

STATE OF NEW JERSEY

Unemployment Compensation Benefits In Reconversion

THIRD REPORT OF THE STATE COMMISSION
ON POST-WAR ECONOMIC WELFARE



TRENTON, NEW JERSEY
1946

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LABOR'S RESPONSIBILITIES

Unemployment Compensation Benefits In Reconversion

THIRD ANNUAL REPORT OF THE STATE COMMISSION ON POST-WAR ECONOMIC WELFARE

Laws of 1943
Chapter 192
as amended

A Report to the Governor and the Legislature, submitted at
the request of His Excellency, Governor Walter E. Edge

February 28, 1946

TRENTON, NEW JERSEY

1946

LABOR'S RESPONSIBILITIES

New Jersey took leadership among the States of the Union last spring in raising unemployment compensation maximum benefits to \$22.00 weekly for a maximum duration of 26 weeks, for total unemployment—a payment period equaled by only three other States and exceeded by none.

In providing these very generous benefit payments, which naturally constitute an increased drain on our \$440,000,000 Unemployment Compensation reserve fund, the administration hoped it would provide an orderly transition from a war-time economy to peacetime production, without requiring municipalities to make heavy direct relief payments to persons temporarily out of work. It is contended, in many instances, these increased Unemployment Compensation Commission benefits have operated to delay the reconversion program instead of aiding it. It is charged that some workers, apparently wearied by the long grind of overtime war work, have preferred to draw unemployment compensation benefits rather than accept new jobs.

I trust these charges are not true on a wholesale basis, but if they are substantiated a major amendment may be necessary to redefine what constitutes "suitable" or "comparable" employment. To this end I am awaiting a final report from the Commission on Post-War Economic Welfare, which, at my request, has conducted public hearings on this situation. . . .

This administration has every sympathy with persons thrown out of work involuntarily, and for this reason provided the generous benefit program now on the statute books. However, the State of New Jersey at no time has contemplated using public funds to encourage idleness and to compete with the need of industry for additional workmen. The Unemployment Compensation Act represents one of the greatest gains made by labor within the last half-century. Like every other large-scale public policy, its abuse can lead only to an adverse public reaction.

—GOVERNOR WALTER E. EDGE,
Second Annual Message to the Legislature,
January 8, 1946.

State of New Jersey

STATE COMMISSION ON POST-WAR
ECONOMIC WELFARE

★

HOWARD EASTWOOD, *Chairman*

Circuit Court Judge, Burlington County

By Appointment of the Speaker of the Assembly

By Appointment of the President of
the Senate

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American Cyanamid and Chemical
Corporation

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Borough of Vineland

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Senator, Cumberland County

By Appointment of the Speaker of
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Deputy Attorney-General

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Automotive Equipment Company

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Apprentice and Training Division
War Manpower Commission

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Cronk Manufacturing Company
Assemblyman, Middlesex County

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Senator, Sussex County

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* Deceased, March 11, 1945.

EXCERPTS FROM LAWS OF 1943

Chapter 192, by which the Commission was established *

* * * *

1. A commission is hereby created to be known as the State Commission on Post-War Economic Welfare, hereinafter referred to as "the commission," to consist of twelve members, namely, two members of the Assembly and three citizens to be appointed by the Speaker of the Assembly; and two members of the Senate and three citizens to be appointed by the President of the Senate; and two persons, who may or may not be members of the Legislature, to be appointed by the Governor.

* * * *

4. The commission is charged with the duty of devising plans whereby the State of New Jersey may guard against or forestall the economic effects of any depression which may follow the present period of increased industrial and business activity. To this end the commission shall study the feasibility of construction of useful and self-liquidating public works, methods of stimulating industrial and business activity and employment, emergency provisions governing the State banking system, measures for the financing of relief and the most economical, efficient and equitable administration thereof and all other appropriate phases of the subject, including the economical and efficient administration of the State departments which would administer any such plans which might be adopted.

5. The commission is authorized to engage the services of the Princeton Surveys as a staff agency at no cost or expense to the State. The commission shall also have power to requisition from the various State departments the part-time services of their technical and expert personnel and statistical data and other information; *provided, however*, that any such requisition shall not impair substantially the performance by any State department of its governmental duties.

6. The commission shall report to the Legislature from time to time the progress of its studies and investigations and shall submit such recommendations for legislation as it shall deem wise and appropriate.

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* As amended by Laws of 1944, Chapter 94.

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LETTER OF TRANSMITTAL

NEW JERSEY COMMISSION ON POST-WAR
ECONOMIC WELFARE

STATE HOUSE, TRENTON, NEW JERSEY

February 28, 1946.

To the Governor and the Legislature of New Jersey:

There is transmitted, herewith, the third *Report* of the Commission on Post-War Economic Welfare, established by Chapter 192 of the Laws of 1943, as amended.

The *Report* is concerned with unemployment compensation benefits in the reconversion period and is directed toward problems described by Governor Walter E. Edge in his message to the Legislature of January 7, 1946, as quoted on page ii of this report. These problems seem to the *Commission* to require an answer to the following questions:

- 1) Are there jobs available to employ any or all of those drawing benefits?
- 2) Are benefit claimants being offered and required to accept suitable work?

The *Commission* has given all interested parties an opportunity to be heard; it has held, in addition, one public hearing in Trenton; and it has made extensive studies of its own.

A summary of the *Commission's* conclusions and recommendations follows this letter; and the remainder of this document contains its full report.

Respectfully submitted,

COMMISSION ON POST-WAR ECONOMIC WELFARE,



HOWARD EASTWOOD, *Chairman.*

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

By way of pointing up its inquiry, the *Commission* sought only to ascertain, if possible, the answer to the frequently repeated question:

"Why are there 100,000 people drawing benefits while 50,000 jobs go unfilled?"

Many explanations have been offered the *Commission*, all of which have been carefully investigated. They fall into seven more or less common classifications. Those who have sought to pass off the current situation as a mere incident of reconversion have attempted to show:

- 1) That the specifications of available jobs do not match the occupational characteristics of those claiming benefits.
- 2) That employers have "down graded" wartime jobs, and wages have been cut since V-J Day, to such an extent as to justify job refusals.
- 3) That those drawing benefits represent a constantly changing group of people, and large numbers of job placements have actually been made.

Those who have thought the situation not justified by the actual conditions of reconversion have sought to show:

- 4) That claimants may draw excessive benefits and would rather draw such benefits than accept jobs.
- 5) That the United States Employment Service has failed to refer beneficiaries to open jobs or has been too liberal in its application of the "suitable work" provision of the unemployment compensation law, or both.
- 6) That the United States Employment Service has not been sufficiently strict in applying the test of availability for work to those who have retired from the labor market.
- 7) That the divided authority between the Federal United States Employment Service and the State Unemployment Compensation Commission has caused benefit claims administration to break down under the load of reconversion.

No one of the foregoing factors is in itself an explanation of the

apparent anomaly of 100,000 claimants being paid weekly unemployment compensation benefits in the midst of a labor shortage. Every one of the factors does, however, have a valid basis in fact, some generally, some only in special cases, but their combined effect is to create a situation, peculiar to the reconversion period, which cannot be viewed on a strictly numerical basis.

Over 50% of recipients of compensation benefits are women, many of whom were employed in actual war production and probably will not accept peacetime employment. As to most of these, there is no way of presently testing their availability for peacetime work. It is striking that by December, 1945, the percentage of initial claims made by women had fallen to 27.5% while their percentage of compensable-week claims remained well over 50%. This is the clearest indication that men were being reemployed much more rapidly than women. Generally, it has been found that the bulk of the female claimants are skilled or semi-skilled, and that the job openings call for relatively lower levels of skill, or are not open to women at all.

The *Commission* cannot anticipate any reduction in wages nor has any positive evidence whatsoever been presented of hourly wage cuts, as such. To the contrary, questioning of employers brought out that hourly wage rates have, in many instances, been increased. At most, on this aspect of the question, it appears that proportionately more job openings may be found in lower paying jobs as compared with layoffs of higher paid workers.

A certain amount of down-grading has undoubtedly occurred in that a job rating offered under the production conditions of wartime must of necessity be revised after reconversion. With the return of peacetime competitive conditions in industry, this was certainly anticipated, and particularly that single operation "skills" would at best merit a job evaluation somewhat less than the exigencies of war demanded.

The fluid character of the claims load is emphasized in all information available to the *Commission*. The individuals drawing benefits represent a constantly changing group of people, although the average number has remained fairly constant from October through the end

of the year 1945. It thus appears that even though the jobs and the claimants match poorly, if at all, and even though there might have been some downgrading or wage reduction or both, there is a constant withdrawal of beneficiaries from the compensation rolls.

The \$22 maximum benefit today does not pose any different problem of "job shyness" than the pre-war \$18.00 maximum (adopted in 1940). It should not be assumed, moreover, that all beneficiaries are receiving \$22 per week. The State Unemployment Compensation Commission reports that the average weekly benefit check was \$19.87 in 1945, and estimates that only 65.27 per cent of the claimants whose benefit years began in September, 1945, will receive the maximum of \$22.00 weekly. Moreover, only 45.28 per cent of these claimants have potential benefit rights of \$22.00 for 26 weeks.

