HOUSE No. 752

The Commonwealth of Massachusetts

BIENNIAL REPORT

OF THE

STATE ADVISORY COUNCIL

DIVISION OF EMPLOYMENT SECURITY

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CONTENTS

The Commonwealth of Massachusetts

Division of Employment Security,
State Advisory Council,
881 Commonwealth Avenue, Boston 15, January 10, 1947.

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled.

In accordance with section 5 of chapter 20 of the Acts of 1939, the State Advisory Council of the Division of Employment Security has the honor to submit herewith its Biennial Report to the General Court.

Mr. Irving E. Rogers has not signed this report as he resigned, due to pressure of private business activities, prior to the adoption of the report.

Respectfully submitted,

WILLIAM G. SUTCLIFFE,
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ANTONIO ENGLAND.
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The Commonwealth of Massachusetts

BIENNIAL REPORT OF THE STATE ADVISORY COUNCIL DIVISION OF EMPLOYMENT SECURITY.

I. Special Studies.

EXTENSION OF COVERAGE TO MAJOR AREAS NOT NOW COVERED.

Pre-eminent among the problems facing the Council today is that of the possible extension of coverage of the workers of those groups of employers who have never been included for coverage under the Federal Social Security Act, nor under state laws with very few exceptions, but in no State are all of these groups covered at this time. The workers involved in this exemption of employers include —

I. Domestics.
II. Agricultural Workers.
III. Federal, State and Municipal Employees.
IV. Employees of Non-profit Organizations, including educational, scientific and benevolent institutions.
V. Maritime Workers. (These workers have just recently been covered under the federal act.)

As far as coverage by the States was concerned, some of these exclusions were necessitated by limitation on the State's authority; others were dictated by administrative difficulties.

As for the need for coverage, it may be assumed that one worker has as much right to unemployment compensation protection as another. It must be recognized, however, that because of the nature of their employment, some workers have less need for protection than other

workers. This was brought out forcibly in testimony of representatives of the various "exempted" groups. For example: representatives of hospitals, educational institutions, religious and charitable organizations stressed particularly the lack of labor turn-over in their institutions and the disproportionate burden of taxation which would be imposed on them if they were to be covered under the law, as compared with the benefits which their employees would derive from the program.

I. *Domestics.*

The Council unanimously agreed that it would be unwise to attempt to cover this class of workers at this time, due mainly to the administrative problems involved. Further, it would prefer to await the possible coverage of domestics under the Federal Old-Age and Survivors Insurance Program, which has been recommended at the federal level, before undertaking to cover them under the Unemployment Compensation Program, as their inclusion under the latter program is neither urgent nor desirable until some of the complexities surrounding such coverage can be solved and a workable system devised.

Some of the questions the problem in this area raises are —

1. *Definition and Coverage.* — Should the definition of "domestic" include only the full-time worker of one employer; or should it include also the part-time worker who may work one full day, or part of a day, for several employers? Should the individual doing domestic work by the day for different employers be considered as self-employed and therefore an independent contractor?

Foreign experience may be of interest in this connection. In an article by the staff of the Social Security Administration on "Unemployment Insurance and Domestic Workers" prepared in 1943, it was stated that —

> Domestic workers in private homes have traditionally been excluded from Unemployment Insurance. Not one of the eight countries which had compulsory Unemployment Insurance in January, 1939, covered the majority of private domestic workers, although

Germany had included them from July, 1927, to May, 1933. Female household workers were exempted in May, 1933, as part of the Nazi re-employment drive, on the ground that housewives would be able to hire more domestic help if no insurance contributions had to be paid. The German definition of a domestic worker had always precluded coverage of part-time or day domestic workers under Health or Unemployment Insurance; only workers who lived in their employers' homes, or would have lived in had there been room, were considered eligible for coverage. Great Britain extended coverage to male domestics in private households in 1938, but these were entirely outdoor workers, such as gardeners and chauffeurs. Great Britain limits coverage to workers who have a contract of service, and it is not clear that day workers would meet this test.

Illustrative of the problem of determining who is or is not a domestic are the examples given below: —

Sitters: Persons called in of an evening to take care of children for a few hours. Are such part-time workers considered to be in the labor market, and true domestics?

Family relationships: Many relatives live together and divide the domestic part of the household work between them, no one receiving cash as salary but they do receive payment in kind in the form of board and room. The question is raised as to whether such relatives should be considered domestics and possibly entitled to unemployment compensation if they should decide to leave the household and seek employment?

Employees of private estates: Some persons combine indoor domestic work with outdoor work, such as gardening. The question raised here is whether such individuals should be considered as engaged in domestic work or in agricultural labor?

Nurses: Some nurses combine professional nursing care with household chores. The question is raised as to whether they should be considered full-time domestics?

2. *Method of Taxation.* — The alternative of using a stamp system instead of quarterly reporting of wages and collection of taxes requires exploration. It is understood the Social Security Administration in Washington is presently working on a stamp system which they feel may be feasible in effecting this coverage and the results of this study should be helpful in the problem.

3. *Method of Policing.* — A major problem undoubtedly would be the obtaining of accurate wage reports from housewives. Consequently, a very large number of employers would have to be supervised for a small aggregate tax amount.

4. *Payments in Kind.* — The question of payments in kind also has administrative difficulties in that, in addition to food and shelter, the value of clothing or other personal property received might have to be taken into consideration in evaluating wages received.

5. *Voluntary or Involuntary Quittance.* — The lack of standardization of working conditions and employment practices for domestic workers would make it difficult to determine the existence of compensable unemployment, particularly partial unemployment. Many more disputed cases might be expected among unemployed claimants in the domestic field than in other occupations, which would result in a high cost of administering benefits in proportion to the average benefit rate which might be expected in this occupational group.

6. *Method of Identification.* — Since the States utilize the Social Security Number as a key to the processing and payment of benefits, it would be desirable that domestics be first covered under Old-Age and Survivors' Insurance. The index of Social Security Numbers thus gained would then serve as some basis of identification for unemployment compensation purposes.

Of all 51 jurisdictions, only New York State has provided for unemployment protection for domestic workers in private homes. However, employers of less than four workers are not required to make contributions in New York, and very few households employ that number.

Statistics indicate that in 1940 there were in Massachusetts approximately 69,952 domestic workers, and in 1944 this figure dropped to about 50,000 due to the entrance of domestics into war work. Many of these individuals acquired new skills during the war period and will not return to domestic work. On the other hand, many others will be attracted to the field of domestic work by virtue of its

progressively high salaries and less confining hours and duties which the workers have gained for themselves in recent years. In fact, the public employment offices of the Division of Employment Security report a significant trend back to domestic work because of the higher wages now available. It would appear that the so-called stigma of the "menial work of the domestic" is fast disappearing. As the economic basis of the domestic has changed, so, too, has the psychological attitude surrounding the service. It appears to have reached the stage where the service value of the job has been given recognition somewhat comparable to that given the industrial worker.

For the above reasons, and until some of the complexities can be solved and simplified, the Council sees no urgency for the immediate coverage of this class of workers.

II. *Agricultural Workers.*

In this category of workers, it was estimated in 1944 that there were approximately 14,000 involved. There was a reduction here of 2,000 from the 1940 estimate of 16,000 due to entrance of the workers into the industrial field in the war emergency. As in the case of the domestics, there are also serious administrative difficulties in the way of extending coverage to agricultural workers.

