520	640	720	800	-----	-----
April 1927 to March 1928.....	360	480	600	720	840	960	-----	-----
April 1928 to June 1932.....	360	480	600	720	840	960	1,040	-----
July 1932 to December 1933.....	276	396	516	636	756	876	956	-----
January 1934 to.....	192	312	432	552	672	792	912	1,032

TABLE X-14.—Average yearly amount of the invalidity pension grants

Year	Marks	Year	Marks	Year	Marks	
1891	113	1906	163	1921	(1)	
1892	115	1907	166	1922		
1893	118	1908	170	1923		
1894	122	1909	175	1924		
1895	125	1910	177	1925		
1896	127	1911	180	1926		
1897	130	1912	187	1927		
1898	132	1913	195	1928		
1899	132	1914	201	1929		
1900	142	1915	202	1930		487
1901	146	1916	199	1931		504
1902	150	1917	202	1932		516
1903	152	1918	207	1933		426
1904	155	1919	211	1934		390
1905	159	1920	208			

¹Not available.

However, the idea of a cash lump-sum payment was retained for some time for widows who had acquired the right to an invalidity pension by contributions of their own. The children of such women also received a lump-sum payment on reaching age 15. These provisions were given up in 1921. At the present time all cash payments are in the form of pensions.

It had always been thought desirable to limit the amount which might be drawn by any one family. In 1912 this maximum for all survivors was put at one and one-half times the amount of the invalidity pension; the allowance for the orphans in one family was not to exceed the amount of the invalidity pension. In 1916 it was decided that there be no maximum to the amount a family of a deceased insured person might receive. This was no doubt because of the great distress in families which had lost their chief breadwinner in the war. In the section dealing with the number of pensioners (p. 494), it will be shown how rapidly the widows' and orphans' pensions increased from 1914 to 1918. The war placed a heavy burden on the social-insurance scheme of Germany, and it may well be asked whether this burden should not rather have been borne by funds derived from general taxation. After the effect of the war had worn off somewhat and the war orphans had reached the age where they could earn their own living, a maximum was again set to the benefits to be drawn by any one family. In 1927 it was decided the total amount was not to exceed 80 percent of the yearly wage of the insured; in 1934 it was further limited to the amount of the invalidity pension plus the children's bonus.

Widows' Pensions.—In the beginning only invalid widows, i. e., widows who had lost two-thirds of their normal earning capacity, were eligible to receive a widow's pension. Widowers of insured women received a pension under the same conditions provided they were needy. Widows who had exhausted their sickness benefits without regaining their earning capacity became eligible to pensions in 1923. From 1927 on, all widows over 65 years of age became eligible to the widows' pension.

The widows' pension is made up of the same components as the invalidity pension. It consists of a Federal subsidy, which is the same for each pension, a fixed basic amount, which is a certain proportion of the fixed basic amount of the invalidity pension, and an increment, which is a fraction of the increment of the invalidity pension. (See table X-1.) The increase and decrease in the amount of this pension follow the same pattern as do the old-age and invalidity pensions: a considerable liberalization of benefits in the twenties and a subse-

quent cut as a result of the depression and the change in government. This movement may be seen from table X-15, which indicates the average yearly grants for widows' pensions since 1912. The average pension was trebled in the twenties, and the cut in recent years does not seem to have been as drastic as that for invalidity and old-age pensions.

TABLE X-15.—Average yearly amount of widows' pension grants

Year	Marks	Year	Marks	Year	Marks
1912.....	77	1920.....	86	1928.....	(1)
1913.....	78	1921.....	(1)	1929.....	
1914.....	79	1922.....		244	
1915.....	80	1923.....		269	
1916.....	81	1924.....		296	
1917.....	83	1925.....		246	
1918.....	84	1926.....		232	
1919.....	85	1927.....			

¹ Not available.

If these amounts are related to the estimated average wage of the insured population, it appears that widows' pensions constituted approximately 10 per cent of the wage before the war, and that this percentage had risen to 18 per cent by 1930. The figures after that date are too much influenced by the extent of unemployment and the decrease in the wage level to be reliable.

Orphans' Pensions.—By an amendment to the law of 1912, legitimate children of insured men and fatherless and illegitimate children of insured women became eligible to an orphans' pension up to the age of 15. Children of an insured woman were likewise eligible to a pension after her death if the father was incapable of earning a living and if they were in need. Grandchildren of the deceased insured were also eligible if the parents had died, if the insured had provided for them during his lifetime, and if they were in need. In 1923 adopted children and stepchildren and grandchildren for whom the insured had provided before his death were put on the same basis as legitimate children. At the same time the age limit was raised to 18 years. As a result of these provisions the expenditures for orphans' pensions increased rapidly, and it was thought necessary to change some of them. In 1926 the age limit was lowered again to 15 years. However, children who went to school received a pension up to age 21, and invalid children were pensioned until they were capable of earning a living. In 1931 the law was further limited so that no child over 15 years old was entitled to a pension. At the same time the pensions of stepchildren were canceled. Those of grandchildren had been given up a few years earlier.

Table X-1 shows the legal provisions for computing orphans' pensions. It will be seen that they are made up in the same manner as the widows' pensions—they consist of a fixed Federal subsidy for each child plus a fixed basic amount and an increment, which are a fraction of the basic amount and the increment of the invalidity pension. The trend in the size of the pension follows that of the widows' pension, as may be seen from table X-16, which indicates the average yearly amount of new pensions granted in each year. The figures of the table represent the amount given per child, and not per family.

The increase in the orphans' pensions during the twenties is greater than for any other type of pension. Before the war the average orphans' pension was only about 4 per cent of the estimated average wage. By 1930 this percentage had increased to approximately 15 per cent.

TABLE X-16.—Average yearly amount of orphans' pension grants

Year	Marks	Year	Marks	Year	Marks
1912.....	32	1920.....	43	1928.....	}
1913.....	32	1921.....		(1)		1929.....	(1)
1914.....	33	1922.....	1930.....		200
1915.....	33	1923.....	1931.....		205
1916.....	37	1924.....	1932.....		201
1917.....	41	1925.....	1933.....		144
1918.....	42	1926.....	1934.....		124
1919.....	42	1927.....			

¹ Not available.

THE NUMBER OF PENSIONERS

Perhaps the most impressive picture of the increasing importance of a social insurance scheme in Germany is that of the pension load. Table X-17 gives the number of pensioners from 1891 to 1934. Starting with slightly over 100,000, the number increased quite rapidly until the beginning of the war, when it was a little over 1,000,000. Since then the increase has been very rapid. The number of persons in receipt of pensions at this time is almost 3½ million. It is estimated that the maximum load will not be reached until some time between 1960 and 1970, though it is expected that the rate of increase will gradually decline until then.

TABLE X-17.—Number of persons in receipt of pensions, 1891-1934

End of year	Type of pension						Total
	Invalidity	Sickness	Old age	Widows	Widows' sickness	Orphans ¹	
1891.....			118,997				118,997
1892.....	11,999		150,403				162,402
1893.....	37,815		166,976				204,791
1894.....	71,755		183,168				254,923
1895.....	110,377		195,723				306,100
1896 ²	161,670		203,955				365,625
1897.....	210,859		203,644				414,503
1898.....	264,899		201,329				466,228
1899.....	324,319		195,133				519,452
1900.....	405,337	5,118	188,472				598,927
1901.....	486,945	8,700	179,450				675,095
1902.....	574,833	12,146	168,550				755,529
1903.....	663,140	14,186	156,618				833,944
1904.....	734,985	16,977	145,466				897,428
1905.....	780,762	20,141	134,080				934,983
1906.....	814,575	22,099	125,603				962,277
1907.....	841,992	20,081	116,887				978,960
1908.....	868,086	19,087	108,637				995,810
1909.....	893,585	18,502	102,362				1,014,449
1910.....	918,760	16,965	98,335				1,034,060
1911.....	940,875	15,768	93,369				1,050,012
1912.....	965,624	15,905	90,071				1,071,600
1913.....	998,339	16,555	87,261	11,743	323	94,435	1,208,656
1914.....	1,029,802	19,191	84,015	20,675	558	161,863	1,316,104
1915.....	1,029,049	27,706	82,914	30,615	994	402,605	1,573,883
1916.....	1,030,959	64,858	166,416	41,835	1,616	655,385	1,961,069
1917.....	1,001,330	74,353	215,077	54,360	2,049	825,838	2,173,007
1918.....	986,352	79,290	230,962	68,097	2,571	995,794	2,363,066
1919.....	985,336	102,386	242,015	84,397	3,634	1,086,809	2,504,577
1920.....	988,837	83,222	248,678	97,465	4,084	1,063,518	2,485,804
1921.....	1,028,493	67,333	269,379	115,386	4,458	1,035,836	2,520,885
1922.....	1,045,654	52,356	287,887	138,229	4,507	1,000,531	2,529,164
1923.....	1,231,144	41,325	136,855	157,311	4,227	997,010	2,567,872
1924.....	1,372,172	34,152	108,071	187,805	3,770	1,071,359	2,777,329
1925.....	1,520,100	29,500	89,400	233,400	3,400	1,135,609	3,020,409

¹ From 1913 to 1923, inclusive, these figures are estimated only.

² Beginning with 1896 the figures include data for the special funds.

TABLE X-17.—*Number of persons in receipt of pensions, 1891-1934*—Continued

End of year	Type of pension						Total
	Invalidity	Sickness	Old age	Widows	Widows' sickness	Orphans	
1926.....	1,660,652	25,440	75,320	277,619	2,915	828,619	2,870,565
1927.....	1,766,881	23,104	65,903	334,280	2,646	779,384	2,972,198
1928.....	1,888,136	21,662	58,551	389,299	2,485	735,884	3,096,017
1929.....	1,998,610	20,264	50,620	486,644	2,304	690,965	3,249,407
1930.....	2,162,711	19,374	45,379	639,856	2,209	648,866	3,518,395
1931.....	2,285,923	18,483	40,239	651,776	2,115	545,637	3,544,173
1932.....	2,296,920	14,132	35,362	559,592	1,932	349,345	3,257,283
1933.....	2,393,977	16,719	30,853	580,478	1,876	350,112	3,374,015
1934.....	2,439,872	15,652	27,155	598,652	1,781	359,448	3,422,560

The outstanding facts in table X-17 are as follows :

(1) The highest number of old-age pensioners was reached soon after the introduction of the scheme, because the qualifying period was shortened for the older worker in direct proportion to the number of years he was over 40. The number jumped considerably in 1916, when the age requirement was lowered from 70 to 65. From 1922 on it has declined gradually, because after that time old persons were given invalidity pensions.

(2) The greatest increase in the number of persons receiving survivors' pensions is found in the time of the war. As stated before, the invalidity insurance system carried a part of the burden of the war by providing for the widows and orphans of the insured workers who were killed in the war. The number of widows' pensions paid increased again considerably in 1927, when all widows over 65 became eligible for a pension. During recent years there has been a decline in the number of persons receiving survivors' pensions, and especially in the number of pensioned orphans. On the one hand, this results from the general policy of retrenchment. On the other hand, most of the war orphans have passed the age limit for pensions and in addition the average size of family has gradually declined.

Unfortunately no figures are available regarding the age of the pensioners before 1924. Table X-18 lists the number of pensioners in each category who have reached the age of 65. By comparing these figures with those giving the total number of pensioners, it would appear that an increasing proportion of old people is being provided for under the workers' insurance scheme.

TABLE X-18.—*Number of pensioners 65 years of age or over*

End of year	Type of pension					Total
	Old age	Invalidity	Sickness	Widows	Widows' sickness	
1924.....	108,071	920,885	1,486	100,345	168	1,130,955
1925.....	89,400	999,777	1,803	125,136	206	1,216,322
1926.....	75,320	1,060,101	2,067	152,387	262	1,290,137
1927.....	65,903	1,117,231	2,391	193,296	314	1,379,135
1928.....	58,551	1,183,826	2,717	232,144	392	1,477,630
1929.....	50,620	1,240,128	2,960	307,900	444	1,602,052
1930.....	45,379	1,317,962	3,276	425,076	501	1,792,194
1931.....	40,239	1,390,849	3,569	437,746	585	1,872,988
1932.....	35,362	1,443,631	3,743	376,904	615	1,860,255
1933.....	30,853	1,498,936	3,920	399,428	663	1,933,800

SUMMARY

In the following paragraphs an attempt is made to summarize the most important conclusions that may be drawn from the history of the German social insurance system.

The first outstanding fact is the ever-increasing size of the business itself, which neither war nor inflation nor a severe depression could check. One of the causes of this tremendous growth is to be found in the increase of the population itself and the expansion of industry during the last half century. Another cause lies in the extension of the insurance to cover new groups of beneficiaries. Since almost all insurable workers were covered by the insurance system from the beginning, the expansion has not resulted from extending the coverage to any large, new occupational group.

The second most outstanding fact in this history is the inadequacy of the forecasts which were made for it in the beginning. This was not the fault of those who made the forecasts, but rather their inability to prophesy the general future development of a country. They had to assume that the general economic trend would continue in more or less the same manner as they had known it, and they could not possibly foresee the war, the inflation, and the subsequent changes in government and governmental policy. The forecasts were very good, if somewhat too conservative, for the period from 1891 to 1914, but they broke down completely from that time on.

This leads to the third point which needs to be brought out. A social insurance scheme is not a separate entity; it is an integral part of the economic life of a nation, and the forces which influence other enterprises shape its course as well. It changes its character with a change in government, becomes more liberal when labor has political power, and is limited in scope when labor is suppressed. It is not a scheme that is adopted once and for all; rather it is in a constant state of flux reflecting all changes in the economic life of a country. It was "under control" under the monarchy of pre-war Germany, and benefits were increased only if a careful investigation of the finances seemed to justify such a change. Never was labor allowed to exert political pressure for higher benefits. This situation was changed entirely under the Republic. There we find frequent increases in benefits, extension of benefits to new groups of workers, and this in spite of the doleful prophesies of the actuaries that a deficit was impending.

It became evident very soon after reserves began to be accumulated that ordinary investment opportunities would soon be exhausted. For this reason the insurance offices had to look around for new types of investments. They found that the employers and the workers, who financed the insurance scheme, would derive the greatest benefit by investments which would promote the general welfare of the workers. Hence they embarked on an extended program of construction of workers' apartments, hospitals, sanatoria, and similar institutions. The insurance offices themselves profited by these activities, since these institutions all helped to prevent and to cure invalidity and tended to lower the expenditures for invalidity benefits.

The period of inflation wiped out the accumulated capital and destroyed the financial basis on which the insurance scheme was built. In spite of the fact that inflation in Germany assumed unprecedented proportions, it did not make an end to the insurance system as such. The system has been put on a different basis and has had great financial difficulties since that time, but the expansion of the insurance was not checked thereby.

Germany started on its social insurance scheme giving the localities and special groups of workers a large degree of autonomy. The trend in its history

has been toward a greater and greater centralization, pooling of risks, and depriving the regional offices of more and more of their powers. This trend has been the same under all successive systems of government, and it has been accelerated under the present regime.

The question of whether or not the Federal Government should share in the cost of the insurance scheme was answered in the affirmative by the sponsors of the original law. However, in times of financial difficulties the share of the Federal Government has been increased greatly beyond that originally proposed. During the inflation period the Government helped the regional offices in relieving the distress of the pensioners. After that time many special appropriations were made so as to enable the insurance offices to fulfill their obligations. This policy is still carried on under the present Government.

