

mittee, I believe that was clearly their intention, and it was also in the relief bill, but did not work out that way.

Mr. COOPER (presiding). We thank you for your appearance and the information given the committee.

Mr. McGervey, of Pittsburgh, Pa., is present and requests that he be heard. Is there objection to this witness, who does not appear on the calendar, being allowed 5 minutes at this time? If not, you may proceed for 5 minutes.

STATEMENT OF WILLIAM P. MCGERVEY

Mr. MCGERVEY. Mr. Chairman and gentlemen, I became interested in this matter through my observations, and I recognize that if this matter could be a strictly national affair, it would be the simplest way to do it. I prepared this pamphlet and circularized every Senator, Congressman, the Secretary of Labor, President of the United States, and have addressed it also to 48 governors of the States, so that I could try to crystallize their thoughts in the matter.

This is my contribution to the problem. The reason I became interested in this is I saw a lot of stuff in the paper, and the people were talking all around the question. I could not recognize that anyone was talking on it. Here is what I say:

Individuals, partnerships, and corporations engaged in business charge as an item of the cost of doing business depreciation and obsolescence of investments in capital assets, except land. The percentage is based upon the probable life of the asset. The amount of these charges are credited to a reserve account. When 100 percent has been charged off, the reserve set-up enables, if necessary, replacement of that capital asset without requiring new capital. The existence of depreciation and obsolescence is, therefore, recognized and a method provided to overcome that condition.

Notwithstanding the Constitution of the United States guarantees to each of its citizens the right to life, liberty, and the pursuit of happiness, no provision has been made therefor as in the case of business investments in capital assets.

It is inequitable for an employer, while protecting his investment in buildings, machinery, fixtures, and so forth, by charging as an item of the cost of doing business, an amount for depreciation and obsolescence, to not provide for his employees' sustenance during a period of enforced idleness and a pension upon being retired.

Workmen's compensation is comparatively new. Its abolishment at this time would not be considered, yet it was a long time in the making. The amount of this compensation with certain attendant expenses is included as an item of the cost of doing business. It is as equitable for the employee to receive some compensation during a period of enforced idleness because of a business depression, or old age, as it is to be compensated for enforced unemployment during a period of physical disability, or to include depreciation and obsolescence of capital assets as an item of the cost of doing business.

At first blush this may appear radical, but after mature consideration the analogy will be recognized. After adoption and operation, like workmen's compensation, discontinuance would not be considered.

Their need: It is within the memory of many when we had the 12-hour day and the 7-day week. Labor organizations and machin-

ery have been important factors in changing this to the 8-hour day and the 5-day week.

Conversely, during the foregoing transition, the school period, usually terminating upon completion of the eighth grade, has been extended to include a 4-year high-school course, and frequently continued to a college course of 4 to 6 years. Notwithstanding this delay in the entry of many as wage earners, upon completion of a college training they are unable to find employment. Partial relief from this condition will arise through employers who previously fixed retirement age at 70 reducing it to age 65. Sad to contemplate, but many good men out of a job at 35 are out of luck. Something permanent must be done at once to abolish the necessity of welfare relief.

How shall it be done? A relatively few employers provide for a pension upon retirement at a fixed age; probably no two are exactly alike. Employees are changing their employment. Employers quit business, consolidate, or for some other cause cease to exist. Insurance by employers should, therefore, be terminated.

Some States may provide pensions for the indigent aged. It is inadvisable for more than one agency to do the same work, not only because of increased cost of so doing but also to avoid the possibility of duplication.

In view of the flotation of not only individuals but also industries from one State to another, even though every State had the same unemployment insurance and old-age pension laws, the possibility exists that during normal times one State might collect premiums for such and accumulate a large fund. Later another State, during a period of depression, might have to disburse abnormal amounts therefor.

A glaring instance is removal of the textile industry from the New England States to Southern States. If the New England States had unemployment insurance and old-age pensions prior to removal of the textile industries, the New England States would have accumulated a large fund from which the industry would not benefit after removal therefrom. If the Southern States had unemployment insurance and old-age pensions, when the textile industries removed thereto, upon being "hit" by the depression a relatively short time afterward, the Southern States would be impoverished through payment of the benefits promised, because the New England States collected therefor. This condition must be averted. The problem can be solved permanently by the Federal Government administering unemployment insurance and pensions upon enforced retirement.

In the words of ex-President Grover Cleveland, "It is not a theory but a condition that confronts us." The customer should pay; in the past he has been escaping this item of cost. The question is, should there be such a law? I say yes.

Certain employment abuses exist that must be regulated, insofar as possible, to lessen the need of unemployment insurance.

Continuing to work through several generations: A man died here in Washington a short time ago who was 90 years of age, and had been in the employ of the Government—and college graduates cannot get jobs.

The husband and wife being employed.

The man retired from public or private life on a pension and securing employment.

The man having several employers if the average totals greater than an ordinary day.

