

A REPORT ON SENATE BILL NO. 28

AN ACT ESTABLISHING A DEPARTMENT
OF LABOR AND INDUSTRY AS A
PRINCIPAL DEPARTMENT IN THE
EXECUTIVE BRANCH OF THE STATE
GOVERNMENT OF NEW JERSEY.

Submitted To

EXECUTIVE DIRECTOR HAROLD G. HOFFMAN
UNEMPLOYMENT COMPENSATION COMMISSION

By

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OUTLINE OF GOOD AND DEBATABLE POINTS IN SENATE BILL NO. 28,
CREATING A DEPARTMENT OF LABOR AND INDUSTRY

I. GOOD POINTS

- A. Concentrates executive responsibility in one department head responsible to the Governor.
- B. Combines related industrial responsibilities in one department.
- C. Permits economy and efficiency in use of technical personnel.
- D. Continues present organization of Labor Department and U.C.C., below top executive level, virtually intact.
- E. Proposed advisory councils are to be specifically representative of employers, workers and public.

II. DEBATABLE POINTS

- A. Is consolidation necessary? Each present department is relatively large, efficient and integrated. Unification is not imperative under constitutional requirement of maximum of 20 executive departments.
- B. Titles of department, its subdivisions and their executive heads may not be the best. A better name would be Department of Employment Security, with divisions of Unemployment Insurance, Workman's Compensation, Safety, Rehabilitation and Mediation. Separation of Division of Employment Security into equal subordinate divisions would have adverse effect on unemployment insurance. Title of department head should be Administrator or Secretary of Employment Security, not "Commissioner".

C. The Unemployment Compensation Commission should not be reduced to a mere advisory council. It would have great value if continued as a representative body of eminent citizens, independent of the department, employing a competent, paid research staff to study and report on all phases of industrial legislation, as in New York State. There should be only one advisory council for the entire department, not separate advisory councils for subordinate divisions.

D. The Governor should appoint only one executive for the entire department, the Administrator of Employment Security, the Governor should appoint all members of the single advisory council, or Employment Security Council.

E. The Employment Service should be conducted as a necessary adjunct to the administration of unemployment insurance as this is the only permanent important function of the Employment Service which the people will support adequately. Necessity and advisability of government running a competitive placement service are questionable. If Employment Service is to be conducted as a business soliciting patronage of employers and workers on a voluntary competitive basis, it should be divorced as far as possible from the compulsory aspects of unemployment insurance. All administration of claims, from local offices up, should be in the Division of Employment Security only.

F. The anomalous status of the Board of Review and Appeals Tribunals should be corrected. The judicial functions of the appeals boards might better be transferred to a Division of Appeals, subordinate to the department head. The Administrator of Employment Security, through appropriate deputies, should make prompt and impartial decisions on requests for review of agency actions on both

benefits and contributions. All personnel of the Department should be under the direct official disciplinary authority of the head of the department. He should be responsible in law and in fact for their official decisions and actions.

G. Senate Bill No. 28 cannot change the present hodgepodge of financing by several separate Federal and State appropriations and confusion of separate budgets within the department. This may be unavoidable but the goal should be sought of operating the proposed department from revenues derived from a single state payroll tax with a single departmental budget for all purposes as part of the annual State budget.

H. S-28 continues State Rehabilitation Commission and State Mediation Board unchanged. It would be better to make each a division headed by a single career man appointed by the department head with the advisory functions performed by appointing competent persons to the general advisory Council on Employment Security.

I. S-28 permits the department head to reorganize staff bureaus. A practical difficulty may be that some are financed solely by special Federal appropriations. The most efficient system, if Federal officials permit, would be staff bureau chiefs in cabinet of the department head with corresponding sections attached to each operating division with administrative control by division head and functional control and coordination by staff technical chief attached to department head.

J. A chart is attached illustrating general outline of a proposed Department of Employment Security, which is essentially the present Unemployment Compensation Commission with addition of function of administering cash sickness payments law and with certain internal changes, such as separating claims functions throughout from the job placement functions.

SENATE BILL NO. 28

THE PROPOSED DEPARTMENT OF LABOR AND INDUSTRY OF NEW JERSEY

As related to the present Unemployment Compensation Commission, Senate Bill No. 28 seems to offer the following advantages and disadvantages.