The problem of major importance in the coverage of agricultural labor is its seasonality.

Secondly, farmers employing one or two workers do not keep detailed records, as a rule. There would be a similar problem here, as with domestics, in educating this group of employers to furnish accurate reports of wages, or special methods would have to be devised whereby detailed records would not be required. The Social Security Administration in Washington is also studying this problem with a view to developing something feasible in this direction.

Again, as with domestics, there would be involved the difficulty of determining "payments in kind." In the case of farm labor, such payments are often made to

the worker in the form of produce to be taken home which would be difficult of evaluation.

It appears that many farmers utilize the services of an entire family household to work a farm, with no compensation being paid to the relatives or family members for their services, all proceeds from the farm being placed in a common family purse. Usually, these family members helping out on the farm are children under 21 upon whom no tax would have to be paid. Even in the case of those over 21 on such family farms who receive no cash payment for services, the tax could only be levied on a cash value of their board and room. It is argued that such farmers would have a distinct advantage over their competitors in the small amount of tax, if any, they would be called upon to pay as compared with other farmers employing outside paid help.

For the above reasons, the Council does not recommend the coverage of this class of workers at this time.

III. *Federal, State and Municipal Employees.*

Federal Employees. — As the State cannot impose a tax on the federal government, this class of workers could never be covered under a State Unemployment Compensation Law unless and until they were first included at the federal level under the Social Security Act and the federal government enters into some agreement with the States for reimbursement for benefit coverage of such workers. In this category, there were approximately 34,000 in 1940. This figure increased to 110,000 during the war but as most of these were temporary war emergency appointments and have since been terminated, the more normal figure to be considered is that of 1940.

State and Municipal Employees. — Employees of state and local governments have been excluded from coverage under the Federal Unemployment Tax Act because of the doubt as to whether the federal government could levy the unemployment tax on the States. However, there is no reason why employees of state and local governments cannot be covered under state laws.

In Massachusetts, it was estimated in 1944 that there were approximately 127,000 state and local government employees, including teachers, as against 112,000 in 1940. They represent a wide variety of occupations and, despite a general impression to the contrary, they do suffer from unemployment. This problem of unemployment is noted particularly among the short-term or temporary employees, both civil service and non-civil service. Even in the permanent civil service classification of workers, some unemployment is prevalent due to curtailment or cessation of budgetary funds, lack of work through discontinuance of functions and by staff reductions.

Passing over such constitutional questions as, the power of political subdivisions and instrumentalities to encumber public funds to pay contributions, and such legal questions involved in the distinction between proprietary and governmental functions, and whether public utilities operated by cities can or should be covered, the Advisory Council sees no distinction between a person employed by a governmental unit and a private business. It recognizes a problem of unemployment among state and municipal employees and suggests that the Legislature might like to consider the protection of these workers against unemployment.

There are several methods of taxation which might be considered for this purpose:

1. A 2.7 per cent tax to be paid by the State or municipality to the Division of Employment Security on its entire payroll up to the first $3,000 for each employee;

2. The reimbursement by the State or cities and towns to the Division of Employment Security for the actual benefit payments made to unemployed state or municipal employees;

3. A separate law compelling the State or municipality to pay a fixed percentage of the weekly wage to the employee who becomes unemployed for lack of work, for some stated duration of time, perhaps following the pattern set under the Employment Security Law of the State.

The following statement from a publication of the Social Security Administration concerning the present

provisions on coverage of state and local government employees in other jurisdictions may be of assistance to the Legislature in its considerations:

PRESENT PROVISIONS ON COVERAGE OF STATE AND LOCAL GOVERNMENT EMPLOYEES.

The original definition of "employment" in title IX of the Social Security Act excluded "services performed in the employ of a State, a political subdivision thereof or an instrumentality of one or more States or political subdivisions." When the taxing provisions of title IX became subchapter C of the Internal Revenue Code, the exclusion was narrowed to read:

"Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the constitution of the United States from the tax imposed by section 1600."

There are a few States where the exclusion is somewhat more limited than in the federal act. New York does not exclude persons employed by state and local governments temporarily and solely for construction, substantial remodeling or demolition of buildings. The Washington law specifies that the exclusion of government services does not apply to services performed for public utility districts and public power authorities. The Utah law does not exclude State instrumentalities. The Idaho law excludes only services for States and for public institutions or instrumentalities paying wages out of money raised solely by taxation. The Arizona and Ohio laws exclude only government agencies exercising governmental as distinguished from proprietary functions. Maryland has extended the right of elective coverage to the State, the city of Baltimore, any political subdivision, and to any instrumentality wholly owned by such goverment groups. With the exception of elected officials, Nevada gives the right of elective coverage to all departments of the state government and to the subdivisions of the State. The Washington, Maryland and Nevada provisions were added in 1945.

The Wisconsin law provides a more substantial coverage of government employees. The definition of "employer" includes the State and first-class cities, but in the definition of employment, certain services performed for these governmental units are exempt. Other political subdivisions are given specific authorization to elect coverage and the State and first-class cities may elect to cover the services listed in the exemptions. These include:

1. Employment as an elected or appointed public officer.

2. Employment by a governmental unit on an annual salary basis.

3. Employment by a governmental unit on an unemployment work relief project, recognized as such by the commission.

4. Employment by an educational institution supported wholly or substantially from public funds, of any student enrolled in such institution and carrying at least half its full-time schedule in the most recent school term, or of any person as a teacher in such institution.

5. Employment directly by the state fair during its active duration (including the week before and the week after the fair); or employment by the Wisconsin National Guard directly and solely in connection with its summer training camps or for emergencies; or employment directly by the conservation commission for emergency fire fighting.

6. Employment by a governmental unit in a given week for the removal of snow or ice or for work connected with floods, of an individual who has worked for such governmental unit in 6 or less of the 52 weeks preceding the given week.

Even this provision results in very narrow coverage of governmental employees. In 1942, the average monthly number of government workers covered by the Wisconsin law was approximately 5,000, or about 6 per cent of total state and local government employment in Wisconsin.

IV. *Non-profit Organizations.*

Representative of this category in conferences with the Council were officials of hospitals; boys' and girls' clubs; religious institutions; social, literary, fraternal and civic organizations; educational institutions; veterans' groups; homes for the aged; and other charitable organizations.

In its deliberations concerning religious institutions, considerations at all times were confined to the possible inclusion only of lay employees of such institutions.

It was estimated in 1944 that these non-profit institutions in the State employed approximately 50,000 persons.

By a majority vote of the Council, with one employee representative dissenting therefrom, it was agreed not to recommend the coverage of non-profit institutions at this time. Deciding factors against their inclusion were that —

1. It would work a hardship on such non-profit institutions which are financed from community funds and private funds in that they would have to return to the public, through these funds, to finance the tax.

2. In view of the small turn-over of labor in these institutions, the tax imposed would be disproportionate to the small number of unemployed who would derive benefits therefrom.

3. It might be said that the effect of their inclusion would be to give relief to a few and possibly deprive many looking for medical care and charitable aid.

