

Mr. Chairman, I shall have to pause. I have taken more time than I should, at the moment.

The CHAIRMAN. Have you completed your main statement?

Mr. GREEN. On unemployment insurance. I have not referred to old-age security as yet.

The CHAIRMAN. Do you desire to be heard on those provisions?

Mr. GREEN. Either that or I shall be glad to submit my statement in the record for your consideration.

The CHAIRMAN. Would it be convenient for you to return for questioning by the committee at some future time?

Mr. GREEN. I shall be glad to. I merely make this statement in conclusion, that I know there are friends of unemployment insurance, those who believe, like me, in a social-security plan, who will differ, perhaps, upon the question of employer and employee contribution. They are honest in their difference.

Some of them believe the employee should contribute in order to make him an interested party. That never appealed to me; others for other reasons.

I have tried to present to you the American Federation of Labor point of view. We feel that the employee does contribute. He contributes through a loss of earnings for a week or four weeks during the waiting period. In addition to that, you introduce an element of injustice into a plan that requires him to pay out of his net earnings and also pay part of the employer's contribution.

I thank you very much for the privilege of coming, Mr. Chairman and gentlemen.

The CHAIRMAN. We thank you for your appearance and the statement you have made to the committee. You can arrange at your convenience to appear at a future date.

Mr. GREEN. I shall try to come later in the week, if that is agreeable to the committee. I have a lot of engagements.

The CHAIRMAN. That can be arranged.

Mr. GREEN. I will have Mr. McGrady keep in touch with your committee, and will come at your convenience.

Thank you very much.

The CHAIRMAN. The next witness is William Leiserson, chairman of the Railroad Mediation Board.

Mr. Leiserson, will you come forward, give your name and address and the role in which you appear, for the record?

STATEMENT OF WILLIAM M. LEISERSON, CHAIRMAN NATIONAL MEDIATION BOARD

Mr. KNUTSON. Where are you from, Mr. Leiserson?

Mr. LEISERSON. From Ohio. I was formerly chairman of the Ohio Commission on Unemployment Insurance, appointed by Governor White in 1931 and reporting to the legislature the so-called "Ohio Plan of Unemployment Insurance" in 1932.

I want to address myself only to the unemployment-insurance part of this legislation.

I acted in the technical board, working with this President's Committee on Economic Security. But I worked only on the unemployment-insurance part of the legislation and not on the other parts of the legislation.

To give you the idea of the technical board in framing the unemployment-insurance provision, perhaps I can make it plain by stating, first, that the idea of this title that has to do with unemployment insurance is that it is purely an insurance measure.

Now, an insurance measure implies that you do not provide for the people who just had their house burned down.

That is to say, this insurance measure obviously cannot provide anything for the people who are now unemployed. They were not insured before. Therefore, when the calamity hit them, there was not anything to pay them out of. There is no insurance fund, so that those people who are now unemployed have to be taken care of, as you have had them taken care of, through doles or through employment on public works, or various other provisions.

This measure is designed for the future, that some provision shall be made in the future for the people who either are working now or who are going to go back to work, when in the future they will meet this calamity again. I think that is very important to bear in mind, because there has been some criticism of this bill from the point of view of not providing for the people who are now unemployed.

Secondly, if you are going to provide in the future insurance—and that is what this is based on—you obviously cannot put a tax on incomes or on inheritances or on anything else, because then it would not be insurance. Insurance implies that people who have the risk shall pay a small sum in advance to take care of that risk.

That brings us to the question as to whether the employees should pay or whether the employer should pay. As the general principle I agree with Mr. Green, and it is in this bill, that the employer only shall pay the 3-percent premium to take care of the risk that is industry's risk, just the same as when the property of any business does not operate. If the steel industry is operating only 50 percent of capacity, that does not mean that the steel industry is liable to pay only for that part of the machinery that is working. The fixed charges on that business covers all the money that is invested. The plant has to pay all its fixed charges, regardless of the fact that half of it is not operated. To give you another example, when half of the freight cars are not operating, they are idle, unemployed, on side tracks, the bonds issued for the payment of those freight cars have to be paid just the same.

Similarly, when an industry lays off half its people who were working on those cars, some provision has to be made by the industry to keep those people in shape and keep them from deteriorating the same way as you want them to keep the cars and the machinery from deteriorating and so the charge should be on industry. It is obviously a cost of production. In the same way, these lights in this room, for instance, are lit by current from the power house down there, which works most of the time in the evening. During the daytime, especially in the summer months, half or more of the plant is idle. When we fix rates on that, the court compels us to pay a return on all the capital that is invested in there, on the unemployed capital as well as the employed capital, and not only on the part that happens to be working at any time of the day.

Similarly, this insurance principle is based on the idea that when wage earners invest their labor in an industry, there are certain overhead charges that the industry must have for labor as well as for

capital. One of those overhead charges is unemployment of those who have to wait for a while until things turn up again. This insurance charge is a charge to meet that overhead expense.

Now, the question arises, will 3 percent pay the whole expense. Not a bit of it. Three percent is a premium to the State for the insurance in exactly the same way as you and I pay for our life insurance. I happen to have a very large family and every insurance man that I speak to tells me that I have an entirely inadequate insurance coverage, that I ought to carry at least \$200,000 of insurance on the basis of the size of my family to protect it. But I do not carry one-fourth of that. Why not? Because I cannot afford to pay for it. That is the only reason. If I could afford to pay more I would pay more.

Similarly, here, if in your judgment, gentlemen, industry cannot afford to pay 4 or 5 percent insurance on 9 percent, then you ought to fix it at what they can properly afford. In our judgment, as we worked on this thing, we felt that now, beginning in 1936, industry can afford to pay 3 percent and not much more than that. However, I think all of our committee would agree with you if you found the fact to be that industry can afford 4 or 5 percent. We will not quarrel with you on that at all.

If it is insurance, and you bear that in mind all the time, then there is no magic about insurance as to how much the people will get in the way of benefit. They will get just as much as 3 percent will buy, not a cent more. The 3 percent, when you figure it out actuarially over a certain number of people, with certain risks of unemployment, will buy just so much insurance, and not a cent more. We have figured out that 3 percent will buy 50 percent of normal earnings after a waiting period of 3 or 4 weeks, and then for a period of about 15 or 16 weeks the maximum of \$15; so that if a man earns more than \$30 a week, he will get only \$15 as his maximum.

If it is found in practice that 3 percent will buy more than that, you will be able to pay a little more. If it is found in practice that 3 percent will pay less, you will have to pay a little less. The point is that you cannot have 3 percent and then provide 20 or 26 weeks of unemployment benefits, because the 3 percent will not go that far. And so, in the report of the Committee on Economic Security, you will find a little table on page 13 in which it tells you how much 3 percent will buy, how much 4 percent will buy, and how much 5 percent will buy in the way of waiting periods and how many weeks of unemployment benefits can be paid.

Mr. KNUTSON. From what document are you reading?

Mr. LEISEN. Report to the President of the Committee on Economic Security, page 13.

Similarly, a little more in detail, that problem was handled by the Ohio Commission on Unemployment Insurance, and on page 34 of the Ohio commission's report, which I will be glad to leave with the committee, you will find a table in which our commission in Ohio calculated on the basis of the data in Ohio just how much insurance can be bought for 2½ percent of the pay rolls, 2¾, 3, 3¼, and up to 5½ percent. You can buy varying amounts of insurance, and no more.