An instance as to the first: January 2 a man died in Pittsburgh, aged 78. He had retired 3 years previous from a lucrative position with Allegheny County, after 15 years' employment. It ought to be possible to require retirement of public employees when eligible to old-age pensions. If employment is continued during public or private life after eligibility for an old-age pension, the individual should be taxed during the first 5 years 25 percent; during the next 5 years, 35 percent; thereafter, 50 percent, the employer to collect the tax and be liable therefor. If the retirement age is fixed at 60, the tax would be 60 to 64, 25 percent; 65 to 69, 35 percent; each inclusive; 70 and over, 50 percent.

In the case of husband and wife being employed: Occasionally a wife might be able to command a greater salary than the husband. Allow them to decide which salary is to be taxed without privilege of changing, the tax to be 25 percent until retirement age.

In the case of the individual retired on a pension; the tax to be at least 25 percent.

In the case of an individual having several employers. He can select a number where his total service will not exceed an ordinary day's work and be taxed on the others.

The purpose of unemployment insurance and old-age pensions being a guarantee of security for all, an individual whose earnings are subject to tax must not be permitted to waive the right of old-age pension in consideration of the tax being waived—the reason is obvious.

Hew to the line, let the chips fall where they may.

Right wrongs no one.

Mr. COOPER (presiding). Your time has expired. We thank you for your presence and the information you have given.

Mr. McGERVEY. May I send a brief on this or shall I just leave this?

Mr. COOPER. You have the right to extend your remarks in the record if you desire.

EXTENSION OF REMARKS OF WILLIAM P. McGERVEY

The need and desirability of unemployment insurance and old-age pensions is recognized but not the propriety. Employees have the same right to unemployment insurance and old-age pensions as to payment for services. Adoption of unemployment insurance and old-age pensions now will be considered something new, because it is different from the past; yet the right of labor to both has always existed.

Individuals, partnerships, and corporations engaged in business charge as an item of the cost of doing business, depreciation and obsolescence of investments in capital assets, except land. The percentage is based upon the probable life of the asset. The amount of these charges are credited to a reserve account. When 100 percent has been charged off the reserve set up enables, if necessary, replacement of that capital asset without requiring new capital.

When the use of a capital asset is ended because of becoming obsolete, any portion of its cost that had not been charged off because of depreciation is charged off because of obsolescence. The existence of depreciation and obsolescence of capital assets is, therefore, recognized and a method provided to overcome that condition.

Notwithstanding the Constitution of the United States guarantees to each of its citizens the right to life, liberty, and the pursuit of happiness, no provision has been made therefor as in the case of business investments in capital assets.

It is inequitable for an employer, while protecting his investment in buildings, machinery, fixtures, etc., by charging, as an item of the cost of doing business, an amount for depreciation and obsolescence, to not provide for his employees sustenance during a period of enforced idleness and a pension upon being retired.

Workmen's compensation is comparatively new; yet it was a long time in the making. Its abolishment at this time would not be considered. The amount of this compensation, with certain attendant expenses, is included as an item of the cost of doing business.

It is, therefore, as equitable for the employee to receive some compensation during a period of enforced idleness because of a business depression, or old age, as it is to be compensated for enforced unemployment during a period of physical disability, or to include depreciation and obsolescence of capital assets as an item of the cost of doing business. After adoption and operation of unemployment insurance and old-age pensions, like workmen's compensation, discontinuance would not be considered.

THEIR NEED

It is within the memory of many when we had the 12-hour day and the 7-day week. Labor organizations and machinery have been important factors in changing this to the 8-hour day and the 5-day week.

Conversely, during the foregoing transition, the school period, usually terminating upon completion of the eighth grade, has been extended to include a 4-year high-school course, and frequently continued to a college course of 4 to 6 years. Notwithstanding this delay in the entry of many as wage earners, upon completion of a college training they are unable to find employment. Partial relief from this condition will arise through employers who previously fixed retirement age at 70, reducing it to age 65. Sad to contemplate, but many good men out of a job at 35 are out of luck. Something permanent must be done at once to abolish the necessity of welfare relief.

HOW SHALL IT BE DONE?

A relatively few employers provide for a pension upon retirement at a fixed age; probably no two are exactly alike. Employees are changing their employment. Employers quit business, consolidate, or for some other cause cease to exist. Insurance by employers should, therefore, be terminated.

Some States may provide pensions for the indigent aged. It is inadvisable for more than one agency to do the same work, not only because of increased cost of so doing, but also to avoid the possibility of duplication.