GOOD POINTS

1. CONCENTRATION OF RESPONSIBILITY.

The bill concentrates responsibility for administration in one executive head, appointed by and fully responsible to the Governor.

2. DEPARTMENTAL FUNCTIONS ARE RELATED QUITE CLOSELY.

The proposed Department of Labor and Industry is charged with responsibilities that are sufficiently related to belong together in one department.

3. MAY PERMIT ECONOMIES IN USE OF STAFFS AND EQUIPMENT.

The bill permits better and more economical utilization of technical and staff bureaus. Almost all of the present bureaus of the U.C.C. could perform services for the enlarged department, probably even more efficiently than to the present smaller U.C.C. The point might well be raised that it might have been still better if staff bureaus had been reorganized to serve the entire Executive Department of the State. For example, the overall conduct of training of state civil service employees should be a function of a State Personnel Department, rather than confined to one or two state departments financed by Federal Funds. As far as it goes,

Senate No. 28 can promote economy and efficiency if the Federal and State Governments can agree upon a workable plan to utilize services of the two smaller existing departments for one larger department. A large state department can and should employ adequate technical and staff services for a considerably lower percentage of total administrative costs than two smaller departments can possibly do.

4. CONTINUES PRESENT ORGANIZATIONS BELOW TOP EXECUTIVE LEVEL.

The bill fortunately permits the going organizations of the two existing departments, below the top administrative levels, to remain fairly intact provided the new Commissioner of Labor and Industry has the good judgment not to turn things upside down in excessive zeal for reform. It would be particularly unfortunate for the morale and efficiency of the U.C.C. if it should have to undergo more revolutionary changes in its internal operations after the unfortunate experiences with Federal seizure and ultimate restoration of the Employment Service.

5. CONTINUES UNEMPLOYMENT COMPENSATION COMMISSION AS AN ADVISORY COUNCIL.

The present U.C.C. is retained as an advisory council. The bill states specifically that the advisory council will include two labor representatives, two employers and three public representatives.

DEBATABLE POINTS

1. NECESSITY FOR CONSOLIDATION.

The present Department of Labor and the Unemployment Compensation Commission are large, efficient and integrated departments. Each, in scope and size as they exist now, would not be out of place in the reorganized Executive Department. The burden of proof is upon those who favor their union. The new State Constitution permits a maximum of 20 departments. Leaving the U.C.C. and Labor Department intact, as now, would not bring the total number of departments too close to the permissible maximum of twenty.

2. TITLES OF PROPOSED DEPARTMENT AND ITS SUBDIVISIONS.

The proposed title of the consolidated department, "Department of Labor and Industry", does not seem to be a fortunate one. It implies an antagonistic division of interests between labor and management. Even if this exists, the State would do well to minimize such divisions. If there is to be one such department, the name, "Department of Employment Security" might be better. Every function now performed by both departments can logically and fairly be regarded as related to making the worker as secure as possible in his employment, or if his security, either economic or physical, is impaired, then to rehabilitate or compensate him, compensation preferably being under an insurance plan. The present departments do not directly serve employers as such, except that by promoting the financial and physical security of workers, they maintain workers' purchasing power, improve labor relations and reduce the taxes for maintaining injured, ill or

unemployed workers. Such taxes are levied directly to a large extent upon employers, although most of this tax burden is eventually shifted to workers or consumers. The proposed title for the present U.C.C., (exclusive of the Employment Service Division) is Division of Employment Security. This is entirely too broad a title, as the service of unemployment insurance is only one of many ways whereby these two present departments promote the employment security of workers. The best title for the division would be "Division of Unemployment Insurance". Insurance is now accepted as a better understood and more appropriate title than compensation.

