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1947

STATE OF NEW JERSEY

LEGISLATIVE MEMORANDUM

Cash Sickness Benefits

SUPPLEMENT TO THE FOURTH REPORT
OF THE STATE COMMISSION ON
POST-WAR ECONOMIC WELFARE
(April 9, 1946)



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OTHER PUBLICATIONS BY THE
NEW JERSEY COMMISSION ON POST-WAR ECONOMIC WELFARE

A New Jersey Program for the Post-War Period, FIRST REPORT OF THE STATE COMMISSION ON POST-WAR ECONOMIC WELFARE, submitted to the Governor and the Legislature, February 28, 1944 (Trenton, 1944).

Legislative Supplement to a New Jersey Program for the Post-War Period (Trenton, June, 1944).

Labor Security in the Post-War Period, Unemployment Compensation, Workmen's Compensation, Migrant Workers, SECOND REPORT OF THE STATE COMMISSION ON POST-WAR ECONOMIC WELFARE, submitted to the Governor and to the Legislature, January 29, 1945 (Trenton, 1945).

Legislative Supplement to the Second Report of the Commission on Post-War Economic Welfare, Labor Security in the Post-War Period (Trenton, May 10, 1945).

Unemployment Compensation Benefits in Reconversion, THIRD REPORT OF THE STATE COMMISSION ON POST-WAR ECONOMIC WELFARE (Trenton, February 28, 1946).

Cash Sickness Benefits, FOURTH REPORT OF THE STATE COMMISSION ON POST-WAR ECONOMIC WELFARE (Trenton, April 9, 1946).

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SUPPLEMENT TO THE FOURTH REPORT
OF THE STATE COMMISSION ON
POST-WAR ECONOMIC WELFARE
(April 9, 1946)

[Laws of 1943
Chapter 192
as amended]

d.f. state commission on post-war economic welfare



A Report to the 171st Legislature, Submitted at the Request
of Governor Alfred E. Driscoll

TRENTON, NEW JERSEY

MARCH 31, 1947

State of New Jersey
STATE COMMISSION ON POST-WAR
ECONOMIC WELFARE

[Laws of 1943, ch. 192, as amended by Laws of 1944, ch. 94]

HOWARD EASTWOOD, *Chairman*

Justice of the New Jersey Supreme Court

By Appointment of the Speaker of the Assembly

By Appointment of the President of
the Senate

HARRY L. DERBY, *President*
American Cyanamid and Chemical
Corporation

HOWARD M. DOWN, *Treasurer*
Borough of Vineland

JOHN G. SHOLL,
Secretary and Supervisor, Migrant
Labor Division, State Dept. of Labor

GEORGE H. STANGER, *Lawyer*
Senator, Cumberland County

By Appointment of the Speaker of
the Assembly

DOMINIC A. CAVICCHIA,
Deputy Attorney-General

FRED W. EHRLICH, *President*
Automotive Equipment Company

CORNELIUS L. KORT,
State Director, Apprenticeship-Training
Service, U. S. Dept. of Labor

JOHN W. ZIMMERMANN, *General*
Manager
Cronk Manufacturing Company
Assemblyman, Middlesex County

By Appointment of the Governor

ALFRED B. LITTELL
Senator, Sussex County

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Bergen County Engineer

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WILLIAM MILLER
Director of Research

JAMES A. ARNOLD, JR.
Statistical Consultant

LETTER OF TRANSMITTAL

NEW JERSEY COMMISSION ON POST-WAR ECONOMIC WELFARE

STATE HOUSE, TRENTON, NEW JERSEY

March 31, 1947.

*His Excellency Governor Alfred E. Driscoll and Members of the
One Hundred and Seventy-first Legislature:*

There is submitted herewith a legislative memorandum as a supplement to the fourth report of the State Commission on Post-War Economic Welfare on *Cash Sickness Benefits* submitted to the Legislature on April 9, 1946. The supplement has been prepared at the request of Governor Alfred E. Driscoll, who set forth the circumstances in his inaugural address, as follows:¹

In New Jersey, we have made substantial progress toward providing against the hazard of wage loss caused by illness or nonoccupational accidents. Two plans have been before the State—a so-called public fund plan and a privately operated, publicly supervised plan. There seems to be general agreement throughout the State that a plan of 'cash sickness benefits' should be adopted. I am certainly in accord. The only difficulty has been in the selection as between the two proposed alternatives.