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APPENDIX XI—BIRTH RATE AND INFANT AND MATERNAL MORTALITY TABLES

TABLE XI-1.—Trend of birth rates in the United States expanding birth-registration area by States, 1915-34 ¹

State	Live births per 1,000 estimated population ²																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	25.1	25.0	24.7	24.6	22.3	23.7	24.2	22.3	22.2	22.4	21.5	20.7	20.6	19.8	18.9	18.9	18.0	17.4	16.6	17.1
Alabama.....													26.3	24.5	24.0	24.0	23.5	23.5	22.0	23.4
Arizona.....												21.1	20.9	21.4	22.4	23.7	21.1	19.0	17.9	18.6
Arkansas.....													22.1	20.8	20.2	22.1	22.0	20.1	19.1	20.0
California.....					16.8	19.0	19.3	18.4	19.1	19.7	18.4	17.1	16.6	15.8	14.8	14.7	13.9	13.1	12.4	12.7
Colorado.....														18.8	17.4	18.1	17.7	16.8	16.3	16.9
Connecticut.....	25.9	27.5	28.6	27.6	24.8	24.5	24.1	21.7	21.1	21.4	19.8	19.1	18.7	18.0	17.1	17.2	15.7	14.5	13.6	13.4
Delaware.....							22.5	20.8	19.9	19.2	20.2	18.0	18.2	18.3	18.1	18.7	17.7	17.9	16.3	16.5
District of Columbia.....	18.1	18.0	18.2	19.4	18.9	20.1	20.2	20.2	19.8	20.2	19.6	19.0	19.1	18.7	18.4	19.2	19.0	20.6	20.1	20.4
Florida.....										22.5	23.8	27.1	25.6	21.5	18.8	18.2	18.0	17.9	16.5	17.0
Georgia.....														20.3	20.1	20.9	21.2	21.9	20.9	22.2
Idaho.....												21.2	20.8	20.5	19.8	20.6	20.3	19.5	19.1	20.9
Illinois.....								19.8	19.2	19.6	19.1	18.6	18.3	17.4	17.0	16.7	15.4	14.4	13.8	14.0
Indiana.....			22.0	22.2	20.3	22.0	22.9	21.3	21.6	22.1	20.8	20.1	19.7	18.9	18.3	18.3	17.2	16.2	15.3	15.8
Iowa.....										20.2	19.6	18.7	18.2	17.6	17.1	17.3	16.9	16.3	15.9	17.1
Kansas.....			22.1	22.3	20.6	22.3	23.3	21.6	21.7	20.9	20.1	19.1	18.8	18.2	17.4	17.9	17.4	16.7	16.2	17.0
Kentucky.....			25.9	26.0	24.0	25.9	27.5	25.2	26.1	26.6	25.2	23.8	24.3	23.0	21.7	22.6	21.7	22.6	20.9	22.5
Louisiana.....													22.9	20.5	20.3	20.3	20.4	20.3	18.5	19.9
Maine.....	21.4	21.1	21.9	22.0	20.2	22.5	22.9	22.6	22.6	23.7	22.3	20.9	20.7	20.8	20.0	20.3	20.4	20.1	18.9	19.6
Maryland.....		24.1	24.1	23.9	23.6	24.8	25.0	23.1	22.9	22.6	21.9	21.0	20.5	19.9	18.5	18.5	17.5	17.4	16.5	16.4
Massachusetts.....	25.7	25.4	25.7	25.3	22.9	23.7	23.6	22.2	22.4	22.7	21.2	20.3	19.9	18.9	17.5	17.3	16.2	15.9	14.7	14.7
Michigan.....	24.6	25.9	25.9	25.7	23.2	24.9	25.1	22.8	22.9	23.4	23.1	22.4	22.1	21.1	20.8	20.4	18.4	17.2	16.0	16.5
Minnesota.....	24.6	24.4	23.8	23.9	21.9	23.3	23.8	23.5	23.0	22.6	21.7	21.0	20.2	19.5	18.3	18.5	18.2	17.9	17.2	17.6
Mississippi.....							25.3	23.6	23.0	23.1	23.7	26.3	25.3	24.4	22.9	23.9	22.3	22.7	21.6	23.3
Missouri.....													18.6	17.6	16.9	17.1	16.7	16.4	15.6	16.1
Montana.....								19.9	19.2	18.8	18.9	18.2	18.1	18.5	18.7	18.5	17.9	16.9	16.7	18.5
Nebraska.....						23.8	24.6	23.6	22.8	22.6	21.8	21.0	20.5	20.5	19.4	19.6	19.2	18.1	17.4	18.0
Nevada.....															14.2	14.6	13.3	13.5	14.5	15.3
New Hampshire.....	22.9	22.0	21.8	21.9	19.8	22.4	22.7	21.8	20.7	22.3	20.7	19.1	19.2	18.8	17.6	17.9	16.6	16.7	15.7	16.7
New Jersey.....							23.8	22.1	21.6	21.6	20.4	19.5	19.1	18.0	17.2	16.8	15.6	14.8	13.4	12.9
New Mexico.....															27.1	28.5	28.8	28.7	28.4	29.2
New York.....	24.7	24.3	24.5	23.8	21.9	22.4	22.4	21.2	20.7	20.5	19.9	18.9	19.0	18.3	17.5	17.1	15.4	14.4	14.4	14.2
North Carolina.....			30.9	30.2	29.1	31.4	33.4	30.2	30.4	31.0	29.0	27.9	27.7	26.4	24.7	24.1	23.3	24.0	23.0	24.1
North Dakota.....										21.5	21.8	22.3	21.9	22.2	21.6	21.7	21.1	20.5	19.2	21.1
Ohio.....			22.0	22.2	19.8	21.3	22.0	20.5	21.2	21.4	20.3	19.6	19.3	18.5	17.7	17.7	16.1	15.1	14.1	14.6
Oklahoma.....														18.4	16.8	17.7	17.9	16.8	17.8	19.1

¹ Compiled from figures supplied by the U. S. Department of Commerce, Bureau of the Census.

² Population estimates: 1915-19 based on 1910 and 1920 censuses; 1920-34 based on 1920 and 1930 censuses.

TABLE XI-1.—Trend of birth rates in United States expanding birth-registration area by States, 1915-34 ¹—Continued

State	Live births per 1,000 estimated population ²																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Oregon.....					17.4	18.9	19.1	18.1	17.8	18.3	17.7	16.6	16.1	15.2	14.1	14.1	13.7	13.2	12.4	13.2
Pennsylvania.....	26.5	26.1	26.3	25.7	24.0	25.2	25.9	24.0	24.1	24.5	23.4	22.3	22.4	21.2	19.8	19.6	18.4	17.3	16.0	16.3
Rhode Island.....	24.2	25.1	26.0	26.1	(³)	(³)	23.5	22.9	22.8	23.4	22.2	20.7	20.6	19.3	18.0	17.7	16.3	16.0	14.7	14.7
South Carolina.....					26.6	28.3	29.8	27.4	26.0	27.8	(³)	(³)	(³)	25.0	22.7	23.3	22.7	23.8	23.1	25.3
South Dakota.....																	18.9	18.3	18.7	18.7
Tennessee.....													21.5	19.6	19.5	20.1	19.8	19.8	18.8	19.6
Texas.....																			17.9	19.2
Utah.....			31.7	33.1	29.3	31.3	31.9	29.9	29.1	29.4	28.6	27.0	26.2	26.0	24.6	25.4	23.5	23.3	23.0	24.3
Vermont.....	22.1	22.0	21.4	21.3	19.9	21.0	22.4	21.2	20.7	20.8	21.1	20.0	19.6	19.6	18.7	19.3	18.5	16.8	17.0	18.3
Virginia.....			27.1	27.8	26.5	28.4	30.2	27.7	27.4	27.3	25.8	24.3	24.3	23.5	22.4	22.6	21.7	22.4	21.0	21.4
Washington.....			18.0	19.4	18.7	19.8	19.7	18.0	17.7	17.5	16.9	16.1	15.5	15.2	14.6	14.7	14.0	13.5	13.1	14.0
West Virginia.....												28.2	26.9	27.1	25.8	23.8	24.0	22.5	22.0	23.2
Wisconsin.....			23.1	23.5	20.9	22.2	23.0	21.4	21.5	21.5	20.5	19.7	20.2	19.9	19.0	19.3	18.4	17.8	16.8	17.1
Wyoming.....								25.7	24.1	25.1	22.9	20.5	20.6	20.4	19.8	19.8	19.8	18.6	18.2	19.7

¹ Compiled from figures supplied by the U. S. Department of Commerce, Bureau of the Census.

² Population estimates: 1915-19 based on 1910 and 1920 censuses; 1920-34 based on 1920 and 1930 censuses.

³ Dropped from the area.

TABLE XI-2.—Trend of maternal mortality in the United States birth-registration area by States, 1915-34

State	Maternal mortality rates ¹																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	61	62	66	92	74	80	68	66	67	66	65	66	65	69	70	67	66	63	62	59
Alabama.....													80	94	99	90	81	76	75	64
Arizona.....												102	89	77	78	65	82	81	65	69
Arkansas.....													90	88	91	94	71	66	78	64
California.....					80	77	68	72	67	59	60	56	58	61	57	51	62	56	46	43
Colorado.....														96	86	74	70	74	62	75
Connecticut.....	56	49	51	75	62	68	53	57	57	57	49	58	55	53	54	49	43	48	50	47
Delaware.....							63	66	84	77	77	93	59	56	63	65	71	82	69	58
Florida.....										121	121	107	110	101	95	102	104	101	115	84
Georgia.....														107	93	106	99	92	75	76
Idaho.....												57	60	68	61	65	51	53	43	62

Illinois.....								63	64	62	58	65	56	57	68	55	55	56	50	52
Indiana.....			73	104	84	87	69	66	65	58	60	65	66	62	70	62	61	57	59	58
Iowa.....										60	56	60	59	48	56	59	50	54	53	51
Kansas.....			76	114	82	84	64	76	68	63	65	70	63	77	68	73	62	62	55	60
Kentucky.....			60	80	63	64	63	61	60	62	60	58	49	60	66	64	64	57	53	54
Louisiana.....													91	114	99	100	86	81	84	79
Maine.....	68	78	67	86	86	85	74	76	87	82	72	67	80	74	72	72	79	64	70	60
Maryland.....		64	68	95	84	76	67	59	60	66	58	58	58	65	55	56	61	51	50	52
Massachusetts.....	57	60	65	92	71	75	65	68	63	65	63	64	63	64	67	64	65	60	67	54
Michigan.....	67	68	74	86	77	93	69	69	70	65	64	67	68	66	66	62	60	60	61	57
Minnesota.....	52	55	56	78	67	79	57	49	60	50	53	57	44	57	43	53	49	48	44	45
Mississippi.....								95	83	88	95	98	79	87	94	89	96	80	63	73
Missouri.....														67	70	73	61	73	67	58
Montana.....								79	75	66	81	80	66	75	84	69	73	66	57	57
Nebraska.....						71	66	58	58	63	57	66	59	60	61	58	54	52	46	52
Nevada.....															63	105	98	63	81	63
New Hampshire.....	61	72	70	78	80	71	62	65	74	61	71	76	65	63	75	62	68	59	69	57
New Jersey.....							59	64	57	62	64	58	63	59	55	56	57	57	54	53
New Mexico.....															87	88	72	91	86	74
New York.....	59	54	57	80	62	69	63	60	57	59	60	57	61	59	56	56	59	59	62	53
North Carolina.....			82	108	93	100	73	80	80	77	87	88	66	78	84	83	80	68	68	71
North Dakota.....										57	62	43	51	57	55	58	49	44	49	47
Ohio.....			71	97	74	80	72	66	72	64	68	67	62	64	67	63	65	63	61	60
Oklahoma.....															71	82	69	62	72	65
Oregon.....					101	94	74	83	69	65	72	59	64	61	59	58	45	47	55	61
Pennsylvania.....	64	70	65	105	68	78	68	62	66	63	64	64	64	61	65	60	65	61	58	58
Rhode Island.....	66	58	63	98	(2)	(2)	71	55	63	63	52	60	64	60	79	57	55	60	57	55
South Carolina.....					112	122	98	107	97	108	(2)	(2)	(2)	109	114	114	102	94	80	87
South Dakota.....																		37	48	51
Tennessee.....													71	89	87	84	74	72	60	62
Texas.....																			77	73
Utah.....			59	86	84	79	73	55	50	45	52	49	75	49	49	49	42	43	45	45
Vermont.....	61	79	64	80	80	70	73	74	70	81	68	67	73	58	77	66	76	71	57	39
Virginia.....			82	107	83	86	70	72	74	65	70	80	62	75	71	71	75	71	63	64
Washington.....			74	99	86	92	78	79	67	71	60	75	66	72	62	62	64	60	64	49
West Virginia.....											63	71	62	57	58	60	58	57	57	55
Wisconsin.....			57	60	48	67	58	56	58	60	52	60	53	58	51	54	45	44	50	43
Wyoming.....								71	73	98	95	93	87	65	63	92	84	66	57	61
District of Columbia.....	70	101	86	91	86	88	101	71	101	122	87	77	86	85	70	90	71	90	50	38

¹ Deaths assigned to pregnancy and childbirth per 10,000 live births.

² Dropped from birth-registration area.

SOURCE: U. S. Department of Commerce, Bureau of the Census.

TABLE XI-3.—Trend of maternal mortality by color in the United States birth-registration area and in States having 1,500 or more Negro births in 1934; 1915-34

State	Maternal mortality rates ¹																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	61	62	66	92	74	80	68	66	67	66	65	66	65	69	70	67	66	63	62	59
White.....	60	61	63	89	70	76	64	63	63	61	60	62	59	63	63	61	60	58	56	54
Colored.....	106	118	118	139	124	128	108	107	109	118	116	107	113	121	120	117	108	98	97	90
Alabama.....													80	94	99	90	81	76	75	64
White.....													62	76	79	76	70	63	61	55
Colored.....													112	128	135	117	101	98	97	78
Arkansas.....													90	88	91	94	71	66	78	64
White.....													72	70	74	79	62	60	70	60
Colored.....													151	151	150	145	101	86	102	77
Florida.....										121	121	107	110	101	95	102	104	101	115	84
White.....										90	102	90	90	91	75	85	81	83	91	70
Colored.....										187	163	148	157	125	137	141	154	143	169	115
Georgia.....														107	93	106	99	92	75	76
White.....														85	75	94	84	75	63	65
Colored.....														144	120	124	122	118	92	92
Illinois.....								63	64	62	58	65	56	57	68	55	55	56	50	52
White.....								62	62	60	56	63	53	55	66	53	54	56	49	57
Colored.....								112	138	109	100	105	110	111	107	77	78	65	55	70
Indiana.....			73	104	84	87	69	66	65	58	60	65	66	62	70	62	61	57	59	58
White.....			71	102	83	86	66	65	63	57	58	62	64	60	68	60	59	57	57	57
Colored.....			151	184	153	159	159	115	132	96	121	134	111	127	136	121	119	67	105	71
Kentucky.....			60	80	63	64	63	61	60	62	60	58	49	60	66	64	64	57	54	54
White.....			56	75	59	60	57	54	54	57	54	55	45	55	61	59	60	53	47	50
Colored.....			108	154	125	130	148	185	154	131	138	106	109	125	141	154	135	133	157	128
Louisiana.....													91	114	99	100	86	81	84	79
White.....													70	90	80	84	73	70	74	63
Colored.....													126	154	130	125	106	96	98	102
Maryland.....		64	68	95	84	76	67	59	60	66	58	58	58	65	55	56	62	51	50	52
White.....		56	61	86	76	66	60	53	54	57	51	47	54	56	49	53	55	47	46	48
Colored.....		98	98	138	115	118	96	84	83	102	89	98	72	100	78	67	83	65	63	64
Michigan.....	67	68	74	86	77	93	69	69	70	65	64	67	68	66	66	62	60	60	61	57
White.....	67	67	74	85	76	93	67	67	69	64	62	66	66	65	64	62	59	59	59	56
Colored.....	107	199	103	173	135	118	145	125	122	116	127	110	123	116	103	72	99	86	108	88
Mississippi.....							95	83	88	95	98	79	87	94	89	96	80	63	73	66
White.....							71	65	66	65	67	65	61	76	70	70	65	50	60	54
Colored.....							120	100	109	126	129	92	111	112	106	121	94	74	85	77
Missouri.....													67	70	73	61	73	67	58	61
White.....													64	68	71	58	72	65	55	58
Colored.....													131	106	108	109	89	106	116	112

New Jersey								59	64	57	62	64	58	63	59	55	56	57	57	54	53
White								56	62	55	59	63	56	59	57	52	54	56	57	52	51
Colored								125	119	97	117	91	84	110	89	83	88	74	65	70	75
New York	59	54	57	80	62	69	63	60	57	59	60	57	61	59	56	56	59	59	62	53	53
White	58	54	56	79	61	67	61	59	57	57	58	54	58	57	54	54	56	57	59	51	51
Colored	97	96	118	114	141	142	139	97	85	93	102	117	126	102	109	90	125	105	115	95	95
North Carolina			82	108	93	100	73	80	80	77	87	88	66	78	84	83	80	68	68	71	71
White			68	94	82	86	61	70	67	66	68	71	51	67	72	67	64	54	58	62	62
Colored			115	139	118	132	102	99	107	104	128	126	99	105	112	121	116	98	90	91	91
Ohio			71	97	74	80	72	66	72	64	68	67	62	64	67	63	65	63	61	60	60
White			70	96	72	78	71	64	68	62	64	64	60	62	64	60	63	60	58	60	60
Colored			136	138	126	120	116	133	158	102	130	116	104	106	121	117	106	115	102	70	70
Oklahoma															71	82	69	62	72	65	60
White															64	78	61	54	67	60	54
Colored															194	158	164	154	132	116	118
Pennsylvania	64	70	65	105	68	78	68	62	66	63	64	64	64	61	65	60	65	61	58	58	58
White	63	69	64	103	66	76	67	61	65	61	63	62	62	60	63	58	63	59	58	57	57
Colored	112	119	119	175	158	131	98	94	101	115	98	109	112	84	109	89	101	90	72	85	85
South Carolina					112	122	98	107	97	108	(2)	(2)	(2)	109	114	114	102	94	80	87	87
White					78	90	78	85	74	76	(2)	(2)	(2)	88	90	96	76	81	64	66	66
Colored					144	154	118	128	122	141	(2)	(2)	(2)	129	138	131	127	106	96	106	106
Tennessee														71	89	87	84	74	72	60	62
White														59	76	75	70	63	64	51	55
Colored														135	153	151	158	137	121	107	105
Texas																				77	73
White																				62	59
Colored																				125	116
Virginia			82	107	83	86	70	72	74	65	70	80	62	75	71	71	75	71	63	64	64
White			64	96	66	75	57	58	60	50	53	71	48	59	52	52	59	55	49	53	53
Colored			121	132	119	111	99	102	108	100	110	100	94	114	116	117	115	109	95	91	91
West Virginia												63	71	62	57	58	60	58	57	57	55
White												60	66	59	53	55	58	55	55	55	55
Colored												125	140	104	110	118	85	115	95	82	70
District of Columbia	70	101	86	91	86	88	101	71	101	122	87	77	86	85	70	90	71	90	50	38	38
White	56	76	59	78	68	66	99	56	89	92	61	64	66	72	60	47	37	81	29	26	26
Colored	99	158	148	126	132	144	108	106	130	190	143	105	131	114	89	177	101	108	90	63	63

¹ Deaths assigned to pregnancy and childbirth per 10,000 live births.