Any maximum benefit standard which must operate throughout the state is naturally subject to varying results, depending upon local labor market conditions. Insofar as it is possible to devise a single standard, the *Commission* believes that the adjustment of the maximum weekly benefit amount in accordance with changes in the general wage level and cost-of-living represents the soundest possible approach to this problem.

The very fact that most benefit payments are crowded at or close to the maximum weekly amount suggests that the maximum is certainly not too high to accomplish some of the major purposes of unemployment compensation. This would include the purpose to relieve the hardships of mass layoffs attending the termination of war contracts, to sustain consumer purchasing power without general liquidation of savings, and to furnish interim cash for the personal adjustments necessary in the transition from a wartime to a peacetime economy. If it is necessary to disprove alleged "job shyness," ample evidence may be found in an analysis of benefit experience compiled by the Unemployment Compensation Commission. *Schedule I shows that the extent to which potential benefits are used responds directly to improved employment conditions. For example, for 1939, the schedule shows 3.6 per cent of all beneficiaries received the maximum, while 8.1 per cent were entitled to it; for 1944, however, only 3.8 per cent received the maximum, while 40.4 per cent were entitled to it.*

While some persons may be abusing the advantages of the em-

ployment security system, by and large unemployment benefits have served a valuable purpose in easing the industrial and human dislocations of reconversion; and the required adjustments have been less severe than anticipated. The layoffs occasioned by the abrupt cessation of wartime production brought such an onslaught of applications for benefits that the current problem is peculiarly a feature of post-war readjustment.

There is considerable doubt as to the ability of the United States Employment Service to carry out the job placement function at all during the first three months of huge initial claims loads; and to the extent that job referrals have been restricted by the normal times' standard of "highest skill" placement, this has been a contributory factor to a greater number of beneficiaries.

It is clearly apparent that the initial determination (by the United States Employment Service) allowing benefits or that suitable work either is not available or has not been refused, is the key to the functioning of the entire benefit system. It appears that the standards of suitability of work, as set forth in the law, are generally interpreted by the United States Employment Service to give a claimant a reasonable opportunity for readjustment at his highest skill before denying benefits.

It must be apparent that efforts to place benefit claimants in their highest skill will retard any reduction of the number drawing benefits, so long as jobs match available skills as poorly as reported. This condition causes the question of "suitable work" to assume much broader implications than the matter of wages alone. It becomes necessary for United States Employment Service personnel to judge how soon, where and in what volume opportunities may open up for jobs curtailed by termination of war production. The very same conditions which impel reclassification, downgrading and separations, recognized as part of the reconversion process, make the standard of "highest skill" which may be desirable *under normal conditions*, a poor tool with which to facilitate readjustments of our manpower.

This *Commission* does not presume to impinge upon the jurisdiction of the Unemployment Compensation Commission or of the United States Employment Service, but it believes itself fully justified in observing that if the highest skill standard of suitable work is being

administered in the manner described, it most certainly must be a contributing factor to the paradox of large numbers of people drawing benefits while jobs go begging.

As an operating matter, the suitable work provision presupposes the selection of individuals from United States Employment Service beneficiary files to fill job orders received from employers. The overwhelming weight of the testimony, which went unrefuted, indicates that United States Employment Service machinery for selection and referral of benefit claimants to suitable jobs is either entirely inadequate or has broken down under the impact of V-J Day. Employer after employer appeared at the public hearing to enter vigorous complaint of failure of referrals for all varieties of usual jobs.

The *Commission* has made a specific request to the state director of the United States Employment Service for his explanation of these conditions. No reply has been received more than two months after the request was made. Since the United States Employment Service is a federal agency, this *Commission* is without power to go further in the matter. It is only fair to assume, however, in the absence of any refutation, that the charges of weak job placement administration in some of the local offices must have substantial foundation in fact.

The imperative need for unity of command in employment security administration has been emphasized by representatives of employers and of organized labor in appearances before the *Commission*.

No plausible reason has been advanced for the national Administration's refusal to turn the employment service back to the states. The chairman of the Social Security Board has, moreover, himself recognized that continued divided responsibility is a cause of inter-agency friction and perhaps functional impairment.

President Truman's veto of a bill which would have accomplished the transfer to the states was accompanied by a message which did not even recognize the condition pointed out by Mr. Altmeyer. The President objected specifically to the timing of the transfer and that the bill did "not assure that an adequate service will be available in all states." This *Commission* would respectfully observe that the President's action may have the effect of preventing an adequate service in *any* state.

In New Jersey, the *Commission* has been assured, even by advo-

cates of nationalization of the entire system, that truly effective benefit administration is impossible under the present divided administrative responsibility. Our Unemployment Compensation Commission has also added its judgment to those favoring a prompt return of the employment service to the states. Pending federal legislation may well accomplish this result.

By way of preparation for such federal legislation, it would be desirable to perfect the authority of the State Unemployment Compensation Commission to accept the return of the employment service, and to revise existing legislation which does not cover facilities, property, records and personnel acquired by the employment service while under federal management.

In addition to these two matters of authority and of facilities, property, records and personnel, a return of the employment service would require a State appropriation, unless the Federal Government provides for inclusion of the full cost of administration in Social Security grants to the States.

While the unemployment compensation system could not have been designed to handle the peculiar conditions of reconversion, the situation has been aggravated by divided responsibility between the Unemployment Compensation Commission and United States Employment Service. This condition can be corrected only through return of the employment service to the state, and appropriate legislative preparation for this event should be made at the current session. Beyond this, it is the considered opinion of the *Commission* that it is inadvisable to attempt major changes in the Unemployment Compensation Law at this time. Many of the difficulties identified with the present situation will doubtless be corrected in the normal course of industrial readjustment. While charges of loose administration of the law by the federal employment service seem to be substantiated at least in part by the evidence, experience gained by the administrative agencies during the past few months should tend to eliminate unsound practices; and any changes in the law in the face of present abnormal conditions would, in the opinion of the *Commission*, be unwise.

UNEMPLOYMENT COMPENSATION BENEFITS IN RECONVERSION

*A Report to the Governor and the Legislature, at the
request of His Excellency, Governor Walter E. Edge.*

The question of whether unemployment compensation benefits are being paid to persons who should not be receiving them was referred to this *Commission* for study and report by Governor Walter E. Edge. The question involves the law as well as its administration, and basically requires consideration of two related problems:

- 1) Are there jobs available to employ any or all of those drawing benefits?
- 2) Are benefit claimants being offered and required to accept suitable work?

The *Commission* held a public hearing in an effort to ascertain the pertinent facts. Although the hearing was carefully announced as being for the purpose of eliciting "facts and not opinions" on the single issue before the *Commission*, much of the testimony adduced proved to be little more than opinion, some of it ill-informed. The subject matter of the testimony also was offered and permitted to range considerably beyond the limits of relevancy, but the *Commission* deemed this course preferable to any effort to restrict those who appeared. A list of the appearances at the hearing is attached hereto, as Appendix A.

Before considering the specific problems of this *Report*, it is necessary to review briefly some of the recent economic history which conditioned the environment of manpower reconversion in New Jersey. This State, like all other industrial states, responded to the impact of the early defense program and subsequent all-out war effort by accomplishing the impossible. Between September 1940 and September 1942, shipyards quadrupled their employment; the airplane industry tripled its employment; electrical goods industries and non-electrical machinery industries doubled their employment; and by September 1943, over 300,000 new jobs had been filled in all manufacturing industries. This was accomplished in face of the constant withdrawal of men and women production workers for service in the armed forces. It was attended by a remarkable adaptation of women

to the needs of war production. On a national basis, for example, the U. S. Department of Labor (1942) reported:

"Enormous advances in the proportions of women employed are shown in typical reports from individual plants as to the ratio of women to all personnel (exclusive of office employees) a year ago, this year, and as estimated for next year, according to preliminary returns from a questionnaire submitted to 1,000 management executives by Modern Industry. In three-fourths of the establishments women already are employed, or preparations for their employment are being made. The following may be selected to show the situation in a variety of companies:"

| Industry | Percent of Women in Total | | |
|----------------------|---------------------------|------|-------------|
| | 1941 | 1942 | 1943 (est.) |
| Instruments | 10 | 35 | 60 |
| Aviation | 1 | 15 | 65 |
| Electrical | 6 | 9 | 35 |
| Pharmaceutical | 45 | 55 | 75 |
| Tool and die | 2 | 2 | 20 |
| Machinery | 0 | 10 | 50 |
| Hosiery | 65 | 75 | 80 |

Source: U. S. Dept. of Labor, *Labor Information Bulletin* (August, 1942), p. 7.

A subsequent analysis of late wartime data, by the Women's Bureau of the United States Department of Labor,¹ shows that employment of women in all war manufacturing industries rose 462.7 per cent between 1940 and 1944, as compared with an over-all increase in women's employment during the same period of 48.9 per cent. Of even greater significance in the manpower readjustment problem, among the new entrants to war industry 39.9% of the women came from home housework and 20.5% from school, a total of 60.4% of these new entrants who had no previous industrial job. While these are national figures, there is every reason to believe that they represent valid ratios for New Jersey.