Following the recommendation of a private plan by our Commission on Post-War Economic Welfare, two events of importance occurred. The first was Federal legislation enabling the cash sickness benefit program to be integrated with our present unemployment compensation system, and the second was the development of a strongly supported opposition of organized labor to the privately operated plan. More recently, I have been advised that there is considerable question as to whether private insurance companies can make available to the thousands of smaller employers the kind of group insurance that would make the private plan workable. In the absence of insurance, the high hazard industries, which need the benefit of a spread risk more than others, would be left without protection.

The issue of the private plan versus the public plan has thus become much more complicated than when it was considered last year. In an effort to find some common ground upon which a fully satisfactory plan may be built, I have asked the Commission on Post-War Economic Welfare to consider the possible adaptation of the principle of the non-exclusive State fund plan which was enacted by California last year.

¹ *Inaugural Address*, Alfred E. Driscoll, Governor of New Jersey (Jan. 21, 1947), pp. 15-16.

As a result of its study, the *Commission* has been impressed with the dominating weight of the three factors outlined by the Governor. These factors, which arose after the *Commission* submitted its original report on sickness benefits, have caused the *Commission* to reconsider its original recommendation in light of the new circumstances—particularly the opportunity ultimately to recapture for State use some \$183,000,000 contributed by working people of New Jersey and now on deposit with the Federal treasury.

It has long been the policy of this *Commission* to oppose the federalization of the unemployment compensation system. A principal reason behind this opposition to federalization was the conviction that federalization would mean the loss to New Jersey of the large and ample resources this State had built up in its unemployment compensation trust fund. Now that the opportunity has come to safeguard New Jersey's interests in this fund by returning it to the State custody—and to provide a vast new security program against the hazards of wage loss, without additional cost to employers or employees—the *Commission* feels that circumstances require a modification of its former recommendation.

The program proposed in the memorandum which follows, and in the bills submitted with it, offers the maximum opportunity for private initiative and enterprise. In effect, however, it is a combination of the private plan and the public plan in a way which, the *Commission* is convinced, makes the most of the advantages of both plans and welds them into an efficient system of security against wage loss resulting from non-occupational accidents or sickness.

The *Commission* unanimously recommends the submitted bills for favorable consideration by the Governor and the Legislature.

Respectfully submitted,

COMMISSION ON POST-WAR ECONOMIC WELFARE.

HOWARD EASTWOOD, *Chairman*,
HARRY L. DERBY,
HOWARD M. DOWN,
JOHN G. SHOLL,
GEORGE H. STANGER,
DOMINIC A. CAVICCHIA,
FRED W. EHRLICH,
CORNELIUS L. KORT,
JOHN W. ZIMMERMANN,
ALFRED B. LITTELL,
ROSCOE P. McCLAVE.

SUMMARY OF RECOMMENDATIONS

The *Commission* unanimously recommends a new social security program to provide a measure of protection against loss of earnings due to non-occupational accident or sickness. The benefits of this program can be made available without any additional cost to employers or employees. Payroll taxes will in fact be reduced, through a revision of employer unemployment experience rating, by an estimated \$15,000,000 in the first year, and this sum will be available to employers to provide superior benefits to many employees. The recommended program provides:

1. Two Plans:

A cash disability (sickness benefit) plan including: a *State plan* (benefits payable out of a State fund) and a *private plan* (benefits payable either by employers as self-insurers or by insurance carriers).

2. Choice of Plans:

Each employer may determine whether to have his employees covered under the State plan or a private plan, but if employees are to share in the cost of the private plan the employer must obtain their consent. Minimum standards are provided to assure that any approved private plan must be at least as liberal as the State plan.

3. Coverage:

Every individual now covered by unemployment insurance would be covered under either the State plan or a private plan.

4. Compensable Accidents or Illness:

Disabilities shall be compensable when a covered individual suffers any non-occupational accident or sickness resulting in a total disability to perform the duties of his employment if he is then employed, or if he is then unemployed, resulting in a total disability to perform his customary or most recent work.

5. Waiting Period:

Seven days with respect to each accident or illness.

6. Amount of Benefits:

The amount of benefits per week under either the State plan or a private plan will depend upon what the individual's previous earnings were; and the weekly benefit will be approximately 59 per cent of his previous average weekly earnings, with a minimum of \$9.00 and a maximum of \$22 required by law. Private plans may add as much to this requirement as may be desired.