V. *Maritime Workers.*

In 1940 statistics indicated there were 5,000 workers in this category and in 1944 the figure increased to approximately 15,000. Many of this number, however, may fall into the category of "federal employees" rather than "private maritime workers" inasmuch as they were employed on merchant vessels controlled and operated by the federal government during the war under the War Shipping Administration.

The Social Security Act amendments of 1946 (Public Law No. 719) included within the term "employment" services performed as an officer or member of the crew of a vessel on the navigable waters of the United States. This amendment became effective July 1, 1946, and aligns tax coverage under the Federal Unemployment Tax Act with that now provided under the Federal Insurance Contributions Act (Old-Age and Survivors' Insurance). The new provisions have the following effect:

Beginning with July 1, 1946, wages paid to an officer or member of the crew of a vessel are subject to the federal tax of three per cent (*a*) if the service is performed entirely within the United States, or (*b*) if the service is performed on or in connection with an American vessel; and (1) the contract of service is entered into within the United States, or (2) the vessel touches at a port in the United States during the performance of the service.

Service on specified fishing vessels is excluded unless performed in connection with catching or taking salmon or halibut for commercial purposes. However, all such vessels of more than ten net tons are included under coverage.

Services on foreign flag vessels are excluded unless entirely performed within the United States.

The above federal enactment facilitates the extension of the protection of state unemployment compensation laws to officers and crew members of vessels where it is deemed feasible to do so.

The federal enactment made immediately applicable sub-section (*c*), section 6, of chapter 151A of the General Laws of Massachusetts (Employment Security Law) which provided for the coverage of officers and members of crews of fishing vessels of more than ten net tons if and when Congress included such services within the term "employment" under the Social Security Act. Officers and members of crews of fishing vessels of less than ten net tons and of other vessels engaged in maritime trade are still exempted under the Massachusetts law. States where the coverage provisions might possibly be extended to this class of workers, including Massachusetts, have necessarily been giving attention to the problem. However, it is fraught with such difficulties as to make it questionable whether the States should, in fact, attempt to cover such workers. The question is raised as to whether this is not one of the areas of coverage where it might be more feasible for the federal government to handle it than the States. The fishermen covered under the Massachusetts law since July 1, 1946, by virtue of the federal enactment, are already opposing it and, according to newspaper accounts, are uniting with the boat owners in seeking repeal of the law as it affects fishermen.

In view of the above, the Council cannot recommend further extension of coverage to maritime workers until some of the administrative difficulties can be solved, and also pending the outcome of pressure for repeal of any part, or all, of the provisions which recently included this coverage under the federal act.

Factors involved in the complicated administrative problems in this area are: —

Coverage. — The subjectivity of an employer is determined under existing statutes by the employment of

individuals in "covered" employment. The test is whether services are performed by an individual within or without the commonwealth, whether part of the services are performed within the commonwealth, or whether there is a constructive performance of said services within the commonwealth. The performance of services, either actual or constructive, in covered employment determines the subjectivity of the person or entity employing the individual. It would appear impossible to apply the present formula to officers and members of vessels plying in navigable waters.

In the case of maritime coverage, the present application of the law would necessarily have to be reversed and the subjectivity of the employer would have to be determined on an entirely different basis. Instead of using the test of services performed by an individual as a determining factor, some other criterion would necessarily have to be established. Ownership, citizenship and residence of the owner, place of business in Massachusetts, direction and control from Massachusetts, registration of the vessel in Massachusetts, could all be considered as criteria. And if the vessel was owned or supervised, managed, directed or controlled by any of the above-named individuals, or from any such office, the vessel would be construed as part of the Commonwealth to the extent that services performed on such vessel might be construed as performed within the Commonwealth.

Any and all of these criteria and any combination of them will immediately raise acute administrative problems because of the mobility of vessels; divided supervision, management, direction; conflict with laws of other States and of foreign governments. A vessel plying in and out of a Massachusetts port could be owned by a Massachusetts resident, an American citizen, or a non-citizen. It would be registered as either a domestic or foreign vessel and still leave Boston and never return thereto. Likewise a foreign vessel owned by a foreign corporation could be operated, managed and directed from a Massachusetts office exclusively, or could be par-

tially controlled from a Massachusetts office and equally controlled in any number of offices of a large corporation located in other states or in foreign lands.

The problem of determining which of the crew members or officers of any of these vessels are to be insured under the Massachusetts Employment Security Law, the laws of any other State, or the laws of any other country would not only present a very acute problem as to the insurance of the workers but also a very acute problem in determining to which State or country contributions must be paid by the employer.

Independent Contractors. — In determining the coverage of workers in the maritime industry, very serious problems arise because of the very nature of the employment in this industry. The contracts, commonly called "lays" in the fishing industry, and "shipping articles" in other phases of maritime shipping, and the method of computation of remuneration in the fishing industry, immediately give rise to very serious questions as to whether the employees of either category are not independent contractors.

Contributions. — Question has already been raised by the owners of fishing vessels as to the inequity of the $3,000 limitation as to the amount of wages against which contributions must be paid. The maritime industry, by its very nature and the nature of its various contracts of employment, confronts the employer with a very acute problem of an unusually large turn-over of workers who normally are very seldom unemployed but who shift from the vessels of one owner to those of another at the termination of contracts, whose earnings are unusually large, and against which the employer must pay contributions and receive very little benefit because of the $3,000 limitation appearing in the law.

Reporting of Wages. — Employers in maritime shipping have raised a question as to the reporting requirements of the various States. Inasmuch as most of the officers and members of crews of vessels in this industry are employed on a contractual basis, which contracts normally

call for the payment of a consideration at the expiration of a voyage, which automatically terminates the contract, the reporting of wages or earnings on a paid basis, as required by both Federal and State laws, immediately creates a problem of administration of unemployment compensation contributions, because of the probability and possibility that wages earned in one quarter will not be paid until a succeeding quarter, or wages earned in one base period will not be paid until a succeeding base period. Likewise, the question of advancements paid to dependents by vessel owners by agreement with the employee in anticipation of the completion of a contract, the terms of which specify that payment will be made at the expiration of a voyage, raises the question as to whether the advancements made must be reported as wages at the time of payment or whether the wages must be reported at the expiration of the contract, under the terms of which they would not become due and payable until the expiration date.

Quittance and Availability. — Chapter 151A as it exists today contains specific provisions establishing requirements which are conditions precedent and which must be satisfied before benefit payments are possible. Among these are the provisions which deal with availability and voluntary quittance. The nature of employment by contract in the maritime industry and the hiring hall practices maintained by the maritime unions will immediately raise very serious administrative problems in determining quittance and availability.

Conferences with Representatives of Exempted Employments. — Conferences were held by the Council with representatives of all the foregoing exempted groups of employers, except the maritime trade, and with only one or two isolated exceptions these employers expressed opposition to their possible inclusion under the Massachusetts Employment Security Law.

Sickness Benefits.

Pursuant to chapter 23 of the Acts and Resolves of 1946, the Advisory Council submitted a report of its

"further investigation relative to the payment of benefits to employees who are absent from work on account of sickness."