Peak wartime employment was reached in New Jersey in the summer of 1943. The subsequent trend of employment is recounted in the current (Ninth) *Annual Report* of the New Jersey Unemployment Compensation Commission as follows:

¹ U. S. Dept. of Labor, Women's Bureau, *Special Bulletin No. 20*, by Mary Elizabeth Pidgeon, "Changes in Women's Employment During the War" (Washington, D. C., 1944), pp. 12-15.

"From a peak of 1,315,470 covered jobs reached in June of 1943, the covered labor force in the State steadily declined through 1,209,131 jobs in December 1944 to 1,104,000 jobs immediately before V-J Day. It is estimated there were 994,000 jobs as of the end of 1945. During 1945, therefore, the total decrease in the covered labor force was approximately 18 per cent, varying of course, according to the specific industrial group. For example, in the manufacturing group, the decrease was 25 per cent. Ordinance manufacturing virtually disappeared with a decrease of 80 per cent. Aircraft, with a 72 per cent, and ship-building, with a 46 per cent decrease for the year, further typify the severity of the termination of war work in the State of New Jersey."

"Even prior to V-J Day, total employment was declining throughout the war industries. Had the War ended at the close of December 1944, layoffs might have been double the number actually experienced after V-J Day. *From December 1944 to December 1945, the labor force of the manufacturing industries shrank by nearly 217,000 jobs and of this almost 100,000 occurred before V-J Day.* Obviously, the shock of V-J Day itself was lessened by this trend in the earlier months of the year." (italics added).

The full impact of the war's end on the employment situation in New Jersey is not confined to the shrinkage in covered jobs as reported by the Unemployment Compensation Commission. This Commission's First Report, entitled *A New Jersey Program for the Post-War Period* (submitted in February, 1944), which estimated that there would be 980,000 jobs in employment covered by unemployment compensation, six months after the close of the emergency, anticipated other problems. While it was then impossible to foresee the timing of war contract terminations, the actual events have occurred sufficiently similar to the *Commission's* assumptions to give present validity to the *Commission's* estimates made in 1943.

The return of full peacetime production, it was estimated, would see a net reduction of all jobs, covered and non-covered, of 6 per cent or 117,000 below the 1943 peak employment. But a total "job deficit" of possibly 272,000 was anticipated upon resumption of full peacetime conditions (assuming demobilization would meanwhile have released 280,000 men from the armed forces). This does not necessarily mean an unemployment problem equal to the possible "job deficit." From the present perspective, the possible job deficit appears considerably

in excess of the actual trend. This is particularly indicated by the marked revival of small business, for which some 2,500 state-guaranteed loans alone had been made up to the close of 1945. As the *Commission* cautioned in connection with its original estimates:

"It must be emphasized, however, that the estimated employment deficit does not and cannot take into consideration opportunities that may be afforded by new business enterprise born out of wartime developments. Nor does it include the jobs that will be created through compensating efforts of National, State and local governments."¹

Other important factors, particularly retirements from the labor market and the rate of revival of the construction industry cannot be measured, but will mean much to the employment outlook in the months ahead.

The impact of V-J Day on unemployment compensation administration is portrayed by the acting executive director of the Unemployment Compensation Commission, Frank T. Judge, in these words:

"From August 17 [1945] to the end of October [1945], almost 200,000 initial claims were filed in the Local Offices of the United States Employment Service. Nearly 100,000 of these claims were taken in the first two weeks after V-J Day. In October, the compensable claim load reached 120,000 per week. This level prevailed for the balance of the year, despite the fact there were 10,000 new claims (not all compensable) filed each week.

"The flow of weekly checks to the unemployed also emphasizes the contrast. From an average of about \$330,000 a month during the first six months, payments jumped to \$3,451,000 in September, \$10,207,000 in October, \$10,300,00 in November, and \$9,063,000 in December. To state it another way, out of the \$36,441,647 paid during the entire year, only \$2,850,000 was paid out prior to V-J Day."

It is only against this background that the character of the unemployment benefit problem can be appreciated. By way of pointing up its inquiry, the *Commission* sought only to ascertain, if possible, the answer to the frequently repeated question:

"Why are there 100,000 people drawing benefits while 50,000 jobs go unfilled?"

¹ See New Jersey Commission on Post-War Economic Welfare, *First Report: A New Jersey Program for the Post-War Period* (Trenton, N. J., 1944), pp. 48 et seq.

Many explanations have been offered the *Commission*, all of which have been carefully investigated. They fall into seven more or less common classifications. Those who have sought to pass off the current situation as a mere incident of reconversion have attempted to show:

- 1) That the specifications of available jobs do not match the occupational characteristics of those claiming benefits.
- 2) That employers have "down graded" wartime jobs, and wages have been cut since V-J Day, to such an extent as to justify job refusals.
- 3) That those drawing benefits represent a constantly changing group of people, and large numbers of job placements have actually been made.

Those who have thought the situation not justified by the actual conditions of reconversion have sought to show:

- 4) That claimants may draw excessive benefits and would rather draw such benefits than accept jobs.
- 5) That the United States Employment Service has failed to refer beneficiaries to open jobs or has been too liberal in its application of the "suitable work" provision of the unemployment compensation law, or both.
- 6) That the United States Employment Service has not been sufficiently strict in applying the test of availability for work to those who have retired from the labor market.
- 7) That the divided authority between the Federal United States Employment Service and the State Unemployment Compensation Commission has caused benefit claims administration to break down under the load of reconversion.

The public hearing, a transcript of which has been mimeographed and published in limited number¹ brought out a fundamental difference between labor and management as to the purpose of unemployment benefits.

Labor takes the position that benefits should be paid while a man is seeking employment in accordance with his "highest skills and natural ambitions." Management takes the position that "employment with wages is better than unemployment with benefit payments."

¹ Commission on Post-War Economic Welfare, *Transcript of Hearing on Unemployment Compensation Benefits, State House, Trenton, December 10, 1945* (Trenton, N. J., 1946, pp. 87 mimeo.), hereafter referred to as *Transcript*.

This difference of attitude underlies much of the problem, and its significance will appear more fully as the various contributing factors are reviewed.

1. The Matching of Jobs and Claimants:

A recent joint United States Employment Service-Bureau of Employment Security survey concludes that personal occupational characteristics of unemployment compensation claimants and job openings (in three cities: Trenton, Camden and Columbus) match poorly. Since Trenton, New Jersey, was one of the three cities studied, the survey results are, for that reason, particularly helpful.¹ From this and all other available information, the facts appear as follows:

Women predominate among claimants. The Unemployment Compensation Commission reports:²

LOCAL OFFICE INITIAL CLAIMS (1945)

| | Total | Per Cent Female |
|-----------------|---------|--------------------|
| July | 9,843 | 55.0 |
| August | 102,177 | 51.5 |
| September | 50,525 | 45.1 |
| October | 42,789 | 42.5 |
| November | 37,968 | 32.7 |
| December | 33,273 | 27.5 |

LOCAL OFFICE COMPENSABLE—WEEK CLAIMS (1945)

| | Total | Per Cent Female |
|-----------------|---------|--------------------|
| July | 39,766 | 55.5 |
| August | 46,949 | 55.6 |
| September | 282,307 | 56.2 |
| October | 502,716 | 55.4 |
| November | 477,966 | 56.5 |
| December | 470,220 | 52.6 |

¹ Bureau of Employment Security, *Unemployment Compensation Program Letter No. 100*, "Study of Personal and Occupational Characteristics of Unemployment Compensation Claimants and Job Openings in Three Cities" (November 13, 1945), p. 1. The principal findings and conclusions are based upon a 10 per cent random sample of claimants and 100 per cent of job openings (in Trenton) during the week of October 8, 1945.

² Frank T. Judge, Acting Executive Director of the New Jersey Unemployment Compensation Commission, *Transcript*, pp. 2-3, also *Ninth Annual Report of the Unemployment Compensation Commission*.

It is striking that by December, 1945, the percentage of initial claims made by women had fallen to 27.5% while their percentage of compensable—week claims remained well over 50%. This is the clearest indication that men were being reemployed much more rapidly than women. The federal study shows that:¹

“They [women] represented 60 percent of the total in Atlanta, 69 percent in Trenton, and 77 percent in Columbus. By contrast, the great bulk of unfilled jobs was open to men only. Relatively few jobs—12 percent in Trenton, 9 percent in Atlanta, and less than 1 percent in Columbus—were open to both sexes. Of the job openings restricted to one of the sexes, from 60 to 81 percent specified ‘men only.’

“The significance of the concentration of women in the claims load is made even clearer by comparison of the actual numbers of women available for work as compared to the jobs open to them.

| | <i>Number of Women Claimants</i> | <i>Number of Jobs Open for Women</i> |
|----------------|--------------------------------------|--|
| Trenton | 5,655 | 1,867 |
| Atlanta | 2,593 | 2,411 |
| Columbus | 3,442 | 554 |
| Total | 11,690 | 4,832 |

The bulk of the claimants are skilled or semi-skilled and job openings do not match these skills. In the three-city study, these results were found for Trenton:²

“While there were relatively fewer skilled workers among the Trenton and Columbus claimants, the skilled and semi-skilled among these claimants represented more than 70 percent of the total. Workers last employed in an unskilled occupation represented only 10 percent of the Columbus workers, 9 percent of the Trenton workers, and 3 percent of the Atlanta workers.