7. Duration of Benefits:

A flat duration of a maximum of 13 weeks of benefits per accident or illness. State plan requires personal physician's certification; medical review of certification, and medical examination by State physicians. No duplication of benefits with any other social insurance benefits.

In no event may any individual receive both unemployment compensation and disability benefits for a total of more than 39 weeks in any year.

8. Financing:

Requisition of \$100,000,000 of accumulated worker contributions from the Unemployment Compensation Trust Fund now on deposit with the Federal Government; and the transfer of this amount to a State Disability Benefits Trust Fund, as authorized by recent Federal law.

Present one per cent payroll tax on employees, payable for unemployment compensation in New Jersey, to be repealed and re-enacted as a required contribution to the Disability Benefits Trust Fund.

All covered employees who are under the State plan will continue to pay the present one per cent tax. All covered employees who are under a private plan will pay one-half of one per cent into the State Disability Benefits Trust Fund.

9. Employer Participation:

To encourage employers to provide superior benefits, a reduction in their payroll taxes through a revision of unemployment experience rating would free an estimated \$15,000,000 a year. The institution of the insurance program will also result in savings to those employers who have in the past followed the practice of allowing sick leave with pay at their own expense.

LEGISLATIVE MEMORANDUM

Temporary Disability (Cash Sickness) Benefits

On August 10, 1946, the President signed the Social Security Act Amendments of 1946. (79th Congress, 2nd Session, P. L. 719). Prior to the enactment of this act, State unemployment compensation funds could only be used, under Federal law, for the payment of unemployment compensation benefits. Section 416 of the 1946 amendment, however, provides:

. . . That an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration.¹

As of the beginning of this year, the above quoted amendment to Federal law made available some \$183,000,000 for transfer in whole or in part to a State disability benefit fund, and by the end of this year the sum available will undoubtedly exceed \$200,000,000.

While some nine States have at one time or another imposed employee contributions, and therefore became entitled to use part of their unemployment compensation trusts reserve for disability payments, only the State of California had accumulated a sum comparable in magnitude with the sum accumulated by New Jersey. It was, in fact, at the instance of California that the above amendment to the Federal law was adopted by Congress.

From the viewpoint of New Jersey there are a number of previous objectives of State policy that could be achieved through the use of the employee contribution to our unemployment compensation trust fund. These are:

1. The State could eventually recapture for State control that part of its unemployment compensation trust fund which is represented by accumulated employee contributions, as well as the entire amount of future employee contributions. This would achieve a measure of protection against any effort to federalize all the U. C. funds at the expense of New Jersey's sound position. The State could accomplish this result by setting up all future employee contributions in a State

¹ The *Commission* has been advised by representatives of the Social Security Board that the quoted provision authorizes cash withdrawal from the Federal Treasury for transfer to a State Disability Benefits fund.

administered fund to be placed in the custody of the State Treasurer for deposit in authorized State depositories. At the current rate of employee contributions, the fund would accumulate at the rate of upwards of \$25,000,000 annually. In addition the State could, under the new Federal statute requisition employee contributions on deposit with the Federal Government, and transfer such deposits to the State fund.

2. The accumulated reserve in the State cash disability fund would be available for investment in State and municipal obligations in the same manner that the Federal fund is now used to invest in Federal obligations. The effect would be to strengthen the market for these obligations and reduce expenditures for debt service at a time when the State and local revenue structure is under particular strain.

3. A full program of cash sickness benefits could be made available without any additional cost to employers unless they voluntarily assume the obligation of giving their employees superior benefits.

To these three significant advantages of adopting a system which would use accumulated employee contributions, there is added a fourth: In the opinion of a large segment of industry such a course would in the long run be in the best interests of private enterprise generally, and of working people throughout the State who are to be the direct beneficiaries of this new social security program. Upon reconsideration of its original proposals, the *Commission* is convinced that it would have required a compulsory insurance law; and the normal incidents of such a law are rate regulation and assignment of undesirable risks. Industry's attitude toward the private plan, particularly as represented by the viewpoint of life insurance companies, has changed since the *Commission's* fourth report. In brief, the life insurance companies which appeared before the *Commission*, and which claimed to represent 89 per cent of the premium income for group accident and health insurance, strongly advised against the private plan on the ground that private enterprise is not equipped to serve groups of less than 25 at a cost which would appear reasonable to the insured. On the other hand, the casualty companies, principally those now writing workmen's compensation gave assurance that they could take on the new business in stride, although they now carry 11 per cent of the national premium income from this kind of business. They oppose any statutory rate fixing and want the rate to arrive at its own economic level, depending on the nature of the hazard and competition among the carriers. They are ready to accept administrative rate regulation and assignment of undesirable risks. This split in the attitude of the insurance com-

panies raises the question as to whether or not the State would wish to impose rate regulation and assignment of risk on 89 per cent of an industry on the basis of consent to such regulation by 11 per cent of the industry.