Mr. VINSON. Will you include that table in your testimony?

Mr. LEISEN. Yes; I will be very glad to do that.

The one point that Mr. Green made that has a bearing on this I would like to answer, namely, that if you permit the bill to stand as it is with each State enacting its own laws, he says that it will be possible for a State not to pay out 3 percent of the wages up to \$15 a week, but to pay very much less than that. I do not think that is possible, and for this reason, that the bill before you provides that a condition of approval by the social security board of any State plan will be that every cent of the money collected; that is (90 percent of it; 10 percent is taken by the Federal Government), 90 percent of the money collected within the State on a 3-percent tax shall be paid back to the people in that State who are covered by the insurance. You have to pay all of the money collected in the State except the 10 percent of it to the people who are going to get the benefits.

If you have a 3-percent fund in a State like Ohio and you levy a Federal tax of 3 percent, then if the State levies a tax of 3 percent for the purpose of carrying its insurance, that tax is remitted, but the remission is on condition that every cent of their money collected by the State of Ohio goes to the unemployed people under the rules of the law of that State. Then, if the 3 percent is all paid out, it is bound to work out on the amount of insurance that 3 percent will buy, namely, 50 percent, with a maximum of \$15 for a period of about 15 or 16 weeks after a waiting period of 3 or 4 weeks. So that it would not be possible under the bill as it stands for any State to undermine those standards, because they would have to pay out all the insurance that 3 percent will buy.

I would like now to address myself for a moment to the question of a national scheme or a subsidy scheme or a State scheme. This bill provides the beginning of a national system. As you know, it provides for this Federal tax which may be remitted if a State adopts an insurance law. I can tell you why I personally did not favor on this technical board a national system at this time. Everybody who studies this question knows that it is better to have one uniform national system. Everybody knows that it is better to have one uniform national system of workmen's compensation. I personally think it is better to have one uniform system of national education. But we cannot have that in this country if we are going to work under the Constitution. There are certain things that are left to the States, and one of those things is education. Another is the working conditions within the State factories or State places of employment. I would not like to jeopardize the question at this time on some lawyer's argument that may be we can support a national system, when everybody knows that regulating working conditions has been up to the present always considered a State system.

Now, the question comes up of a modification of the national idea, namely, let us have a national tax, with the Federal Government setting up the law, giving subsidies to the States if they will adopt the Federal law. I think the objections are exactly the same. If the State of Missouri or the State of Kansas, that has agricultural conditions very largely, does not feel that it can regulate its industrial conditions on the same terms as the State of New York or the State of Ohio might, and wants to have a different kind of a law, the Supreme Court has said in the child-labor cases that you cannot under the guise of a Federal regulation regulate conditions within the State. May be they will not hold that now. But I felt, and most of the members of

the committee felt, that we cannot jeopardize this step that needs to be taken now on any theoretical argument about what the Supreme Court might do or might not do.

There are now meeting 44 State legislatures. Most of the industrial States—New York, Pennsylvania, Ohio, Illinois—most of those States, have bills ready with the Governors recommending unemployment insurance laws, and they can pass them now if they only knew what the Federal Government is going to do. If the Federal Government starts discussing a national system, so that it will not be necessary for the State legislatures to act, then the State legislatures will adjourn in 90 days and some of them will not meet again for 4 years. Most of them will not meet again for 2 years.

Here you have the situation where each State, that feels the problem is pressing now and is ready to enact a law, will enact that kind of a law, and even if the Supreme Court should hold that this tax is unconstitutional, it would, nevertheless, not upset any law passed by the States, because the States are establishing the laws on their own authority as sovereign States. As a person who is interested in seeing a national system set up as soon as possible, that is, let all the States be covered by unemployment insurance, I say we will make progress faster if we let those States which are ready to act now begin and enact their own laws under the general authority that you might have under this Wagner-Lewis bill, and then, as they have experience in operating these laws, we will be in a position to spread those experiences to the States that are not yet ready. And after all, you will not get a national system operating, from an administrative point of view, for 10 or 15 years. This is a thing that is looking to the future, and anyone who knows anything about administration knows that the mere fact that you enact a law in the Congress does not make the thing work out as you enacted it until there has been a lot of bitter experience and experimentation and administration to get it working over a very wide area.

There is another reason for leaving it stand as the Wagner-Lewis bill, because this tax of 3 percent is calculated very largely on the actuarial study that was made in the State of Ohio. The Ohio commission employed an actuary, and fortunately we had in Ohio data secured under the workman's compensation law that could actually measure the amount of unemployment over a period of something like 13 years. On the basis of that study we found what 3 percent would buy; what insurance a 3-percent premium would buy in Ohio.

I venture to say that 3 percent in a State like New Mexico will not buy half the amount of New York, because you have not as many people, you have more specialized industry, you have an entirely different set-up. One standard for what 3 percent will buy all over the country will not work out on an actuarial basis. If you try to give for 3 percent in a State like Kansas or New Mexico the same that you give for 3 percent in Ohio and New York, you will have to take money from other States and pour it into these States, because 3 percent will not buy that much. We have to let each State begin administering this kind of an act and begin to collect the data on which you can make an actuarial calculation for that State alone.

Now the question arises about the absence of standards in this Federal law. This law does not tax the employee. I think that is right. But since it permits the States to set up any kind of a law

they please; we in Ohio, for example, recommended that 2 percent shall be paid by the employer and 1 percent by the employee. I would like to inform you that the Ohio State Federation of Labor indorsed that bill.

If the public sentiment in a State thinks it is wiser to split that 2 percent for the employer and 1 percent for the employee, or 3 to 1, or whatever it is, and if the State has the right to regulate its condition, I do not think it would be wise simply because you and I think that is not the wise way to do it, to impose standards here in Congress that will force the States to follow our ideas rather than their own ideas on the subject. They ought to be allowed that measure of self-government as long as all the money that is collected will go to the employees in the end. There are arguments on both sides on that question of the contributory or noncontributory system.

I do not know that I have anything more to say on the bill itself. I imagine it was explained to you in detail as to how it would work. I have been trying to give you only the outline of what it is—it is an insurance measure—the purpose of it, and how it is bound to operate.

But I want to add this only: Under this plan it would be possible for a State like Wisconsin to go on with its own plan. I think it would be very unwise now, although I am very much opposed personally to the Wisconsin plan. I think it is not a good plan, but the people in Wisconsin seem to think it is a good plan.

Mr. KNUTSON. Will you briefly explain the Wisconsin plan to us?

Mr. LEISERSON. The Wisconsin plan differs from the Ohio plan in this:

The Ohio plan is strictly insurance. All of the money that is collected in contributions, 3 percent, say, of the pay roll, is put in one pooled fund, one insurance fund, and the benefits are paid out of that fund, so that it works like any other insurance company. I have carried Travelers insurance for 25 years and I have never collected a cent. My money has been used to pay for the accidents of the fools that will have accidents. But I do not think that is bad, because that is the principle of insurance. When I am foolish I will get somebody else's money or maybe some of my own.