“As expected, the wartime occupation of many claimants was at a higher skill than their pre-war job, and large proportions had been engaged in housework. Former housewives constituted from 21 to 35 percent of the claimants.

¹ *Unemployment Compensation Program Letter No. 100* (November 13, 1945), *op. cit.*, p. 1.

² *Ibid.*, p. 2.

"In Columbus, the greatest amount of occupational shifting had occurred among workers who had been employed on skilled war jobs. They made up 27 percent of the claimants, although only 5 percent had held a skilled job before the war. In Atlanta and Trenton, the proportion of skilled workers increased, but not so spectacularly, and the proportion of semi-skilled workers increased somewhat. The proportion of unskilled workers among claimants did not change appreciably in Trenton or Columbus, but decreased significantly in Atlanta. Service occupations held their own in Trenton, but suffered significant losses in Atlanta and Columbus.

"There were great disparities between the kinds of jobs available for claimants and the kinds of jobs last performed by them. For women, clerical, sales, and service jobs constituted from 40 to 61 percent of all the jobs open to them; yet only 15 to 18 percent of the women claimants had last worked in these fields.

"Three-fifths of the Trenton women claimants had performed semi-skilled work; only a fourth of the openings called for this skill level."

The situation for men claimants is similar. In Trenton, although skilled workers were in relatively large demand (21 per cent of openings—28 per cent of claimants), semi-skilled workers were twice as numerous proportionately as the jobs calling for their skill level. As to the matching of job-openings with pre-war skills, the three-city study reports:¹

"There was a somewhat closer relationship between the pre-war or usual occupations of the claimants and the occupations demanded for the available jobs. As far as women claimants were concerned, the dominant note was that more than 40 percent in each of the three cities had been a housewife or had no work experience before the war. As a result, there appeared to be *proportionately* more skilled or semi-skilled jobs available than there were women with pre-war experience at such skill levels.

"This picture is changed somewhat when the *number* of skilled or semi-skilled women workers (based on pre-war experience) is compared with the number of jobs open to them at these skills. There were more women claimants employed in a skilled or semi-skilled job before the war than there were openings for them after the war in the present market.

¹ *Op. cit.*, p. 3.

"The jobs open to men in the three areas represented less attractive employment opportunities than the men's pre-war skills warranted except for skilled or semi-skilled occupations in Trenton, which represented 45 percent of local male job openings. Thus, 49 percent of the Atlanta men had worked in a skilled or semi-skilled capacity before the war, but only 30 percent of the present jobs called for those skills. By contrast, 59 percent of the jobs open to men were in unskilled occupations; only 11 percent had worked in these occupations before Pearl Harbor and an additional 3 percent had not worked at all. These disparities were also apparent in Columbus, although not quite to such a marked degree. In all three cities, the number of clerical and selling jobs for men was very small in comparison with claimants' pre-war pursuits."

2. The Question of Down-Grading and Wage-Cutting by Employers:

Wage and job status became important in the *Commission's* considerations as a guide to the character of job-openings against which benefit claimants are to be measured. Throughout the public hearing, the question arose frequently, in connection with statements by labor and management, as to whether or not hourly rates had been reduced. Labor has been insistent in this respect without offering any specific examples of hourly wage cuts. Thus Morton Stavis, of the United Electrical Radio and Machine Workers of America, offered the following:¹

"*Mr. Stavis:* May I make a brief point on that, sir. I think what you are saying is this, that during the war there was a good deal of what Mr. Costello [State Director, United States Employment Service] called job breakdown, where many people were put on a job to do a job, which perhaps, prior to the war was of a highly skilled nature. That did occur, and that was no doubt one of the reasons why we were able to attain the productive levels which we had. Now I say this, simply: You take those people, put them in a plant today and I know this, at least as to the metal trades industry in this whole State, they will be offered jobs at precisely the same level of skill that they had during the war and exercised during the war, at wages 30c., 40c., and 50c. an hour less than that which they were paid during the war. Mrs. Perillo worked as an electrical assembler in the Eastern Air-

¹ *Transcript*, pp. 30-31.

craft Plant in Bloomfield. I can assure you that Mrs. Perillo knew very little about the details of this matter; she was a simple assembler, probably the lowest grade assembler they had in the whole plant—she probably just put two things together. Now, she is being offered the same job today, probably even requiring somewhat more skill, certainly not requiring less, at a rate of 55c. an hour instead of \$1.09. That is the problem, sir, and that is the problem you will find in all of the New Jersey Metal Trades Industries.

Commissioner Derby: In all New Jersey industries you will find that?

Mr. Stavis: In all metal trades.

Commissioner Derby: In all the metal trades industry?

Mr. Stavis: Sir, in every plant that I am familiar with, and that covers a substantial number of metal trades plants, there is a constant drive, and very frequently successful, to cut out war-time earnings.

Commissioner Derby: . . . Will you give us the names of those companies in the metal trades industries that have, as you alleged, changed all their standards from before V-J Day to the present time, whereby they reduced the rates per hour of the employees, and give us the new rates and the old rates?

Mr. Stavis: I will be very glad to furnish a memorandum to the Committee on that matter. I will furnish a specific memorandum in answer to your request."

[*Note by the Commission:* A memorandum submitted by Mr. Stavis on February 11, 1946, referred to only one company, the name of which is withheld for the reason that it is involved in a labor dispute. The memorandum objects generally to wage reductions involved in shifts from high-paying to lower-paying industries. The memorandum objects, with reference to the particular company, to down-grading of certain jobs (or at least a reversal of the wartime practice of upgrading) stated as follows:

"Alleged downgradings and widespread transfers have come along with the tightening of the incentive earnings. While the workers have been shifted around the skills that they are using to-day are essentially the same as they used during the war. The 'downgrading' therefore is generally not legitimate in the sense that it does not reflect elimination of skill. It reflects only reduction in wages."]

The *Commission* cannot anticipate any reduction in wages nor has any positive evidence whatsoever been presented of hourly wage cuts, as such. To the contrary, questioning of employers brought out that hourly wage rates have, in many instances, been increased. To this effect is the testimony of Richard C. Wilcox, of the Forstmann Woolen Company;¹ Bernard J. Borneman, of the New Jersey Worsted Mills;² and General Phillipson, of Botany Worsted Mills:³

"Commissioner Derby: Have you reduced your rates per hour since V-J Day?

Mr. Wilcox: No, sir, contrary to that, some of our rates have been increased."

* * * *

"Commissioner Derby: What is the minimum rate and what is your maximum rate?

Mr. Borneman: If we were to hire a man to do absolutely unskilled work today, we would pay him 82½ cents an hour to start.

Commissioner Derby: What reduction, if any, have you made since V-J Day?

Mr. Borneman: A week ago yesterday we made an increase of 10 cents an hour for all hourly pay and piece workers in our two mills.

Commissioner Derby: That includes this 82½ cents?

Mr. Borneman: That's right. Up until a week ago yesterday, it was 72½ cents. It is now 82½ cents.

Mr. Parsonnet: The ten strong men that were referred to were then offered 72½ cents an hour?

Mr. Borneman: They were, and I might say this—that that rate is higher than the so-called 'going' rate for that job in our area established by the National War Labor Board. . . .

Mr. Stavis: May I ask the minimum wage for women in your plant?

Mr. Borneman: Up until last Sunday, a week ago yesterday, the minimum hiring rate for women was 55 cents an hour, and starting on December 2nd, the minimum hiring rate was 65 cents an hour—the minimum rate advocated by some well-known national organizations."

¹ *Transcript*, p. 39.

² *Ibid.*, pp. 41-42.

³ *Ibid.*, pp. 43-44.

* * * *

"*Commissioner Derby*: General, have you reduced your rates since V-J Day?

General Phillipson: No. In many cases they have been raised.

Mr. Stavis: Will the gentleman state the minimum hiring rate in his plant?

General Phillipson: 65 cents an hour.

Mr. Stavis: Men and women?

General Phillipson: Yes.

Mr. Parsonnet: May I ask one question? Mr. Derby has been asking each witness whether or not they have reduced their rates of pay for their jobs. I should like to ask the General, in line with that question, whether or not it is a fact there has been down-grading of employees and an attempt to hire people in a lower job classification?

General Phillipson: No. That is not only untrue, but we are prepared to give our employees a considerable increase. The only difficulty we had was to get the agreement of the Union.

Mr. Parsonnet: I am asking whether or not the attempt to hire is in the higher job classifications or in the lower job classifications?

General Phillipson: It is practically all through the mill, because we have vacancies all through the mill, from the highest to the lowest. There are a great number of vacancies in the highest paid jobs.

Mr. Parsonnet: Isn't it a fact that the Botany Mills have asked the United States Employment Service for employees in the lower classifications?

General Phillipson: We have asked for the lower and the higher. We have something like three or four hundred higher ones today."

At most, on this aspect of the question, it appears that proportionately more job openings may be found in lower paying jobs as compared with layoffs of higher paid workers. To this effect is the testimony of Mr. Thomas F. Costello, State Director of the United States Employment Service:¹

"*Commissioner Cavicchia*: Do you find much difference between the type of employment coming to you through employers before and after V-J Day, we might say from the beginning of the

¹ *Transcript*, p. 10.

period of reconversion, because of the peculiar nature of wartime employment?