Labor View

The *Commission* believes that the viewpoint of organized labor is particularly significant in a social security program. These programs involve all facets of State affairs. They affect every family in the State—almost every employed person in the State. As such they cannot hope to be successful without the support and appreciation of those most directly affected by the program. Organized labor, both the A. F. of L. and the C. I. O., has taken a firm stand in opposition to the privately operated, publicly supervised type of plan that this *Commission* has heretofore recommended. The *Commission* was motivated by a desire to afford the maximum area for collective bargaining, and to avoid any increase in the functions of government as they affect the employment relationship. This has not apparently been sufficient to persuade organized labor of the desirability of the so-called private plan. The opposition of labor, taken together with the split of opinion in industry and with the opportunity to recapture a huge sum of contributions made by New Jersey employees, and to use that sum to provide sickness benefits for its contributors, seems to the *Commission* to leave no alternative but to take a middle ground, and adopt a program including the best features of the private plan with the best features of a public fund plan.

Employer View

A memorandum filed with the *Commission* two years ago, by a sub-committee of the New Jersey State Chamber of Commerce, stated:

“There are but two principles in respect to which we have come to a definite conclusion. These two principles are as follows:

“1. The greater part of the cost of the program should be borne by the employees. This is sound, as the risk insured has little direct relationship to the employment.

“2. Any program developed should encourage the maintenance and improvement of employers' plans for cash temporary disability benefits. This is consistent with our free enterprise economic system. Tremendous strides in this direction have already been made. In many instances the benefits under such programs are superior to any which

have been suggested under compulsory legislation. There will be strong sentiment for the establishment and maintenance of such plans with superior benefits to the workers, and state action in this field should not in any way impede this development or take away any benefits thus far secured by our workers.

“It appears that there are at least two approaches which should be fully considered; others may be developed.

“One method would contemplate legislation analogous to the Workmen’s Compensation Act imposing upon employers a primary obligation to supply through insurance or otherwise a program of cash temporary disability benefits for employees which would conform to specific benefit standards, with provisions whereby employers would be reimbursed for a substantial part of the cost through payroll deductions from employees’ wages. The other method would contemplate the imposition of payroll taxes, the major portion of which would be deducted from the employees’ wages, to be paid into a State fund from which benefits would be payable by a State authority as provided by law. This would also contemplate exemption of both employers and employees from the contributions required in the event there was established and maintained by the employer a comparable or more liberal program, State approved, at no greater cost to the employee.

“Each of these methods has certain advantages and, likewise, are subject to certain criticisms. In respect to each method, certain problems are presented which would have to be solved to make them satisfactory.”

* * *

A principal objection that is raised in some cases against the combination of a public fund and a private plan is that the private plans will tend to acquire the best risks and leave the public fund with the poorer risks. While the *Commission* does not believe that the evidence before it bears out this contention with respect to cash sickness benefits, there are three specific points which together seem to dispose of the problem:

First, the advantages of private plans where they are feasible far outweigh the assumed disadvantages to the system. These advantages are many:

1. It is certainly desirable to afford as many working people as possible the maximum protection against insecurity that the economy will permit. It is only through a provision for contracting out that the more able employers, or the more enlightened

employers, can be placed in a position to provide a larger measure of protection than the average. Of necessity, any public program must seek to provide a minimum layer of protection, or at best an average layer of protection, if its costs and administrative requirements are to remain within the capacity of society as a whole to provide. Under the Rhode Island type of program, where contracting out is not permitted, experience has proved that employers cannot supplement the public program at any reasonable cost. This is caused by the fact that the selling and administrative expenses of private insurance for the small amount of additional protection which can be added to the benefits provided by the State fund; or the additional hazards which can be insured, are too great in proportion to the benefits offered to justify the expense to the employer. In Rhode Island therefore, there has been a constantly diminishing number of group accident and health insurance policies in force, and as of the current year, private supplementary benefits are approaching the vanishing point. The effect of an exclusive State fund plan, therefore, is to make the minimum benefits the maximum benefits.