² Dropped from birth-registration area.

SOURCE: U. S. Department of Commerce, Bureau of the Census.

TABLE XI-4.—Trend of maternal mortality in the United States and certain foreign countries, 1915-34

Country	Deaths assigned to pregnancy and childbirth per 10,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Australia.....	43	53	56	47	47	50	47	45	51	55	56	53	59	60	51	53	55	56	51	-----
Belgium.....	-----	-----	-----	-----	72	60	57	53	56	58	50	61	57	60	62	52	49	48	51	-----
Canada.....	-----	-----	-----	-----	-----	-----	51	55	54	60	56	57	56	56	57	58	51	50	50	¹ 53
Chile.....	66	73	72	82	88	75	79	80	74	61	61	58	58	59	78	68	75	71	84	-----
Czechoslovakia.....	-----	-----	-----	-----	37	40	37	34	32	31	33	34	36	40	43	41	41	¹ 43	¹ 48	-----
Denmark.....	-----	-----	-----	-----	-----	-----	16	20	26	23	24	27	31	27	32	38	40	35	36	39
England and Wales.....	42	41	39	38	44	43	39	38	38	39	41	41	41	44	43	44	41	42	45	46
Estonia.....	-----	-----	-----	-----	-----	-----	-----	-----	45	40	38	41	41	50	46	49	43	34	-----	-----
Finland.....	-----	36	38	44	40	36	33	30	31	35	29	32	-----	-----	-----	-----	-----	-----	-----	-----
Germany.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	53	50	49	52	55	55	54	51	53	¹ 55	-----
Greece.....	-----	-----	-----	-----	-----	-----	73	72	85	88	67	59	61	66	71	58	56	56	-----	-----
Hungary.....	-----	42	40	52	29	32	29	30	28	31	29	32	30	34	34	36	37	37	32	-----
Irish Free State.....	53	57	49	48	47	49	50	57	48	48	47	49	45	49	41	48	43	46	44	44
Italy.....	22	27	30	37	29	28	26	25	27	32	28	26	26	28	29	27	28	30	29	¹ 27
Japan.....	36	35	35	38	33	35	36	33	34	31	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Lithuania.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	59	56	50	50	57	60	62	55	61	67	-----
Netherlands.....	-----	-----	-----	29	33	24	23	25	23	24	26	29	29	34	34	33	32	30	32	-----
New Zealand.....	47	59	60	52	51	65	51	51	51	50	47	42	49	49	48	51	48	41	44	49
Northern Ireland.....	56	50	51	47	46	69	52	47	49	45	44	56	48	52	49	53	51	53	54	63
Norway.....	27	28	30	30	34	26	22	25	28	29	27	32	25	30	36	30	27	26	28	-----
Salvador.....	-----	-----	-----	-----	57	57	46	50	57	50	56	63	56	53	49	56	-----	-----	-----	-----
Scotland.....	61	57	59	70	62	62	64	66	64	58	62	64	64	70	69	69	59	63	59	62
Sweden.....	29	27	25	26	32	27	27	25	23	24	26	29	28	33	38	35	37	34	-----	-----
Switzerland.....	-----	54	56	51	57	56	55	51	46	48	43	44	37	44	46	43	44	44	46	-----
Uruguay.....	22	29	32	30	23	34	33	27	27	25	25	30	22	24	24	31	24	25	24	23
United States:	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Birth-registration area ²	61	62	66	92	74	80	68	66	67	66	65	66	65	69	70	67	66	63	62	59
Area of 1921 ³	-----	-----	-----	-----	-----	-----	67	65	66	64	64	65	62	64	64	62	62	59	58	55

¹ Provisional.

² The United States birth-registration area when established in 1915 included 10 States and the District of Columbia; additional States were added as they fulfilled requirements until in 1933 it comprised the entire continental United States.

³ Birth-registration area of 1921, exclusive of South Carolina, included 26 States and the District of Columbia each year.

Figures from official sources.

TABLE XI-5.—Trend of infant mortality in the United States birth-registration area by States, 1915-34

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	100	101	94	101	87	86	76	76	77	71	72	73	65	69	68	65	62	58	58	60
Alabama.....													64	75	74	72	61	61	65	68
Arizona.....												121	130	142	133	117	110	96	111	104
Arkansas.....													61	67	58	51	49	45	54	54
California.....					70	74	66	71	73	67	69	63	62	62	63	59	57	53	54	52
Colorado.....													89	91	94	81	71	69	73	
Connecticut.....	107	101	94	107	86	92	73	77	77	69	73	72	59	59	64	56	54	49	48	49
Delaware.....							98	100	104	95	91	93	71	78	81	78	82	67	60	61
Florida.....										82	74	75	67	67	65	64	64	61	63	68
Georgia.....														82	76	77	68	64	67	79
Idaho.....												63	50	59	55	57	56	43	47	50
Illinois.....								76	82	71	73	69	64	64	61	56	59	53	49	53
Indiana.....			86	87	79	82	71	67	71	65	68	72	59	63	64	58	58	55	53	57
Iowa.....										55	56	59	55	53	53	54	49	48	48	51
Kansas.....					70	73	63	65	63	59	62	65	55	59	58	53	48	48	54	48
Kentucky.....					82	73	62	69	72	65	71	75	61	70	71	65	65	63	58	65
Louisiana.....													77	78	74	78	66	65	70	69
Maine.....	105	108	93	101	91	102	88	86	89	81	76	80	80	73	77	76	72	63	66	71
Maryland.....		121	120	140	105	104	94	94	95	86	90	87	81	80	80	75	81	69	66	70
Massachusetts.....	101	100	98	113	88	91	76	81	78	68	73	73	65	64	62	60	55	53	52	49
Michigan.....	86	96	88	89	90	92	79	75	80	72	75	77	68	69	66	63	57	54	51	52
Minnesota.....	70	70	67	71	67	66	59	58	62	57	60	58	52	54	51	52	51	47	48	47
Mississippi.....							68	68	68	71	68	70	67	74	72	68	56	54	64	65
Missouri.....													60	66	62	59	63	57	55	63
Montana.....								70	71	67	71	77	66	61	64	58	60	51	51	53
Nebraska.....					64	59	57	57	55	58	59	51	53	52	49	49	43	49	45	45
Nevada.....															67	68	74	70	73	53
New Hampshire.....	110	115	110	113	93	88	87	80	93	80	76	79	69	69	68	61	57	59	56	61
New Jersey.....							74	79	72	70	69	70	61	65	60	56	57	50	46	46
New Mexico.....															145	145	134	119	136	120
New York.....	99	94	91	97	84	86	75	77	72	69	68	71	59	65	61	59	57	53	54	51
North Carolina.....			100	102	84	85	75	80	81	82	79	82	79	86	79	79	73	67	66	79
North Dakota.....										67	72	69	63	59	67	62	59	55	60	57
Ohio.....			92	94	90	83	75	72	75	67	70	76	62	66	69	61	60	58	53	55
Oklahoma.....														69	70	61	51	50	56	42
Oregon.....					63	62	51	58	57	54	51	52	48	47	48	50	44	41	40	44
Pennsylvania.....	110	114	111	129	100	97	88	88	90	79	82	82	69	72	71	68	67	60	53	55
Rhode Island.....	120	111	108	126	(1)	(1)	93	85	94	80	73	82	67	67	72	62	61	57	56	89
South Carolina.....					113	116	96	93	96	102	(1)	(1)	(1)	97	91	89	81	77	78	86

¹ Dropped from birth-registration area.

SOURCE: U. S. Department of Commerce, Bureau of the Census.

TABLE XI-5.—Trend of infant mortality in the United States birth-registration area by States, 1915-34—Continued

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
South Dakota.....																		50	55	58
Tennessee.....													71	81	77	76	68	68	69	74
Texas.....																		76	76	72
Utah.....			69	64	71	71	73	69	59	64	56	75	54	59	59	57	51	44	48	49
Vermont.....	85	93	85	93	85	96	78	73	76	70	72	72	70	65	66	65	60	63	53	53
Virginia.....			98	103	91	84	79	77	84	78	81	84	75	76	79	77	76	67	69	73
Washington.....			69	69	63	66	55	62	57	56	56	56	50	48	49	49	48	45	39	43
West Virginia.....											80	82	72	70	78	81	77	75	68	67
Wisconsin.....			78	79	80	77	72	71	70	65	67	69	59	61	60	56	53	50	49	49
Wyoming.....								79	80	64	64	76	69	68	70	69	67	57	55	53
District of Columbia.....	111	106	97	112	85	91	83	85	92	76	87	85	68	65	71	71	67	73	67	65

TABLE XI-6.—Trend of infant mortality by color in the United States birth-registration area and in States having 1,500 or more Negro births in 1934; 1915-34

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	100	101	94	101	87	86	76	76	77	71	72	73	65	69	68	65	62	58	58	60
White.....	99	99	91	97	83	82	72	73	73	67	68	70	61	64	63	60	57	53	53	55
Colored.....	181	185	151	161	131	132	108	110	117	113	111	112	100	106	102	102	96	86	91	94
Alabama.....													64	75	74	72	61	61	65	68
White.....													55	64	64	60	53	52	56	57
Colored.....													82	94	91	94	77	76	80	85
Arkansas.....													61	67	58	51	49	45	54	54
White.....													56	61	55	50	48	43	51	52
Colored.....													77	86	69	56	51	52	66	68
Florida.....										82	74	75	67	67	65	64	64	61	63	61
White.....										70	60	62	56	55	52	50	52	49	50	55
Colored.....										107	105	107	93	95	94	95	91	87	92	104
Georgia.....														82	76	77	68	64	67	70
White.....														68	66	65	57	55	59	69
Colored.....														104	93	97	86	78	78	98

Illinois.....								76	82	71	73	69	64	64	61	56	59	53	49	53
White.....								75	79	68	70	68	62	62	60	54	57	52	47	52
Colored.....								125	157	141	122	109	105	105	99	90	87	71	81	74
Indiana.....		86	87	79	82	71	67	71	65	68	72	59	63	64	58	58	55	53	57	55
White.....		84	85	78	79	70	66	69	63	66	70	57	61	62	55	56	53	52	55	55
Colored.....		156	162	136	178	129	129	142	140	119	145	96	102	109	140	91	91	78	92	92
Kentucky.....		87	93	82	73	62	69	72	65	71	75	61	70	71	65	65	63	58	65	65
White.....		82	87	77	69	58	64	67	61	67	71	58	66	67	62	61	61	56	62	62
Colored.....		152	191	147	138	110	157	157	119	119	134	109	118	130	122	137	108	98	117	117
Louisiana.....																				
White.....													77	78	74	78	66	65	70	69
Colored.....													58	64	59	62	53	53	57	56
Maryland.....		121	120	140	105	104	94	94	95	86	90	87	81	80	80	75	81	69	66	70
White.....		101	101	124	92	90	81	81	80	76	76	74	68	67	69	63	66	57	55	60
Colored.....		209	201	215	160	164	147	147	155	128	146	137	134	128	120	121	132	110	104	107
Michigan.....	86	96	88	89	90	92	79	75	80	72	75	77	68	69	66	63	57	54	51	52
White.....	86	96	88	88	89	90	78	73	79	71	73	76	66	68	65	61	56	53	50	51
Colored.....	160	199	158	155	147	179	125	127	147	126	149	124	102	126	109	95	94	68	71	72
Mississippi.....							68	68	68	71	68	70	67	74	72	68	56	54	64	65
White.....							53	56	53	55	53	59	55	61	58	51	44	44	51	55
Colored.....							85	79	82	88	83	81	78	86	85	83	67	62	75	74
Missouri.....														60	66	62	59	63	57	63
White.....														57	62	58	55	60	54	60
Colored.....														112	123	121	108	108	110	109
New Jersey.....						74	79	72	70	69	70	61	65	60	56	57	50	46	49	49
White.....						71	76	69	67	65	67	58	61	57	53	54	47	44	45	45
Colored.....						139	129	124	125	125	122	113	124	105	99	98	92	77	94	94
New York.....	99	94	91	97	84	86	75	77	72	69	68	71	59	65	61	59	57	53	54	52
White.....	98	93	90	95	82	85	74	76	71	68	66	68	57	63	59	57	55	51	52	50
Colored.....	191	169	176	175	151	159	138	124	121	114	119	132	109	123	111	103	104	93	90	90
North Carolina.....			100	102	84	85	75	80	81	82	79	82	79	86	79	79	73	67	66	78
White.....			85	85	74	73	66	70	70	70	67	71	66	75	67	67	60	57	55	67
Colored.....			133	140	109	113	95	101	106	110	105	107	109	109	107	105	102	87	90	101
Ohio.....			92	94	90	83	75	72	75	67	70	76	62	66	69	61	60	58	53	54
White.....			91	92	88	81	73	70	72	64	67	73	60	64	66	58	58	57	51	52
Colored.....			158	178	157	153	122	111	139	113	127	128	103	113	120	107	106	97	88	82
Oklahoma.....															69	70	61	51	50	61
White.....															65	66	57	48	47	53
Colored.....															131	142	107	86	81	95
Pennsylvania.....	110	114	111	129	100	97	88	88	90	79	82	82	69	72	71	68	67	60	53	55
White.....	108	113	109	126	98	95	86	86	88	76	80	80	67	70	69	66	64	58	52	53
Colored.....	184	180	194	226	151	167	134	142	151	138	131	139	112	116	106	106	115	98	79	93
South Carolina.....					113	116	96	93	96	102	(1)	(1)	(1)	97	91	89	81	77	78	83
White.....					76	83	69	67	70	77	(1)	(1)	(1)	78	72	69	59	61	61	67
Colored.....					149	148	123	119	125	127	(1)	(1)	(1)	115	110	108	102	92	95	98
Tennessee.....														71	81	77	76	68	69	74
White.....														64	73	70	69	61	63	67
Colored.....														107	121	117	115	102	102	109

¹ Dropped from birth-registration area.

SOURCE: U. S. Department of Commerce, Bureau of the Census.

TABLE XI-6.—Trend of infant mortality by color in the United States birth-registration area and in States having 1,500 or more Negro births in 1934; 1915-34—Continued

State	Deaths under 1 year per 1,000 live births																				
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	
Texas.....																				76	72
White.....																				62	59
Colored.....																			117	111	
Virginia.....			98	103	91	84	79	77	84	78	81	84	75	76	79	77	76	67	69	73	
White.....			80	86	78	72	68	65	71	66	67	72	62	64	67	65	64	58	59	62	
Colored.....			137	141	120	110	103	102	115	104	111	111	106	104	107	107	108	90	90	98	
West Virginia.....											80	82	72	70	78	81	77	75	68	67	
White.....											78	79	70	69	76	80	75	73	67	66	
Colored.....											110	124	101	95	96	97	111	103	84	92	
District of Columbia.....	111	106	97	112	85	91	83	85	92	76	87	85	68	65	71	71	67	73	67	65	
White.....	83	83	71	85	67	72	68	64	71	62	67	67	49	46	48	52	44	56	49	43	
Colored.....	173	158	160	188	132	139	122	134	143	108	132	123	109	107	117	110	115	108	101	108	

TABLE XI-7.—Trend of infant mortality in urban and rural districts of the United States birth-registration area by States, 1915-34

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Area.....	100	101	94	101	87	86	76	76	77	71	72	73	65	69	68	65	62	58	58	64
Urban.....	103	104	100	108	89	91	78	80	78	72	73	74	65	69	66	63	61	57	57	50
Rural.....	94	97	88	94	84	81	74	72	76	69	70	72	64	68	69	66	62	58	59	68
Alabama.....													64	75	74	72	61	61	65	62
Urban.....													77	96	88	84	76	76	83	88
Rural.....													62	71	70	69	58	58	61	64
Arizona.....												121	130	142	133	117	110	96	111	104
Urban.....												111	115	133	122	116	105	93	103	94
Rural.....												125	136	145	137	117	111	97	116	104
Arkansas.....													61	67	58	51	49	45	54	58
Urban.....													82	76	67	59	69	65	82	73
Rural.....													59	66	57	51	47	43	52	52
California.....					70	74	66	71	73	67	69	63	62	62	63	59	57	53	54	52
Urban.....					64	68	60	64	66	62	62	56	57	55	52	49	47	48	45	45
Rural.....					79	83	75	81	83	74	79	72	70	72	74	72	70	63	64	63
Colorado.....														89	91	94	81	71	69	73
Urban.....														86	85	89	72	69	60	66
Rural.....														91	96	98	87	73	75	78
Connecticut.....	107	101	94	107	86	92	73	77	77	69	73	72	59	59	64	56	54	49	48	49
Urban.....	103	101	93	106	86	93	72	77	77	67	70	70	57	58	62	56	55	48	49	48
Rural.....	119	101	96	112	87	88	79	77	75	77	88	82	66	63	77	54	49	54	48	52
Delaware.....							98	100	104	95	91	93	71	78	81	78	82	67	60	61
Urban.....							93	100	99	91	87	87	71	71	75	71	70	62	55	55
Rural.....							103	101	110	100	94	100	71	86	88	87	95	72	66	69
Florida.....										82	74	75	67	67	65	64	64	61	63	68
Urban.....										88	87	85	69	65	62	64	62	57	63	67
Rural.....										80	68	70	67	68	67	64	65	64	63	69
Georgia.....														82	76	77	68	64	67	79
Urban.....														99	92	90	84	79	83	89
Rural.....														77	72	74	64	60	62	76
Idaho.....													63	50	59	55	56	43	47	50
Urban.....													59	53	53	55	47	50	39	48
Rural.....													63	50	60	55	59	57	44	47
Illinois.....								76	82	71	73	69	64	64	61	56	59	53	49	53
Urban.....								81	85	75	74	68	64	63	61	54	58	51	49	50
Rural.....								68	77	65	70	72	66	66	63	59	61	57	48	58
Indiana.....			86	87	79	82	71	67	71	65	68	72	59	63	64	58	58	55	53	57
Urban.....			100	104	88	96	79	76	78	73	75	78	63	67	67	61	60	58	56	61
Rural.....			78	77	74	72	66	61	65	59	62	68	55	59	60	54	55	52	50	53

SOURCE: U. S. Department of Commerce, Bureau of the Census.