Mr. Costello: There is considerable difference. The whole range of job openings has been of a downward nature with respect to the skills involved and the wage rates for them, so that many of the claimants making their appearances in the local offices do not find available there the job openings with the higher skills for which they have the ability and prior experience and training. That is very definite. And there is a program of careful comparison being worked out on that, from the national level, and I understand for several states throughout the country, to develop those comparisons and show how, even at this time, it is impossible to absorb even applicants willing to take all jobs now available. It would not be possible to absorb more than 42 or 43 per cent of the total claims load."

The factors which contribute to this result are not entirely clear. At the outset, it must be recognized that war industries came into many communities, with a job to do at any cost, and threw the entire wage structure of the community out of balance. While the hourly rate for other lines of work now available may not have been reduced—and in many cases it has in fact been increased—the adjustment of the individual worker cannot be expected to occur without resistance and a reasonable effort to retain the higher income levels of war production jobs. As Mr. Costello points out, however, these war jobs are frequently no longer available.

A certain amount of down-grading has undoubtedly occurred in that a job rating offered under the production conditions of wartime must of necessity be revised after reconversion. The national policy to produce for war regardless of cost, forced employers to break down jobs into relatively simple operations for which available workers could be trained in a reasonably short time. In order to induce more and more people to enter the labor force, however, the classification and wages of these jobs were *not* also "broken down." With the return of peacetime competitive conditions in industry, it was certainly anticipated that such uneconomic practices would be discontinued, and particularly that single operation "skills" would at best merit a job rating somewhat less than the exigencies of war demanded. Moreover, to the extent that certain jobs have either been entirely eliminated or reduced in number, it would be expected that individual employees would be offered the next best job available.

For example, in a study completed by the Industrial Relations Section of Princeton University, late in 1944, involving some 200 industrial, trade union and government executives, these conclusions appear: ¹

"All but the most fortunately situated companies, among those reporting in the survey, anticipate considerable downgrading of supervisory workers. This will include demotions both within the various levels of supervision and from supervisory to production jobs. A number of executives expressed the opinion that downgrading from the lower ranks of supervision to production jobs to which seniority rules were applicable would be the most troublesome. Several industrial relations officers suggested, on the other hand, that the way in which down-grading was handled within the supervisory group would affect both supervisors and employees and might have considerable influence on current developments in the organization of foremen.

* * * * *

"Disputes which have already arisen in connection with various war contract cancellations give some idea of the severe testing to which transfer, downgrading, and layoff policies and procedures will be subjected. Seniority, which had become at least a guiding factor in a majority of layoff procedures established through collective bargaining, is looked upon quite generally by both unions and management as an important key to transitional personnel adjustments. And yet both groups also foresee many situations in which present seniority rules will be set aside by legal requirements or by pressure of one group or another. There will be, in all probability, few companies in which current seniority agreements will serve as clearcut and easily followed guides to procedure.

"Interviews with company and union representatives revealed many matters of serious concern to both in relation to post-war reductions in personnel. Changes in machines and processes, changes in individual skills, the closing of war plants or the closing of old plants and the transfer of peacetime production to the more modern government-built plant are but a few of the circumstances which will complicate the normal pre-war procedures of transfer or layoff. Legal requirements and union and employee

¹ Helen Baker, *The Readjustment of Manpower in Industry During the Transition from War to Peace, An Analysis of Policy and Program* (Industrial Relations Section, Princeton University, 1944), pp. 32, 41.

attitudes towards special groups of workers will also have to be taken into account. The variety of problems pointed out by company and union officers suggest that, in spite of a common tendency to rely on seniority rules and an optimistic attitude towards post-war employment, few companies will be able to avoid some readjustment in their procedures for down-grading and layoffs."

3. The changing character of groups drawing benefits:

The fluid character of the claims load is emphasized in all information available to the *Commission*. The individuals drawing benefits represent a constantly changing group of people, although the average number has remained fairly constant from October through the end of the year (1945). Thus, Mr. Frank T. Judge, speaking for the State Unemployment Compensation Commission declared:¹

"The filing of an initial claim does not signify that the applicant will receive benefits. Thousands of claimants do not reappear, either at the end of their first compensable week or thereafter. To illustrate, if all individuals who filed initial claims subsequent to V-J Day (August 14) had drawn benefits each week after the usual waiting week, the Agency would have had a maximum potential load of weekly continued claims from these claimants of 2,370,513 through December 1. Actually, the Agency received 1,317,682 continued claims through December 1, or approximately 55 percent of the maximum potential load.

"The reasons are quite apparent. Thousands of claimants returned to work. Generally, they filed their initial claim to protect their rights if a promised recall to work or a tentative job offer fails to materialize. Again, some claims are invalid because the individuals have not established sufficient wage credits in covered employment. Other claims are filed by persons whose unemployment is due to a stoppage of work which exists because of a labor dispute where they were last employed, and who are disqualified if they are participating in, financing or directly interested in the labor dispute.

"There are indications of a prevailing impression that everyone who became unemployed following VJ-Day has been drawing full benefits to date. This is an erroneous impression. Furthermore, many of those who became unemployed have never filed claims of any type.

¹ *Transcript*, pp. 2-3.

* * * * *

"There has been a marked turnover in claimants from week to week. Although during the past eight weeks, about 10,000 new individuals have visited the Local Offices weekly to file initial claims, the number of compensable-week claims has remained almost static at 110,000. This indicates that the number detached from the compensation rolls equals the number of accessions from week to week.

"It must be remembered that following VJ-Day there was a layoff that was non-selective and general. Employers closed down entire plants. The result was that 136,000 persons filed claims in the four weeks from August 15 to September 15, 1945. These individuals represent a typical segment of the population of New Jersey. It is difficult to support an indictment that this group constitutes a 'bunch of loafers' preferring benefits to jobs."

It thus appears that even though the jobs and the claimants match poorly, if at all, and even though there might have been some downgrading or wage reduction or both, there is a constant withdrawal of beneficiaries from the compensation rolls.

* * * * *

These first three factors, that is, the matching of jobs with beneficiaries, the turnover of benefit claimants and the reduction of job grades (and to that extent of wages), are most commonly referred to by those who believe that the present unemployment benefit situation is to be expected in a transition period. On the other side of the issue, however, are those who argue that the situation has been aggravated by other factors which tend toward the payment of unemployment compensation benefits to those who should not be receiving them. These factors, a review of which follows, comprise the remaining principal classifications to which we have already referred.

4. The Influence of Benefit Payments on Employment Acceptance:

This argument, that benefit payments result in an unwillingness upon the part of beneficiaries to accept employment, raises an old problem in unemployment compensation. In the step-down from purely war production jobs to lower paid peacetime jobs, this problem has been emphasized, and in certain areas of the State it has undoubtedly been a conditioning factor in the local labor market. For example, in the textile industry, the *Commission* has been told:¹

¹ *Transcript*, p. 38—Richard C. Wilcox, Forstmann Woolen Company.

"The present attraction of \$22 a week net [in unemployment compensation], while warming one's toes at the fire, appears to have greater appeal than the average of \$42.87, gross we can offer. This is an average earned hourly rate of 95.9 cents per hour. In addition, we give free life insurance, hospitalization, health and accident benefits and surgical insurance and a reasonable assurance of steady work for a long time to come."

and again, to the same effect:²

"Our experience reveals that war workers refused offers of employment where the hourly starting rates were less than \$.70 to \$.80 an hour. Their comment was that \$22.00 per week unemployment compensation benefits were better than working for less than \$28.00 or \$30.00 per week. We offered, in addition to the hourly rate, a free insurance policy of \$500.00, weekly illness and accident benefits, etc. Besides, we have a music broadcasting loudspeaker set-up which breaks the monotony of the work.

"In spite of all we offer, and in spite of the fact that our mill works on the average of 48 hours a week, 52 weeks a year, we have found that the \$22.00 per week is actually a gratuity and a vacation combined. War workers merely pay lip-service to the unemployment regulations. They cannot refuse to go to a job but they find all kinds of excuses for not accepting it. If it were not for our returning veterans, we would be in a very bad spot."

But some employers, adopting a more temperate view, have given the opinion that reluctance to accept employment in lieu of benefits is not general, although it does appear to exist in some cases. For example, Mr. Jacobs, President-Director of the Ciba Pharmaceutical Company, told the *Commission*:³

"... I want to say to those who are representatives of Labor here today that I for one do not believe that the average person engaged in the productive capacity as a means of making a living would prefer idleness on compensation to actual work. I think by far the majority of workers would prefer to be producing. I happen to be a tire builder by trade and I have worked at it for a number of years, but from experience in working with men in the production fields I find that by far the majority would rather be active in producing. I also want to say to those who are connected with the New Jersey Unemployment Compensation

² *Ibid.*, p. 43—General Phillipson, Botany Worsted Mills.

³ *Ibid.*, p. 44.

Commission that from my experience they are endeavoring to do a conscientious job. However, I bring to you some specific examples which prove quite definitely, I think you will agree after I have given them to you, that a number of abuses have crept in. I believe that out of those who are unemployed, there are quite a few who would prefer to accept compensation until it runs out rather than go out and actually look for a job today."