The Wisconsin plan goes on a different principle. While all the money will be put into the State, the State unemployment commission will keep a separate account for each particular employer, so that the employee who is out of work will be entitled only to draw benefits from the funds that his own employer or employers paid into it. If he worked for three or four employers, he begins to draw benefits from the last one first, the next, and so on, but his benefits are limited to what his own employers paid in. Therefore, it is not insurance. In other words, his employer laid in a certain amount of money, and he can collect that amount of money. Whereas, if all these different employers' funds are pooled, then you are able to buy more insurance with it. It is the same difference as if each of us saved in a bank—or to make the analogy a little more close, suppose all of the people in one block decided to insure themselves against fire by keeping all of their money in one bank, and not purchasing insurance with it, laying aside a certain amount, and then they will draw out of that fund; whereas if they insure with other people all over the country in a large insurance fund the insurance will be cheaper and they can get more money because the risk is spread over a very much wider area. That is the essential difference between the Ohio and the Wisconsin plan.

This bill permits a State, if it so desires, to experiment with the Wisconsin plan, except that each employer must pay at least 1 percent into the pool anyway, but it permits that experimentation if they so desire. No matter how strongly I feel that the Wisconsin plan is wrong, I have to admit that reasonable people in that State think it is right, and the Ohio plan is wrong; therefore, they have a right to experiment with their way. I would not like to see Congress at this time lay down a rule that would compel the States to act just one way and not another way.

Mr. LEWIS. You have pretty well covered the question I was going to ask. The Ohio law does provide for the pooling of all receipts?

Mr. LEISELSON. Yes, sir.

Mr. LEWIS. Under this, permitting by a system of credits under State legislation the particular employer with reserves might excuse himself from paying anything into the fund except the 1 percent, conceivably?

Mr. LEISELSON. Well, there is a little more protection than the 1 percent.

Mr. LEWIS. I will have to make a little preliminary statement:

As lawmakers we are concerned in the total unemployed of the United States, not merely in whether the employees of a particular concern may have their employment regularized, although the subject has been a seasonal one in the past, but that the greatest number of workers shall share in this employment. Now, if under a company-credit system, an employer can cut down his tax from 3 to virtually 1 percent, he is under a motive to so organize his employment that he will have a minimum number of persons work the longest possible time, and that may lead to furloughing of employees not now furloughed.

Mr. LEISELSON. Mr. Lewis, that is the way I feel about it, but I would like to give you the answer that the Wisconsin people would give you to that.

Mr. LEWIS. Is not that a fact in the situation, Dr. Leiserson?

Mr. LEISELSON. There is this: Their answer would be that while it is true that the employer would be able to get a remission of the tax up to 1 percent which he has to pay, the purpose of that remission is to provide a stimulation for the employer not to lay more people off, because the moment he lays them off his obligations in the fund become greater.

Mr. LEWIS. For 15 weeks, then he is over with it.

Mr. LEISELSON. Yes, that is true. But then after that he is trying to reduce his expenses in that fund, and that stimulates him to regularize his employment. That is their answer.

I personally believe that if an employer is foolish enough to wait until he has this incentive for regularizing his employment he would not have sense enough to regularize even if he wanted to, because the employer had plenty of incentive without this to regularize his employment. Every employer that is successful in managing his business is trying to make his work as steady as possible. He is not sitting around waiting to get an exemption of 1 or 2 percent from this kind of a thing before he will start regularizing. So that I agree with you entirely, Mr. Lewis, that there is not much in the argument that this will stimulate regularization of employment. But it is only fair to say that those who believe in the Wisconsin plan hold that you need that kind of an incentive to spur the employer to regularizing his employment.

The CHAIRMAN. Under the Wisconsin plan and the Ohio plan how many people must be employed before this tax is imposed?

Mr. LEISERSON. The Wisconsin law now provides that it shall apply to all employers having 10 or more employees, but the Ohio law was modeled on our workmen's compensation law and will apply to every employer with 3 or more employees.

The CHAIRMAN. You speak of employees being laid off. In a case where they lay themselves off, where they have employment and voluntarily quit on account of some disagreement as to hours or wages or terms, how would this law apply?

Mr. LEISERSON. Every unemployment-insurance law provides—and this makes provision for such regulation—that the benefits of unemployment compensation that is paid shall be paid only to those who are unemployed as defined in the act. That is to say, when a man is out of work he registers at an employment bureau for a job. He is not considered unemployed on the day that he is laid off at all. If he does not go for a week after being laid off and register himself at the United States Employment Service or the State branch of it as unemployed, that is not counted as unemployment.

His unemployment begins on the day that he says at the unemployment office, "I have no job, but I am looking for one." Then the obligation on of the employment office begins, and, as well, the obligation on the man himself. Both must try to find another job. The employment office is in the business of connecting him with other jobs. The employment office informs him that he must use his own efforts also.

The CHAIRMAN. You continue to speak of being laid off.

Mr. LEISERSON. Yes.

The CHAIRMAN. The question I asked was if he voluntarily quits his job.

Mr. LEISERSON. If he voluntarily quits his job the situation is the same. If he does not report at an unemployment office looking for another job, he is not unemployed, whether he quits himself or not; so only when he appears at the unemployment office is he counted as unemployed.

All right; suppose now he voluntarily quits and runs the next day to the employment office.

The CHAIRMAN. But suppose he complies with the law and waits a week.

Mr. LEISERSON. There is no law that he shall wait a week. The law says he shall come as soon as possible to the employment office. If he does not come for a month his unemployment will not date for a month. It is only when he happens to come. If he does not come at all he is not unemployed so far as the law is concerned.

Suppose a man voluntarily quits and goes to Florida; he is not unemployed under this act, because he has not registered at the employment offices as being unemployed. Suppose he gets another job. He has not registered at an employment office as unemployed and he does not appear. But suppose he voluntarily quits and comes to the employment office and says, "I do not have a job." They ask him, "When did you lose your last one?" He says, "I quit yesterday." They will say, "If you quit yesterday, you gave up your own job and you are not unemployed under this act." "Well", he says, "I am looking for another one." They say, "All right, we will help you get

another job." And if they get him another job within the 3- or 4-week waiting period, then he does not have a thing coming to him.

The CHAIRMAN. Suppose they get him the same one he left, and suppose he refuses to go back.

Mr. LEISERSON. Then he is entitled to no benefits. They may call up the employer and he may say, "We have a job for this man", and this man may say, "I do not want to go back", and will not give a reasonable reason for not going back. He may say and it may be proved to be true that there is some danger to his health, or something like that. But if there is a job for him there the employment office says, "You go back to your job. We cannot register you."

The CHAIRMAN. Suppose there is a disagreement between the employee and the employer, and he is not satisfied with the hours he must work or with the wages he receives, but the employer thinks he is paying him all he can afford, and he quits his job under those circumstances.

Mr. LEISERSON. Here is what we do:

The place of paying the benefits under the laws as they are worked out in the various States and that are employed here is the employment office, and he will have to register at that employment office. The director of that employment office makes the initial decision as to whether this man is entitled to benefits or not, whether he ought not to go back to work. The director of the employment office may say, "You have to go back to that other job." Suppose the man disagrees with him. It is provided that there shall be around each employment office a committee made up of representatives of employers and employees that is a review committee to decide such questions in dispute. Many questions of that kind will come up. A man will say that "the job I have to do here is beyond my strength." It is left to the committee, equally representative of employers and employees, right in his home district where they know him, to make such decisions in the first instance.