In carrying out the intent of the Resolution of the General Court, the Council's investigation was necessarily confined to the possible protection of workers who become unemployed because of sickness or accident of a non-occupational nature. The Council's chief concern was to determine what increase in coverage for sickness payments to workers had taken place in employment establishments covered by the Massachusetts Employment Security Law since the Council's first report on the subject matter in 1944. Its survey revealed that in employment establishments of 20 or more individuals, such coverage had increased to 71 per cent, as compared with 65.9 per cent in 1944. In its recent study the Council extended its survey to employers of less than 20 individuals, on a sample basis, and the returns from both employers of more than 20 individuals and, on a spot-check, from employers of less than 20, disclosed that nearly 64 per cent of the workers in the responding establishments had some degree of protection against wage losses due to illness.

In the establishment of some method or standard of economic protection against temporary disability which all employers may eventually be required to assume for their employees, the Council pointed out that the question becomes one as to which method or plan of disability compensation is preferable. In its recent study the Council reviewed and compared three illustrative types of State plans, as typified by the Rhode Island Law (state monopoly), the California Law (optional system — State or private), and the New Jersey Proposal (private operation under state supervision) and of these three types of plans wherein the State participates to some extent, the Council stated its preference for a privately operated plan under state supervision, with the establishment of minimum standards which would preserve present employer plans in operation throughout the State.

The Council did not recommend a specific bill but pointed out the following general principles of preference,

and factors to be considered in the establishment of minimum standards, should the Legislature deem legislation to be necessary: —

. . . The Council prefers a privately operated plan under state supervision, with the establishment of minimum standards which would preserve present plans in operation throughout the State. The following factors in the determination of minimum standards which the Council discussed, together with attendant problems, are respectfully directed to the attention of the Legislature in its considerations:

1. Of the existing group plans of insurance which seem to meet with the most satisfaction and benefits to both employers and workers in the State, those paying a flat weekly rate of benefits, regardless of earnings, appear to be preferable to the so-called percentage of wage rate. It is important, however, that such a flat rate be kept necessarily low so as not to encourage malingering.

2. A fixed number of weeks' duration of benefits for each disability.

3. A waiting period for each spell of disability.

4. Some restriction of benefits in pregnancy cases and for those over 60 years of age.

5. Elimination of benefits to those receiving workmen's compensation and unemployment compensation.

6. Elimination of benefits for self-inflicted injuries.

7. A doctor's certification as to the nature and probable extent of disability. In the case of adherents of certain religious denominations, the Legislature might wish to give consideration to the permission of certification by duly authorized and accredited practitioners of such denominations.

8. A stated period of employment for eligibilty, and the possibility of imposing this work requirement but once for continuity of coverage of the worker.

9. A stated period of time for coverage after termination of employment to protect the mobility of the worker.

10. Provision for participation wholly by the employer, or by employer and employee jointly.

(*a*) Statistics indicate that the highest incidence of sickness appears among women and persons over 60 years of age. If employers are asked to carry the entire burden of sickness benefits, the question is raised as to the effect it may have on their hiring practices of these classes of individuals.

(*b*) Those favoring employee participation of the costs contend the risk insured has little, if any, direct relationship to the employment and that it is sound policy, therefore, for the employee to share some part of the cost.

11. A clear-cut definition of temporary non-occupational disability.

12. In addition to the above, there is the problem of the individual

who has left employment for lack or work, or whose job was not available following a period of sickness or of leave of absence and who applies for and receives unemployment compensation for a time, but subsequently becomes ill and is removed from the unemployment compensation rolls.

The Council's general conclusions were set forth as follows: —

The results of our survey as to the progress made in coverage for sickness benefits among the covered employers under the Massachusetts Employment Security Law which indicate that many workers are still not covered in their places of employment; our analysis of three illustrative types of state plans already established or proposed; and our deliberations as to the efficacy of sickness benefits lead us to the following conclusions:

1. The Council unanimously favors sickness benefits.

2. It would like to see at least all employees presently covered under the Unemployment Compensation Program (1 or more, except in the so-called "exempted employment category" such as domestics, agricultural and government workers, and employees of non-profit institutions) included in any plan of sickness benefits which may be adopted.

3. It would prefer a plan of private operation under state supervision.

This is consistent with the philosophy of the Council as expressed in its first report, when it questioned whether the rôle of government should not be one of adding impetus to the establishment and expansion of private plans, rather than in direct participation. The remarkable growth of group insurance, Blue Cross hospitalization and prepaid medical care, in addition to the long-established individual health and accident insurance policies, is evidence that in Massachusetts private enterprise is meeting the problem and will continue to assume its responsibility if permitted to do so.

4. It would set up minimum standards under such a plan which would preserve present private plans in operation throughout the State, leaving employers free to handle the risk through self-insurance, insurance through private carriers, or by salary continuance by furnishing a bond to indicate financial ability for performance.

This method would interfere the least with employer plans already in existence. It is also consistent with our free enterprise economic system. Tremendous progress in this direction has already been made. In many instances the benefits under such plans are superior to any which have been suggested for compulsory legislation. It is felt state action in this field should not in any way impair or impede this development or take away any benefits thus far secured for the workers.

5. It would set up the supervision of such a plan in an agency presently existing, as it would be opposed to the creation of a separate agency for such supervision, both from an administrative and financial point of view to the taxpayer.

II. Legislation.

1945–1946 Legislative Enactments.

In the fiscal year 1945 the following major changes were made in the Massachusetts Employment Security Law:

1. The maximum weekly benefit rate was increased from $18 to $21.

2. The maximum duration of benefits was extended from 20 to 23 weeks.

3. The denial of benefits to those receiving Old Age and Survivors' Insurance was stricken from the law. It is now possible for those over 65 years of age to receive unemployment compensation benefits, if otherwise eligible thereto, regardless of whether they are receiving, or about to receive, Old Age and Survivors' Insurance.

4. Unemployment compensation benefits were exempted from the provisions of the State Income Tax Law which brought this into conformity with the Federal Income Tax Law.

In the fiscal year 1946 the important changes made in the law were as follows:

1. The maximum weekly benefit rate was increased from $21 to $25.

2. Dependents' allowances were added to the benefit structure. Under this provision the sum of $2 is to be added to the weekly benefit amount for each dependent child under 18, except that in no instance shall the total weekly benefits exceed the "weekly wage" which is defined as follows:

For purposes of this subsection, the "weekly wage" shall be determined to be an amount equal to one twenty-sixth of the total wages reported for him in the two highest quarters of his base period; provided, that if wages reported included not more than one quarter in said base

period, his weekly wage shall be determined to be one thirteenth of the total reported for such quarter. If such weekly wage includes a fractional part of a dollar, it shall be raised to the next highest dollar.

3. Veterans with accrued credits following discharge from service were given the right to elect to receive unemployment compensation benefits prior to G. I. benefits (readjustment allowances) but they must exhaust whichever benefits they elect to receive first before transferring to the other form of benefits.

1947 Legislative Program of Advisory Council.

Dependents' Allowances.

From its inception, the Advisory Council has neither favored nor recommended the addition of dependents' allowances to the Unemployment Compensation Program. As recently as the 1946 session of the Legislature, when dependents' allowances were added to the program, the Council registered its opposition thereto. With one employee member dissenting, the majority opinion of the Council was that dependents' allowances should not be added to the Unemployment Compensation Program. The following main reasons, among others, were given to the legislative committees for the majority opposition of the Council:

1. Since our benefit formula represents payment of the so-called two thirds concept of the average weekly earnings in the high quarter, if dependents' allowances were to be added to this high ratio of benefits to earnings, it is felt it would encourage a disinclination to return to work, thus defeating the purpose of the Unemployment Compensation Law.