2. The problem of providing cash sickness benefits differs materially from the problem of providing unemployment compensation or old-age and survivors insurance, in both of which contracting out is not permitted. Both unemployment insurance and old-age and survivors insurance, deal with situations in which the employment relationship has been terminated. This material factual difference entitles and warrants a different treatment of the problem of cash sickness benefits as compared with unemployment and old-age and survivors insurance. It is a difference which affects the extension of supplementary benefits under a Rhode Island type program. For example:

(a) When the age of retirement is attained, the employer expects the worker to retire—to leave his employment. Therefore, the amount of the pension has no bearing upon the expected continued employment of the worker. With cash sickness benefits, this situation does not exist. The employer expects and wishes the worker to return to his work as soon as his condition will permit. Accordingly, the amount of the cash sickness benefit, which may tend to delay the return of the worker to his employment is very significant.

(b) There is no difficulty in establishing the age of the worker, which is the sole basic consideration in determining his retirement status. On the other hand, the fact of disability and continuance of disability is a very nebulous thing; one upon which there can

be wide differences of opinion, and in respect to which it is most difficult to make an accurate determination of fact. The program lacks even the difficulty test of suitable work.¹ Further, the worker is in control of that situation for it is more difficult to disapprove disability when the worker contends that he is disabled. Here the weekly amount of income will have a definite bearing upon the efficient administration of the program and, accordingly under the Rhode Island type program, it would be a very exceptional case where the employer could find it practical to supplement the State benefit payment.

(c) The term "supplemental benefits" is broad and needs to be analyzed. It has been urged upon the *Commission* that many companies have adopted "supplementary" pension programs, providing for retirement benefits in addition to those provided under the old age and survivors insurance program. However, the great majority of such "supplementary pension programs" are applicable only to employees whose earnings exceed \$250 per month. In fact, the experience in Rhode Island indicates that in the relatively few instances of providing additional benefits, there is a trend to provide them only to those whose earnings exceed \$40 or \$50 per week. The effect of a Rhode Island type law would be the elimination of supplementary voluntary cash sickness benefit and health program, especially as applied to the low wage earner group.

Second, a public program is at best a compromise with the need to fit the infinite variety of industrial situations in our American economy, and for this reason it is both necessary and desirable to provide a wide area for collective bargaining on issues of employment and wage security. This is not only in the best interests of working people generally, but it is also in the interests of a vital and constructive labor movement. Extensive health benefit programs have already been developed, including protection against wage loss caused by accident or sickness, and incorporated in employer-union contracts. Most of the plans have been negotiated by the following unions:²

¹ Cf. Commission on Post-War Economic Welfare, *Third Report, Unemployment Compensation in Reconversion* (Trenton, 1946), pp. 22-29.

² U. S. Department of Labor, *Health-Benefit Programs Established Through Collective Bargaining 1945* (Govt. Print. Off. Washington, D. C.), Bulletin No. 841.

Plans administered by insurance companies:

- Textile Workers Union of America (C. I. O.).
- United Electrical, Radio and Machine Workers (C. I. O.).
- International Fur and Leather Workers Union (C. I. O.).
- Upholsterers International Union (A. F. of L.).
- United Textile Workers of America (A. F. of L.).
- United Furniture Workers of America (C. I. O.).
- Amalgamated Association of Street and Electric Railway Employees (A. F. of L.).
- Industrial Union of Marine and Shipbuilding Workers (C. I. O.).
- Hotel and Restaurant Employees' International Alliance (A. F. of L.).
- Paper Workers Organizing Committee (C. I. O.).

Union-administered benefits plans:

- International Ladies' Garment Workers' Union (A. F. of L.).
- New York City Laundry Workers (C. I. O.).
- United Hatters, Cap, and Millinery Workers (A. F. of L.).

Jointly-administered plans:

- Amalgamated Clothing Workers of America (C. I. O.) insurance program.
- United Retail, Wholesale and Department Store Employees of America (C. I. O.).

These various union contracts terminate at different times and their negotiation or extension is intimately related to wage and working conditions. The best way in which widespread confusion in this field can be avoided is offered through the provision for contracting out. This provision would have to be supplemented in the legislation with specific authority permitting existing collective bargaining contracts to run their course as acceptable private plans.

Third, whatever may be the merits or demerits of the arguments relating to adverse selection of risks, which is primarily involved in the opposition to contracting out, the *Commission* believes that any objection of this kind is completely overcome by the *Commission's* proposal that employees covered by private plans continue to pay into the State fund, at a reduced rate, the present employees' contribution.