The CHAIRMAN. You realize also that there is a class of employees that never do satisfactory work with an employer, what we sometimes term "no account." They are just not qualified to do any kind of work in a satisfactory way.

Mr. LEISERSON. Yes.

The CHAIRMAN. They could not hold a job no matter how much the employer desired to keep them.

Mr. LEISERSON. There is where my original definition of insurance comes in. If a man cannot hold a job he cannot be insured. His problem is not unemployment; it is something the matter with his head, his character, or something else. You need another remedy. Insurance is only for those people who work and in whose behalf the employer contributed for at least 26 weeks. If this fellow could not hold a job more than 3 or 4 weeks and be out, you cannot insure him. Some people object to it, that insurance ought to cover everybody. Well, you might as well say that a fellow who is crazy and goes around with matches lighting things ought to be insured, too. Insurance cannot cover such people. It is just the same as when a man may be too sick to work. He may have only one leg, and therefore not hold a job. Insurance is no remedy for him. We have to have a different remedy for people who lack character, ability, or strength to work. Insurance is designed for those people who ordinarily make their living by their own efforts.

That means that probably only around 60 percent of the wage earners will be covered. I think about two-thirds. Some people say it will not cover more than 50 percent or 55 percent of all the wage earners. But we need not argue about that; say that it will cover only 60 percent of all the wage earners. I say that is why it is very important to pass an insurance act. Those who are ordinarily casual workers do not work steadily. They appear on the charity rolls in good times as well as in hard times, and they are already subject to charity. Something is the matter with them and you cannot help them a great deal with insurance.

But that 50, 60, or 70 percent of the people who are self-supporting, who maintain their families all the time, are the people that we want to keep from ever getting on a charity roll. It is very much more important to see that those people in a self-respecting way get their insurance than it is to take care of all the others, because those are the backbone of your citizenship, those who normally support themselves by their own wages.

It is not a relief problem when they are able and willing to work. Say there are only 60 or 70 percent of them. When 60 or 70 percent of them are able and willing to work and then something happens so that they cannot get work no matter how they try, to say to those people, "There is something the matter with you, and therefore go to charity", is a very great injustice. There is something the matter with industry, and we ought to say that "here is a fund at the cost of industry out of which you can draw an income, a meager income to be sure, that will keep your family together."

I would like to show you that that is just what we do with respect to workmen's compensation. We have workmen's compensation in most States now. We do not pay people for accidents. If a wage earner has a toe chopped off we do not pay him for the toe ordinarily; we pay him for two-thirds, or 60 percent of the wages lost on account of that accident. That is the way the compensation of industrial accident loss will be. If a man meets with an accident he gets medical care, and then he gets a half or two-thirds, whatever the State law provides, of his ordinary earnings to make up for his lost time, not for the accident. In other words, to make up for his unemployment on account of the accident. If a machine chops off his toe we pay him unemployment insurance, but if a machine chops off his job we say he ought not to get unemployment insurance. I am trying to have the principle that we apply when he chops off his toe and he cannot work apply the same way when it chops off his job and he cannot get another one.

The CHAIRMAN. It seems to me you take a very fair and common-sense view of what should be included in this law and how it should operate.

As I understand it, in your understanding of the insurance system, the unemployment insurance, you do not think it would take in or provide for this class. There is always a large number of people in this country who are unemployed because they will not work. They would not work if you could give them a job.

Mr. LEISERSON. No, it cannot. That is not insurance. That is charity. That is giving them money. The basis of this whole thing is that the State makes no contribution. The employer contributes 3 percent of his pay roll. For whom? For the people that work for

him, for each week they work for him. If these people did not appear on the pay rolls as bona fide workers for 26 weeks to build up a fund, the insurance would not cover them and should not cover them. They are a problem just as your old people are a problem. It is not a remedy to tell the old people who are too old to work, "You ought to go and get a job". You have to handle them in a different way. These people who lack mental or moral or physical qualities and cannot or will not work, cannot have their situation handled by insurance. It is not their problem.

The CHAIRMAN. The worker who is not efficient and competent would not be embraced in this system?

Mr. LEISERSON. The inefficient and incompetent would not be embraced if the employer did not keep them working for a year or 2 years. The idea is, there are no inefficient or incompetent people working in all our factories. If they are working and the employer keeps them, and they are on his pay rolls, we assume they are competent or he would not keep them. It is only when they are so incompetent that he kicks them off the pay roll and they are not on pay rolls; then they would not pay, of course.

Mr. KNUTSON. Right there, you say the employer must pay 26 weeks before the man becomes eligible to unemployment insurance. Suppose the employer had paid for Mr. Blank the necessary 26 weeks, and the day after the necessary 26 weeks were up he developed a serious case of hookworm and he loafed on the job and was fired. What would happen to that man?

Mr. LEISERSON. There is a provision in there, you will find, that a man's benefits should be maximum 1 week of benefit for 4 weeks of payment. Of course, if it were shown that he was loafing; that is, if a bona fide job were offered to him and he did not take it, then he is out, he gets nothing. But suppose he can prove that he had hookworm, he would get—

Mr. KNUTSON. Well, I meant just malingering. Use that word.

Mr. LEISERSON. Yes; If they catch him malingering, particularly if they offer him another job and he does not take it, he gets no benefit. But suppose he even puts it over the committee that analyzed the thing, then he would get 1 week of benefit for 4 payments that were made, and then he is through, if he does not work again.

Mr. KNUTSON. That would be 6½ weeks.

Mr. LEISERSON. Yes, and then he is through.

Mr. KNUTSON. You know there are a lot of good men who would throw up a job for 6½ weeks of idleness if you gave them the opportunity.

Mr. LEISERSON. I agree with you, but you are assuming—

Mr. KNUTSON. I am not assuming, I am taking human nature as it is.

Mr. LEISERSON. Exactly. It is also true that a lot of people set fire to their own houses. There are a lot of people who say that things were stolen from them when they have theft insurance, that really were not. There are a lot of people who say that they had industrial accidents. A fellow says he sprained his back when he was lifting a casting in a foundry, and he is trying to make out that he had an accident when he really did not. Human nature is like that. We cannot avoid protecting the 90 percent because there are

always people around who will abuse the necessary protection. All you can do is to try to make sure that your administration is such as to catch those malingerers. But you cannot go on the theory that 70 percent of the people are all malingerers. There is no question of the danger, but that is true in every insurance.

Mr. KNUTSON. What was your experience in Ohio with malingerers?

Mr. LEISELSON. We have not enacted a law. It was merely a bill. It was not carried. But on the workmen's compensation we have some problems of malingering, but those are handled. They are not very serious. They are a very small percentage of the total; a very small percentage of the total.

Mr. KNUTSON. As I understand this measure the employer pays the Federal Government 3 percent of his pay roll.

Mr. LEISELSON. That is right.

Mr. KNUTSON. How will the States raise their share?

Mr. LEISELSON. Exactly the same way.

Mr. KNUTSON. Then if an employer pays 3 percent to the Federal Government and he pays 3 percent to the fund in the State wherein his business is situated, that makes 6 percent.

Mr. LEISELSON. If a State enacts a law calling for 3 percent and he pays the 3 percent tax in the State, he files that receipt with the Federal Government and his Federal tax is remitted. That is what the bill provides.

Mr. KNUTSON. Then you really have only one payment?