2. It would tend toward a relief program based on an individual's needs, rather than on an insurance program based on an individual's earnings. Inasmuch as an individual is not hired or paid on a basis of need, and the Unemployment Compensation Program is based on an individual's earnings rather than his need, it would seem to be deviating from the original concept of the Unemployment Compensation Law to add dependents' allowances.

3. For proper administration and control, it would require much inquiry and investigation to check dependency, similarly as under a

relief program. It is felt such inquiry on a "needs" basis was never envisioned or intended in the original concept of unemployment compensation.

4. It might have a tendency on the part of employers to favor the employment of single individuals rather than those with dependents.

The Council has since analyzed the provisions of section 29 (*c*) enacted and incorporated in chapter 151A by the Legislature in 1946, providing for the payment of dependents' allowances to those in total unemployment, to become effective as of April 1, 1947. Without changing its position as to the fundamental principles involved, the Council respectfully submits herewith its conclusions and recommendations for changes in section 29 (*c*), which are felt to be necessary as an alternative in the interests of —

1. Protecting the fund against possible incursions by those who would use its benefits as a substitute for wages at full-time employment.
2. Eliminating an obvious inequity to those partially unemployed.
3. Permitting the administrator to operate its provisions capably and efficiently at a reasonable cost.

Restriction of Allowances to Dependents.

> The Council recommends that section 29 (*c*) be amended to limit the maximum additional allowance for dependents to six dollars, or three dependents, but in no instance should the regular unemployment benefits and the additional amount allotted for dependency be more than eighty per cent of the weekly wage of the individual who claims benefits.

Analysis was made of 3,509 cases of initial claims, constituting all the claims on which initial determinations were issued on June 24, 25 and 26, 1946. The days selected were taken at random and the conditions were normal. It is believed that the following facts disclosed will reflect correctly the actual conditions of operation when the provisions for the payment of dependency allowances become effective.

The provisions of dependency allowances as enacted permit payment of benefits equal to the weekly wages to any claimant who has four dependents and whose weekly wages are $27 or less, or any claimant who has seven dependents and whose weekly wages equal $39 or less. Any claimant who has more than seven dependents and whose weekly wages are more than $40, will receive $41 per week in benefits plus an additional $2 for each dependent over eight to the limit of his weekly wage.

The term "weekly wage" as used in the section will not be synonymous with the common conception of full-time wages. It may be more or less than full-time wages, depending on the steadiness of the work in the two best quarters or on the amount of overtime worked in the high quarter. In nearly every instance it will be more than the average weekly wage for all quarters. In many instances it will be substantially less than the average high quarter weekly wage. This can mean one of two things: either the benefit rate is swollen by the wages earned in overtime work in the high quarter, or the claimant's attachment to the labor market is tenuous to the degree by which his high quarter wage exceeds his weekly wage. If the claimant has the advantage of a swollen benefit rate, his weekly benefit payments will exceed the conceived ratio of 65 to 69 per cent of his weekly earnings; and in a substantial number of cases will exceed his normal weekly earnings. If his weekly wages are low because his employment is not steady, he is potentially a claimant for long periods throughout the benefit year, and the speedy exhaustion of his credits may not be for his ultimate good. That the payment of dependency allowances will exhaust his benefits more speedily is obvious, since the dependency provisions do not increase the total amount of benefits that may be paid in a benefit year. It merely pays him more money for his weeks of unemployment until his credit is exhausted.

More than 46 per cent of all claimants filing will be entitled to weekly benefits at a rate lower than $25. Of

this number, the weekly wage of more than 70 per cent will be an amount which is lower than the minimum average weekly wage in the high quarter by which they qualify for their weekly benefit rates. In this group, therefore, the basic benefit rate excluding the provisions for dependency allowances is equal to more than 69 per cent of the weekly wage, and in approximately one sixth of the cases in the group the basic benefit rate will be equal to, or in excess of, the weekly wage. This group includes all covered workers whose average weekly wage in the highest quarter equalled $36.91 or less. It includes practically all of the unskilled workers and many of the semi-skilled.

Statistics are not available to indicate how many claimants will claim dependencies or what will be the over-all cost to the fund if all who file claims were to be eligible for the maximum dependency allowances. The cost would be approximately 50 per cent greater for each week of unemployment compensated, but it is expected that the majority of claimants will not qualify.

However, the effect of the legislation on the individual can be approximated in most instances. When a claimant qualifies for a benefit rate of $24 or less with maximum duration and, in addition, is paid maximum dependency allowances, he will be paid an amount equal to his weekly wage for about fifteen weeks, and even though he continues to be unemployed, will receive nothing beyond that for the remainder of his benefit year. In those cases where the benefit rate is $25, the reduction in duration may be even more acute.

The extreme liberality of the basic benefit formula, which provides for benefit payments equal to 65 to 69 per cent of the average highest quarter wages has made it difficult for the Employment Service to return such workers to employment. The inclusion of the present dependency allowances in that formula will aggravate that problem because in many instances it will make possible the payment of benefits equal to the full weekly wage as defined in the section. Such payments may well

make unemployment so attractive that the individual will be indifferent to employment while the benefits last, so that he will be forced to commence his search for work when all his credits are used up. Thus, the purpose of the legislation will have been defeated by the act itself.

In view of these facts, the Council is of the opinion that provisions for the payment of dependency allowances more liberal than those it recommends herein may create conditions that will operate against the ultimate welfare of the people, and particularly to the ultimate detriment of those who receive such benefits.

Dependency Allowances for the Partially Employed.

The Council recommends that section 29 (*c*) be amended to include in its provisions the payment of dependency allowances to those who are partially employed.

When it enacted the provision for dependency allowances, the Legislature made such allowances available only to those who are in total unemployment. Therefore, those who earn any wages in a week are excluded from the benefits of this provision. The individual who has dependents and who has been in total unemployment may receive dependency allowances as long as he continues to be totally unemployed and otherwise eligible; but if he returns to his employment in part-time work or if he accepts an odd job during his week of unemployment, he not only has his basic benefits reduced by the amount of his earnings, but in addition, he suffers the loss of his right to allowance for his dependents. This can have no effect other than to create a resistance on the part of the unemployed to accept less than full-time work; or, having accepted part-time work, to strongly tempt the worker to say nothing about it when he files his claim.

The Council is of the opinion that if dependency allowances are to be paid in any case, they should be paid to the partially employed as well as to the totally unemployed.

The Number of Dependents should be determined for the Benefit Year at the Time when the First Claim is filed for the Benefit Year.

The Council recommends that section 29 (*c*) be amended to include in its provisions a provision that dependency allowances shall be paid for the duration of the benefit year based on the number of dependent children determined as of the date on which the individual has filed his first claim in such benefit year.