Recommendations

With this general background, the *Commission* has sought to develop a program which will retain the best features of the privately-operated, publicly-supervised plan and incorporate the best features of the publicly-operated plan. The *Commission* feels today, as it did a year ago, that in the field of employer-employee relations there should be a maximum opportunity for the operation of free private enterprise and of collective bargaining to the full extent consonant with other requirements of public policy. To accomplish these objectives, the *Commission* has developed a program which will require these principal legislative features:

1. *A bill establishing a cash disability benefit plan including State fund and private plan alternatives.*

(a) The scale of benefits, eligibility requirements, and waiting period for those under the State plan will be similar to comparable provisions of the Unemployment Compensation Law. For private plans, the law would set up minimum benefit schedules, essentially the same as those now provided under the Unemployment Compensation Law, with the single exception that the base period wage determination would be the *most recent quarter* of the employees earnings rather than the *high quarter* of the first four of the last five quarters. The reason for this difference is to overcome the difficulty which would be presented were every employer obliged to inquire of the central wage record as to the wage base of employees under private plans who are entitled to benefits. Moreover, private plans are paid for on a premium basis which is the current payroll of the employer and the benefits should, if possible, be related to that payroll.

(b) The duration of benefits will be the same as now provided in private plans—for the duration of the disability but not more than thirteen weeks per disability. This is somewhat of a departure from the variable duration formula for unemployment compensation under which duration is limited by one-third of the total earnings of an individual in his base year. Since the limit for a single illness is fixed at thirteen weeks, and the combined total weeks of benefit for unemployment and for disability is limited to thirty-nine weeks in any year, the flat duration is preferable for sickness benefits.

For similar reasons, no benefit year is established for disability benefits—to conform to the practice in private plans. Each period of disability is self-limiting in that it is for a single cause or con-

dition and the same cause or condition recurring within four working weeks is deemed a continuation of the initial period of benefits for that cause or condition.

(c) The program of cash sickness benefits would be financed by transferring from the Federal treasury to a State disability benefits fund so much of the accumulated employee contributions as might be required, with an initial amount of \$100,000,000, and the employee tax which is now being paid into the unemployment compensation fund would be diverted to the State disability benefits fund. All employees who are covered by private plans, however, so long as they remain under such plans, shall have their contribution rate reduced to $\frac{1}{2}$ of 1 per cent. The effect of this provision would be to provide a constantly increasing source of supplementary revenue to the State fund and in that way to protect it fully against any possibility of an adverse selection of risks by private plans. Employees covered by private plans would, however, be contributing to the State fund, both to bear a share of the overall State administrative costs and to provide against the time when they might require benefits out of the State fund as a result of becoming unemployed or of transferring to an employer who does not have a private plan.

2. *A bill amending the Unemployment Compensation Law in two principal respects:*

(a) To provide for a reduction in current contributions by employers to the unemployment compensation system, and thus making available employer resources so as to encourage employers either alone or jointly with employees to supplement the minimum benefits provided by the State fund plan.

(b) Amendment of the Unemployment Compensation Law to repeal the requirement of employee contribution under that law.

The State Unemployment Compensation Trust Fund was \$444,000,000 on February 28, 1947. This is enough to pay benefits if every person in the State was unemployed at the same time. The Social Security Administration and other States throughout the country have recognized that swollen funds such as these merely sterilize State contributions in the Federal Treasury and fully justify tax rate reduction.

Under the recommended revision of employer unemployment experience rating, which is the same as that proposed in the *Commission's Fourth Report*, the maximum rate reductions would be available only when the amount in the Fund exceeds 15 per cent of

taxable payroll. The taxable payroll in 1946 was 2.6 billion dollars and 15 per cent of that sum would be \$390,000,000. Diversion of the full \$100,000,000 from accumulated employee contributions immediately would, therefore, make it impossible to realize the full tax reduction permitted under the new rate schedule. The *Commission* has, therefore, provided for an interim period of one year, during which the State Treasurer would not requisition from the Federal Trust Fund the full \$100,000,000 proposed, if by so doing he would reduce the Fund balance below 15 per cent of taxable payroll. This will assure that for at least one year New Jersey business will enjoy the maximum tax reduction possible and still there will be a sufficient reserve created for the State Disability Benefits Fund to begin the payment of benefits as soon as an administration can be organized—January 1, 1948.