Mr. LEISELSON. Yes; one payment only. Let me explain that:

When we introduced these bills in the States, in Ohio and in Wisconsin—20 States have had the bill—industry came in to the State legislatures, and they properly said,

If we in Ohio have to pay 3 percent for unemployment insurance and they do not have anything in Kentucky, Kentucky businesses will take away our orders from us.

That feature of the interstate competition of these industries is a very valid argument, therefore the National Government is interested in this problem, because we are paying that now, only instead of the industries in each State paying it in an orderly way, we are paying it out in the millions of dollars that the Federal Government is appropriating to take care of these unemployed, and we are mixing up the incapacitated and the old, and everybody is a relief case. We are mixing them up with self-respecting working men and handing them all a lot of money. If the Federal Government will say that every employer of more than 3 or 4 or 5 people where there is a modern industrial risk of unemployment shall pay 3 percent, then if a State enacts a law to pay 3 percent, the Federal tax is remitted because he has already paid it. The other State does not enact a law. In the other State the employer is taxed so he cannot chisel on the State that is going forward.

Mr. DINGELL. Thus my reference has been made to those who have been employed and have lost their jobs and then went out and registered with the State employment office. Right at the present time the situation is different. There is an element now of self-respecting citizens who are only too eager to get a job and to go to work. I just received a letter today from a high-class lawyer who went to work pushing a broom or shovel around or tending to some

pumps in the Ford Motor Co., and he was one of the finest lawyers in the city of Detroit, but he was not too proud to work and maintain his family. The majority of the unemployed are of that character. What are we going to do with those people? Are they going to have the privilege, since they are unemployed, and have no connection with any employer at the present time? They, of course, under this act are eligible, are they not, to go and register at the unemployment office of the State agency, and, after a certain waiting period if the State employment agency cannot place them, to reap the benefit under this act?

Mr. LEISERSON. No, sir; no, sir. It would not be insurance.

Mr. DINGELL. If your negative answer, then, is going to stand, it means that probably eight or nine million of our unemployed are not eligible for benefits under this plan.

Mr. LEISERSON. No, sir, again. Now, let me explain that, please. I said in the first place this was an insurance act. This is not an act to solve the whole problem of unemployment. There are some people who are out of work because they are sick. You would not want under an insurance act to have a sick person go down to the employment office and say that he shall get insurance under an unemployment insurance act?

No. Similarly, there are some people too old to work. There are other people who are now out of work, who are able and willing to work, but if they are not now working in a private industry, obviously that industry cannot include them because they are not working there. As fast as they get employment in industry—and I do not believe that these 9 million people are going to be out of work all the time. In December of this year we had the largest increase in employment of any December for 15 years, contrary to the seasonal trend. That is one of the best evidences that people are getting back into employment. Only those people who are at work can be insured. Those who are out of work and do not get back to work for a year, say, will have to be handled with a different remedy. Insurance is no remedy for them. To give them 5 or 10 or 15 dollars a week and name it insurance is just naming a cat's tail a leg and saying the cat has five legs. It is not insurance when you give people who are not working relief of some kind.

As I understand the President's program on this thing, those people who are not back to work will be given opportunities for employment on the public-works program. Their remedy is work, not insurance. As soon as they get on a job, that is insurance. Then the insurance will begin for them.

Mr. KNUTSON. You refer to this as insurance, but several preceding witnesses emphasized the fact that this was unemployment compensation. Who is right?

Mr. LEISERSON. I think that is a matter of words. "Unemployment compensation" is the name for the benefits we receive; just the same as you call the 3 percent a tax, I call that a premium, the premium, you pay for the insurance. The benefits that the worker gets I call the insurance benefit and they call it the unemployment compensation. But the principle is insurance.

Mr. DINGELL. Doctor, we are facing a condition and not a theory. Moreover, it is a condition that we cannot laugh away. It is with us. We have eight or nine million of unemployed, regardless of how they

are going to be taken care of temporarily. You must provide for them permanently. You assume, now, for example, they are to be put on the Federal pay roll through public works. Maybe that is not an insurable classification.

Mr. LEISELSON. That is right. Then they would not be insured.

Mr. DINGELL. I make specific reference to able-bodied willing men under 65 years of age because those above 65 will be taken care of by a method of old-age pensions.

Mr. LEISELSON. I agree with you entirely.

Mr. DINGELL. But I am interested in some remedy. I contend it is the problem of industry, regardless of whether the individual is employed now or not, because at some previous time, probably 3 years ago, that man was working for an automobile manufacturer, or a typewriter manufacturer, or a stove manufacturer, or in a mine, or aboard a steamship somewhere, but because of the tie-up of steamships and because of a tremendous reduction in employment, that man has been unable to make a connection elsewhere or be reemployed by his former employer.

Mr. LEISELSON. I agree with you entirely.

Mr. DINGELL. If he gets into a public-works job that is being financed by the Government, that will be a job where he will not be eligible for benefits under this bill?

Mr. LEISELSON. That is right. Now, I want to make perfectly plain not only the men who worked 3 years ago, but I think more important the boys who came out of high school and college and have not had a stitch of work for 3 years, are the worst problem, and a remedy is needed for them, I agree with you. A remedy is needed for them. But when you are seeking a remedy for them—and I have some ideas on that subject, but it is not pertinent here, I think—the only pertinent thing is that insurance is not the remedy for those people. For them you have to provide either work, public work, relief, additional training, or various other remedies.

Mr. DINGELL. But what are you going to train them for, Doctor, if you do not have a job for them?

Mr. LEISELSON. Exactly. Then if training were out; you would have to seek another remedy. I am not objecting to a remedy for them, but do not take the money from the people who have bought insurance and use that money to pay to these people. The Federal Government, if you think it ought to solve that particular problem of those people, ought to solve it. But the moment you mix up the insurance for people who are working with the remedy you are going to give for people who want to work and cannot under any circumstances get work, then you are making both remedies wrong. Keep your remedies separate. I am just as much interested in having something done for those people who have no work as you are, but I would not have this insurance given to these people, because it is no remedy for them.

Mr. DINGELL. Just one more question.

We will assume that there is a law firm which in its heyday employed 15 or 20 more law clerks than it is employing today. Those men are worthy. They are family men. They have certain obligations and responsibilities, and they are willing to go to work anywhere and accept almost any kind of a salary. Under the terms of the pending bill they would not be covered?

Mr. LEISERSON. They would not be covered, and they should not be covered. They need another remedy for unemployment; another remedy.

Mr. DINGELL. They are not covered because they are more or less professional men; is that the idea?

Mr. LEISERSON. No; because insurance is designed for those who are working. Insurance is not a remedy for all the problems. It is only a remedy for one part of the problem, for those who are normally working, and you cannot, until they get a job in industry, handle their problem by insurance. You need to handle it, but in another way.

Mr. DINGELL. Is it not true that the employer now is going to retain his present force—he is going to hold tenaciously to the idea of employing his present force?

Mr. LEISERSON. He is hiring more.

Mr. DINGELL. He realizes that that is going to stabilize unemployment and probably reduce the premiums necessary.

Mr. LEISERSON. But he is hiring them more each month now, if you will look at the index of employment.

Mr. DINGELL. I appreciate that. But at any rate, he is going to try, by maintaining that stabilized condition in his industry and in his factory or in his office, to make it increasingly difficult for these unemployed to ever get hooked up to a job and thereby get unemployment insurance.