The determination each week of the number of dependents of an individual will create conditions by which the Division may be forced to delay substantially the payment of benefits to which the individual may be entitled, since much investigation will be necessary in order to prove the claims for dependency allowances. The State of Connecticut has found, after a year of operation, that the percentage of change in the number of dependents throughout its benefit year is so small as to be insignificant. It is the opinion of the Council that the provision will be better and more economically administered and there will be no serious loss to the fund, if allowances are paid throughout the year based on a single determination at the time each individual files his first claim with respect to such benefit year.

Disqualification of the Dependent Child from Eligibility for Benefits because of His Own Unemployment.

The Council recommends that section 29 (*c*) be amended to provide that if in any benefit year a child shall have been determined to be a dependent of its parent, such child shall be ineligible for benefits because of his own unemployment for the remainder of such benefit year.

Many children under the age of eighteen are fully employed in this State and ordinarily will be found to be not dependent. Many others are partially employed and have wage credits sufficient to permit the payment of some benefits to them when claimed, but whose earnings

are not enough to justify a decision that they are not dependent on their parents. To deny a dependency allowance to a parent merely because the child had meager earnings in part-time work would appear to be out of conformity with the purpose of the legislation. On the other hand, to pay unemployment benefits to a child who has been determined to be dependent on its parents would leave the whole law open to justifiably adverse criticism.

The Council is of the opinion that whenever a child has had earnings which are insufficient to justify a decision that he is self-supporting, he should be considered a dependent of his parent, but his rights to benefits based on his own earnings should be cancelled for the remainder of the benefit year.

Experience Rating, or Tax Relief, for Employers.

While it can be said that the incentive to stabilize employment has been brought about in some industries by the experience rating provisions of the law, it also can be fairly stated that such incentive is not necessary for stability of employment in other industries because of the very nature of the industries.

In reviewing the experience rating provisions of the law, belief in the principle and objective of experience rating, or some form of tax relief to employers, under the Employment Security Program was expressed by all members of the Council, with the exception of one of the employee representatives.

While cognizant of some inequities in the present individual employer experience rating plan in the Massachusetts law, the Council prefers it to other plans unless and until it is possible, under the Social Security Act, for Massachusetts to have a state-wide, flat rate type of experience rating plan similar to that first approved by the original Advisory Council of the Division of Employment Security in 1939. This was known as the Massachusetts State Merit Rating Plan, or flat rate type. It was a plan of state-wide, flat rate of reductions in contributions to all employers, based upon the condition of the Unemploy-

ment Trust Fund of the State, and regardless of individual employer experience.

Because this type of plan was not permissible under the Social Security Act, to which State Employment Security Laws must conform in order to receive administrative expenses under it, the Council's proposal was submitted to Massachusetts Congressman John W. McCormack, then a member of the House Ways and Means Committee, for consideration for amendment to the Social Security Act which would permit its adoption.

Congressman McCormack introduced the plan for the consideration of the latter committee. The committee thought favorably enough of the plan (which it called the horizontal reduction plan) to recommend it in the form of an amendment to the Unemployment Compensation Tax Title of the Social Security Act. Under the amendment, States which had built up a certain reserve and could meet minimum benefit standards might reduce their rate of contributions on a uniform basis. A sufficient reserve, as a condition for the allowance of reductions in state contribution rates, was defined in the proposed amendment as not less than one and one half times the highest amount paid into the State Unemployment Compensation Fund with respect to any one of the ten preceding years, or not less than one and one half times the highest amount of compensation paid out of the State Fund within any one of the ten preceding years, whichever amount was the greater.

This plan would not alter the experience rating provisions then existing, and presently existing, in the Social Security Act. It was intended that the States which could make general tax reductions after building up the necessary reserve fund, and raising their minimum benefit standards, might still allow further contribution reductions to individual employers with favorable employment experience. On the other hand, those States which did not wish to take advantage of the horizontal reduction plan, but wished to maintain the individual employer experience rating system, could do so.

The bill progressed to the point of being referred to a Joint House and Senate Conference Committee, where it was finally eliminated. It was the unfortunate attachment of minimum benefit standards to the proposal which defeated the measure, and not the principle of the merit rating plan as proposed by Massachusetts. Under the Federal-State Co-operative Employment Security Program prescribed in the Social Security Act enacted in 1935, the States were given great latitude in choosing their types of unemployment compensation systems and benefit structures, consistent with the economy of the individual States. The States, therefore, expressed opposition to the establishment of minimum benefit standards as they felt such action would be tantamount to Federalizing the entire system of Unemployment Compensation. This, the States felt, Congress did not intend to do in that the Ways and Means Committee stated in their report accompanying the proposal that "the Committee earnestly sought to keep any suggested changes within the framework of the present Federal-State system." The Committee also stated in the report that "economic resources and unemployment are not of equal magnitude in all the States. Different problems and varying standards are, therefore, to be expected in the various State Unemployment Compensation Systems." The Committee appeared to be concerned, however, with the fact that benefit standards in some states were "more inadequate than in others," and felt that the proposed horizontal tax reduction might be made permissive to those States which could "afford to maintain a certain benefit standard." Since that time, however, it is common knowledge, and the attached table entitled, "Liberalization of Unemployment Benefit Formulae, 1935–1946" taken from a publication of the United States Chamber of Commerce as of November, 1946, will attest to the fact that the States have made considerable progress in liberalizing their benefit structures, so that there would seem to be little excuse today for any concern with respect to inadequacy of benefit standards. Accordingly, Congress might well be

disposed to reconsider at this time an amendment to the Social Security Act to permit a uniform tax reduction plan similar to that proposed in 1939 on its own merits and without the attachment of uniform benefit standards for the States. It is suggested that the Legislature might wish to consider memorializing Congress in this direction.

Liberalization of Unemployment Benefit Formulæ, 1935–1946.[1]

State.	Waiting Period (Number of Weeks).		Maximum Weekly Benefit.		Maximum Duration (Number of Weeks).		Size of Firm covered (Number of Employees).	
	Original Law.	1946.	Original Law.	1946.	Original Law.	1946.	Original Law.	1946.
Alabama	3	1	$15	$20	16	20	8 or more	8 or more
Alaska	2	2	16	25	16	25	8 or more	1 or more
Arizona	2	1	15	15	12	14	3 or more	3 or more
Arkansas	2	1	15	15	16	16	1 or more	1 or more
California	4[2]	1	15	20	13	23.4	8 or more	1 or more
Colorado	2	2	15	15	13	16	8 or more	8 or more
Connecticut	2	1	15	28[3]	13	20	5 or more	4 or more
Delaware	2	1	15	18	13	22	1 or more	1 or more
District of Columbia	3	1	15	23[3]	16	20	1 or more	1 or more
Florida	2	1	15	15	16	16	8 or more	8 or more
Georgia	2	2	15	18	16	16	8 or more	8 or more
Hawaii	2	1	15	25	16	20	1 or more	1 or more
Idaho	3	2	15	18	18	17	1 or more	1 or more[4]
Illinois	2	1	16	20	16	26	8 or more	6 or more
Indiana	2	1	15	20	15	20	8 or more	8 or more
Iowa	2	2	15	18	15	18	8 or more	8 or more

[1] Source of data: Social Security Administration.
[2] Original law provided for a four-week waiting period for years 1938–1949; thereafter it was to be three weeks.
[3] Includes dependents' benefits.
[4] Employers paying wages of $78 or more in one quarter.