78470-37-34

INFANT AND MATERNAL MORTALITY

TABLE XI-7.—Trend of infant mortality in urban and rural districts of the United States birth-registration area by States, 1915-34—Contd.

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Iowa.....										55	56	59	55	53	53	54	49	48	48	51
Urban.....										66	70	72	67	67	63	62	54	58	57	58
Rural.....										50	50	53	50	47	48	49	46	43	44	47
Kansas.....			77	80	70	73	63	65	63	59	62	65	55	59	58	53	48	48	54	48
Urban.....			98	106	88	92	73	79	78	70	72	76	62	69	66	58	50	52	54	58
Rural.....			73	73	65	67	59	60	57	54	58	61	53	55	64	50	47	47	53	44
Kentucky.....			87	93	82	73	62	69	72	65	71	75	61	70	71	65	65	63	58	65
Urban.....			103	119	105	90	72	83	89	79	85	92	71	77	78	74	78	75	70	77
Rural.....			85	90	78	70	60	67	68	62	67	72	59	68	69	63	62	61	55	62
Louisiana.....													77	78	74	78	66	65	70	69
Urban.....													89	83	83	88	76	74	83	84
Rural.....													73	76	70	74	61	61	64	63
Maine.....	105	108	93	101	91	102	88	86	89	81	76	80	80	73	77	76	72	63	66	71
Urban.....	109	128	107	109	89	110	79	97	89	88	79	86	86	82	79	83	73	68	74	70
Rural.....	104	102	89	98	91	98	92	82	88	78	75	77	77	68	77	73	71	61	63	71
Maryland.....		121	120	140	105	104	94	94	95	86	90	87	81	80	80	75	81	69	66	70
Urban.....		120	116	146	98	105	87	93	87	84	82	83	81	82	72	67	76	64	64	68
Rural.....		122	123	135	115	103	102	96	104	88	101	92	81	77	90	86	87	75	69	74
Massachusetts.....	101	100	98	113	88	91	76	81	78	68	73	73	65	64	62	60	55	53	52	49
Urban.....	103	103	99	115	90	92	76	82	78	68	73	73	65	65	61	59	55	53	52	49
Rural.....	92	87	91	104	82	83	77	76	75	66	74	72	64	63	68	65	53	54	48	49
Michigan.....	86	96	88	89	90	92	79	75	80	72	75	77	68	69	66	63	57	54	51	52
Urban.....	96	106	97	97	97	100	81	81	85	75	79	82	70	74	69	63	57	54	53	52
Rural.....	78	87	80	81	82	82	75	67	74	68	71	70	64	62	62	57	54	47	51	51
Minnesota.....	70	70	67	71	67	66	59	58	62	57	60	58	52	54	51	52	51	47	48	47
Urban.....	77	78	75	79	68	71	59	60	62	56	61	57	48	55	49	52	55	49	48	47
Rural.....	67	66	64	67	66	64	59	56	62	57	60	58	54	53	53	47	46	48	47	47
Mississippi.....							68	68	68	71	68	70	67	74	72	68	56	54	64	65
Urban.....							95	87	86	94	87	77	88	86	86	75	75	71	80	83
Rural.....							66	66	67	69	67	69	64	72	71	67	53	52	62	63
Missouri.....													60	66	62	59	63	57	55	63
Urban.....													63	68	66	59	65	58	49	62
Rural.....													57	64	59	59	61	57	60	64
Montana.....							70	71	67	71	77	77	66	61	64	58	60	51	51	53
Urban.....							78	72	72	73	77	77	58	59	60	52	53	46	42	50
Rural.....							68	71	65	70	77	70	62	65	61	64	54	55	55	55
Nebraska.....					64	59	57	57	55	58	59	51	53	52	49	49	43	49	45	45
Urban.....					86	74	71	71	68	69	68	60	59	62	51	51	45	50	54	54
Rural.....					58	54	53	53	51	54	56	48	51	48	49	48	43	49	42	42
Nevada.....																67	68	74	70	73
Urban.....																58	49	63	51	46
Rural.....																69	73	78	74	80

New Hampshire	110	115	110	113	93	88	87	80	93	80	76	79	69	69	68	61	57	59	56	61	
Urban	131	133	132	124	101	97	95	90	102	81	87	82	72	74	78	63	60	60	56	64	
Rural	89	97	86	102	85	78	78	69	84	78	65	75	66	64	58	58	54	57	56	56	
New Jersey							74	79	72	70	69	70	61	65	60	56	57	50	46	49	
Urban							74	79	71	70	68	69	61	66	60	56	55	50	45	48	
Rural							74	77	74	69	70	72	62	63	61	57	62	52	51	54	
New Mexico															145	145	134	119	136	126	
Urban															162	121	112	103	146	104	
Rural															144	148	137	122	135	129	
New York	99	94	91	97	84	86	75	77	72	69	68	71	59	65	61	59	57	53	54	52	
Urban	102	97	93	98	85	88	76	78	71	70	68	70	59	66	60	59	57	52	54	52	
Rural	89	83	85	93	77	78	74	72	76	67	66	71	62	62	63	59	61	56	53	52	
North Carolina			100	102	84	85	75	80	81	82	79	82	79	86	79	79	73	67	66	78	
Urban			159	168	124	113	97	96	109	100	104	106	106	110	98	94	87	87	88	98	
Rural			96	98	82	81	72	77	77	79	74	78	74	81	76	75	70	62	62	74	
North Dakota												67	72	69	63	59	67	55	60	57	
Urban												68	49	72	47	50	63	55	48	57	
Rural												67	74	69	66	61	68	63	60	62	
Ohio			92	94	90	83	75	72	75	67	70	76	62	66	69	61	60	58	53	54	
Urban			103	100	94	89	76	76	75	70	71	78	64	70	70	62	60	58	54	54	
Rural			79	87	85	74	73	65	75	62	67	72	59	61	67	59	60	59	51	54	
Oklahoma														69	70	61	51	50	56	61	
Urban														78	69	82	61	64	65	75	
Rural														67	70	53	48	46	54	56	
Oregon					63	62	51	58	57	54	51	52	48	47	48	50	44	41	40	40	
Urban					69	60	50	59	53	51	48	39	47	44	42	48	41	36	40	36	
Rural					59	63	52	58	60	55	53	62	48	49	52	51	45	46	40	43	
Pennsylvania	110	114	111	129	100	97	88	88	90	79	82	82	69	72	71	68	67	60	53	55	
Urban	110	114	113	130	99	99	86	89	87	80	81	81	68	74	69	66	66	58	52	54	
Rural	110	114	109	128	101	95	89	87	94	77	83	83	70	70	73	70	67	63	55	56	
Rhode Island	120	111	108	126	(1)	(1)	93	85	94	80	73	82	67	67	72	62	61	57	56	54	
Urban	118	116	109	127	(1)	(1)	94	86	94	81	74	82	65	68	72	61	62	59	56	54	
Rural	129	93	101	118	(1)	(1)	86	79	94	73	69	82	78	64	70	58	46	44	49	49	
South Carolina					113	116	96	93	96	102	(1)	(1)	(1)	97	91	89	81	77	78	83	
Urban					139	150	127	105	117	121	(1)	(1)	(1)	117	115	111	104	96	98	97	
Rural					111	112	92	91	94	99	(1)	(1)	(1)	94	88	85	78	74	75	81	
South Dakota																		50	55	58	
Urban																		53	46	59	
Rural																		50	57	58	
Tennessee													71	81	77	76	68	68	69	74	
Urban													86	98	92	99	89	85	92	96	
Rural													67	75	72	67	60	62	62	66	
Texas																				76	72
Urban																				92	86
Rural																				68	65
Utah			69	64	71	71	73	69	59	64	56	75	54	59	59	57	51	44	48	49	
Urban			66	66	74	69	69	70	61	59	49	70	54	55	55	54	46	42	49	46	
Rural			71	63	69	72	75	68	58	67	60	78	54	61	62	59	56	46	47	52	
Vermont	85	93	85	93	85	96	78	73	76	70	72	72	70	65	66	65	60	63	53	53	
Urban	116	128	108	119	121	117	102	98	92	78	66	72	65	61	55	68	50	76	48	45	
Rural	80	86	81	88	79	92	73	68	73	68	74	72	71	66	69	64	63	60	55	55	

1 Dropped from birth-registration area

TABLE XI-7.—Trend of infant mortality in urban and rural districts of the United States birth-registration area by States, 1915-34—Contd.

State	Deaths under 1 year per 1,000 live births																			
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Virginia.....			98	103	91	84	79	77	84	78	81	84	75	76	79	77	76	67	69	73
Urban.....			129	145	106	107	95	94	98	93	97	103	89	91	92	83	83	70	71	82
Rural.....			91	93	87	77	74	72	80	73	76	78	72	72	75	76	74	66	68	70
Washington.....			69	69	63	66	55	62	57	56	56	56	50	48	49	49	48	45	39	43
Urban.....			62	67	59	64	55	58	51	52	50	54	47	43	44	42	44	43	36	41
Rural.....			75	71	67	69	56	65	62	61	64	59	53	54	55	60	54	49	44	46
West Virginia.....											80	82	72	70	78	81	77	75	68	67
Urban.....											93	93	84	78	87	99	92	92	91	88
Rural.....											77	79	69	69	76	77	74	72	64	63
Wisconsin.....			78	79	80	77	72	71	70	65	67	69	59	61	60	56	53	50	49	49
Urban.....			92	99	94	90	79	78	77	67	71	74	61	64	62	54	55	49	48	49
Rural.....			69	67	71	68	68	67	65	63	64	65	58	60	57	57	52	49	50	50
Wyoming.....								79	80	64	64	76	69	68	70	69	67	57	55	53
Urban.....								104	102	73	51	78	64	78	57	65	61	63	49	48
Rural.....								73	73	62	67	75	70	66	73	70	68	56	56	54
District of Columbia.....	111	106	97	112	85	91	83	85	92	76	87	85	68	65	71	71	67	73	67	65

TABLE XI-8.—*Infant mortality rates (deaths under 1 year per 1,000 live births), by specified groups of causes, in the United States birth-registration area of 1921,¹ exclusive of South Carolina, 1921-34*

Cause of death	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
All causes	75.0	75.7	76.2	70.3	71.8	73.6	64.0	67.0	65.7	62.4	60.0	55.8	54.3	55.8
Natal and prenatal causes ² ..	36.0	35.9	35.6	35.0	34.9	34.9	33.5	33.9	33.5	32.7	32.2	31.2	31.3	31.4
Gastrointestinal diseases ³ ..	14.8	12.6	12.3	10.0	11.9	10.2	8.0	7.9	7.4	7.9	6.6	5.2	5.0	5.5
Respiratory diseases ⁴	10.3	13.7	13.8	11.9	12.2	14.3	10.3	12.9	12.8	10.7	11.0	9.9	9.0	9.3
Epidemic and communicable diseases ⁵ ..	4.6	4.0	5.4	4.4	3.7	5.0	3.5	3.6	3.5	3.1	2.7	2.7	2.3	3.0
External causes	1.0	0.9	1.0	1.0	1.0	1.1	0.9	0.9	0.9	1.0	0.9	0.9	0.9	1.0
All other causes ⁶	8.3	5.9	5.8	5.7	5.9	5.7	5.3	5.4	5.3	4.7	4.5	4.1	4.0	4.0
Unknown or ill-defined diseases ..	-----	2.6	2.5	2.4	2.3	2.4	2.3	2.4	2.4	2.4	2.1	1.9	1.8	1.7

¹ Includes California, Connecticut, Delaware, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Utah, Vermont, Virginia, Washington, Wisconsin, and the District of Columbia. These are the States that were in the birth-registration area every year from 1921 to 1934.

² Includes premature birth, congenital debility (called congenital debility, icterus, sclerema in 1930 list), injuries at birth, other diseases of early infancy, congenital malformations, syphilis, and tetanus.

³ Includes diseases of stomach, diarrhea and enteritis, dysentery.

⁴ Includes bronchitis, bronchopneumonia, pneumonia (divided into lobar and unspecified in 1930 list), influenza.

⁵ Includes measles, scarlet fever, whooping cough, diphtheria, erysipelas, meningococcus meningitis (called epidemic cerebrospinal meningitis in 1930 list), tuberculosis of the respiratory system, tuberculosis of meninges, other forms of tuberculosis.

⁶ Includes convulsions and other causes of death (intestinal obstruction shown separately in 1930 list was included in other causes of death prior to that date).

SOURCE: U. S. Department of Commerce, Bureau of the Census.

GRANTS

TO STATES FOR PUBLIC WELFARE

-1305)

	Federal Rehabilitation Administration	Title 42
<p>made for specified in</p> <p>for coop- nursing, and with tional re- dicapped</p>	<p>1. A State plan must be submitted to the Federal agency for approval.</p> <p>2. The State must accept the provisions of the act entitled "An act to provide for the promotion of vocational rehabilitation of persons disabled in industry or otherwise and their return to civil employment," approved June 2, 1930, as amended.</p> <p>3. A sum not less than the amount of the Federal share must be expended by the State under the control of the State board, and no Federal funds may be used by any institution for handicapped persons except for rehabilitation of eligible individuals as determined by the Federal Board (U. S. Office of Education).</p> <p>4. The State board shall annually submit for approval plans showing method and policy of administration and qualifications of personnel.</p> <p>5. The State board must annually report to the Federal Board (U. S. Office of Education) on the work done and on receipts and expenditures of money.</p> <p>6. Federal funds may not be expended for lands or buildings.</p> <p>7. Vocational rehabilitation administered by the State board must be available under regulation of the Federal agency to civil employees of the United States disabled in performance of duty.</p> <p>8. Cooperation in the administration of the act, the Vocational Education Act, and the State law for workmen's compensation if such exists.</p> <p>9. Provisions for support and supervision of the State program.</p> <p>10. Appointment of the State treasurer as custodian for Federal funds.</p>	<p>7. State shall not be eligible in the State to procedure (and) part in the State year if the first year of the first</p>
<p>allotted distribut- s of need, e number l of such</p>	<p>For each fiscal year \$1,000,000 annually to be distributed to the States on a basis of population; a minimum of \$10,000 to each State.</p>	<p>One-third of the amount of the grant shall be expended by the State for the first</p>
<p>payment.</p>	<p>Amount paid to expenditure from Federal funds.</p>	<p>Amount paid</p>
<p>crippled ring from pling.</p>	<p>Vocational rehabilitation of persons who, by reason of a physical defect or infirmity, whether congenital or acquired by accident, injury, or disease, are incapacitated for remunerative occupation; including such persons fit for remunerative occupation; and other services.</p>	<p>Money paid to child or adult by reason of disability of a person in a remunerative occupation; and other services.</p>
<p>through the Di</p>	<p>Adjustments in equal semiannual payments on the 1st day of July and January of each year.</p>	<p>and appropriate</p>
<p>Secretary of to comply all notify</p>	<p>Which funds found that money allotted are not being expended for the purposes and conditions of the act of June 2, 1930, as amended, payments shall be withheld.</p>	<p>to be approved with provision</p>
	<p>Children Bureau Office of Education</p>	<p>Subtitle 2</p>

APPENDIX XII

SUMMARY OF PROVISIONS OF THE SOCIAL SECURITY ACT RELATING TO FEDERAL GRANTS TO STATES FOR PUBLIC-WELFARE PURPOSES¹

(Ch. 531, 49 Stat. 620; 42 U. S. C. (1935 Supp.), §§ 301-1305)