3. REDUCTION OF THE UNEMPLOYMENT COMPENSATION COMMISSION TO STATUS OF A MERE ADVISORY COUNCIL.

Advisory councils of all kinds are almost invariably useless fifth wheels. Busy and important men will not normally give time and thought to merely advisory jobs. It is an excellent idea to center executive authority in a single head, appointed by and responsible to the Governor. However, the experience and values of our Commission should be conserved. New York State offers us the best solution of this problem. They have an Unemployment Insurance Council, appointed by and responsible to the Governor, I believe, which has the authority and responsibility to make studies of unemployment insurance and to make independent reports to the Governor and Legislature. The actual detailed work is done by an independent, permanent and competent research staff. I think that such an Unemployment Insurance Council, or better yet an Employment Security Council, of this type would be

excellent in New Jersey. This council should concern itself with every phase of labor legislation, present and proposed. It, rather than legislative committees, should be the body to hold the exhaustive hearings on proposed labor legislation, such as those which preceded the enactment of the Non-Occupational Disability Payments Law. This independent and competent Council on Employment Security, with the aid of a well-paid research staff, should make a continuous study of the operation of the Department of Employment Security and recommend needed changes to the Governor and Legislature. The Council's reports should be published and circulated widely. This Council should be a reasonably large body, composed of at least three representatives each of labor, capital and the public. Its regular meetings should be quite infrequent, perhaps only once or twice a year and its prestige should be so great that it could command the services of the most outstanding and eminent men and women in the State. The law creating this Council should state specifically that its members would not be permitted to engage in routine administrative duties or, in fact, have any executive power at all. This should be the only council of its type connected with the proposed Department of Employment Security. It is a mistake to have separate advisory councils for any of the four divisions. The work of the proposed divisions is so integrated that a competent advisory council should have the authority and ability to pass upon the problems of any one division in the light of the overall problems of the entire department and indeed in the light of the economic needs of the entire state.

The only proper functions of a worthwhile Council on Employment Security are as follows, (1) It should represent competently the major economic interests of the State in presenting to

ing to the Governor, the Legislature, and the executive head of the Department of Employment Security (miscalled in S-28 "The Department of Labor and Industry") the views of their groups on the operations of existing labor legislation and to inform them as to what changes in labor laws and their administration are desired by and would be acceptable to their economic groups.

(2) Council members should be ambassadors between and among the governmental bodies, employers, labor organizations and civic bodies concerned with labor legislation to promote understanding and harmony among the economic groups in the State and to aid in educating their publics in the purposes and values of labor laws, present and proposed. (3) The Council should be competent to appoint, and give general oversight to a permanent civil service staff of research technicians in this field and to evaluate their findings and reports. (4) The Council should have such a deserved reputation for independence, impartiality, competence and public spirit that their published reports would command and deserve general recognition as the most unbiased, complete and authoritative studies in their field. These studies should be recognized and accepted bases for appropriate legislation. Such official councils, even more than private organizations such as the Princeton Survey, should be the bodies to make and publish authoritative studies on governmental problems in New Jersey.

No commission or advisory council should appoint, control or interfere with executives of a governmental department. They should never engage in administrative or executive duties within any department. They should be men and women of affairs in the state, who are too busy and too important to consider wasting their time on detailed work appropriate for salaried executives and civil service technicians.

A good advisory council is primarily and chiefly valuable for doing a good public relations job. It should be independent, competent and important enough to tell even the Governor, the legislators and the department heads what the public really thinks of the work of the bureaucrats and how they could do better jobs. It should have the ear and respect of the public so that when it issues statements, written or oral, on labor problems their counsel will be respected and followed. Most important, its members should be above all suspicion of being mere fronts or stooges for the department or the political chiefs of state government.

4. TITLES AND APPOINTMENTS OF EXECUTIVE HEADS IN THE PROPOSED DEPARTMENT.

The executive head of the proposed department should be given the title of "Secretary of Employment Security" or "Administrator of Employment Security". It is a misnomer to call the single head of a department, "Commissioner", which implies membership in a commission. The present reorganization of the Executive Department of New Jersey would be an opportune time to adopt a uniform and consistent series of titles for state executives and supervisors. The single heads of all departments should be known as Administrators or Secretaries, except for a few traditional titles such as Attorney-General. The heads of major divisions should be called Directors. The chiefs of bureaus should be called Chiefs and the heads of sections should be called Supervisors. Incidentally, it would be an excellent idea if these titles, like comparable military titles, indicated uniform rank and salary ranges throughout the entire executive branch of State Government. The second part of the title should denote specialized

function as, for example, Chief of Benefits.