Liberalization of Unemployment Benefit Formulæ, 1935–1946[1] — Continued.

State.	Waiting Period (Number of Weeks).		Maximum Weekly Benefit.		Maximum Duration (Number of Weeks).		Size of Firm covered (Number of Employees).	
	Original Law.	1946.	Original Law.	1946.	Original Law.	1946.	Original Law.	1946.
Kansas	2	1	15	16	16	20	8 or more	8 or more
Kentucky	3	1	15	16	15	20	8 or more[2]	4 or more[3]
Louisiana	4	1	15	18	15	20	8 or more	4 or more
Maine	2	1	15	20	16	20	8 or more	8 or more
Maryland	2	–	15	20	16	26	8 or more	1 or more
Massachusetts[3]	4	1	15	25	16	23	8 or more	1 or more
Michigan	3	1	16	28[4]	16	20	8 or more	8 or more
Minnesota	2	2	15	20	16	20	1 or more[5]	1 or more[5]
Mississippi	2	2	15	15	12	14	8 or more	8 or more
Missouri	3	1	15	20	12	16	8 or more	8 or more
Montana	2	2	15	15	16	16	1 or more	1 or more
Nebraska	2	2	15	18	16	18	8 or more	8 or more
Nevada	2	1	15	24[4]	18	20	1 or more[6]	1 or more[6]
New Hampshire	3	1	15	20	16	20	4 or more	4 or more
New Jersey	2	1	15	22	16	26	8 or more	4 or more
New Mexico	2	1	15	15	16	16	8 or more	2 or more[7]
New York	3	1	15	21	16	26	4 or more	4 or more
North Carolina	2	1	15	20	16	16	8 or more	8 or more
North Dakota	2	1	15	20	16	20	8 or more	8 or more

Ohio	3	2	15	21	16	22	8 or more	3 or more
Oklahoma	2	1	15	18	16	20	8 or more	8 or more
Oregon	3	1	15	18	15	20	4 or more	4 or more
Pennsylvania	3	1	15	20	13	20	1 or more	1 or more
Rhode Island	3	1	15	18	20	20[8]	4 or more	4 or more
South Carolina	2	1	15	20	12	16	8 or more	8 or more
South Dakota	2	1	15	15	16	20	8 or more	8 or more
Tennessee	3	1	15	15	16	16	8 or more	8 or more
Texas	2	1	15	18	15	18	8 or more	8 or more
Utah	2	1	15	-[9]	14	-[9]	4 or more	1 or more
Vermont	3	2	15	20	14	20	8 or more	8 or more
Virginia	2	1	15	15	16	16	8 or more	8 or more
Washington	2	1	15	25	16	26	8 or more	1 or more
West Virginia	2	1	15	20	12	21	8 or more	8 or more
Wisconsin	3	2	15[10]	20	-[11]	23	8 or more	6 or more
Wyoming	2	2	15	20	14	20	1 or more	1 or more

[1] Source of data: Social Security Administration.
[2] Eight or more in twenty weeks or four or more if each employee earns $50 in each of three quarters.
[3] Added by Massachusetts. Since above was prepared, dependency allowances have been added to the Massachusetts formula, and have the effect of paying a weekly benefit up to 100 per cent of wages.
[4] Includes dependents' benefits.
[5] Employer of one or more in twenty weeks of eight or more outside cities of 10,000 or more population.
[6] If employer has $225 or more payable in one quarter.
[7] Employer with $450 or more wages paid in one quarter or employer of two or more in thirteen weeks.
[8] The greatest possible duration is 20½ times weekly benefit amount.
[9] Changes in "cost of living" determines weekly benefit and duration but not total amount of benefits.
[10] Ten dollar benefit if weekly salary was $25; $12.50, if salary was $25-$30; and $15, if salary was $30 or more.
[11] From any one employer's account one week's benefit for each two weeks of employment, not exceeding 40 weeks within 52 weeks, preceding close of employment.

Administrative Amendments.

The Advisory Council is not recommending changes in the benefit structure, believing it to be most liberal. With dependents' allowances added by the Legislature in 1946 to an already high and liberal basic benefit structure, many persons with dependents will be able to draw benefits to the extent of 100 per cent of their previous wages. In addition, by the end of 1946, many veterans will have drawn their full quota of 52 weeks of readjustment allowance payments under the G. I. Bill from federal funds and, when unemployed and eligible, will be a liability on the state fund. The situation may well arise where the present tax structure will not maintain the benefit structure.

There are amendments, however, which will further perfect the law and facilitate the administration thereof and the Council respectfully recommends them for the consideration of the Legislature. They may be grouped as follows:

I. Three are for administrative changes:

1. The Council, since its creation, has usually met twice each week. Because of the demands imposed upon the Council members in their regular professions and businesses, it has been difficult to hold these meetings regularly twice weekly Considering the greatly increased cost of living and travel, and not wishing to increase the total annual emoluments, it is recommended:

   (*a*) That the Council be permitted to meet once each week and that the remuneration be increased from $15 to $30 per meeting.

2. Decisions of the courts of the Commonwealth have been rendered which might lead to the questioning of the authority vested in the Director to delegate his duties, functions and powers. The administration of unemployment compensation has placed the Commonwealth of Massachusetts in a quasi insurance business and it is humanly impossible for the Director to enforce the law without delegation of his authority. It is, therefore, recommended:

   (*a*) That the Director shall be permitted to delegate his duties, functions and powers so as to properly administer the law.

3. The Social Security Act and chapter 151A (Employment Security Law) both contain provisions making the records of the Division strictly confidential and for the exclusive purpose of administration of the Employment Security Law. The Division has steadfastly refused to divulge this information in conformity with the law and because of the present wording of the law has also been forced to place the responsibility upon the courts to determine whether these records could be introduced as evidence in actions of proceedings before the courts. The courts have refused admission of the records, and it is, therefore, recommended:

   (*a*) That the law be further strengthened to avoid the summoning of records before the courts and cause unnecessary administrative inconvenience and expense to the Commonwealth and to the Division.

II. Two will bring the Massachusetts law in closer conformity with existing federal statutes.

1. The Congress of the United States recently amended the Internal Revenue Code whereby the $3,000 wage limitation is now effective as against the first $3,000 paid during a calendar year. Inasmuch as Massachusetts employers are permitted to deduct the amount of contributions paid to the Commonwealth of Massachusetts from their federal taxes, it is suggested that the Massachusetts law be amended to comply with the federal law.

2. It is recommended that section 1 (*s*) (1) should not contain any limitation inasmuch as the same merely applies to taxes. Section 14 should be amended to comply with the federal law. The words of limitation should be deleted from 14 (*a*) inasmuch as they already appear in 14. Section 44, subsection (*b*), will likewise have to be amended to comply with federal law. Section 15 (*c*) likewise should conform with the four-year statute of limitations for collection of contributions of delinquent accounts as now appearing in federal law. Subsection (*a*) of section 24 of said chapter 151A should be changed so that the eligibility of an individual for benefits will be determined on the basis of his having earned $150 during a calendar year instead of "been paid" as now appearing in the law, inasmuch as taxes on said earnings will only be taxes when paid.

III. Two will correct matters of draftsmanship involved in the present law.

1. Section 66 (*f*) has a grammatical error. Therefore, it is recommended:

   (*a*) That the word "exercises" be changed to "exercise".