Provision	Old-age assistance ²	Aid to the blind ³	Aid to dependent children ⁴	Maternal and child health ⁵	Crippled children ⁶	Child welfare ⁷	Public health ⁸	Vocational rehabilitation ⁹
Conditions for approval of State plan.	<p>1. A State plan (for each type of assistance, aid, or service) must be submitted by the State to the designated Federal administrative agency for approval.</p> <p>For old-age assistance, aid to the blind, and aid to dependent children, each of the plans must be State-wide, and if administered by political subdivisions must be mandatory upon them.</p> <p>2. Financial participation by the State must be provided in the State plan (for each type of assistance, aid, or service).</p> <p>A State old-age assistance plan need not provide State financial participation before July 1, 1937, where the Board finds the State is so prevented by its constitution.</p> <p>3. A single State agency must be established or designated to administer the State plan or established or designated to supervise the administration of the State plan.</p> <p>For maternal and child-health services the State health agency must be used.</p> <p>4. Methods of administration (other than those relating to selection, tenure, and compensation of personnel) must be reported in such form and containing such information as may be from time to time required by the designated Federal administrative agency.</p> <p>5. Reports must be submitted in such form and containing such information as may be from time to time required by the designated Federal administrative agency.</p> <p>6. Persons whose claims for assistance have been denied must be permitted an opportunity for a fair hearing before the State agency.</p> <p>7. State residence requirement may not exceed 5 years within last 9 years. One year of residence immediately preceding application may be required.</p> <p>8. A State plan cannot impose any citizenship requirement which excludes any United States citizen.</p> <p>9. After January 1, 1940, State plan must provide an age limit of not over 65 years, but until then a 70-year limit is permissible.</p> <p>10. One-half of any State or local recovery from estate of a recipient is to be paid to the United States.</p>							
Amount of Federal grant to State.	One-half of State expenditures for assistance under each plan; but such part of payment as is in excess of \$30 a month to an individual is not matched by Federal Government. In addition 5 percent of Federal aid to State for administration and/or assistance under each plan.	One-third of State expenditures; but such part of payment as is in excess of \$18 per month for first child and \$12 for each additional child is not matched by Federal Government.	For each fiscal year \$30,000 to each State; and \$1,800,000 distributed to the States in proportion to live births; and \$90,000 distributed on basis of need, taking into consideration number of live births in State.	For each fiscal year \$20,000 allotted to each State and \$1,830,000 distributed to the States on the basis of need, taking into consideration the number of crippled children in need of such services and the cost thereof.	For each fiscal year \$10,000 allotted to each State and \$900,000 distributed to the States not to exceed proportion of State to United States rural population.	For each fiscal year \$8,000,000 distributed to the States on the basis of (1) population, (2) special health problems, (3) financial needs.	For each fiscal year \$1,938,000 annually to be distributed to the States on a basis of population; a minimum of \$10,000 to each State.	
State financial participation.	Amount equal to Federal payment to State exclusive of Federal 5 percent.	Amount double Federal payment to State.	Amount equal to Federal payment to State exclusive of allotment on basis of need.	Amount equal to Federal payment.	Not specifically provided in act.	Not specifically provided in act.	Amount equal to expenditure from Federal funds.	
Federal definition of aid.	Money payments to needy individual 65 years or older not an inmate of public institution.	Money payments to needy blind individual not an inmate of a public institution.	Money payments to needy dependent child or children under 16 years by reason of death, absence, or incapacity of a parent, living with a relative in a residence maintained as a home.	Services for promoting the health of mothers and children.	Services and facilities for crippled children or for children suffering from conditions which lead to crippling.		Vocational rehabilitation of persons who, by reason of a physical defect or infirmity, whether congenital or acquired, by accident, injury, or disease, are incapacitated for remunerative occupation; rendering such persons fit for remunerative occupation; and other services.	
Method of making allotments.	Allotments made for each quarter on the basis of estimated State expenditures and appropriations, and investigations by the appropriate Federal agency.					Not specifically provided in act.	Allotments made for each quarter in accordance with regulations previously prescribed after conference with State health authorities.	Allotments in equal semiannual payments on the 1st day of July and January of each year.
	Payments are made to the State upon the certification of the designated Federal agency (at time or times fixed by such agency) by the Secretary of the Treasury (through the Division of Disbursement of the Treasury Department) prior to audit or settlement by the General Accounting Office.							
Suspension of Federal grant.	When, after reasonable notice and opportunity for hearing, the Board finds that an approved plan has been changed to impose a prohibited requirement, or in the administration imposes a prohibited requirement with the knowledge of the State agency in a substantial number of cases, or fails to comply substantially with provisions required in the plan, the Board shall notify the State agency that further payments will not be made.		When, after reasonable notice and opportunity for hearing, the Secretary of Labor finds that in the administration of the plan there is failure to comply substantially with the provisions required in the plan, the Secretary shall notify the State agency that further payments will not be made.			Not specifically provided in act.	Not specifically provided in act.	When it is found that moneys allotted are not being expended for the purposes and conditions of the act of June 2, 1920, as amended, payments shall be withheld.
Federal agency.	Social Security Board	Social Security Board	Social Security Board	Children's Bureau	Children's Bureau	Children's Bureau	Public Health Service	Office of Education
Federal appropriation authorized for each year after June 30, 1936.	Sum sufficient to carry out the purposes of these titles of the act			\$3,800,000	\$2,850,000	\$1,500,000	\$8,000,000	\$1,938,000

¹ The Social Security Act also authorizes in title III an appropriation of \$45,000,000 for each fiscal year after 1936 to be distributed as grants to the States for the administration of their unemployment compensation laws.

² 49 Stat. 620, §§ 1-6; 42 U. S. C. (1935 Supp.), §§ 301-305.
³ 49 Stat. 645, §§ 1001-1006; 42 U. S. C. (1935 Supp.), §§ 1201-1206.

⁴ 49 Stat. 627, §§ 401-406; 42 U. S. C. (1935 Supp.), §§ 601-606.
⁵ 49 Stat. 629, §§ 801-805; 42 U. S. C. (1935 Supp.), §§ 701-705.

⁶ 49 Stat. 631, §§ 611-615; 42 U. S. C. (1935 Supp.), §§ 711-715.
⁷ 49 Stat. 633, § 521; 42 U. S. C. (1935 Supp.), § 721.

⁸ 49 Stat. 634, §§ 601-603; 42 U. S. C. (1935 Supp.), §§ 801-803.
⁹ 49 Stat. 633, § 531; 29 U. S. C. (1935 Supp.), § 45 (b).

APPENDIX XIII

CREATION AND MEMBERSHIP OF THE COMMITTEE ON ECONOMIC SECURITY AND AFFILIATED GROUPS

EXECUTIVE ORDER

ESTABLISHING THE COMMITTEE ON ECONOMIC SECURITY AND THE ADVISORY COUNCIL ON ECONOMIC SECURITY

By virtue of and pursuant to the authority vested in me by the National Industrial Recovery Act (ch. 90, 48 Stat. 195), I hereby establish (1) the Committee on Economic Security (hereinafter referred to as the Committee), consisting of the Secretary of Labor, chairman, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator; and (2) the Advisory Council on Economic Security (hereinafter referred to as the Advisory Council), the original members of which shall be appointed by the President, and additional members of which may be appointed from time to time by the Committee.

The Committee shall study problems relating to the economic security of individuals and shall report to the President not later than December 1, 1934, its recommendations concerning proposals which in its judgment will promote greater economic security.

The Advisory Council shall assist the Committee in the consideration of all matters coming within the scope of its investigations.

The Committee shall appoint (1) a technical board on economic security, consisting of qualified representatives selected from various departments and agencies of the Federal Government, and (2) an executive director, who shall have immediate charge of studies and investigations to be carried out under the general direction of the technical board, and who shall, with the approval of the technical board, appoint such additional staff as may be necessary to carry out the provisions of this order.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *June 29, 1934.*

(No. 6757)

COMMITTEE ON ECONOMIC SECURITY

Frances Perkins, Secretary of Labor, chairman.
 Henry Morgenthau, Jr., Secretary of the Treasury.
 Homer Cummings, Attorney General.
 Henry A. Wallace, Secretary of Agriculture.
 Harry L. Hopkins, Federal Emergency Relief Administrator.

COMMITTEES ADVISORY TO THE COMMITTEE ON ECONOMIC SECURITY

ADVISORY COUNCIL

Frank P. Graham, president, University of North Carolina, Chapel Hill, N. C., chairman.
 Paul Kellogg, editor, The Survey, New York City, vice chairman.
 Gerard Swope, president, General Electric Co., New York City.
 Morris E. Leeds, president, Leeds & Northrup, Philadelphia, Pa.
 Sam Lewisohn, vice president, Miami Copper Co., New York City.
 Walter C. Teagle, president, Standard Oil Co. of New Jersey, New York City.
 Marion B. Folsom, assistant treasurer, Eastman Kodak Co., Rochester, N. Y.
 William Green, president, American Federation of Labor, Washington, D. C.
 George M. Harrison, president, Brotherhood of Railway and Steamship Clerks, Cincinnati, Ohio.
 Paul Scharrenberg, secretary-treasurer, California State Federation of Labor, San Francisco, Calif.
 Henry Ohl, Jr., president, Wisconsin State Federation of Labor, Milwaukee.
 Belle Sherwin, former president, National League of Women Voters, Washington, D. C.
 Grace Abbott, University of Chicago, and former chief, United States Children's Bureau.
 Raymond Moley, editor, Today, and former Assistant Secretary of State.
 George H. Nordlin, chairman, grand trustees, Fraternal Order of Eagles, St. Paul, Minn.
 George Berry, president, International Printing Pressmen and Assistants' Union, Tennessee.
 John G. Winant, Governor of New Hampshire.
 Mary Dewson, National Consumers League, New York City.
 Louis J. Taber, master, National Grange, Cleveland.
 Monsignor John A. Ryan, director, department of social action, National Catholic Welfare Conference, Washington, D. C.
 Helen Hall, president, National Federation of Settlements and director of the Henry Street Settlement, New York City.
 Joel D. Hunter, general superintendent, United Charities of Chicago.
 Elizabeth Morrissey, Notre Dame College, Baltimore, Md.

TECHNICAL BOARD

Arthur J. Altmeyer, Second Assistant Secretary of Labor, chairman.
 Winfield W. Riefler, executive director, Central Statistical Board; chairman, executive committee.

- Otto Beyer, Labor Relations Director, Office of the Federal Coordinator of Transportation.
- Thomas H. Eliot, Associate Solicitor, Department of Labor.
- Corrington Gill, Assistant Administrator, Federal Emergency Relief Administration.
- Walton H. Hamilton, chairman, Advisory Council, National Recovery Administration; chairman, medical problems subcommittee.
- A. H. Hansen, Chief Economic Analyst, Department of State; chairman, unemployment insurance subcommittee.
- Alexander Holtzoff, assistant to Attorney General, Department of Justice.
- Murray W. Latimer, chairman, Railroad Retirement Board; chairman, old-age security subcommittee.
- William M. Leiserson, chairman, National Mediation Board.
- Isador Lubin, Commissioner of Labor Statistics, Department of Labor.
- H. A. Millis, board member, National Labor Relations Board.
- H. B. Myers, Assistant Director, Research and Statistics, Federal Emergency Relief Administration.
- Herman Oliphant, general counsel, Treasury Department.
- Stuart Rice, Assistant Director, Bureau of the Census, Department of Commerce.
- H. R. Tolley, Assistant Administrator, Division of Program Planning, Agricultural Adjustment Administration.
- Victor N. Valgren, senior agricultural economist, Department of Agriculture.
- Jacob Viner, assistant to the Secretary, Treasury Department.
- Aubrey Williams, Assistant Administrator, Federal Emergency Relief Administration; chairman, public employment and public assistance subcommittee.
- E. Willard Jensen, Executive Secretary, Business Advisory Council, Department of Commerce.
- Josephine Roche, Assistant Secretary of the Treasury.

ACTUARIAL CONSULTANTS

- Prof. James W. Glover, University of Michigan, Ann Arbor, Mich., chairman.
- Prof. Henry L. Reitz, University of Iowa, Iowa City, Iowa.
- Prof. A. L. Mowbray, University of California, Berkeley, Calif.
- M. A. Linton, president, Provident Mutual Life Insurance Co., Philadelphia, Pa.

MEDICAL ADVISORY COMMITTEE

- Dr. Harvey Cushing, professor of neurology, Yale University, New Haven, Conn.
- Dr. Thomas Parran, Jr., New York State Commissioner of Health, New York City.
- Dr. James Deacon Bruce, Ann Arbor, Mich.
- Dr. Stewart R. Roberts, professor of clinical medicine, Emory University, Atlanta, Ga.
- Dr. Rexwald Brown, Santa Barbara, Calif.
- Dr. James Alexander Miller, professor, College of Physicians and Surgeons, New York City.

- Dr. Walter L. Bierring, president, American Medical Association, Des Moines, Iowa.
 Dr. Robert B. Greenough, president, American College of Surgeons, Boston.
 Dr. George M. Piersol, past president, American College of Physicians, Philadelphia.
 Dr. George Crile, Cleveland Clinic Hospital, Cleveland.
 Dr. J. Shelton Horsley, Richmond, Va.

PUBLIC-HEALTH ADVISORY COMMITTEE

- Homer Folks, New York State Charities Aid Association, New York City.
 Dr. Eugene L. Bishop, Commissioner of Public Health of Nashville, Tenn.
 Dr. A. L. Chelsey, secretary, Minnesota Board of Health, St. Paul.
 Dr. Allen W. Freeman, dean, School of Hygiene and Public Health, Johns Hopkins University, Baltimore.
 Dr. Clarence Hincks, director, National Committee for Mental Hygiene, New York City.
 Dr. Thomas Parran, Jr., Commisisoner of Health of New York State, Albany, N. Y.
 Dr. Milton J. Rosenau, Harvard Medical School, Cambridge, Mass.
 Dr. John J. Sippy, health officer, San Joaquin, Calif.
 Katharine Tucker, R. N., director, National Organization for Public Health Nursing, New York City.
 C.-E. A. Winslow, D. P. H., professor of public health, Yale School of Medicine, New Haven, Conn.
 Abel Wolman, chief, bureau of sanitary engineering, Maryland Department of Health, Baltimore.
 Dr. Felix J. Underwood, secretary, Mississippi Board of Health, Jackson, Miss.
 Louis I. Dublin, statistician and vice president, Metropolitan Life Insurance Co., New York City.

HOSPITAL ADVISORY BOARD

- Dr. J. Rollin French, president, Western Hospital Association.
 Rev. Charles G. Jarrel, president, Protestant Hospital Association.
 Robert G. Jolly, president, American Hospital Association.
 Father Alphonse J. Schwitalla, president, Catholic Hospital Association.
 Dr. Arthur C. Bachmeyer, dean, Cincinnati General Hospital.
 Michael M. Davis, Ph. D., chairman, Council on Community Relations of American Hospital Association.
 Dr. Nathaniel W. Faxon, director, Strong Memorial Hospital of Rochester.
 Dr. S. S. Goldwater, commissioner of hospitals, Department of Health, New York City.
 Dr. Robert C. Buerki, University Hospital of Madison.
 Dr. Winford Smith, medical director, Johns Hopkins Hospital of Baltimore.
 Dr. Frederic A. Washburn, Boston commissioner of institutions.
 Dr. Watson S. Rankin, director, hospital and orphan sections, Duke Endowment.

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- Dr. Frank M. Casto, president, American Dental Association of Cleveland.
 Dr. J. Ben Robinson, president, American College of Dentists of Baltimore.
 Dr. Le Roy M. S. Miner, dean of Dental School of Harvard.
 Dr. Alfred Walker, chairman of the Judicial Council of American Dental Association.

George A. Coleman, D. D. S., Philadelphia.
 Dr. O. W. Brandhorst, St. Louis.
 Dr. John T. Hanks, New York.
 Dr. John T. O'Rourke, Louisville.
 Dr. Bissell Palmer, New York.
 Dr. Herbert E. Phillips, Chicago.
 Dr. Roy Green, Sacramento.

ADVISORY COMMITTEE ON PUBLIC EMPLOYMENT AND PUBLIC ASSISTANCE

Miss Dorothy Kahn, director, Philadelphia County Relief Board, Philadelphia, chairman.
 Miss Edith Abbott, dean, Graduate School of Social Service Administration, University of Chicago, Chicago.
 Miss Gay Shepperson, administrator, Georgia Relief Commission, Atlanta.
 Frank Bane, director, American Public Welfare Association, Chicago.
 Miss Elizabeth Wisner, director, School of Social Work, Tulane University, New Orleans.
 Father John O'Grady, executive secretary, Catholic Conference of Charities, Washington, D. C.
 Dr. Ellen Potter, director of medicine, Department of Institutions and Agencies, Trenton, N. J.
 Prentice Murphy, executive secretary, Children's Bureau of Philadelphia.
 Jacob Kepecs, Jewish Home-Finding Society of Chicago.
 Linton B. Swift, general director, Family Welfare Association of America, New York City.
 Walter West, executive director, American Association of Social Workers, New York City.
 Fred H. Hoehler, director of public welfare, Cincinnati.

COMMITTEE ON CHILD WELFARE

Homer Folks, secretary, State Charities Aid Association, New York City.
 Jacob Kepecs, president, Child Welfare League of America, Chicago.
 Dr. Grover F. Powers, professor of pediatrics, Yale Medical School, New Haven.
 Dr. Clifford G. Grulee, secretary, American Academy of Pediatrics, Chicago.
 Dr. Fred L. Adair, department of obstetrics and gynecology, University of Chicago.
 Miss Jane M. Hoey, associate director, Welfare Council of New York City.
 Prentice Murphy, executive secretary, Children's Bureau of Philadelphia.
 Dr. T. F. Abercrombie, president, conference of State and provincial health authorities, State Board of Health, Atlanta, Ga.
 Rev. Bryant McEntegard, New York City.