The present bill, S-28, is a step backward and is a direct violation of the spirit of the new State Constitution, in that it provides for the appointment of the four division directors by the Governor with the advice and consent of the State Senate. The Governor should not be concerned with such detailed patronage problems. His one job should be to secure a qualified head for the Department. He should select an Administrator who is competent to appoint his own chief lieutenants. As a counsel of perfection, I believe firmly that all on the State payroll without any exceptions, in the Executive Department of the State Government, except those named in the Constitution itself as elected or appointed officers, should be in the classified Civil Service, appointed after appropriate competitive examinations, either open or promotional. It is intended that the actual operating chiefs, below the makers of high policy, shall be career men. There is no greater assurance that they will be career men, in actual fact, than to make their appointment conditional upon honest competition and their tenure secure, so long as they perform their duties efficiently. These objectives can best be attained by honest, open Civil Service competition. Nothing will promote the morale of the classified Civil Service more than a well-founded belief that a capable employee can aspire to high, secure and well-paid administrative posts on merit in competition with his fellow employees and without concerning himself with politics.

5. SEPARATION OF THE EMPLOYMENT SERVICE

I have worked in or in close relationship to the New

Jersey State Employment Service for thirteen years. I think that it would be a grave mistake to make it a separate and equal division of the proposed Department of Labor and Industry, especially, if the Employment Service combines the two functions of job placement and the administration of unemployment compensation at the local office level. If the Employment Service should be made an equal and independent division of this proposed department, then it is imperative, in the interests of proper administration, that the entire operations of unemployment insurance should be delegated to the proposed Division of Employment Security. The present division of control of claims is extremely unfortunate, even in the present relatively small and integrated U.C.C. There would be a tragic division of authority and functions if the claims processes were cut in two by the separate and rival jurisdiction of two equal divisions, coordinated only at the level of the department head. No man occupying the position of head of so large a department could make such a plan work as he could not personally supervise or even understand the necessary technical coordination of the two divisions.

The Employment Service now has two major responsibilities (1) It serves as a job placement agency to all desiring its services, whether employers or workers. Under present law, its services in this field are largely of a voluntary nature in competition with a number of other private employment sources. (2) Its other chief function is to assist in the administration of unemployment insurance by exposing claimants to suitable jobs and by handling claims in local offices. In this claims function the Employment Service is, to some extent, exercising the compulsory police power of the state. The philosophy and practice of trying

to combine a competitive business, dependent on the good will of employers and workers, with a compulsory state welfare agency have always presented problems which, so far, have never been solved satisfactorily in any State or in any free nation of the world which has combined unemployment insurance with voluntary job placement. It is high time that the people and their law makers should make up their minds as to just what a public Employment Service should do. If the Employment Service is to be a competitive job placement business, it should be run as such. It should not be handcuffed by incurring the ill-will of employers and workers by also having to act as an impartial administrator of a law not entirely popular with labor and capital. There is a grave question under the American way of life whether the government ought to operate a job placement agency, except as a welfare service for exploited labor of the type of the most ignorant classes of domestic, migrant and industrial labor. For other types of labor the present employment sources under private management fill more than 90% of the jobs. The plain truth is that, in times of peace and prosperity, public employment services would starve unless associated with unemployment insurance. It seems sensible to face this fact squarely. As a permanent policy, the American people seem willing to support free public employment offices adequately only as adjuncts to unemployment insurance. If this is to be so, then it would be better to limit their services solely to claimants, but it would also be socially desirable to have every wage earner in the nation covered by unemployment insurance, including all employees of Government, except those elected or holding secure tenure.

6. BOARD OF REVIEW AND APPEALS TRIBUNALS AS QUASI-JUDICIAL BODIES.

It would be an advantage in government if we dropped the hybrid title of "quasi-judicial". The term "quasi-judicial" reminds one too much of the lowly mule, who has neither pride of ancestry nor hope of posterity. It is fundamentally opposed to our American constitutional doctrine of the separation of powers; legislative, executive and judicial. In a Department of Employment Security there should be ample and inexpensive opportunities for employers and workers to obtain prompt, adequate and just administrative reviews of the acts of the department before impartial tribunals not parties to the original administrative decisions. I think that it is a serious error to have any quasi-judicial board within an executive department. It diffuses responsibility.

The Administrator of Employment Security should be legally and actually responsible for all legal decisions and all operations of his department. He should have disciplinary control over all personnel of his department. In unemployment insurance he alone should be ultimately responsible for administrative action on all phases of contributions and benefits. Contributions and benefits are inseparable Siamese Twins. Any appeals boards should act as his deputies, not as independent courts.