Mr. LEISERSON. I just came from a conference this morning where employees and employers sat together trying to work out a way to keep as many men employed as possible rather than lay more people off and keep the work for the few. Efforts are being made to spread work and to employ people. We cannot base our action on one assumption like that.

Mr. BROOKS. With regard to these men that are out of work, and in connection with these employment agencies, you have a man who is out of work and accepts a position with the P. W. A. You have another man beside him who is out of work and looking for a position. That man that accepts the P. W. A. job—does he get preference?

Mr. LEISERSON. He gets no preference at all.

Mr. BROOKS. I say, when you come to select a man to go back into the insurance class, who gets the preference?

Mr. LEISERSON. I do not know. This bill does not cover the point. I imagine an administrative regulation will cover that.

Mr. BROOKS. Would a man, in other words, be punished if he went on the P. W. A., or be neglected?

Mr. LEISERSON. I certainly think he ought not be, but that detail has not been covered. A regulation would have to be made not to punish a fellow simply because he got the job. Yes; I think you are right about that.

Mr. HILL. Mr. Leiserson, you referred to Mr. Green's statement as to the proposition that this plan should be national rather than left to the States, and expressed a fear that there might be some legal difficulties. I want to get, if I may, a little more clearly just the distinction you make as between the jurisdiction of the Federal Government and the jurisdiction of the State government in this matter. You refer to a national system. Do you have in mind the same kind of system that Mr. Green called a "national system", or a grant-of-aid plan or a subsidy plan, when you speak of a national system, or do you mean to have it wholly Federal?

Mr. LEISERSON. What Mr. Green had in mind was—he said that a national system would be unconstitutional, a wholly Federal system, although he preferred that; but he thought that a Federal so-called “grant-in-aid system” by which the Federal Government collected the money and then turned, say, 80 or 90 percent back to the States so that the Federal Government would control all the terms on which the States would operate their system, would be perfectly constitutional, and he preferred it to the Wagner-Lewis bill.

My opinion on the legal aspect of this thing is not worth anything, because I am not a lawyer. My opinion was made up as a practical person who has to deal with these questions. If any questions of constitutionality are coming up, I find on consulting lawyers that there are just as many people saying it is constitutional as that it is not constitutional. Therefore, it will get into the courts; and by the time it gets finally decided in the courts, it may be 2, 3, or 4 years.

I am interested in getting action quickly on this very important problem. If you use the principle of the Wagner-Lewis bill, no matter what the court does the States have enacted their own laws, and there is no question that they have the right to set up their own laws and regulate their own conditions. We might have 10 or 12 States this year enacting those laws.

If later the court decides a national system or a grant-in-aid system is perfectly constitutional, it will be very easy to work those in; but I do not want to lose the opportunity or deny the opportunity to the people of New York, Ohio, Illinois, and Pennsylvania, who want to enact laws now. I do not want to tell them, “Do not enact them. The Federal Government is going to enact one”, and then have them tied up in the courts. It is purely a practical proposition. I am no lawyer and cannot pass on the legal questions for you.

Mr. HILL. The provision in this bill for an old-age annuity is wholly a Federal plan, is it not?

Mr. LEISERSON. I told you I know very little about that. I did not work on it. In the old-age pension where you got 50 percent?

Mr. HILL. The old-age annuity.

Mr. LEISERSON. The annuity is supposed to be on the basis of a Federal plan.

Mr. HILL. It is wholly Federal; yes.

Mr. LEISERSON. Yes.

Mr. HILL. Because the Federal Government imposes a tax upon the employer and upon the employee.

Mr. LEISERSON. That is right.

Mr. HILL. That tax, so far as a particular employee is concerned, is an individual account with and for him?

Mr. LEISERSON. Yes; wholly individual.

Mr. HILL. And he gets the annuity that is paid into that fund to his account?

Mr. LEISERSON. Yes.

Mr. HILL. There is a distinction between that and this unemployment compensation?

Mr. LEISERSON. That is right.

Mr. HILL. This particular provision you are discussing?

Mr. LEISERSON. Yes. The reason for that, I might say, Mr. Hill, is this: That part, the annuity plan, is something that really will not get into operation for many years, because they have just barely

begun. Those people who are old now are going to operate under the State pension laws and the 50 percent subsidy they will get. This annuity plan, since it is something for the future, can very well be tried out in the courts on that basis and no harm is done. There is another reason for the Federal Government handling these older people, because a man may be born in New York, yet die somewhere in California, or he gets old over there. However, it is not something that I am prepared to discuss, because I did not work on it.

Mr. HILL. I am talking about old-age insurance as compared with the unemployment insurance. I am confining it to the insurance features under the two provisions. Now, you take a pooled fund in a State under the unemployment-compensation plan of this bill. That constitutes, as I take it, a mutual-insurance plan among the employers for the benefit of the employees. That is a mutual proposition on that basis, on that theory.

Mr. LEISERSON. That is correct.

Mr. HILL. There might be some question as to whether the Federal Government could put into operation a mutual-insurance plan within a State or within the whole United States, while if it made this plan individually to each employee, and had an account separately for each employee as is done under the old-age annuity plan, it might be perfectly legal, but probably impracticable.

Mr. LEISERSON. Yes. But again the Federal Government does not inaugurate the mutual-insurance plan in the State. It merely levies a tax. The State inaugurates its own mutual plan under this Wagner-Lewis bill. That is why I think it is preferable.

Mr. HILL. That is what I stated. Now, it is your idea that these legal complications should be avoided in order to expedite the operation of the plan?

Mr. LEISERSON. Yes, sir.

Mr. HILL. A grant-in-aid system might be likened, of course, to the Federal aid for public highways, for instance. In that case, however, it is a pure subsidy. The Federal Government has levied taxes, general taxes, and out of the general fund of the Treasury appropriates a certain amount of money which is used as a subsidy to the States in the construction of highways. It does not involve, of course, the question of levying these taxes upon employers or employees to raise the fund.

Mr. LEISERSON. Highways can easily be connected with interstate commerce. It would be pretty difficult to connect manufacturing of, let us say, pocketbooks within a State to interstate commerce.

Mr. TREADWAY. What is the title of this board you are on?

Mr. LEISERSON. National Mediation Board.

Mr. TREADWAY. No; that is your official position, is it not?

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. That is a Government position?

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. But I mean the board that you are on in connection with this bill.

Mr. LEISERSON. That is the technical board to the committee. You will find in the report to the committee at the back of the report on page 51 a list of the members of the technical board.

Mr. TREADWAY. The technical board, yes.

Mr. LEISERSON. I am a member of that.

Mr. TREADWAY. Every one of those gentlemen there is connected with the Government, is he not?

Mr. LEISERSON. Yes. The idea was to take those who are employed by the Government now and who have some expert experience on these social-security questions, and put their expert knowledge at the service of the committee.

Mr. TREADWAY. Expert experience?

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. Of what does that experience consist?

Mr. LEISERSON. You mean my own?

Mr. TREADWAY. Well, in general, on that committee.

Mr. LEISERSON. I can tell you my own.

Mr. TREADWAY. What was your experience? Do not be modest about it; speak right out in meeting here.