NURSING ADVISORY COMMITTEE

Netta Ford, R. N., president, Pennsylvania State Nurses' Association, York, Pa.
 Elizabeth Fox, R. N., director, Visiting Nurse Association, New Haven, Conn.
 Susan C. Francis, R. N., president, American Nurses' Association, Children's Hospital, Philadelphia, Pa.
 Sister John Gabriel, R. N., educational director and hospital consultant, Sisters of Charity of Providence in the Northwest, Seattle, Wash.
 Amelia Grant, R. N., president, National Organization for Public Health Nursing; director, bureau of nursing, New York City Department of Health, New York, N. Y.

- Marion Howell, R. N., director, School of Nursing, Western Reserve University, Cleveland, Ohio.
- Clara D. Noyes, R. N., director, American Red Cross Nursing Service, Washington, D. C.
- Mrs. Alma H. Scott, R. N., acting director, American Nurses' Association, New York, N. Y.
- Marion Sheahan, R. N., director of public health nursing, New York State Department of Health, Albany, N. Y.
- Isabel Stewart, R. N., professor of nursing education, Teachers College, Columbia University, New York, N. Y.
- Effie J. Taylor, R. N., president, National League for Nursing Education, Yale School of Medicine, New Haven, Conn.
- Katharine Tucker, R. N., general director, National Organization for Public Health Nursing, New York, N. Y.
- Jane Van de Vrede, R. N., director, Women's Division of Unemployment Relief, Atlanta, Ga.
- Marguerite Wales, R. N., director of nursing service, Henry Street Visiting Nurse Association, New York, N. Y.

APPENDIX XIV

STAFF OF THE COMMITTEE ON ECONOMIC SECURITY

EXECUTIVE STAFF

- Edwin E. Witte, executive director; professor of economics, University of Wisconsin.
- Joseph P. Harris, assistant director; professor of political science, University of Washington.
- Thomas Eliot, counsel; associate solicitor, Department of Labor.
- Alex G. Nordholm, assistant to executive director; senior research supervisor, Federal Emergency Relief Administration.
- Wilbur J. Cohen, research assistant to executive director; research assistant to the general counsel of the Wisconsin Federation of Labor.
- Martha D. Ring, editor; associate economic analyst, Federal Emergency Relief Administration.

UNEMPLOYMENT COMPENSATION STAFF

- Bryce M. Stewart, director of study; director of research, Industrial Relations Counselors, Inc., New York.
- Merrill G. Murray, associate director; director of the Minnesota State Employment Service.
- William R. Williamson, F. A. S., A. C. A. S., staff actuary; life actuarial department, Travelers Insurance Company, Hartford.
- Fred S. Jahn, chief statistician; Federal Emergency Relief Administration.
- Robert R. Nathan, consultant; Pennsylvania State Emergency Relief Administration.

RESEARCH ASSISTANTS

- | | |
|----------------------|-------------------------------|
| Jeanne C. Barber. | Davis W. Parker. |
| Moses Borvick. | Mrs. Maude Patten. |
| Clark Bucknam. | Matthew J. Rose. |
| Gladys R. Friedman. | Mrs. Harriet E. Van der Vate. |
| Natalie Jaros. | R. Benjamin Whiting. |
| Constance A. Kiehel. | Harry J. Winslow. |

OLD-AGE SECURITY STAFF

- Mrs. Barbara Nachtrieb Armstrong, director of study; associate professor of law, University of California.
- J. Douglas Brown, consultant; director of industrial relations section, Princeton University.
- Murray W. Latimer, consultant; chairman, Railroad Retirement Board.
- Otto C. Richter, F. A. S., F. C. A. S., A. A. I. A., staff actuary; chief statistician's division, American Telephone and Telegraph Company.
- Marianne Sakmann, research assistant.
- Robert J. Myers, actuarial assistant.

EMPLOYMENT OPPORTUNITIES STAFF

- Meredith B. Givens, director of study; secretary for industry and trade, Social Science Research Council.
- O. Milton Hall, consultant; Personnel Research Federation, New York City.
- Eveline M. Burns, consultant; lecturer in economics, department of economics, Columbia University.
- Ewan Clague, consultant; director of research, Communities Council of Philadelphia.
- Gladys L. Palmer, consultant; industrial research department, University of Pennsylvania.
- Irma Rittenhouse, research assistant.

UNEMPLOYMENT RELIEF STAFF

- Emerson Ross, director of study; statistician, Federal Emergency Relief Administration.
- Robert R. Nathan, consultant; Pennsylvania State Emergency Relief Administration.
- G. Reginald Crosby, research assistant; assistant professor of economics, Dartmouth College.

HEALTH INSURANCE STAFF

- Edgar Sydenstricker, director of study; scientific director, Milbank Memorial Fund, New York City.
- I. S. Falk, associate; research associate, Milbank Memorial Fund, New York City.
- W. Frank Walker, Dr. P. H., consultant; director, division of health studies, The Commonwealth Fund, New York City.
- Ira V. Hiscock, consultant; professor of public health, School of Medicine, Yale University.
- Michael M. Davis, Ph. D., consultant; director of medical services, The Julius Rosenwald Fund, Chicago.
- Nathan Sinai, D. P. H., consultant; professor of public health and hygiene, The University of Michigan.
- R. G. Leland, M. D., consultant; bureau of medical economics, The American Medical Association.
- A. M. Simons, consultant; bureau of medical economics, The American Medical Association.
- George St. John Perrott, consultant; consultant, United States Public Health Service.
- Maurice Leven, consultant; Brookings Institution, Washington, D. C.
- In consultation with:
- Dr. W. F. Draper, Acting Surgeon-General, United States Public Health Service.
- Lewis R. Thompson, Assistant Surgeon-General, United States Public Health Service.
- Katharine F. Lenroot, Chief, U. S. Children's Bureau.
- Dr. Martha M. Eliot, Director, Division of Child and Maternal Health, U. S. Children's Bureau.

MISCELLANEOUS STUDIES

Edward Berman; department of economics, College of Commerce and Business Administration, University of Illinois.

James Harrington Boyd; attorney, Toledo, Ohio.

Jane Perry Clark; department of government, Barnard College, Columbia

Hans von Dreyhausen; Brookings Institution, Washington, D. C.

Olga S. Halsey; International Labor Office, Washington, D. C.

Ralph B. Harris; professor of business administration, University of Richmond, Richmond, Va.

O. S. Powell; statistician, Federal Reserve Bank of Minneapolis.

George A. Shipman; professor, department of political science, University of West Virginia.

PUBLIC RELATIONS AND GENERAL RESEARCH

Joan R. Cushman.

Helen Greenblatt.

Theodore Jung.

Mrs. Violet K. Libby.

Marshall Schaeffer.

Morris B. Schnapper.

James C. Bowen.

Jack Brandt, Jr.

Walter F. Eade.

Fritz Ermarth.

James Mackey.

Helen Moats.

APPENDIX XV

LIST OF STAFF REPORTS

UNEMPLOYMENT COMPENSATION

FINAL REPORTS

Staff Report on Unemployment Insurance, by Dr. Bryce M. Stewart and Staff.

Unemployment Insurance Cost Estimates, by Actuarial and Statistical Staffs.

Administration of Unemployment Insurance Reserve Funds, by O. S. Powell and Alan R. Sweezy.

OTHER STAFF REPORTS

General Discussions.

Major Issues in Unemployment Compensation, by Edwin E. Witte.

Limitations and Value of Unemployment Insurance, by Edwin E. Witte.

Some Popular Misconceptions Regarding Unemployment Insurance, by Alexander Holtzoff.

Report of the Technical Board on the Major Alternative Plans for the Administration of Unemployment Insurance, by Edwin E. Witte.

Reserve Funds.

Investment of Reserve Funds, by Ralph B. Harris.

Use of Unemployment Insurance Reserves in Combating Deflation, by A. R. Sweezy.

State Constitutional Limitations Upon the Custody and Deposit of Public Funds, by George A. Shipman.

The Legal Problem of Bringing Unemployment Compensation Funds of Certain States into the Federal Treasury, by Joseph P. Harris.

Foreign Experience.

Unemployment Insurance in Foreign Countries, by James Harrington Boyd.

The German Plan of Compulsory Unemployment Insurance, by James Harrington Boyd.

Unemployment Insurance in Germany, by Jeanne C. Barber.

Great Britain Unemployment Insurance Plan, by James Harrington Boyd.

Administration of Unemployment Insurance in Great Britain, by Mrs. Maud B. Patten.

Unemployment Insurance in Switzerland, by Wilbur J. Cohen.

The Canadian Unemployment and Social Insurance Act, by Wilbur J. Cohen.

Recognized Unemployment Funds in Sweden, Translation of Royal Decree.

Industrial and Trade-Union Plans.

The Stabilization of Employment and Unemployment Compensation, by Constance A. Kiehel.

Development, Coverage, and Costs of Voluntary Unemployment Compensation in the United States, by Constance A. Kiehel.

The Dismissal Wage, by G. Reginald Crosby.

Unemployment Benefit Plans in Operation in the United States, by James Harrington Boyd.

Discussions of Technical Details.

Suitability of Employment Involving Long Separation from Home and Heavy Traveling Expenses, by Olga S. Halsey.

Appeal Procedure in the British Act and in American Proposals, by Olga S. Halsey.

Trade-Union Rules, Alternative Provisions and "Concessions" Which May Be Used in Trading, by Olga S. Halsey.

Suggested Definition of Suitable Employment, Conditions for and Disqualifications from Benefit, by Olga S. Halsey.

Definitions of Seasonal Industries, by Olga S. Halsey.

Additional Standards Which Might be Provided in a National Act for State Unemployment Insurance, by Joseph P. Harris.

Papers Written in Support of Unemployment Compensation Plan Included in the Social Security Bill.

Brief in Defense of the Unemployment Compensation Provisions of the Social Security Bill, by Joseph P. Harris.

Postponement for a Year of the Beginning Date in Title IX, by Edwin E. Witte.

OLD-AGE SECURITY

FINAL REPORTS

Old-Age Security Staff Report, by Barbara Nachtrieb Armstrong and Staff.

Comments on the Recommendations for Old-Age Security, by Committee of Actuarial Consultants.

OTHER STAFF REPORTS

General Discussions.

America's Old-Age Problem, by Edwin E. Witte.

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APPENDIX XVI

THE SOCIAL SECURITY ACT

(Ch. 531, 49 Stat. 620)

AN ACT

To provide for the general welfare by establishing a system of Federal old-age benefits, and by enabling the several States to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health, and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenue; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE

APPROPRIATION

SECTION 1. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to aged needy individuals, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$49,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board established by Title VII (hereinafter referred to as the "Board"), State plans for old-age assistance.

STATE OLD-AGE ASSISTANCE PLANS

SEC. 2. (a) A State plan for old-age assistance must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that, if the State

or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes as a condition of eligibility for old-age assistance under the plan—

(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or

(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or

(3) Any citizenship requirement which excludes any citizen of the United States.

PAYMENT TO STATES

SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing July 1, 1935, (1) an amount, which shall be used exclusively as old-age assistance, equal to one-half of the total of the sums expended during such quarter as old-age assistance under the State plan with respect to each individual who at the time of such expenditure is sixty-five years of age or older and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for old-age assistance, or both, and for no other purpose: *Provided*, That the State plan, in order to be approved by the Board, need not provide for financial participation before July 1, 1937, by the State, in the case of any State which the Board, upon application by the State and after reasonable notice and opportunity for hearing to the State, finds is prevented by its constitution from providing such financial participation.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of aged individuals in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 5 per centum.

OPERATION OF STATE PLANS

SEC. 4. In the case of any State plan for old-age assistance which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any age, residence, or citizenship requirement prohibited by section 2 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 2 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

ADMINISTRATION

SEC. 5. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000, for all necessary expenses of the Board in administering the provisions of this title.

DEFINITION

SEC. 6. When used in this title the term "old-age assistance" means money payments to aged individuals.

TITLE II—FEDERAL OLD-AGE BENEFITS

OLD-AGE RESERVE ACCOUNT

SECTION 201. (a) There is hereby created an account in the Treasury of the United States to be known as the "Old-Age Reserve Account" hereinafter in this title called the "Account." There is hereby authorized to be appropriated to the Account for each fiscal year, beginning with the fiscal year ending June 30, 1937, an amount sufficient as an annual premium to provide for the payments required under this title, such amount to be determined on a reserve basis in accordance with accepted actuarial principles, and based upon such tables of mortality as the Secretary of the Treasury shall from time to time adopt, and upon an interest rate of 3 per centum per annum compounded annually. The Secretary of the Treasury shall submit annually to the Bureau of the Budget an estimate of the appropriations to be made to the Account.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the amounts credited to the Account as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the

United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Account. Such special obligations shall bear interest at the rate of 3 per centum per annum. Obligations other than such special obligations may be acquired for the Account only on such terms as to provide an investment yield of not less than 3 per centum per annum.

(c) Any obligations acquired by the Account (except special obligations issued exclusively to the Account) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Account shall be credited to and form a part of the Account.

(e) All amounts credited to the Account shall be available for making payments required under this title.

(f) The Secretary of the Treasury shall include in his annual report the actuarial status of the Account.

OLD-AGE BENEFIT PAYMENTS

SEC. 202. (a) Every qualified individual (as defined in section 210) shall be entitled to receive, with respect to the period beginning on the date he attains the age of sixty-five, or on January 1, 1942, whichever is the later, and ending on the date of his death, an old-age benefit (payable as nearly as practicable in equal monthly installments) as follows:

(1) If the total wages (as defined in section 210) determined by the Board to have been paid to him, with respect to employment (as defined in section 210) after December 31, 1936, and before he attained the age of sixty-five, were not more than \$3,000, the old-age benefit shall be at a monthly rate of one-half of 1 per centum of such total wages;

(2) If such total wages were more than \$3,000, the old-age benefit shall be at a monthly rate equal to the sum of the following:

(A) One-half of 1 per centum of \$3,000; plus

(B) One-twelfth of 1 per centum of the amount by which such total wages exceeded \$3,000 and did not exceed \$45,000; plus

(C) One-twenty-fourth of 1 per centum of the amount by which such total wages exceeded \$45,000.

(b) In no case shall the monthly rate computed under subsection (a) exceed \$85.

(c) If the Board finds at any time that more or less than the correct amount has theretofore been paid to any individual under this section, then, under regulations made by the Board, proper adjustments shall be made in connection with subsequent payments under this section to the same individual.

(d) Whenever the Board finds that any qualified individual has received wages with respect to regular employment after he attained the age of sixty-five, the old-age benefit payable to such individual shall be reduced, for each calendar month in any part of which such regular employment occurred, by an amount equal to one month's benefit. Such reduction shall be made, under regulations prescribed by the Board, by deductions from one or more payments of old-age benefit to such individual.

PAYMENTS UPON DEATH

SEC. 203. (a) If any individual dies before attaining the age of sixty-five, there shall be paid to his estate an amount equal to 3½ per centum of the total

wages determined by the Board to have been paid to him, with respect to employment after December 31, 1936.

(b) If the Board finds that the correct amount of the old-age benefit payable to a qualified individual during his life under section 202 was less than $3\frac{1}{2}$ per centum of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which such $3\frac{1}{2}$ per centum exceeds the amount (whether more or less than the correct amount) paid to him during his life as old-age benefit.

(c) If the Board finds that the total amount paid to a qualified individual under an old-age benefit during his life was less than the correct amount to which he was entitled under section 202, and that the correct amount of such old-age benefit was $3\frac{1}{2}$ per centum or more of the total wages by which such old-age benefit was measurable, then there shall be paid to his estate a sum equal to the amount, if any, by which the correct amount of the old-age benefit exceeds the amount which was so paid to him during his life.

PAYMENTS TO AGED INDIVIDUALS NOT QUALIFIED FOR BENEFITS

SEC. 204. (a) There shall be paid in a lump sum to any individual who, upon attaining the age of sixty-five, is not a qualified individual, an amount equal to $3\frac{1}{2}$ per centum of the total wages determined by the Board to have been paid to him, with respect to employment after December 31, 1936, and before he attained the age of sixty-five.

(b) After any individual becomes entitled to any payment under subsection (a), no other payment shall be made under this title in any manner measured by wages paid to him, except that any part of any payment under subsection (a) which is not paid to him before his death shall be paid to his estate.

AMOUNTS OF \$500 OR LESS PAYABLE TO ESTATES

SEC. 205. If any amount payable to an estate under section 203 or 204 is \$500 or less, such amount may, under regulations prescribed by the Board, be paid to the persons found by the Board to be entitled thereto under the law of the State in which the deceased was domiciled, without the necessity of compliance with the requirements of law with respect to the administration of such estate.

OVERPAYMENTS DURING LIFE

SEC. 206. If the Board finds that the total amount paid to a qualified individual under an old-age benefit during his life was more than the correct amount to which he was entitled under section 202 and was $3\frac{1}{2}$ per centum or more of the total wages by which such old-age benefit was measurable, then upon his death there shall be repaid to the United States by his estate the amount, if any, by which such total amount paid to him during his life exceeds whichever of the following is the greater: (1) Such $3\frac{1}{2}$ per centum, or (2) the correct amount to which he was entitled under section 202.

METHOD OF MAKING PAYMENTS

SEC. 207. The Board shall from time to time certify to the Secretary of the Treasury the name and address of each person entitled to receive a payment under this title, the amount of such payment, and the time at which it should be made, and the Secretary of the Treasury through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, shall make payment in accordance with the certification by the Board,

ASSIGNMENT

SEC. 208. The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

PENALTIES

SEC. 209. Whoever in any application for any payment under this title makes any false statement as to any material fact, knowing such statement to be false, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.