I am fully aware that the U.S. Social Security Act requires "opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied". This memorandum is intended deliberately to

be a relatively brief treatment of fundamental issues of social policy in the field of employment security, not a mere statement of what is or should be practicable under existing State laws or what it is practicable to obtain easily by amendment of State laws. Federal laws on employment security are not like the laws of the Medes and Persians, forever fixed and unalterable.

I believe that it could be argued with reason that appeals tribunals and boards of review acting as agents of the head of the department can and should be "impartial" within the meaning of this clause. I think the language of the Social Security Act is susceptible of being interpreted as meaning that the operating chiefs, who hand down determinations on benefit claims, employer status or contribution liability should not sit in judgment on their own acts. Moreover, if a state unemployment insurance law provides for prompt, inexpensive and just settlement of such cases by the high courts of the particular state I do not see why this would not be complete compliance with the mandate of the U.S. Social Security Act.

I object to the clause in the Social Security Act as being unfortunate discrimination against employers and also as representing an unrealistic separation of the contribution and benefit aspects of unemployment insurance. I repeat that contributions and benefits are inseparable Siamese Twins. The appeals bodies or courts at all levels, in considering cases arising under the operations of an unemployment insurance law, should have equal jurisdiction over employer liability and benefits to workers. I would urge therefore that the State of New Jersey initiate a movement to amend the U.S. Social Security Act as follows:

Section 303-(3) - Opportunity for fair hearings before impartial tribunals for all individuals whose claims for unemployment compensation are denied and for all employers who protest administrative decisions on their contribution liability, including determinations of claims which may affect their experience ratings, Hearings and decisions by competent boards of appeal, appointed by and acting as agents of the head of the state unemployment compensation agency, shall be deemed impartial tribunals for the purposes of this Act. Provided, further, that the opportunity for a fair hearing shall include a provision in the state unemployment compensation law for effective opportunity for any interested party to appeal to the higher courts of the particular state.

Those, acquainted with the facts of life, realize that the general public is suspicious of the actual independence of the so-called "quasi-judicial" boards of appeal. They find it difficult to believe that the head of the department, who appoints their members and who is supposed to have some degree of administrative authority over the boards he appoints, does not have any authority over their decisions. I believe the public instinct is sound. The situation is absurd and hard to credit. It embarrasses both the department head and the members of the appeals boards. I cannot too strongly urge that the final responsibility for all actions of the state unemployment compensation agency should rest on one man, the head of the department. It is well that he should have competent appeals boards to adjudicate differences between the public and his operating chiefs, but their decisions should ultimately be his decisions. The

head of the department should never be forced into the embarrassing situation of explaining to the public that he has no legal authority over the decisions of those who appear to be subordinate employees in his department.

If the dispute between the agency and any of the public it serves becomes more than a request for careful administrative review by the responsible head of the department and becomes an issue between the agency itself and the public then there should be every facility for prompt and inexpensive adjudication by a competent court of law. That is precisely why we have the separate judiciary and if it is too difficult to get prompt and not too costly justice from our courts then the remedy lies in reforming the courts, not in cluttering up administrative departments with independent "quasi-judicial" boards.

7. FINANCING OF THE PROPOSED DEPARTMENT UNDER EXISTING LAWS, STATE AND FEDERAL.

The financing and budget-making of the new department will be a nightmare. The New Jersey Legislature lacks authority to establish a simple, orderly and economical fiscal system for employment security, but it would be unfortunate to pass up the opportunity to influence public opinion toward the creation of a sound financial basis for the employment security program. In brief, this could be best accomplished by amending the Federal Unemployment Tax Act to allow 100% credit for employer contributions to approved state unemployment insurance funds. Then the State could levy a single uniform payroll tax on all em-

ployers and workers in New Jersey to finance both unemployment and disability insurance. Even the combined Department of Labor and Industry could be financed legitimately by such a payroll tax. I know of no function of either the present Labor Department or the U.C.C. which does not minister directly to industry and, as such, according to the benefit theory of taxation, the cost can be a legitimate charge on industry. A fair measure of benefit would be the payrolls of employers. All functions of the proposed department could well be financed by a simple uniform payroll tax covering all employers and all wage earners. There should be a single budget for the agency. This budget should be part of the annual State Budget enacted by the State Legislature. There should be proper allocation of tax sources among the Federal, State and Municipal Governments and a corresponding modernization and allocation of appropriate functions to these various levels of government, so that there could be no need for Federal grants to states or State grants to municipalities.