Mr. LEISERSON. In 1908, after the panic of 1907 and the depression that followed it, the State of New York appointed a commission on unemployment to study the problem of unemployment, and I was then hired to handle the unemployment problem for them. I was their expert on unemployment. That was my beginning of expert work on unemployment. I drafted the New York State Public Employment Service law, which was enacted in 1914. I made a study of unemployment.

Mr. TREADWAY. Workmen's compensation came before that in New York State, did it not?

Mr. LEISERSON. Yes. I might add that the same commission, the Wainwright commission—it was called the New York Commission on Employers' Liability and Unemployment. I worked for them on both problems, but I was the expert on unemployment.

Mr. TREADWAY. That act was enacted previous to the one you are referring to now?

Mr. LEISERSON. Yes; that one was enacted in 1910.

Mr. TREADWAY. Then Massachusetts followed in 1911, did it not?

Mr. LEISERSON. Yes.

Mr. TREADWAY. That is called the "workmen's compensation act"?

Mr. LEISERSON. That is right.

Mr. TREADWAY. That had more to do with accidents.

Mr. LEISERSON. That was with accidents.

Mr. TREADWAY. Yes.

Mr. LEISERSON. But in addition to that, the third report of this same commission that came out in 1911 was a report on unemployment. I wrote that report. We made recommendations that in dealing with the problem of unemployment you have to start with a system of public employment bureaus, and they did not have them before in New York State. The 1913 legislature defeated the bill, but the 1914 legislature enacted it and it has been in existence since.

From there I went to Wisconsin and organized the State employment services in that State and operated them.

Mr. TREADWAY. Similar to New York?

Mr. LEISERSON. Similar to New York. I operated them, as well as regulating the private labor agencies. Part of the duties under each of the acts setting up the employment service was to study other measures for dealing with unemployment besides these questions. Of

course, in a general way I have studied unemployment also because of my professional work as Professor of Economics at Antioch College in Ohio, in Yellow Springs, Ohio.

Mr. TREADWAY. When did you leave Wisconsin?

Mr. LEISERSON. I left Wisconsin in 1915.

Mr. TREADWAY. You were there only a year?

Mr. LEISERSON. No, sir; I came back to work on the bill. I started in 1911.

Mr. TREADWAY. That is immaterial; I just wanted to get your expert experience.

Mr. LEISERSON. During that time, I went to work with the United States Commission on Industrial Relations appointed by President Wilson. I had charge of the unemployment study for that commission. They made their report in 11 volumes.

Then, during the war, I went with the United States Employment Service and helped to organize that all over the country. Right after the war I became the arbitrator in the men's clothing industry under an agreement between the organization of employees and the manufacturers in Rochester. From Rochester I went to New York, to Baltimore, and then Chicago, organizing the labor relationship between them on the basis of mutual agreements and the arbitration of all disputes. I was the arbitrator, the "impartial chairman", as they call him of those adjustment boards. We are constantly dealing with all the problems of employment and unemployment. I was in that position in Chicago when the first unemployment insurance scheme set up jointly by all of the clothing manufacturers of Chicago and 30,000 employees was set up on a voluntary basis.

Mr. TREADWAY. How long have you been at Antioch?

Mr. LEISERSON. Since 1926. I have continued in this work on a part-time basis.

Mr. TREADWAY. The reason I am asking these questions, Professor, is to get a better idea of what you consider as expert opinion.

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. I can see from the theoretical viewpoint that you are a complete expert, well worthy of the position you now hold, and if not in the "brain trust", deserving to be there. But I am interested in another angle of this matter having to do with the practical industrial side, the fellow that has been out in the mill, the fellow that has grown up in the business. We have not had many witnesses of that type here. We have not had any, I think, up to date. They have been of your general make-up, expert from the theoretical viewpoint.

Mr. LEISERSON. Your assumption is that I never worked for my living, but I worked in shops.

Mr. TREADWAY. You work with your brain. I am looking for some of those that work with their hands.

Mr. LEISERSON. I worked with my hands very much. From 1914—

Mr. TREADWAY. Well, to get away from personal opinions, this Technical Board of which you are a member is made up of men if not with all the qualifications you have, at least some of them, is it not?

Mr. LEISERSON. I think so.

Mr. TREADWAY. Of the same general character, that is what I am getting at.

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. Not the industrial man at all?

Mr. LEISERSON. If you mean as to whether they were employers or employees, no.

Mr. TREADWAY. They are college professors, largely; along that line?

Mr. LEISERSON. But the Advisory Council, whose list you have right before that, are only what you call "practical men." You see, those are entirely of that character.

Mr. TREADWAY. We are looking at this Technical Board for the moment. Never mind this Advisory Council.

Mr. LEISERSON. It was designed only to be a technical board in that sense.

Mr. TREADWAY. What I am coming to is, what part of the bill we have before us did you draft or help draft?

Mr. LEISERSON. I worked entirely on this unemployment insurance part of it.

Mr. TREADWAY. Is this your language in here?

Mr. LEISERSON. No; I did not write the exact words.

Mr. TREADWAY. Who drafted that part of the bill?

Mr. LEISERSON. It was drafted by a good many of us together. Some of the paragraphs I wrote and some others wrote. We sat around the table and worked on the language, much as you would. Then we would instruct one of the staff that was working for the committee to go out and type it out and come back, and then we would work it out.

Mr. TREADWAY. That describes one of the faults I find with the bill. I am for the general subject of legislation along this line, but we have gotten put together here a bill under 8 different titles, trying to do 8 different things. We ran into the fact here this morning that care of children and cripples and mothers had nothing to do with the people interested in public health. Now, as you say, in the drafting of this title you and 25 other men and women have put in a sentence here and there.

Mr. LEISERSON. There were not that many. We had a subcommittee on unemployment insurance composed of about six people, and we worked on that. I can say that I agree to everything that is in on that unemployment insurance part. But aside from that, I cannot—

Mr. TREADWAY. You admit that the old-age feature does not come under your line? You do not know much about that part?

Mr. LEISERSON. No; I did not work on it. I know something about it because I have been interested in it, but I was not on the subcommittee on old age.

Mr. TREADWAY. But have all these other details, these eight different titles in this bill, been put together in somewhat the same way that you are telling us that your particular one was?

Mr. LEISERSON. Yes, sir. This Technical Board met and then decided we were dealing with the problem of social security. "Let us subdivide ourselves into subcommittees, one on old age, one on unemployment insurance, one on health, and so on." Some of us were on two committees.

Mr. KNUTSON. Did you draw lots to determine on which subcommittee you would be placed?

Mr. LEISERSON. No, sir. We decided it on the basis of the things that we knew most about.

Mr. TREADWAY. Are there men and women on your Technical Board that know just as much about other subjects as you do about this unemployment?

Mr. LEISERSON. Yes, sir; very much so.

Mr. TREADWAY. You are the first—well, possibly there has been one other before us, I think Mr. Lattimer, and he is the chairman of the old-age committee—

Mr. LEISERSON. Yes, sir; he headed up the old-age committee.

Mr. TREADWAY. Who headed up public health and child welfare and all that? In other words, where do we get this bill from? That is what I would like to know. We have had a good deal of discussion at various times about other measures that do not seem to have any parentage. I would like to know who the parents of this measure are.

Mr. LEISERSON. I do not see why there should be any difficulty—

Mr. TREADWAY. There ought not to be, but there is.