DEFINITIONS

SEC. 210. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include that part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

(b) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Casual labor not in the course of the employer's trade or business;
- (4) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;
- (5) Service performed in the employ of the United States Government or of an instrumentality of the United States;
- (6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;
- (7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(c) The term "qualified individual" means any individual with respect to whom it appears to the satisfaction of the Board that—

- (1) He is at least sixty-five years of age; and
- (2) The total amount of wages paid to him, with respect to employment after December 31, 1936, and before he attained the age of sixty-five, was not less than \$2,000; and
- (3) Wages were paid to him, with respect to employment on some five days after December 31, 1936, and before he attained the age of sixty-five, each day being in a different calendar year.

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

APPROPRIATION

SECTION 301. For the purpose of assisting the States in the administration of their unemployment compensation laws, there is hereby authorized to be

appropriated, for the fiscal year ending June 30, 1936, the sum of \$4,000,000, and for each fiscal year thereafter the sum of \$49,000,000, to be used as hereinafter provided.

PAYMENTS TO STATES

SEC. 302 (a) The Board shall from time to time certify to the Secretary of the Treasury for payment to each State which has an unemployment compensation law approved by the Board under Title IX, such amounts as the Board determines to be necessary for the proper administration of such law during the fiscal year in which such payment is to be made. The Board's determination shall be based on (1) the population of the State; (2) an estimate of the number of persons covered by the State law and of the cost of proper administration of such law; and (3) such other factors as the Board finds relevant. The Board shall not certify for payment under this section in any fiscal year a total amount in excess of the amount appropriated therefor for such fiscal year.

(b) Out of the sums appropriated therefor, the Secretary of the Treasury shall, upon receiving a certification under subsection (a), pay, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, to the State agency charged with the administration of such law the amount so certified.

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under Title IX, includes provisions for—

(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

(2) Payment of unemployment compensation solely through public employment offices in the State or such other agencies as the Board may approve; and

(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

(4) The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

(5) Expenditure of all money requisitioned by the State agency from the Unemployment Trust Fund, in the payment of unemployment compensation, exclusive of expenses of administration; and

(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary occupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law.

(b) Whenever the Board, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that in the administration of the law there is—

(1) a denial, in a substantial number of cases, of unemployment compensation to individuals entitled thereto under such law; or

(2) a failure to comply substantially with any provision specified in subsection (a);

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that there is no longer any such denial or failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

TITLE IV—GRANTS TO STATES FOR AID TO DEPENDENT CHILDREN

APPROPRIATION

SECTION 401. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$24,750,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Board, State plans for aid to dependent children.

STATE PLANS FOR AID TO DEPENDENT CHILDREN

SEC. 402. (a) A State plan for aid to dependent children must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim with respect to aid to a dependent child is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; and (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes as a condition of eligibility for aid to dependent children a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for one year immediately preceding the application for such aid, or (2) who was born within the State within one year immediately preceding the application, if its mother has resided in the State for one year immediately preceding the birth.

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-third of the total of the sums expended during such quarter

under such plan, not counting so much of such expenditure with respect to any dependent child for any month as exceeds \$18, or, if there is more than one dependent child in the same home, as exceeds \$18 for any month with respect to one such dependent child and \$12 for such month with respect to each of the other dependent children.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than two-thirds of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds that its estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department, and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified.

OPERATION OF STATE PLANS

SEC. 404. In the case of any State plan for aid to dependent children which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence requirement prohibited by section 402 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 402 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

ADMINISTRATION

SEC. 405. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$250,000 for all necessary expenses of the Board in administering the provisions of this title.

DEFINITIONS

SEC. 406. When used in this title—

(a) The term "dependent child" means a child under the age of sixteen who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, or aunt, in a place of residence maintained by one or more of such relatives as his or their own home;

(b) The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

TITLE V—GRANTS TO STATES FOR MATERNAL AND CHILD WELFARE

PART 1—MATERNAL AND CHILD HEALTH SERVICES

APPROPRIATION

SECTION 501. For the purpose of enabling each State to extend and improve, as far as practicable under the conditions in such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$3,800,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

ALLOTMENTS TO STATES

SEC. 502. (a) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot to each State \$20,000, and such part of \$1,800,000 as he finds that the number of live births in such State bore to the total number of live births in the United States, in the latest calendar year for which the Bureau of the Census has available statistics.

(b) Out of the sums appropriated pursuant to section 501 for each fiscal year the Secretary of Labor shall allot to the States \$980,000 (in addition to the allotments made under subsection (a)), according to the financial need of each State for assistance in carrying out its State plan, as determined by him after taking into consideration the number of live births in such State.

(c) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 504 until the end of the second succeeding fiscal year. No payment to a State under section 504 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 503. (a) A State plan for maternal and child-health services must (1) provide for financial participation by the State; (2) provide for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; (3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the efficient operation of the plan; (4) provide that the State health agency will make such reports, in such form and

containing such information, as the Secretary of Labor may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for the extension and improvement of local maternal and child-health services administered by local child-health units; (6) provide for cooperation with medical, nursing, and welfare groups and organizations; and (7) provide for the development of demonstration services in needy areas and among groups in special need.

(b) The Chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State health agency of his approval.

PAYMENT TO STATES

SEC. 504. (a) From the sums appropriated therefor and the allotments available under section 502 (a), the Secretary of the Treasury shall pay to each State which has an approved plan for maternal and child-health services, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Labor, the amount so certified.

(c) The Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States from the allotments available under section 502 (b), and the Secretary of the Treasury shall, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

OPERATION OF STATE PLANS

SEC. 505. In the case of any State plan for maternal and child-health services which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after reasonable notice and opportunity for hearing to the State

agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 503 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 2—SERVICES FOR CRIPPLED CHILDREN

APPROPRIATION

SEC. 511. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and after-care, for children who are crippled or who are suffering from conditions which lead to crippling, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$2,850,000. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Chief of the Children's Bureau, State plans for such services.

ALLOTMENTS TO STATES

SEC. 512. (a) Out of the sums appropriated pursuant to section 511 for each fiscal year the Secretary of Labor shall allot to each State \$20,000, and the remainder to the States according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in section 511 and the cost of furnishing such services to them.

(b) The amount of any allotment to a State under subsection (a) for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under section 514 until the end of the second succeeding fiscal year. No payment to a State under section 514 shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

APPROVAL OF STATE PLANS

SEC. 513. (a) A State plan for services for crippled children must (1) provide for financial participation by the State; (2) provide for the administration of the plan by a State agency or the supervision of the administration of the plan by a State agency; (3) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the efficient operation of the plan; (4) provide that the State agency will make such reports, in such form and containing such information, as the Secretary of Labor may from time to time require; and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports; (5) provide for carrying out the purposes specified in section 511; and (6) provide for cooperation with medical, health, nursing, and welfare groups and organizations and with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children.

(b) The Chief of the Children's Bureau shall approve any plan which fulfills the conditions specified in subsection (a) and shall thereupon notify the Secretary of Labor and the State agency of his approval.

PAYMENT TO STATES

SEC. 514. (a) From the sums appropriated therefor and the allotments available under section 512, the Secretary of the Treasury shall pay to each State which has an approved plan for services for crippled children, for each quarter, beginning with the quarter commencing July 1, 1935, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Labor shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such investigation as he may find necessary.

(2) The Secretary of Labor shall then certify the amount so estimated by him to the Secretary of the Treasury, reduced or increased, as the case may be, by any sum by which the Secretary of Labor finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Labor for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Labor, the amount so certified.

OPERATION OF STATE PLANS

SEC. 515. In the case of any State plan for services for crippled children which has been approved by the Chief of the Children's Bureau, if the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds that in the administration of the plan there is a failure to comply substantially with any provision required by section 513 to be included in the plan, he shall notify such State agency that further payments will not be made to the State until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied he shall make no further certification to the Secretary of the Treasury with respect to such State.

PART 3—CHILD-WELFARE SERVICES

SEC. 521. (a) For the purpose of enabling the United States, through the Children's Bureau, to cooperate with State public-welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public-welfare services (hereinafter in this section referred to as "child-welfare services") for the protection and care of homeless, dependent, and neglected

children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$1,500,000. Such amount shall be allotted by the Secretary of Labor for use by cooperating State public-welfare agencies on the basis of plans developed jointly by the State agency and the Children's Bureau, to each State, \$10,000, and the remainder to each State on the basis of such plans, not to exceed such part of the remainder as the rural population of such State bears to the total rural population of the United States. The amount so allotted shall be expended for payment of part of the cost of district, county, or other local child-welfare services in areas predominantly rural, and for developing State services for the encouragement and assistance of adequate methods of community child-welfare organization in areas predominantly rural and other areas of special need. The amount of any allotment to a State under this section for any fiscal year remaining unpaid to such State at the end of such fiscal year shall be available for payment to such State under this section until the end of the second succeeding fiscal year. No payment to a State under this section shall be made out of its allotment for any fiscal year until its allotment for the preceding fiscal year has been exhausted or has ceased to be available.

(b) From the sums appropriated therefor and the allotments available under subsection (a) the Secretary of Labor shall from time to time certify to the Secretary of the Treasury the amounts to be paid to the States and the Secretary of the Treasury shall, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, make payments of such amounts from such allotments at the time or times specified by the Secretary of Labor.

PART 4—VOCATIONAL REHABILITATION

SEC. 531. (a) In order to enable the United States to cooperate with the States and Hawaii in extending and strengthening their programs of vocational rehabilitation of the physically disabled, and to continue to carry out the provisions and purposes of the Act entitled "An Act to provide for the promotion of vocational rehabilitation of persons disabled in industry or otherwise and their return to civil employment", approved June 2, 1920, as amended (U. S. C., title 29, ch. 4; U. S. C., Supp. VII, title 29, secs. 31, 32, 34, 35, 37, 39, and 40), there is hereby authorized to be appropriated for the fiscal years ending June 30, 1936, and June 30, 1937, the sum of \$841,000 for each such fiscal year in addition to the amount of the existing authorization, and for each fiscal year thereafter the sum of \$1,938,000. Of the sums appropriated pursuant to such authorization for each fiscal year, \$5,000 shall be apportioned to the Territory of Hawaii and the remainder shall be apportioned among the several States in the manner provided in such Act of June 2, 1920, as amended.

(b) For the administration of such Act of June 2, 1920, as amended, by the Federal agency authorized to administer it, there is hereby authorized to be appropriated for the fiscal years ending June 30, 1936, and June 30, 1937, the sum of \$22,000 for each such fiscal year in addition to the amount of the existing authorization, and for each fiscal year thereafter the sum of \$102,000.

PART 5—ADMINISTRATION

SEC. 541. (a) There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$425,000, for all necessary expenses

of the Children's Bureau in administering the provisions of this title, except section 531.

(b) The Children's Bureau shall make such studies and investigations as will promote the efficient administration of this title, except section 531.

(c) The Secretary of Labor shall include in his annual report to Congress a full account of the administration of this title, except section 531.

TITLE VI—PUBLIC HEALTH WORK

APPROPRIATION

SECTION 601. For the purpose of assisting States, counties, health districts, and other political subdivisions of the States in establishing and maintaining adequate public-health services, including the training of personnel for State and local health work, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$8,000,000 to be used as hereinafter provided.

STATE AND LOCAL PUBLIC HEALTH SERVICES

SEC. 602. (a) The Surgeon General of the Public Health Service, with the approval of the Secretary of the Treasury, shall, at the beginning of each fiscal year, allot to the States the total of (1) the amount appropriated for such year pursuant to section 601; and (2) the amounts of the allotments under this section for the preceding fiscal year remaining unpaid to the States at the end of such fiscal year. The amounts of such allotments shall be determined on the basis of (1) the population; (2) the special health problems; and (3) the financial needs; of the respective States. Upon making such allotments the Surgeon General of the Public Health Service shall certify the amounts thereof to the Secretary of the Treasury.

(b) The amount of an allotment to any State under subsection (a) for any fiscal year, remaining unpaid at the end of such fiscal year, shall be available for allotment to States under subsection (a) for the succeeding fiscal year, in addition to the amount appropriated for such year.

(c) Prior to the beginning of each quarter of the fiscal year, the Surgeon General of the Public Health Service shall, with the approval of the Secretary of the Treasury, determine in accordance with rules and regulations previously prescribed by such Surgeon General after consultation with a conference of the State and Territorial health authorities, the amount to be paid to each State for such quarter from the allotment to such State, and shall certify the amount so determined to the Secretary of the Treasury. Upon receipt of such certification, the Secretary of the Treasury shall, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay in accordance with such certification.

(d) The moneys so paid to any State shall be expended solely in carrying out the purposes specified in section 601, and in accordance with plans presented by the health authority of such State and approved by the Surgeon General of the Public Health Service.

INVESTIGATIONS

SEC. 603. (a) There is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1936, the sum of \$2,000,000 for expenditure by the Public Health Service for investigation of disease and problems of sanitation (including the printing and binding of the findings of

such investigations), and for the pay and allowances and traveling expenses of personnel of the Public Health Service, including commissioned officers, engaged in such investigations or detailed to cooperate with the health authorities of any State in carrying out the purposes specified in section 601: *Provided*, That no personnel of the Public Health Service shall be detailed to cooperate with the health authorities of any State except at the request of the proper authorities of such State.

(b) The personnel of the Public Health Service paid from any appropriation not made pursuant to subsection (a) may be detailed to assist in carrying out the purposes of this title. The appropriation from which they are paid shall be reimbursed from the appropriation made pursuant to subsection (a) to the extent of their salaries and allowances for services performed while so detailed.

(c) The Secretary of the Treasury shall include in his annual report to Congress a full account of the administration of this title.

TITLE VII—SOCIAL SECURITY BOARD

ESTABLISHMENT

SECTION 701. There is hereby established a Social Security Board (in this Act referred to as the "Board") to be composed of three members to be appointed by the President, by and with the advice and consent of the Senate. During his term of membership on the Board, no member shall engage in any other business, vocation, or employment. Not more than two of the members of the Board shall be members of the same political party. Each member shall receive a salary at the rate of \$10,000 a year and shall hold office for a term of six years, except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed, shall be appointed for the remainder of such term; and (2) the terms of office of the members first taking office after the date of the enactment of this Act shall expire, as designated by the President at the time of appointment, one at the end of two years, one at the end of four years, and one at the end of six years, after the date of the enactment of this Act. The President shall designate one of the members as the chairman of the Board.

DUTIES OF SOCIAL SECURITY BOARD

SEC. 702. The Board shall perform the duties imposed upon it by this Act and shall also have the duty of studying and making recommendations as to the most effective methods of providing economic security through social insurance, and as to legislation and matters of administrative policy concerning old-age pensions, unemployment compensation, accident compensation, and related subjects.

EXPENSES OF THE BOARD

SEC. 703. The Board is authorized to appoint and fix the compensation of such officers and employees, and to make such expenditures, as may be necessary for carrying out its functions under this Act. Appointments of attorneys and experts may be made without regard to the civil-service laws.

REPORTS

SEC. 704. The Board shall make a full report to Congress, at the beginning of each regular session, of the administration of the functions with which it is charged.

TITLE VIII—TAXES WITH RESPECT TO EMPLOYMENT

INCOME TAX ON EMPLOYEES

SECTION 801. In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 811) received by him after December 31, 1936, with respect to employment (as defined in section 811) after such date:

(1) With respect to employment during the calendar years 1937, 1938, 1939, the rate shall be 1 per centum.

(2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ per centum.

(3) With respect to employment during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(4) With respect to employment during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(5) With respect to employment after December 31, 1948, the rate shall be 3 per centum.

DEDUCTION OF TAX FROM WAGES

SEC. 802 (a) The tax imposed by section 801 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. Every employer required so to deduct the tax is hereby made liable for the payment of such tax, and is hereby indemnified against the claims and demands of any person for the amount of any such payment made by such employer.

(b) If more or less than the correct amount of tax imposed by section 801 is paid with respect to any wage payment, then, under regulations made under this title, proper adjustments, with respect both to the tax and the amount to be deducted, shall be made, without interest, in connection with subsequent wage payments to the same individual by the same employer.

DEDUCTIBILITY FROM INCOME TAX

SEC. 803. For the purposes of the income tax imposed by Title I of the Revenue Act of 1934 or by any Act of Congress in substitution therefor, the tax imposed by section 801 shall not be allowed as a deduction to the taxpayer in computing his net income for the year in which such tax is deducted from his wages.

EXCISE TAX ON EMPLOYERS

SEC. 804. In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 811) paid by him after December 31, 1936, with respect to employment (as defined in section 811) after such date:

(1) With respect to employment during the calendar years 1937, 1938, and 1939, the rate shall be 1 per centum.

(2) With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ per centum.

(3) With respect to employment during the calendar years 1943, 1944, and 1945, the rate shall be 2 per centum.

(4) With respect to employment during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

(5) With respect to employment after December 31, 1948, the rate shall be 3 per centum.

ADJUSTMENT OF EMPLOYERS' TAX

SEC. 805. If more or less than the correct amount of tax imposed by section 804 is paid with respect to any wage payment, then, under regulations made under this title, proper adjustments with respect to the tax shall be made, without interest, in connection with subsequent wage payments to the same individual by the same employer.