This problem of "job shyness" and its different incidence among individual workers, was anticipated by the *Commission* at the time it recommended an increase in the maximum weekly benefit amount from 18 to 22 dollars per week. Its report entitled *Labor Security in the Post-War Period* states:¹

"The amount of weekly benefits payable to a covered worker is now dependent upon his previous earnings, except for minimum and maximum limits. All proposals for liberalization would continue this relationship between weekly benefit amount (W.B.A.) and previous earnings. It follows that wherever the W.B.A. is too low because of low previous earnings, the problem is deemed to fall outside the scope of unemployment compensation.

"The present basic W.B.A. is determined by taking 1/22 of total wages earned in a previous 'high' quarter. Stated another way, unemployment compensation is now paid at the rate of 59 per cent of previous average weekly earnings during the claimant's best previous quarter of his base year. But every eligible claimant is entitled to at least \$7.00 per week and no claimant may be paid more than \$18 per week as W.B.A. for total unemployment.

"At best, the determination of weekly benefit amount does not presume to be scientific. Its purpose is to strike a level of 'minimum basic security' and to avoid 'job shyness' caused by too attractive benefit payments. There is obviously great latitude of benefit rates within these purposes, depending upon individual circumstances and characteristics to which a public program cannot be related.

"As a point of beginning, the best possible principle upon which to base benefits, therefore, is the *principle of equal benefits for equal contributions*. If the application of this principle does not result in any unreasonable or dangerously high benefit payments, it is the most acceptable justification for a benefit schedule.

¹ Commission on Post-War Economic Welfare, *Second Report: Labor Security in the Post-War Period* [submitted to the Governor and the Legislature, January 29, 1945] (State of New Jersey, Trenton, 1945), pp. 5-6.

"The present basic factor (1/22) determining W.B.A., taken alone, relates benefits directly to previous earnings, but the \$18 maximum cuts down the ratio of W.B.A. to previous earnings above \$30.51 per week. By comparison, the proposal of a \$22 maximum W.B.A. would operate to restrict the operation of 59 per cent ratio at the level of \$37.29 per week previous earnings.

"Since contributions are paid on wages up to \$58 per week, the \$22 maximum only approaches the principle of equality. Opinions may differ as to whether or not a higher figure would clearly impinge upon the field of 'job shyness', but it is at least clear that the recommended increase of the maximum W.B.A. approximately reflects the increased cost-of-living since the formula was last liberalized."

Briefly stated, the \$22 maximum benefit today does not pose any different problem of "job shyness" than the pre-war \$18.00 maximum (adopted in 1940). It should not be assumed, moreover, that all beneficiaries are receiving \$22 per week. The State Unemployment Compensation Commission reports that the average weekly benefit check was \$19.87 in 1945, and estimates that only 65.27 per cent of the claimants whose benefit years began in September, 1945, will receive the maximum of \$22.00 weekly. Moreover, only 45.28 per cent of these claimants have potential benefit rights of \$22.00 for 26 weeks.¹

Any maximum benefit standard which must operate throughout the state is naturally subject to varying results, depending upon local labor market conditions. Insofar as it is possible to devise a single standard, the *Commission* believes that the adjustment of the maximum weekly benefit amount in accordance with changes in the general wage level and cost-of-living represents the soundest possible approach to this problem.

The very fact that most benefit payments are crowded at or close to the maximum weekly amount suggests that the maximum is certainly not too high to accomplish some of the major purposes of unemployment compensation. This would include the purpose to relieve the hardships of mass layoffs attending the termination of war contracts, to sustain consumer purchasing power without general liquidation of savings, and to furnish interim cash for the personal adjustments necessary in the transition from a wartime to a peacetime economy. If it is necessary to disprove alleged "job shyness," ample evidence may be found in an analysis of benefit experience compiled by

¹ Unemployment Compensation Commission, *Ninth Annual Report* (Trenton: January, 1946, mimeo.). Table: "Characteristics of Post-War Claimants."

the Unemployment Compensation Commission. *Schedule I shows that the extent to which potential benefits are used responds directly to improved employment conditions. For example, for 1939, the schedule shows 3.6 per cent of all beneficiaries received the maximum, while 8.1 per cent were entitled to it; for 1944, however, only 3.8 per cent received the maximum, while 40.4 per cent were entitled to it.*

Schedule I UNEMPLOYMENT COMPENSATION COMMISSION

Summary of Benefit Experience of Beneficiaries¹

| Characteristics | 1939 Benefit Years ended in 1940 | 1940 Benefit Years ended in 1941 | 1941 Benefit Years ended during last 6 months of 1942 | 1944 Benefit Years ended during 2nd Quarter 1945 |
|--|--|--|---|--|
| Average Number of Payments authorized (Full Weeks of Benefits) | 10.15 | 10.33 | 12.13 | 14.38 |
| Average Equivalent-full-weeks of Benefits received ... | 8.26 | 7.74 | 7.47 | 6.05 |
| Percentage of Beneficiaries who exhausted all rights .. | 66.7% | 58.2% | 39.7% | 18.9% |
| Average Weekly Benefit Rate authorized | \$9.47 | \$9.41 | \$13.15 | \$16.72 |
| Average Total Amount of Benefits received | \$82.68 | \$76.52 | \$100.27 | \$102.09 |
| Percentage of Potential allowed money actually received | 80.1% | 73.3% | 60.2% | 41.5% |
| Percentage of all beneficiaries entitled to receive maximum ² | 8.1% | 7.9% | 10.3% | 40.4% |
| Percentage of all beneficiaries who actually received maximum ² | 3.6% | 2.6% | 1.7% | 3.8% |

¹ A beneficiary is a claimant who, having established a benefit year, received at least one payment for some week of compensable unemployment. Many claimants establish benefit years as a result of an initial determination but return to employment before acquiring compensability.

² For 1939 and 1940 \$15 for 16 payments = \$240.

For 1941 and 1944 \$18 for 18 payments = \$324.

SOURCE: Unemployment Compensation Commission *Ninth Annual Report* (Trenton: January, 1946).

The key to any possible maladjustment of the benefit level, as compared with available job opportunities, may be found in the functioning of the United States Employment Service. It is this agency that is charged with the duty of submitting every benefit payee to the "work test." Any beneficiary who refuses to accept suitable work is thereupon disqualified under the law to receive further benefits.¹ Since 1942, when the State Employment Service Division was turned over to the Federal Government at the request of the President, the United States Employment Service has been responsible for the administration of this aspect of unemployment insurance. The United States Employment Service has yet to claim that it is impeded in this function by any unduly high level of maximum benefits.

* * * *

5. The "Suitable Work" Test as Administered by the United States Employment Service:

The question of what is "suitable work" is perhaps the most contentious that has arisen in the administration of unemployment benefits. It is determined in the first instance by the United States Employment Service interviewing staff and may, upon appeal, reach the Board of Review of the State Unemployment Compensation Commission. Such appeals may be taken either by former employers or benefit claimants, but relatively few appeals are taken by employers. Benefit claimants would have occasion to appeal only if benefits are denied. It is thus apparent that the initial determination allowing benefits or that suitable work either is not available or has not been refused, is the key to the functioning of the entire benefit system.²

Next in importance, it may be well to note, is the cooperation of employers: (1) in placing job orders with the United States Employment Service and in cooperating with reports on job refusals; and (2) in checking upon notices of benefit claims. Each time a former employee makes a claim for benefits, all of his employers in the base year are notified. If the employer knows of any legal reason why benefits should not be paid, this notice affords an opportunity to transmit the information to the Unemployment Compensation Commission and to perfect an appeal, if necessary.

¹ Such disqualification shall continue for the week in which such refusal occurred and for the three weeks which immediately follow such week (in addition to the waiting period) (R.S. 43:21-5)

² The State Unemployment Compensation Commission currently receives only 25 to 30 "Reports of Refusal of Employment" (Form B-6B) each day from all United States Employment Service offices in the State (*Transcript*, p. 4).

As to the "suitable work" requirement, our State law provides:

Section 5 (c):

(1) In determining whether or not any work is suitable for an individual, consideration shall be given to:

(a) the degree of risk involved to his health, safety, and morals.

(b) his physical fitness and prior training,

(c) his experience and prior earnings,

(d) his length of unemployment and prospects for securing local work in his customary occupation, and

(e) the distance of the available work from his residence.

(2) Notwithstanding any other provisions of this chapter, no work shall be deemed suitable and benefits shall not be denied under this chapter 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 remuneration, 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.

In the case of *W. T. Grant Company v. Board of Review of the Unemployment Compensation Commission, etc.*, 129 N. J. L. 402, 29 Atl. (2) 858, Justice Case says:

"Suitability of work is a mixed question of law and fact on which the final answer does not lie in the applicant for benefits."

The most common determinants of suitable work appear above as sub-section (1) (c) and (d). Upon questioning of Thomas J. Costello, State Director of the United States Employment Service, by Commissioner Cavicchia, it appears that these requirements are generally interpreted to give a claimant a reasonable opportunity for readjustment at his highest skill before denying benefits. The testimony was as follows: ¹

"*Commissioner Cavicchia:* Well, the point I am driving at is this: In the whole principle of comparison, do you give any weight to the fact that the situation in wartime was an abnormal

¹ *Transcript*, p. 11.

situation in respect to employment, and with respect to the availability of jobs normally?