8. CONTINUANCE OF THE STATE REHABILITATION AND STATE MEDIATION BOARD IN THE NEW DEPARTMENT.

S-28 transfers these two commissions to the new department, but gives the new Commissioner of Labor and Industry little or no control of appointments of their personnel or over their duties. This is another anomaly in government. There could very well be a Division of Rehabilitation and a Division of Mediation in the proposed Department of Labor and Industry, each headed by a single director, appointed by and responsible to the Commissioner

of Labor and Industry. The old rule of many minds for counsel and single man for command holds good here as always. If the functions of rehabilitation and mediation require the advisory services of citizens of eminence in these fields, this problem could be met best by appointing qualified citizens to the Council on Employment Security, which would function as an advisory and review body for the entire department. The Council could divide itself informally into panels concerned with separate phases of employment security.

9. DUTIES OF STAFF BUREAUS

S-28 is vague on the subject of staff bureaus. The proposed Commissioner of Labor and Industry apparently could reorganize these bureaus at his pleasure. The practical difficulty is that some of these bureaus, such as Public Relations and Training, are not authorized for State departments but are encouraged by the Federal Government and are now financed by Federal funds. This would hamper the Commissioner of Labor and Industry in making the best use of the technical services of staff bureaus or of the technicians and machines of operating bureaus. This is again an argument for the support of such a department by a single State payroll tax and a single State budget. Authorities in personnel administration agree that the chiefs of staff functions should be members of the immediate cabinet of the chief executive of a department. However, it is entirely possible that such a function as staff training, for example, would have the Chief Training Advisor on the personal staff of the Commissioner of Labor and Industry with fairly large training sections attached to each administrative division. The director of each division

would have administrative and housekeeping responsibilities for these technical staff sections, but the chief specialist on the Commissioner's staff would exercise functional control of his particular specialty throughout the entire department, subject only to the department head.

The strongest argument for continuing the existing Unemployment Compensation Commission as the Department of Employment Security, with the Employment Service as an indispensable branch thereof, is that the greater part of the funds for the financing of unemployment insurance and employment service are and will continue to be derived from Federal appropriations. Rightly, the U.S. Government jealously demands that every cent of Federal appropriations shall be spent for purposes authorized by Federal law. Federal agencies forbid any expenditure of Federal funds for salaries, rents or other costs incurred in any degree for functions authorized only by State law. It is far better, as long as present laws continue, to have a Department of Employment Security, employed almost entirely on functions supported by Federal funds and staffed by employees familiar with Federal laws, policies and administrators and a separate State Labor Department supported almost exclusively by State funds and administering purely State laws. This is the only practicable way to prevent endless confusion and wrangling between the United States Government and the State of New Jersey while present laws governing grants to states continue in force.

I have tried in this analysis of Senate Bill No. 28 to comply with your directions in your memorandum of May 17, except that the analysis may not be as concise as you might wish, but this whole subject could very well be treated in a more comprehensive report. This might well have been done by a competent and impartial committee of eminent citizens, such as you appointed when you were Governor to study the subject of Unemployment Insurance and to recommend appropriate legislation. The subject of employment security is so vast and complex that I do not think that the harassed reorganization commission has had time to make as thorough study of the subject as its importance justifies.

The attached chart represents outlines of a proposed Department of Employment Security. The appeals boards are to be retained in the Department of Employment Security but appointed by and responsible to the Administrator of Employment Security, but not to be "quasi-judicial" boards.

EXPLANATION OF CHART

Under this plan proposed in this chart, the Administrator of Employment Security would be responsible for all requests for review filed by contributors or claimants against decisions made by the operating divisions. As the head of the department would not be presumed to have the technical knowledge or time to handle such requests for review personally, this function would be administered by a new staff bureau headed by a Chief of Reviews who would direct the activities of the necessary Referees. If necessary, these Referees would be specialists in the separate techniques of status, contributions, benefits etc. They would conduct informal hearings and render decisions binding

on the department in the name of the head of the department. It would however be explicitly stated in the law that the head of the department at any time could remove a case to himself, conduct hearings personally, make decisions and review and reverse the decisions of any Referee. They would be definitely his agents, not independent quasi-judicial officers in any sense. Any "Referee" not subject to a department head in all respects should be formally a judge, not an employee in the Executive Department.