Mr. LEISERSON. I cannot tell you from this list who headed up the public-health committee, but there was a health committee and an old-age committee and a relief committee and an unemployment insurance committee. You certainly ought to be able to get it.

Mr. TREADWAY. You did not have a tax committee, did you?

Mr. LEISERSON. Yes, sir.

Mr. TREADWAY. Are the taxpayers in there, too?

Mr. LEISERSON. Yes, sir; very much so.

Mr. TREADWAY. The taxpayers?

Mr. LEISERSON. Yes.

Mr. TREADWAY. On your committee?

Mr. LEISERSON. I think I pay some taxes; pretty heavy ones.

Mr. TREADWAY. You have not written that clause, anyway. However, if you have, how much is this bill going to cost if enacted into law as submitted by our chairman here on the 17th of January, 2 weeks ago?

Mr. LEISERSON. I can tell you on the question of unemployment insurance that we are trying to have it cost the Government nothing. We are trying to make it on the basis that industry should pay its charges for unemployment. Now, a 3-percent fund will bring you about \$600,000,000. Ordinarily it will bring you about 800 or 900 million.

A prosperous year like 1929 it will bring you a little over a billion. I told you I did not work on the others, but there are men who worked on the others who could make the same estimates for you on the others.

Mr. TREADWAY. Mr. Witte made that same estimate, and he estimated a good many others because he was the general manager.

Mr. LEISERSON. He was the general man.

Mr. TREADWAY. Is he the clearing house for the whole outfit?

Mr. LEISERSON. He was the director of the committee.

Mr. TREADWAY. All right, Mr. Chairman; I think that is all.

Mr. DUNCAN. Assuming that each State is permitted to pass its own unemployment insurance law, with few industrial activities in Kansas and a very considerable number in Missouri, what in your opinion would be the likelihood of a shift of the people from Kansas into Missouri with the thought that they might ultimately come within the provisions of a more favorable act in an industrial State or industrial centers?

Mr. LEISELSON. I think that if the State of Missouri enacted the law, and the State of Kansas did not enact the law, there would be a tendency on the part of the employees to want to go to the State where they got better protection. However, their possibility of coming under the law would depend on their ability to get a job in the State. On the other hand, when the employers of the State of Kansas see that they have to pay the 3-percent tax anyway, the purpose of this Wagner-Lewis bill is, very frankly, to lead those employers to join the employees in establishing a similar law, since they have to pay it anyway, and avoid this paying of the tax and moving of the people to other States.

Mr. DUNCAN. It would be an inducement to every State to provide such a system of unemployment insurance?

Mr. LEISELSON. Yes.

Mr. THOMPSON. I would like to ask the Doctor what his opinion is as to the real benefits that will accrue to the men employed generally in the building trades under this unemployment-insurance plan, keeping in mind that men generally employed in the work have different employers, as many as 25 or 30 throughout the year. A contractor gets a building and he hires all the bricklayers and carpenters he can until the job is done. Then they may be loafing 3 or 4 weeks and then work for some fellow down the street. What benefit is he going to get out of this?

Mr. LEISELSON. The building trades will get exactly the same benefit as any other industry. However, the mere fact that you work for many employers does not make any difference, because every time you work for an employer a contribution is made by the employer. So the fact that you had 1 employer or 30 would not make any difference. The important thing in the building trades is that it is a seasonal industry. Although they work for a good many employers, they might not have more than 8 or 9 months of employment in the whole year.

Mr. THOMPSON. That would be strong, I might say.

Mr. LEISELSON. There might be only 7. There is a provision in most of the State bills—of course, this Federal law does not go into this because the Federal law is designed only to collect this tax in order to get the States to enact certain laws—but most of the State bills would do this, and you will find it in the New York State bill and in the Ohio bill. Seasonal industries do not insure for the full 12 months. It provides that the best practice of the employers in every seasonal industry shall be taken. You take 8 months or 9 months, or whatever is the best practice in seasonal industries. Then you provide for the unemployed within that seasonal year. You do not provide for the unemployment beyond that seasonal year. That is the way that thing is handled in seasonal industries. So that if a man loses time in between a lot of jobs, and the building season might be 9 months or 10 months, but he only works 8 months, then he would get insurance as between the 8 and 10 months, but not for the full 12 months.

Mr. THOMPSON. It is put on the same basis as compensation insurance is paid, then, in case of serious injury while employed?

Mr. LEISELSON. Yes, sir.

Mr. KNUTSON. Doctor, on page 10, the definition of "dependent children"; were you on the subcommittee that dealt with dependent children?

Section 203:

As used in this title, "dependent children" shall mean children under the age of 16 in their own homes, in which there is no adult person, other than one needed to care for the child or children, * * *.

And over on page 12, subsection (d):

An annual statement of the number of dependent children whose mothers are receiving aid or are on the waiting list therefor under the State plan for aid to dependent children.

I was wondering whether those two paragraphs were drawn by two different committees.

Mr. LEISERSON. I do not know. I was not on the committee on dependent children. I ought to be. I have seven of them. But I was not on that committee.

Mr. KNUTSON. Are you speaking boastfully or just for the information of the committee?

Mr. LEISERSON. Boastfully. I was not on that committee. But Miss Lenroot is here, who was on the committee.

The Commission has calculated the various amounts of unemployment insurance that can be bought for various premiums ranging from 2½ percent of the annual wages paid to the insured employee up to 5 percent. In doing this, it has considered the changes in cost of insurance as the waiting periods and maximum limitation on amount and duration of benefits vary. Following is a summary of these calculations:

Percent of pay roll required to purchase various amounts of unemployment insurance

Percent of payroll	Will buy benefit of 50 percent of wages--			Percent of pay roll	Will buy benefit of 50 percent of wages--		
	For a period of--	With a maximum weekly benefit of--	After a waiting period of--		For a period of--	With a maximum weekly benefit of--	After a waiting period of--
	<i>Weeks</i>		<i>Weeks</i>		<i>Weeks</i>		<i>Weeks</i>
2.55	13	\$15.00	4	3.49	16	\$17.50	3
2.75	13	15.00	3	3.87	20	15.00	3
2.94	13	15.00	2	4.10	20	15.00	2
2.94	13	17.50	3	4.36	26	15.00	3
3.13	13	17.50	2	4.40	20	17.50	2
3.26	16	15.00	3	4.67	26	17.50	3
3.45	16	15.00	2	5.03	26	17.50	2

After a very careful consideration of these combinations and of many others, the Commission has reached the conclusion that a reasonable amount of protection can be purchased for approximately 3 percent of the pay roll, a price which, when shared by employers and employees, will be easily borne and not represent an unreasonable charge upon industry. This percentage will buy the following amount of insurance: A benefit of 50 percent of the normal weekly wage of the insured, beginning after a waiting period of 3 weeks, and payable for a period of 16 weeks, the maximum benefit in no case exceeding \$15 per week.

Mr. KNUTSON. Miss Lenroot was on yesterday. That probably should be cleared up.

Miss LENROOT. Yes; it should be cleared up. It is a discrepancy.

The CHAIRMAN. We thank you, Doctor, for the excellent statement you have made.

The committee will now take a recess until 10 o'clock tomorrow morning. The first witness to be heard in the morning will be the Attorney General of the United States.

(Whereupon, at 4:30 p. m., Jan. 28, 1935, an adjournment was taken until 10 a. m., Jan. 29, 1935.)