Mr. Costello: I think we must give some consideration to the prior earnings on the side of the wage comparison, and I think too we must give some consideration, and we do, to the skills attained by the claimant during that three and a half, or four, or five years, which length of employment, it is not too much to say, has been spent by some of these people in developing even a new skill, which skill now provides them with the ability to do a job for which we do not have an order in the local office. There has been a reduction in the variety of skills represented in the job openings.

* * * *

Commissioner Cavicchia: . . . Now, with that thought in mind that there is no way of telling, as of now, just which of those skills which were developed in peculiar connection with wartime employment, may have a place in peacetime employment—does the employment service that you represent go into a discussion of that problem with the applicant?

Mr. Costello: We go very carefully into that problem with the applicant, up to the extent that we have been able to spend time on that phase of the problem up to the present. Arrangements have been developed to secure some additional staff that will be necessary before we give it the kind of full coverage that I think you are referring to, and I agree with you that it should be given in every instant case with respect to a full development of the background of the claimant. It will take probably another 20 days before we will have had the results of the study of the two sides of the picture, with respect to those persons who are making application for employment and claims, the skills that they obtained during the war period which may have been peculiar to the war period, and for which some recognition must be given and some adjustments sought with respect to their fitting into the reconversion peacetime picture."

In other appearances before the *Commission*, Mr. Costello confirmed more clearly the "highest skill" standard of suitable work. This standard also appears to be advocated by the federal Social Security Board, which has the power of approval or disapproval of the State law for purposes of tax credit to employers as well as pay-

ments for administration. A. J. Altmeyer, Chairman of the Social Security Board, has stated the principle as follows:¹

"It is the function of the public employment offices to facilitate the reemployment of unemployed workers through making available to workers information concerning suitable job openings and making available to employers information concerning suitable applicants. It is the function of unemployment compensation to provide protection against loss of income to workers during the interval between jobs. There is no such conflict between these two functions. In fact, each one supplements and strengthens the other. By providing the jobless worker with some protection against the loss of income which he is suffering we enable him to maintain himself. We afford him a reasonable opportunity to locate a job which utilizes his highest skills and we enable the public employment office to do a better job of placement. Everyone benefits when a worker is placed in a job which utilizes his highest skills rather than required by dire necessity to take the first job that comes along regardless of how unsuitable it may be. The worker of course benefits because he presumably can earn more and get more satisfaction out of the job. The employer benefits because of high employee morale with consequently increased efficiency and reduced turnover. The community and the Nation benefit because utilizing the maximum skills of our people means achieving our maximum productivity, upon which the general welfare depends."

State authorities are not justified, however, in assuming the attitude that "Washington" controls the work test. While the Social Security Board has the power of approval or disapproval of State laws, this power does not extend to control the application of the "suitable work" requirement found in most (but not all) State laws. The board's authority extends only to a determination that strike breaking substandard wages and anti-union pressure [Sec. 5(c) (2) above] are not promoted through the power to deny benefits. Beyond this, state agencies may and have, in fact, adopted such interpretations of their own suitable-work and available-for-work standards as they deemed

¹ "Administering Unemployment Insurance," an address at the Ninth Annual Meeting of the Interstate Conference of Employment Security Administrators, Baltimore, Md., October 23, 1945.

desirable to meet local conditions. Thus, the Federal Social Security Board itself reports the trend during the war years.¹

"The suitable-work decisions appear to have traveled far from the principles enunciated during the years before the war. The specific trends make abundantly clear that new economic conditions have given new meanings to established statutory language. The increase in job openings, the critical shortage of manpower for wartime uses, the desire to apply the broad provisions of unemployment compensation laws so as to advance and not hamper the war effort have combined to produce two outstanding characteristics of rulings on suitable work—a change in the emphasis placed upon the various criteria of suitability set forth in the unemployment compensation laws, and an increasing concern for national and State interests as distinguished from those of the individual.

"Although evidence presented by claimants on risks to health, safety, and morals is carefully scrutinized, this factor has encountered the least change in emphasis. *Prior earnings have declined in importance as a yardstick of suitable work except in some areas of concentrated defense industry where wages have climbed considerably. Most States have tended to consider work suitable insofar as wages are concerned if the pay is at the prevailing rate in the community.* The tests of prior training and experience have been strained by shifts from peacetime to wartime industries and occupations—*shifts which have often destroyed all chances of finding employment in the claimant's former occupation.* Transportation difficulties and necessary migrations to labor-shortage areas have burdened the distance test with new problems. Less weight than formerly has been given to domestic and other personal reasons for refusing work offers.

"The increased emphasis on national and State interests in the determination of what is suitable work is illustrated by statutes which have directed attention to the war emergency as a pertinent factor. The following excerpt from an appeals decision reflects the wartime position of many States:

"When the Nation is at war, individual interests must be waived whenever they conflict with the interests of the Commonwealth. A claimant who by reason of his training and experience is deemed qualified for referral by the United States Employment

¹ Social Security Board, *Social Security Yearbook*, 1943 (Washington, D. C., 1945), p. 70 *et seq.* [Italics added].

Service should be regarded as reasonably fitted for the job offered him as a result of that referral. Where no prospects of employment exist in the claimant's usual trade, he is expected to accept job offers in war industry or forfeit his unemployment benefits.' [8492-Hawaii R, Vol. 7, No. 4.]

"This view lends strength to the hope that restrictive interpretations in some wartime benefit decisions are 'for the duration' only. Victory will relax pressures on the labor market, and conversion of industry to a peacetime basis will inevitably reduce our current 'overemployment.' It is to be hoped that legislative, administrative and appeal agencies will then give due weight to compelling personal factors which often affect the relation of workers to their jobs, and will thus indicate that disregard of such factors in some current interpretations of availability, voluntary leaving, and suitable work has been due only to special circumstances or pressures of the wartime emergency."

It must be apparent that efforts to place benefit claimants in their highest skill will retard any reduction of the number drawing benefits, so long as jobs match available skills as poorly as reported. This condition causes the question of "suitable work" to assume much broader implications than the matter of wages alone. It becomes necessary for United States Employment Service personnel to judge how soon, where and in what volume opportunities may open up for jobs curtailed by termination of war production. The very same conditions which impel reclassification, downgrading and separations, recognized as part of the reconversion process, make the standard of "highest skill" which may be desirable *under normal conditions*, a poor tool with which to facilitate readjustments of our manpower.

This *Commission* does not presume to impinge upon the jurisdiction of the Unemployment Compensation Commission or of the United States Employment Service, but it believes itself fully justified in observing that if the highest skill standard of suitable work is being administered in the manner described, it most certainly must be a contributing factor to the paradox of large numbers of people drawing benefits while jobs go begging.

As an operating matter, the suitable work provision presupposes the selection of individuals from United States Employment Service beneficiary files to fill job orders received from employers. The overwhelming weight of the testimony, which went unrefuted, indicates that United States Employment Service machinery for selection and referral of benefit claimants to suitable jobs is either entirely inade-

quate or has broken down under the impact of V-J Day. Employer after employer appeared at the public hearing to enter vigorous complaint of failure of referrals for all varieties of usual jobs.¹ The *Commission* has made a specific request to the state director of the United States Employment Service for his explanation of these conditions. No reply has been received more than two months after the request was made. Since the United States Employment Service is a federal agency, this *Commission* is without power to go further in the matter. It is only fair to assume, however, in the absence of any refutation, that the charges of weak job placement administration in some of the local offices must have substantial foundation in fact.

* * * *

6. The Test of Availability for Work as Administered by the United States Employment Service

The law provides that no person may be eligible for benefits unless he is "able to work, and is available for work" [R. S. 43:21-4 (d)]. Under the great variety of employment possibilities and labor market conditions, the test of availability for work leaves considerable discretion in the administrative agency. On one side, the complaint is that housewives, who have for all intents and purposes withdrawn from the labor market, are being paid benefits; while on the other, it is argued that the United States Employment Service and Unemployment Compensation Commission are too strict in disqualifying claimants on the grounds of restricted availability.² It may well be that one condition breeds the other.

The *Commission* has no way of testing the validity of either of these allegations, but has been informed by the State Director of the United States Employment Service that there is undoubtedly some truth in the charge that some housewives are receiving benefits who should not be doing so. The abnormal influx of women into war production and the subsequent separations have made it extremely difficult to sort out the valid claims. As stated by the State Director:³

"Mr. Costello: As I say, that total is divided into two segments; one of those who voluntarily have withdrawn from the labor market and have gone back to being housewives, and the others are those who are still in the claims picture and who are, along with all the others, being exposed to job opportunities to

¹ *Transcript*, pp. 40, 43, 73, 74, 76, 77.

² See Carl M. Holderman, N. J. Industrial Union Council, C.I.O., *Transcript*, p. 22.

³ *Transcript*, p. 16.

the point that when it is determined that they are hesitant about the future, they develop that upon interview and it may result in many instances to a notification to the Unemployment Compensation Commission.

Commissioner Cavicchia: It is quite possible—I do not say it is necessarily probable—but it is quite possible that there are a great many persons, perhaps women, who are receiving compensation and who, at the exhaustion of that compensation, will drop out of the labor market.