In view of the flotation of, not only individuals, but also industries from one State to another, even though every State had the same unemployment-insurance and old-age-pension laws, the possibility exists that during normal times one State might collect premiums for such and accumulate a large fund. Later, another State during a period of depression might have to disburse abnormal amounts therefor. A glaring instance is removal of the textile industry from the New England States to Southern States. If the New England States had unemployment insurance and old-age pensions prior to removal of the textile industries, the New England States would have accumulated a large fund from which the industry would not benefit after removal therefrom. If the Southern States had unemployment insurance and old-age pensions, when the textile industries removed thereto, upon being "hit" by a depression a relatively short time afterward, the Southern States would be impoverished through payment of the benefits promised, because the New England States collected therefor. This condition must be averted. The problem can be solved permanently by the Federal Government administering unemployment insurance and pensions upon enforced retirement. Collection therefor and disbursement thereof can be through assenting States.

January 21, 1935, one of the commissioners of Allegheny County, Pa., stated that the county pension fund "is on the verge of collapse. The method of this retirement plan is inequitable. One man paid \$158 into the fund. So

far he has collected \$16,000 from it. Some others who contributed \$22,000 have been repaid \$250,000."

Nothing startling about that. June 15, 1934, the newspapers contained an item, "trick is used to pay pension"; 2 of the 3 commissioners at an unannounced meeting discharged an employee as of May 31, which permitted him to retire on a pension. Under a new county pension law, effective June 1, 1934, the retiring age is 60; the employee was not 60 years of age, but had been in the service 26 years and charged with extortion. This class of retirement should be ended by Federal administration.

Suggestion has been made that the cost be divided between the employee, the employer, the State, and the Federal Government.

I suggest two classes of beneficiaries, viz., those past the retirement age when the law becomes effective which would entitle them to old-age pensions designated by me as the first class, and those who had not reached the retirement age when the law became effective, which would entitle them to unemployment insurance and old-age pensions, designated by me as the second class.

The source from which the cost of old-age pensions for the first class should be collected will not then exist. Because of suggested requirement that pensioner be a resident for 5 years, of a required 10 years, of the State from which pension is requested the entire cost should be paid by the Federal Government, which will eliminate the question of the period of residence in each State. This class of pensioners will gradually disappear.

I have likened the cost of unemployment insurance to the cost of workmen's compensation and the cost of depreciation in capital assets; also, the cost of old-age pensions to the cost of obsolescence of capital assets.

To divide the cost of unemployment insurance and old-age pensions for the second class between the employee, the employer, the State, and the Federal Government would be abortive. Witness: The employee must pay his portion out of his pocket; the portion paid by the employer would properly be included in his overhead; the employer would not pay anything, but the employee would pay further; the portion paid by the State or Federal Government would be raised by taxation, and the employee would again pay; it is tantamount to the Government paying a portion of the cost of overhead of each employer doing business, when taxpayers are demanding taxes be reduced.

In the words of ex-president Grover Cleveland, "It is not a theory but a condition that confronts us." The customer should pay; in the past he has been escaping this item of cost.

Certain employment abuses exist that must be regulated, insofar as possible, to lessen the need of unemployment insurance: Continuing to work through several generations; the husband and wife being employed; the man retired from public or private life on a pension and securing employment; the man having several employers if the average totals greater than an ordinary day.

Far be it from me to ask that any person be deprived of his job. However, there is a partial remedy for these abuses.

An instance as to the first. During the latter part of January 1935 a man died still in the service of the Government at 90 years of age. Four times his tenure of employment was extended beyond the statutory retirement age, until finally he was exempted from retirement. All honor to him but he kept an unemployed man who needed work, out of a job.

However, if employment is continued in public or private life after eligibility for an old-age pension, the individual should be taxed during the first 5 years 25 percent of his salary from age 65 to 69 inclusive; thereafter, 50 percent of his salary, the employer to collect the tax and be liable therefor. If the employer considers his services to be invaluable and the employee is willing to continue working but refuses to pay the tax, the employer may do so but during the period 65 to 69 years of age the salary must be increased one-third; after 69 years of age the increase is to be double instead of one-third. Upon withholding the tax the employee's salary will not have been disturbed.

In the case of husband and wife being employed: Occasionally a wife might be able to command a greater salary than the husband. Allow them to decide which salary is to be taxed without privilege of changing, the tax to be 25 percent until retirement age.

In the case of the individual retired on a pension: The tax to be at least 25 percent.

In the case of an individual having several employers: He can select a number where his total service will not exceed an ordinary day's work and be taxed on the others.

The purpose of unemployment insurance and old-age pensions being a guarantee of security for all, an individual whose earnings are subject to tax must not be permitted to waive the right of old-age pension in consideration of the tax being waived—the reason is obvious.

Unemployment insurance and old-age pensions is the right of labor and not an act of charity when viewed as presented by me. The amount must not be merely a substitute for the poorhouse. It should be graduated, based upon former earnings, with a minimum and a maximum, the latter \$3,000 per year, this amount to enable some victims to retain a semblance of self-respect, no more self-destruction, please, because of a blank future.

Hew to the line, let the chips fall where they may. Right wrongs no one.

The committee will take a recess until 10 o'clock Monday morning.

(Whereupon at 11:30 a. m., a recess was taken until Monday, Feb..4, 1935, at 10 a. m.)