The chart also presumes the necessity of a Director of Staff Services to direct and coordinate the activities of staff bureaus so as to relieve the head of the department of such detailed duties. This plan assumes that, in the internal operations of the department, the department head would work normally with two principal subordinates, the Deputy Administrator of Employment Security, who would direct all line divisions, and the Director of Staff Services, who would direct all staff activities. Normally, the head of the department would not have either oral or written communications directly with division directors or staff bureau chiefs, although he would retain the right to deal directly with any or all of his subordinates. This would relieve the department head of a great deal of routine supervision, thus freeing him for his major duties of framing policy and handling important relations with outside agencies and the public.

The chart proposes a direct line of authority over claims functions from the local claims office through the Deputy Administration of Employment Security to the head of the department. This presupposes that the local offices will be housed in one building in each city, but that the offices and personnel of the unemployment insurance staff will be in all respects separated

from the employment service offices and staffs charged with job placement duties only. The local claims offices might be in the Bureau of Benefits under the Chief of Benefits, but the local office claims function seems to be sufficient in scope and size to warrant a separate operating bureau under the Deputy Administrator of Employment Security, who would succeed the present Director of Unemployment Compensation. Mr. Frank Judge should properly hold the proposed new title of Deputy Administrator of Employment Security.

The chart gives a skeleton outline of a suggested Division of Temporary Disability Benefits, or whatever title is given to the division handling cash sickness benefits. Even if the routine processes of handling contributions and claims under the Temporary Disability Benefits Law are handled by our present operating bureaus there seems to be a necessity for a separate division to administer other phases of the Temporary Disability Benefit Law, which do not fit well into the duties of our present divisions and bureaus.

The chart puts the Board of Review and Appeals Tribunal into a separate Division of Appeals. I am convinced that, even so, the law should be amended to give this Division authority over all formal appeals, both on contributions and benefits, and the Board of Review and Appeals Tribunals should cease to be independent, quasi-judicial boards. They should be appointed by and responsible to the department head. Their decisions should be made in his name and under his authority. In extraordinary cases he should have the power to reverse their decisions, subject to present right of appeal to the Superior Court.

Even under this system I think that there is a useful place for a staff Bureau of Review to include Referees, who would handle informal requests for review by employers or workers, prior to filing of formal appeals to be handled by the Division of Appeals. These Referees would act as investigators and adjusters in all phases of operations of the Department. The principle is that operating bureau chiefs would handle only routine business. Whenever any interested employer or worker questioned the routine decisions of an operating bureau, the Referees, not the operating bureau chiefs, would investigate and, if possible, adjust the case to avoid the expense and delays of formal appeals. If they failed, then the formal appeals boards would take jurisdiction.

STATE OF NEW JERSEY
Proposed Department of Employment Security

Governor of New Jersey

Department of Employment Security

Administrator of Employment Security

Employment Security Council
 3 Labor Representatives
 3 Employer Representatives
 3 Public Representatives

Staff

Line

Director of Staff Services

Deputy Administrator of
 Employment Security

Permanent Research Staff
 Under Civil Service

Staff Bureaus

1. Public Relations
2. Office Services
3. Planning
4. Training
5. Legal Services
6. Statistics & Reports
7. Review
 (Referees for investigations & informal hearings)

Division of
 Unemployment
 Insurance

Bureaus

1. Benefits
2. Field Claim Offices
3. Contributors' Service
4. Field Service
5. Accounts

Division of
 Employment
 Service

(Placement
 Functions
 Only)
 Local Em-
 ployment
 Offices

Division of
 Temporary Dis-
 ability Benefits

Bureaus
 1. State Plan
 Supervision
 2. Private
 Plans Super-
 vision
 3. Medical
 Inspection

Division
 of
 Appeals

Board of Review
 Appeals Tri-
 bunals
 (Jurisdiction
 over all
 formal
 appeals-un-
 employment
 insurance &
 temporary dis-
 ability)