Mr. Costello: I agree with the thinking there. I feel, however that it cannot be tested until we have again substantial increases in the number of job openings for women to test this group, and there has been a very definite falling off, a sharp falling off, of the number of job possibilities in which females can be used, with the result that there is not always the opportunity to make the work-test feasible.”

On the other hand, it must also be recognized that the pressure to produce for destruction of the enemy drew into the labor force many people with little or no real capacity to hold a job in normal times. This condition is claimed by Carl N. Holderman, C.I.O., to be responsible in part for the character of the benefit rolls, as follows:¹

“ . . . Employers are more selective today in their taking on of new personnel. Many of those who were recruited during the war effort on the basis of making a patriotic contribution to that war are now being disqualified by employers and find it almost impossible to get a job. The health restrictions or the medical examinations that are imposed today are far stricter than they were six months ago or at any time during the last two or three years, so that many of those who are now receiving unemployment compensation perhaps will never be able to get another job unless we have full employment in this country.”

7. Divided Administrative Authority As a Cause of Ineffective Administration:

Upon request of the President, the Employment Service Division of the state Unemployment Compensation Commission was turned over to the federal government by Laws of 1941, ch. 386 (effective January 1, 1942). This was done without question as an act of cooperation requested by the national administration as part of our

¹ *Transcript*, p. 24.

mobilization for war. Subsequently, the employment service became a functioning part of the War Manpower Commission, and assumed functions related principally to manpower utilization programs rather than to unemployment benefits, for which there was of course little need.

The transfer of the Employment Service carried with it the claims taking and job placement functions of unemployment compensation administration. This has meant that the Unemployment Compensation Commission, while normally responsible for administration of the state program in these fields, has been dependent upon the United States Employment Service, a federal agency, for direct contact with benefit claimants. The result is that there is now no way of definitely fixing responsibility for benefit payment policies and procedures.

It has been suggested to the *Commission* that the situation would be corrected if the director of the Unemployment Compensation Commission were to require the retransfer of claims taking personnel in United States Employment Service local offices to the Unemployment Compensation Commission, as now permitted by federal law.¹ The *Commission* has found, however, that such a procedure is dependent upon the consent of each individual involved; and, moreover, presents serious administrative disadvantages which offset any possible benefits that might accrue. The only possible solution of the problem is a return of the entire employment service to the respective states.

The imperative need for unity of command in employment security administration has been emphasized by representatives of organized labor in appearances before the *Commission*. The testimony of Thomas Parsonnet, representing the State Federation of Labor, is to the point:²

"Now, I say, gentlemen, that what we need is effective administration of the present regulations and nothing more. We have been met in the past few months with a terrifically heavy load that more than taxed and overtaxed the facilities of the Unemployment Compensation Commission and the Employment Service, but I believe that one of the very best methods of curing the situation would be a reunion between the United States Employment Service and the State Unemployment Compensation Commission by a return as quickly as possible of the Employment Service to the fold of the State Unemployment Compensation

¹ War Manpower Commission Appropriation Act, 1946 (79th Cong. Public Law 124, Title VII).

² *Transcript*, pp. 62-63.

Commission. A greater co-operation between the two would be very helpful in the administration of the purposes of the Act.

“Commissioner Cavicchia: Is that your personal view, or the organization view?

Mr. Personnet: It is the organization view, expressed by the attitude of the officers at the last convention held a month ago. I might say that the organization views, too, are that the Unemployment Compensation should be federalized, but if it now is on a State basis the Employment Service should be with it.

Commissioner Cavicchia: There should be no division of authority?

Mr. Parsonnet: That is correct.”

No plausible reason has been advanced for the national Administration's refusal to turn the employment service back to the states. The chairman of the Social Security Board has, moreover, himself recognized that continued divided responsibility is a cause of inter-agency friction and perhaps functional impairment. He recently said:¹

“We must admit that in some cases effective teamwork between the United States Employment Service and the State unemployment compensation agency has not been achieved. In such cases when public criticism arose because of the fact that there were unemployed workers drawing benefits and job openings unfilled, instead of jointly analyzing and presenting the facts or correcting the administrative derelictions, if any, there has been a tendency to engage in mutual recrimination. Local officials of the Employment Service have sometimes washed their hands of the problem by stating publicly that it is not their fault if unemployment benefits are paid to persons who are not entitled to them because the Employment Service has done its part by offering suitable employment when available and reporting the necessary facts to the unemployment compensation agency. On the other hand, unemployment compensation officials have announced that the reason is that the public employment offices have failed to refer workers to suitable jobs, have failed to follow up on job referrals, and have failed to report properly the facts when workers have refused to accept jobs. I should like to suggest that engaging in such mutual recrimination instead of undertaking to develop effective working relations is somewhat like committing hari-kari. It is a good way to kill each other off and

¹ A. J. Altmeyer, *supra*, p. 4.

to destroy confidence in the whole idea of unemployment compensation."

President Truman's veto of a bill which would have accomplished the transfer to the states was accompanied by a message which did not even recognize the condition pointed out by Mr. Altmeyer.¹ The President objected specifically to the timing of the transfer and that the bill did "not assure that an adequate service will be available in all states." This *Commission* would respectfully observe that the President's action may have the effect of preventing an adequate service in *any* state.

In New Jersey, the *Commission* has been assured, even by advocates of nationalization of the entire system, that truly effective benefit administration is impossible under the present divided administrative responsibility. Our Unemployment Compensation Commission has also added its judgment to those favoring a prompt return of the employment service to the states. Pending federal legislation may well accomplish this result.

By way of preparation for federal legislation returning the employment service, it would be desirable to revise existing legislation which does not cover facilities, property, records and personnel acquired by the employment service while under federal management. Former state personnel whose status has changed while in federal service are covered by Chapter 171 of Laws of 1943.

State legislation making the transfer to the federal government provides that it "shall continue in force only during the present emergency, or until the legislature shall otherwise ordain." (L. of 1941, ch. 386). A subsequent general construction law has defined such phrases as "present emergency" to mean "so long as the United States of America continues in the present wars with the Governments of Japan, Germany and Italy, or any of them, and until the making of a treaty or treaties of peace concluding all of said wars." (Laws of 1942, ch. 72.) There may be some doubt, therefore, as to the authority of the Unemployment Compensation Commission to take the employment service on July 1, 1946, (as contemplated by pending federal legislation) unless our state law is amended.

In addition to these two matters of authority and of facilities, property, records and personnel, a return of the employment service would require a State appropriation, unless the Federal Government provides for inclusion of the full cost of administration in Social Security grants to the States.

¹ Veto Message (H.R. 4407), *Cong. Rec.* (Jan. 14, 1946), pp. 18-19.

THE COMMISSION UNANIMOUSLY CONCLUDES:—

1) No one of the foregoing factors is in itself an explanation of the apparent anomaly of 100,000 claimants being paid weekly unemployment compensation benefits in the midst of a labor shortage. Every one of the factors does, however, have a valid basis in fact, some generally, some only in special cases, but their combined effect is to create a situation, peculiar to the reconversion period, which cannot be viewed on a strictly numerical basis.

2) While some persons may be abusing the advantages of the employment security system, by and large unemployment benefits have served a valuable purpose in easing the industrial and human dislocations of reconversion; and the required adjustments have, moreover, been less severe than anticipated.

3) The layoffs occasioned by the abrupt cessation of wartime production brought such an onslaught of applications for benefits that the current problem is peculiarly a feature of post-war readjustment.

4) Over 50% of recipients of compensation benefits are women, many of whom were employed in actual war production and probably will not accept peacetime employment. As to most of these, there is no way of presently testing their availability for peacetime work.

5) There is considerable doubt as to the ability of the United States Employment Service to carry out the job placement function at all during the first three months of huge initial claims loads; and to the extent that job referrals have been restricted by the normal times' standard of "highest skill" placement, this has been a contributory factor to a greater number of beneficiaries.

6) While the unemployment compensation system could not have been designed to handle the peculiar conditions of reconversion, the situation has been aggravated by divided responsibility between the Unemployment Compensation Commission and United States Employment Service. This condition can be corrected only through return of the employment service to the state, and appropriate legislative preparation for this event should be made at the current session. Beyond this, it is the considered opinion of the *Commission* that it is inadvisable to attempt major changes in the Unemployment Compensation Law at this time. Many of the difficulties identified with the present situation will doubtless be corrected in the normal course of industrial readjustment. While charges of loose administration of the law by the federal employment service seem to be substantiated at least in part by the evidence, experience gained

by the administrative agencies during the past few months should tend to eliminate unsound practices; and any changes in the law in the face of present abnormal conditions would, in the opinion of the Commission, be unwise.

COMMISSION ON POST-WAR ECONOMIC WELFARE.

Robert A. Taft

H. Wesley

Samuel H. Hirsch

Samuel H. Hirsch

Fred Ehrlich

John C. Shoen

Cornelius L. Kort

Geo. H. Fanger

John H. Zimmermann

Alfred B. Russell

Robert F. McCave

Appendix A

COMMISSION ON POST-WAR ECONOMIC WELFARE

*Appearances at a Public Hearing on Unemployment
Compensation Benefits*

Held in the Assembly Chamber, State House, Trenton
December 10, 1945

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Exhibit A

WAR ECONOMIC WELFARE

War Relocation Authority

War Relocation Authority

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War Relocation Authority

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