

sound, and "We would enthusiastically support this local legislation if the cost were to fall equally upon all of the States." It gives my more genuine pleasure than you can perhaps imagine to have the opportunity now to support this measure, which wipes out that old "interstate competition" obstacle. This plan gives to the good employer his opportunity to go ahead with the assurance that he will not be undercut unfairly in competition with his competitors in States that otherwise might not take the legislative action.

There will not be a perfect bill on this subject. I have never seen a perfect bill, and I imagine you have not, for I recall that it was the first counsel of the United States Senate who first remarked to me: "Laws are born full-grown about as often as men are."

I urge therefore that this bill in general has had most careful consideration; that we will never get complete agreement upon all of the details of such legislation; and that by perfecting certain details we should be able to get the proper action promptly, which is necessary now in order that the States may enact the fundamental laws on this subject.

The CHAIRMAN. Thank you very much.

Mrs. Beatrice Pitney Lamb, of New York.

STATEMENT OF MRS. BEATRICE PITNEY LAMB, REPRESENTING NATIONAL LEAGUE OF WOMEN VOTERS, NEW YORK, N. Y.

Mrs. LAMB. I represent the National League of Women Voters. The National League of Women Voters favors the passage of the unemployment compensation sections of the economic security bill. Since our reasons for supporting the bill are much the same as the reasons already given by other advocates of the bill, we will not take the time of the committee to go into them.

Instead, I will confine myself to speaking about certain sections of the bill about which we have questions.

First, section 606, under the definition of "an unemployment fund" seems to require that every State law, whether of the pooled fund type or the separate reserves type, must set up a pooled fund with at least 1 percent contribution from employers. The rest of the fund might be of any type desired by the State but there must be in any case this 1 percent pooled fund. This is a valuable provision for it would for example provide some secondary security for workers covered by company reserve funds which had become exhausted. As I say, section 606 seems to require this, but doubts arise in our minds about it, for this provision is hidden away not only in a definition instead of in the main body of the bill, but also in parentheses, as if it were a matter of no consequence at all.

If this requirement is to be binding, it should be taken out of parentheses, taken out of the section 606, and set down definitely as one of the requirements for State laws under sections 407 and 602. Otherwise a court of law might hold that it had slipped into the bill by accident and that it was clearly not the intent of Congress to require the setting up of a 1 percent pooled fund as one of the conditions of receiving administrative allotments or employer credits.

Senator COSTIGAN. Do you refer to the language on page 46 of the bill?

Mrs. LAMB. I refer to the language at the top of page 46 and the part in parentheses there.

Senator COSTIGAN. Lines 2 to 5?

Mrs. LAMB. Yes.

My second point is: As the bill stands at present there is one serious loophole—a loophole which might actually encourage States to pass weak rather than strong State laws. This results from the very generous sections on additional credits combined with the fact that the bill requires no standards as to length of waiting period, or size or duration of benefit payments.

Under 608b employer is allowed full credit against his tax for all the contributions which he is not making to his reserve fund providing that fund does not fall below 15 percent of the annual pay roll. He can cease his contributions entirely and still receive credit so long as the fund is up to the required 15 percent.

The simplest way to keep a fund up to 15 percent is to pay very little out of it, that is, by making the waiting period long, the benefits small, and the benefit period short. If the employers in a State wish to evade the Federal tax and at the same time pay little or nothing as unemployment compensation contributions they can do so. All they have to do is to get through their legislature a bill providing for the scaling down of contributions to zero as soon as the reserve funds reached 15 percent and then stick in a provision to protect the reserve fund, for example, by providing for a 30-week waiting period.

It may be argued, of course, that a 30-week waiting period is something that no one has ever suggested and that therefore this possibility does not merit serious consideration. However, it should be noticed that the bill as it stands at present makes possible this or any other fantastic waiting periods as a means of evading the intent of the law.

If a State evades the law in this way, it obviously immediately gets competitive advantage as compared with other States, therefore one of the great arguments in favor of this bill that it will eliminate competitive advantage which a State would get by not having a compensation law would be taken away.

Such evasions should be made impossible by amending the bill to include standards that States must meet in regard to the length of waiting period, the size of benefits, and the duration of benefits.

Third, such standards are important not only to plug up loopholes in the bill but also to accomplish the major purposes for which unemployment compensation legislation is designed. One of these purposes is that benefit payments take the place of relief at least for a limited length of time. But this no longer holds true if the waiting period is so long that the resources of unemployed persons are completely exhausted before the waiting period ends or if the benefits are so small that they will not cover cost of living. In these cases relief would have to be used to supplement compensation. This immediately would mean the expense of performing a means test and the duplication of administrative expenses resulting from the fact that each person is receiving both compensation and relief.

Some people argue that the mere existence of a 3-percent Federal pay-roll tax would take care of standards since it would encourage the passage of laws providing for 3-percent contributions from em-

ployers. This does not necessarily follow for the reasons I just spoke of in connection with the scaling down of contributions.

To make compensation a reality and to accomplish what the security program set out to accomplish, we consider it essential to include in the bill minimum standards in regard to length of waiting period, size of benefits, and duration of benefits. We urge that these standards be the ones suggested by the committee on economic security as being feasible in connection with 3-percent contributions. These were that the waiting period be no longer than 4 weeks, that the benefit payments be at least 50 percent of the worker's weekly wage, and that the payments be paid over a period of 15 or 16 weeks.

The CHAIRMAN. Thank you. Is Miss Elizabeth Eastman in the audience?

Mrs. FREDERICK SHELTON. I represent Miss Eastman.

The CHAIRMAN. Very well.

STATEMENT OF MRS. FREDERICK SHELTON, REPRESENTING THE NATIONAL BOARD OF YOUNG WOMEN'S CHRISTIAN ASSOCIATIONS

Mrs. SHELTON: This is a statement by the public affairs committee on pending Federal legislation for social insurance. It contains two suggestions or corrections to be included.

Through official action at its national convention, the Young Women's Christian Associations of the United States of America is on record as supporting compulsory unemployment insurance and old-age pensions.

The amount of study on unemployment insurance which we have done and an analysis of the experiences of our own industrial and business women membership lead us to the conviction that the following corrections should be made in bill H. R. 4142, introduced by Representative Lewis, and bill S. 1130, introduced by Senator Wagner.

1. The bill should be revised to establish minimum standards for benefits, amount, duration, waiting period, and so forth, to be paid by the States. Standards are the crux of a sound unemployment-insurance scheme. A statement in the bill that model legislation is being drafted to be submitted to States is not followed by any recommendation that minimum standards will have to be adopted. The old contention that industry will be "driven from the State" will be used by the opponents of unemployment insurance if one State adopts one scheme, another State adopts a different, and yet another no scheme at all.

2. The 3-percent tax should hold irrespective of the business index. The bill provides that the 3-percent Federal pay-roll tax shall, during the first 2 years be reduced to 1 percent if the average annual index of industrial production, as returned by the Federal Reserve Board, is under 84 and shall be reduced to 2 percent if this index is 95. The index of employment for the past 12 months is 76.8 and was lower in October 1934 than October 1935. Therefore it seems unlikely that the average index of production will rise above 84 for the coming 1 or 2 years. Therefore if only 1 percent is to be set aside, the States will have failed to secure adequate funds out of which even minimum benefits can be paid.