REFUNDS AND DEFICIENCIES

SEC. 806. If more or less than the correct amount of tax imposed by section 801 or 804 is paid or deducted with respect to any wage payment and the overpayment or underpayment of tax cannot be adjusted under section 802 (b) or 805 the amount of the overpayment shall be refunded and the amount of the underpayment shall be collected, in such manner and at such times (subject to the statutes of limitations properly applicable thereto) as may be prescribed by regulations made under this title.

COLLECTION AND PAYMENT OF TAXES

SEC. 807. (a) The taxes imposed by this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections. If the tax is not paid when due, there shall be added as part of the tax interest (except in the case of adjustments made in accordance with the provisions of sections 802 (b) and 805) at the rate of one-half of 1 per centum per month from the date the tax became due until paid.

(b) Such taxes shall be collected and paid in such manner, at such times, and under such conditions, not inconsistent with this title (either by making and filing returns, or by stamps, coupons, tickets, books, or other reasonable devices or methods necessary or helpful in securing a complete and proper collection and payment of the tax or in securing proper identification of the taxpayer), as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

(c) All provisions of law, including penalties, applicable with respect to any tax imposed by section 600 or section 800 of the Revenue Act of 1926, and the provisions of section 607 of the Revenue Act of 1934, shall, insofar as applicable and not inconsistent with the provisions of this title, be applicable with respect to the taxes imposed by this title.

(d) In the payment of any tax under this title a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

RULES AND REGULATIONS

SEC. 808. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make and publish rules and regulations for the enforcement of this title.

SALE OF STAMPS BY POSTMASTERS

SEC. 809. The Commissioner of Internal Revenue shall furnish to the Postmaster General without prepayment a suitable quantity of stamps, coupons,

tickets, books, or other devices prescribed by the Commissioner under section 807 for the collection or payment of any tax imposed by this title, to be distributed to, and kept on sale by, all post offices of the first and second classes, and such post offices of the third and fourth classes as (1) are located in county seats, or (2) are certified by the Secretary of the Treasury to the Postmaster General as necessary to the proper administration of this title. The Postmaster General may require each such postmaster to furnish bond in such increased amount as he may from time to time determine, and each such postmaster shall deposit the receipts from the sale of such stamps, coupons, tickets, books, or other devices, to the credit of, and render accounts to, the Postmaster General at such times and in such form as the Postmaster General may by regulations prescribe. The Postmaster General shall at least once a month transfer to the Treasury as internal-revenue collections all receipts so deposited together with a statement of the additional expenditures in the District of Columbia and elsewhere incurred by the Post Office Department in performing the duties imposed upon said Department by this Act, and the Secretary of the Treasury is hereby authorized and directed to advance from time to time to the credit of the Post Office Department from appropriations made for the collection of the taxes imposed by this title, such sums as may be required for such additional expenditures incurred by the Post Office Department.

PENALTIES

SEC. 810. (a) Whoever buys, sells, offers for sale, uses, transfers, takes or gives in exchange, or pledges or gives in pledge, except as authorized in this title or in regulations made pursuant thereto, any stamp, coupon, ticket, book, or other device, prescribed by the Commissioner of Internal Revenue under section 807 for the collection or payment of any tax imposed by this title, shall be fined not more than \$1,000 or imprisoned for not more than six months, or both.

(b) Whoever, with intent to defraud, alters, forges, makes, or counterfeits any stamp, coupon, ticket, book, or other device prescribed by the Commissioner of Internal Revenue under section 807 for the collection or payment of any tax imposed by this title, or uses, sells, lends, or has in his possession any such altered, forged, or counterfeited stamp, coupon, ticket, book or other device, or makes, uses, sells, or has in his possession any material in imitation of the material used in the manufacture of such stamp, coupon, ticket, book, or other device, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

DEFINITIONS

SEC. 811. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include that part of the remuneration which, after remuneration equal to \$3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year.

(b) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

- (1) Agricultural labor;
- (2) Domestic service in a private home;
- (3) Casual labor not in the course of the employer's trade or business;
- (4) Service performed by an individual who has attained the age of sixty-five;

(5) Service performed as an officer or member of the crew of a vessel documented under the laws of the United States or of any foreign country;

(6) Service performed in the employ of the United States Government or of an instrumentality of the United States;

(7) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

TITLE IX—TAX ON EMPLOYERS OF EIGHT OR MORE

IMPOSITION OF TAX

SECTION 901. On and after January 1, 1936, every employer (as defined in section 907) shall pay for each calendar year an excise tax, with respect to having individuals in his employ, equal to the following percentages of the total wages (as defined in section 907) payable by him (regardless of the time of payment) with respect to employment (as defined in section 907) during such calendar year:

(1) With respect to employment during the calendar year 1936 the rate shall be 1 per centum;

(2) With respect to employment during the calendar year 1937 the rate shall be 2 per centum;

(3) With respect to employment after December 31, 1937, the rate shall be 3 per centum.

CREDIT AGAINST TAX

SEC. 902. The taxpayer may credit against the tax imposed by section 901 the amount of contributions, with respect to employment during the taxable year, paid by him (before the date of filing his return for the taxable year) into an unemployment fund under a State law. The total credit allowed to a taxpayer under this section for all contributions paid into unemployment funds with respect to employment during such taxable year shall not exceed 90 per centum of the tax against which it is credited, and credit shall be allowed only for contributions made under the laws of States certified for the taxable year as provided in section 903.

CERTIFICATION OF STATE LAWS

SEC. 903. (a) The Social Security Board shall approve any State law submitted to it, within thirty days of such submission, which it finds provides that—

(1) All compensation is to be paid through public employment offices in the State or such other agencies as the Board may approve;

(2) No compensation shall be payable with respect to any day of unemployment occurring within two years after the first day of the first period with respect to which contributions are required;

(3) All money received in the unemployment fund shall immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904;

(4) All money withdrawn from the Unemployment Trust Fund by the State agency shall be used solely in the payment of compensation, exclusive of expenses of administration;

(5) Compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions: (A) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality; (C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6) All the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

The Board shall, upon approving such law, notify the Governor of the State of its approval.

(b) On December 31 in each taxable year the Board shall certify to the Secretary of the Treasury each State whose law it has previously approved, except that it shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Board finds has changed its law so that it no longer contains the provisions specified in subsection (a) or has with respect to such taxable year failed to comply substantially with any such provision.

(c) If, at any time during the taxable year, the Board has reason to believe that a State whose law it has previously approved, may not be certified under subsection (b), it shall promptly so notify the Governor of such State.

UNEMPLOYMENT TRUST FUND

SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the "Unemployment Trust Fund", hereinafter in this title called the "Fund." The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund. Such deposit may be made directly with the Secretary of the Treasury or with any Federal reserve bank or member bank of the Federal Reserve System designated by him for such purpose.

(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at par, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such

terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition.

(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency and shall credit quarterly on March 31, June 30, September 30, and December 31, of each year, to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date.

(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment.

ADMINISTRATION, REFUNDS, AND PENALTIES

SEC. 905. (a) The tax imposed by this title shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury and shall be paid into the Treasury of the United States as internal-revenue collections. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of one-half of 1 per centum per month from the date the tax became due until paid.

(b) Not later than January 31, next following the close of the taxable year, each employer shall make a return of the tax under this title for such taxable year. Each such return shall be made under oath, shall be filed with the collector of internal revenue for the district in which is located the principal place of business of the employer, or, if he has no principal place of business in the United States, then with the collector at Baltimore, Maryland, and shall contain such information and be made in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe. All provisions of law (including penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926, shall, insofar as not inconsistent with this title, be applicable in respect of the tax imposed by this title. The Commissioner may extend the time for filing the return of the tax imposed by this title, under such rules and regulations as he may prescribe with the approval of the Secretary of the Treasury, but no such extension shall be for more than sixty days.

(c) Returns filed under this title shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under Title II of the Revenue Act of 1926.

(d) The taxpayer may elect to pay the tax in four equal installments instead of in a single payment, in which case the first installment shall be paid not later than the last day prescribed for the filing of returns, the second installment shall be paid on or before the last day of the third month, the third installment on or before the last day of the sixth month, and the fourth installment on or before the last day of the ninth month, after such last day. If the tax or any installment thereof is not paid on or before the last day of the period fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand from the collector.

(e) At the request of the taxpayer the time for payment of the tax or any installment thereof may be extended under regulations prescribed by the Commissioner with the approval of the Secretary of the Treasury, for a period not to exceed 6 months from the last day of the period prescribed for the payment of the tax or any installment thereof. The amount of the tax in respect of which any extension is granted shall be paid (with interest at the rate of one-half of 1 per centum per month) on or before the date of the expiration of the period of the extension.

(f) In the payment of any tax under this title a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

INTERSTATE COMMERCE

SEC. 906. No person required under a State law to make payments to an unemployment fund shall be relieved from compliance therewith on the ground that he is engaged in interstate commerce, or that the State law does not distinguish between employees engaged in interstate commerce and those engaged in intrastate commerce.

DEFINITIONS

SEC. 907. When used in this title—

(a) The term "employer" does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day (whether or not at the same moment of time) was eight or more.

(b) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.

(c) The term "employment" means any service, of whatever nature, performed within the United States by an employee for his employer, except—

(1) Agricultural labor;

(2) Domestic service in a private home;

(3) Service performed as an officer or member of the crew of a vessel on the navigable waters of the United States;

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(5) Service performed in the employ of the United States Government or of an instrumentality of the United States;

(6) Service performed in the employ of a State, a political subdivision thereof, or an instrumentality of one or more States or political subdivisions;

(7) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(d) The term "State agency" means any State officer, board, or other authority, designated under a State law to administer the unemployment fund in such State.

(e) The term "unemployment fund" means a special fund, established under a State law and administered by a State agency, for the payment of compensation.

(f) The term "contributions" means payments required by a State law to be made by an employer into an unemployment fund, to the extent that such payments are made by him without any part thereof being deducted or deductible from the wages of individuals in his employ.

(g) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

RULES AND REGULATIONS

SEC. 908. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make and publish rules and regulations for the enforcement of this title, except sections 903, 904, and 910.

ALLOWANCE OF ADDITIONAL CREDIT

SEC. 909. (a) In addition to the credit allowed under section 902, a taxpayer may, subject to the conditions imposed by section 910, credit against the tax imposed by section 901 for any taxable year after the taxable year 1937, an amount, with respect to each State law, equal to the amount, if any, by which the contributions, with respect to employment in such taxable year, actually paid by the taxpayer under such law before the date of filing his return for such taxable year, is exceeded by whichever of the following is the lesser—

(1) The amount of contributions which he would have been required to pay under such law for such taxable year if he had been subject to the highest rate applicable from time to time throughout such year to any employer under such law; or

(2) Two and seven-tenths per centum of the wages payable by him with respect to employment with respect to which contributions for such year were required under such law.

(b) If the amount of the contributions actually so paid by the taxpayer is less than the amount which he should have paid under the State law, the additional credit under subsection (a) shall be reduced proportionately.

(c) The total credits allowed to a taxpayer under this title shall not exceed 90 per centum of the tax against which such credits are taken.

CONDITIONS OF ADDITIONAL CREDIT ALLOWANCE

SEC. 910. (a) A taxpayer shall be allowed the additional credit under section 909, with respect to his contribution rate under a State law being lower, for any taxable year, than that of another employer subject to such law, only if the Board finds that under such law—

(1) Such lower rate, with respect to contributions to a pooled fund, is permitted on the basis of not less than three years of compensation experience;

(2) Such lower rate, with respect to contributions to a guaranteed employment account, is permitted only when his guaranty of employment was fulfilled in the preceding calendar year, and such guaranteed employment account amounts to not less than 7½ per centum of the total wages payable by him, in accordance with such guaranty, with respect to employment in such State in the preceding calendar year;

(3) Such lower rate, with respect to contributions to a separate reserve account, is permitted only when (A) compensation has been payable from such account throughout the preceding calendar year, and (B) such account amounts to not less than five times the largest amount of compensation paid from such account within any one of the three preceding calendar years, and (C) such

account amounts to not less than 7½ per centum of the total wages payable by him (plus the total wages payable by any other employers who may be contributing to such account) with respect to employment in such State in the preceding calendar year.

(b) Such additional credit shall be reduced, if any contributions under such law are made by such taxpayer at a lower rate under conditions not fulfilling the requirements of subsection (a), by the amount bearing the same ratio to such additional credit as the amount of contributions made at such lower rate bears to the total of his contributions paid for such year under such law.

(c) As used in this section—

(1) The term "reserve account" means a separate account in an unemployment fund, with respect to an employer or group of employers, from which compensation is payable only with respect to the unemployment of individuals who were in the employ of such employer, or of one of the employers comprising the group.

(2) The term "pooled fund" means an unemployment fund or any part thereof in which all contributions are mingled and undivided, and from which compensation is payable to all eligible individuals, except that to individuals last employed by employers with respect to whom reserve accounts are maintained by the State agency, it is payable only when such accounts are exhausted.

(3) The term "guaranteed employment account" means a separate account, in an unemployment fund, of contributions paid by an employer (or group of employers) who

(A) guarantees in advance thirty hours of wages for each of forty calendar weeks (or more, with one weekly hour deducted for each added week guaranteed) in twelve months, to all the individuals in his employ in one or more distinct establishments, except that any such individual's guaranty may commence after a probationary period (included within twelve or less consecutive calendar weeks), and

(B) gives security or assurance, satisfactory to the State agency, for the fulfillment of such guaranties, from which account compensation shall be payable with respect to the unemployment of any such individual whose guaranty is not fulfilled or renewed and who is otherwise eligible for compensation under the State law.

(4) The term "year of compensation experience", as applied to an employer, means any calendar year throughout which compensation was payable with respect to any individual in his employ who became unemployed and was eligible for compensation.

TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

APPROPRIATION

SECTION 1001. For the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$3,000,000, and there is hereby authorized to be appropriated for each fiscal year thereafter a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Social Security Board, State plans for aid to the blind.

STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide for granting to any individual, whose claim for aid is denied, an opportunity for a fair hearing before such State agency; (5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan; (6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act.

(b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for aid to the blind under the plan—

(1) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for aid and has resided therein continuously for one year immediately preceding the application; or

(2) Any citizenship requirement which excludes any citizen of the United States.

PAYMENT TO STATES

SEC. 1003. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing July 1, 1935, (1) an amount, which shall be used exclusively as aid to the blind, equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan with respect to each individual who is blind and is not an inmate of a public institution, not counting so much of such expenditure with respect to any individual for any month as exceeds \$30, and (2) 5 per centum of such amount, which shall be used for paying the costs of administering the State plan or for aid to the blind, or both, and for no other purpose.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Board shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of clause (1) of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such clause, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than one-half of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of blind individuals in the State, and (C) such other investigation as the Board may find necessary.

(2) The Board shall then certify to the Secretary of the Treasury the amount so estimated by the Board, reduced or increased, as the case may be, by any sum by which it finds its estimate for any prior quarter was greater or less than the amount which should have been paid to the State under clause (1) of subsection (a) for such quarter, except to the extent that such sum has been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Board for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Division of Disbursement of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Board, the amount so certified, increased by 5 per centum.

OPERATION OF STATE PLANS

SEC. 1004. In the case of any State plan for aid to the blind which has been approved by the Board, if the Board, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

(1) that the plan has been so changed as to impose any residence or citizenship requirement prohibited by section 1002 (b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 1002 (a) to be included in the plan;

the Board shall notify such State agency that further payments will not be made to the State until the Board is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until it is so satisfied it shall make no further certification to the Secretary of the Treasury with respect to such State.

ADMINISTRATION

SEC. 1005. There is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, the sum of \$30,000, for all necessary expenses of the Board in administering the provisions of this title.

DEFINITION

SEC. 1006. When used in this title the term "aid to the blind" means money payments to blind individuals.

TITLE XI—GENERAL PROVISIONS

DEFINITIONS

SECTION 1101. (a) When used in this Act—

(1) The term "State" (except when used in section 531) includes Alaska, Hawaii, and the District of Columbia.

(2) The term "United States" when used in a geographical sense means the States, Alaska, Hawaii, and the District of Columbia.

(3) The term "person" means an individual, a trust or estate, a partnership, or a corporation.

(4) The term "corporation" includes associations, joint-stock companies, and insurance companies.

(5) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

(6) The term "employee" includes an officer of a corporation.

(b) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(c) Whenever under this Act or any Act of Congress, or under the law of any State, an employer is required or permitted to deduct any amount from the remuneration of an employee and to pay the amount deducted to the United States, a State, or any political subdivision thereof, then for the purposes of this Act the amount so deducted shall be considered to have been paid to the employee at the time of such deduction.

(d) Nothing in this Act shall be construed as authorizing any Federal official, agent, or representative, in carrying out any of the provisions of this Act, to take charge of any child over the objection of either of the parents of such child, or of the person standing in loco parentis to such child.

RULES AND REGULATIONS

SEC. 1102. The Secretary of the Treasury, the Secretary of Labor, and the Social Security Board, respectively, shall make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions with which each is charged under this Act.

SEPARABILITY

SEC. 1103. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances shall not be affected thereby.

RESERVATION OF POWER

SEC. 1104. The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress.

SHORT TITLE

SEC. 1105. This Act may be cited as the "Social Security Act".
Approved, August 14, 1935.

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