2. The Great and General Court of the Commonwealth extended the duration of aggregate benefits from twenty to twenty-three times the benefit rate at its last session. Chapter 701, subsection (*c*) of section 2, still contains the word "twenty". It is, therefore, recommended:

   (*a*) That the word "twenty" be changed to conform with existing law.

IV. One would guarantee the continuation of benefit payments in the event of controversies between the Commonwealth of Massachusetts and federal agencies.

1. The relationship of the Massachusetts Division of Employment Security to the Social Security Board, since the creation of these two agencies, has always been a delicate one. The Massachusetts Employment Security Law as enacted by the Great and General Court of the Commonwealth and the administration of this law is the subject matter of concern to the Commonwealth exclusively. The Social Security Board, and its successor the Social Security Administration, have continuously endeavored to dictate what the law should be and to supervise and review its administration. The Social Security Board has forced the Great and General Court to enact laws which the Great and General Court would have wished to consider much more lengthily; it has compelled the Director to do certain things; and has forced the Director to travel to Washington at the expense of the governor's fund to protect the Commonwealth in discussions of social security legislation. All of this has been accomplished by the simple procedure of threatening the Commonwealth of Massachusetts with the withholding of administrative funds.

   The Department of Labor is now endeavoring to act in the same manner relative to the operations of the employment service, one of the functions of the Division of Employment Security. Recently the Department of Labor, under threat of withholding funds for the administration of an employment service, compelled the Governor of this Commonwealth to issue an executive order, merely to permit the retention of certain employees of the federal government on the pay roll in direct violation of the civil service laws of the Commonwealth.

   The unusual situation of having a federal bureau or department seeking to direct, supervise and dictate the administration of one of the departments of the Commonwealth is now aggravated by having two federal bureaus seeking to do the

same thing to the same department. The Advisory Council, fully appreciating this unusual situation and realizing that should, at any time, either the Social Security Administrator or the Secretary of Labor, in his judgment and discretion, decide to withhold funds for either the administration of the Employment Security Law or the Employment Service, the Commonwealth of Massachusetts would face the problem of having to close down all of the offices throughout the Commonwealth of Massachusetts, which are currently being jointly financed by grants from both of these federal departments, and the payment of unemployment compensation benefits to individuals legally entitled thereto would be withheld indefinitely; and appreciating further that there are fourteen states which have enacted laws creating funds to provide for such an emergency, and further recognizing that with such funds there would be no interruption of benefit payments pending settlement of any controversy or dispute which may arise between the Commonwealth of Massachusetts and either of the above-mentioned federal bureaus, the Advisory Council recommends:

(*a*) That legislation be enacted which will permit the creation of a Special Administrative Fund comprising the following:

(1) Interest and penalties collected from delinquent employers.

At present these funds are being placed into the Unemployment Trust Fund, although in character they are not contributions as defined in the law.

(2) Any voluntary contributions that may be made to the Fund and any moneys that may be appropriated by the Commonwealth for the purpose of this Fund.

(3) A three tenths of one per cent contribution to be levied against the pay rolls of all employers subject to the Employment Security Law, subject to existing limitations.

V. One would be a resolution to further guarantee the sovereignty of the Commonwealth of Massachusetts.

1. The Advisory Council, appreciating the necessity of emphasizing state rights and realizing that the greatness of the United States of America has been possible because of the recognition of each of the forty-eight States as an independent sovereignty, and further appreciating that in recent years the encroachment upon the rights of these sovereign

States by a growing federal government is endangering the very status of our great country, recommends that the Great and General Court resolve the following:

(*a*) The Great and General Court of the Commonwealth of Massachusetts hereby memorializes the Congress of the United States to enact the proper legislation amending the Social Security Act, whereby Massachusetts employers will be permitted a 100 per cent credit against the Federal 3 per cent unemployment tax. This will permit Massachusetts to continue placing 2.7 per cent of this tax into the Unemployment Trust Fund. The remaining .3 per cent will finance the administration of the Employment Security Law in Massachusetts, and any amount collected in excess of the actual administrative costs will also revert to the Unemployment Trust Fund. This will eliminate the existing conditions whereby the federal government collects from Massachusetts employers, and commingles the amount derived from Massachusetts with that received from all other States, and whereby the federal government grants a fractional part of the amount collected from Massachusetts employers to Massachusetts for administrative purposes.

III. Return of Employment Service to State Control.

After nearly five years of federal operation, the Employment Service was returned to state administration as of November 16, 1946. The return of the Service was authorized in the Department of Labor Appropriation Act, approved July 26, 1946, now known as Public Law No. 549 of the 79th Congress. The Services will operate pursuant to the Wagner-Peyser Act of 1933 and the Servicemen's Readjustment Act of 1944 and will be financed entirely by the United States Government. Thus, the local employment offices in each State will be identified as part of a state system affiliated with the United States Employment Service under the Department of Labor.

It was only after a long fight that the Employment Services were returned to the States. Concerted action to effect the return of the Services started immediately following V-J Day and continued during the intervening fifteen months, with one postponement after another of the effective date of transfer through amendments to the

several bills concerned with the return of the Services. The effective date of November 15, 1946, was finally agreed on by Senate and House conferees on the Department of Labor Appropriation Bill, which included the provision for the return of the Services, and the bill was finally signed by President Truman on July 26, 1946. In contrast, the loan by the States to the federal government as of January 1, 1942, was accomplished practically overnight without interruption of service.

The Governors were ever alert to the situation, and as early as May 31, 1944, at their annual meeting at Hershey, Pennsylvania, took anticipatory action in the effectuation of an early return of the Employment Service to the States. With the feeling that when emphasis had shifted in war production to an increase in civilian production the purpose for which the Employment Service was loaned to the federal government no longer existed, the Governors adopted a resolution directing its executive committee "to keep in close touch with this situation, and if between now and the next annual meeting it is the opinion of the executive committee that the time has arrived when it would be practicable for the Employment Services to be returned to the States, that the executive committee is hereby authorized and directed to so notify the President of the United States." Again, at their annual meeting at Mackinac, Michigan, in July, 1945, they reaffirmed their interest in a prompt return of the Employment Service, when they resolved that "the Executive Committee of the Governors' Conference be directed to urge the immediate return of the Employment Service to the States." Consistent with this Resolution, the Governors again took action, when, on January 4, 1946, they authorized the chairman of their executive committee to request of President Truman the immediate return of the Service to the States. This action was deemed necessary by the Governors in view of the "pocket veto" by President Truman on December 14, 1945, following the adjournment of Congress, of a bill passed by Congress which would have returned the Service to the States within 100 days of enactment.

HISTORICAL BACKGROUND OF EMPLOYMENT SERVICE.

A brief chronology of the Employment Service is worthy of recording herein. The United States Employment Service was established as a bureau in the United States Department of Labor under the provisions of the Wagner-Peyser Act, approved June 6, 1933, for the purpose of promoting the establishment and maintenance of a nation-wide system of public employment offices. Under this act there was established a federal-state co-operative program under which the state and local employment offices were maintained under state operation, in accordance with and subject to rules, regulations and standards of efficiency promulgated by the United States Employment Service.

Effective July 1, 1939, the United States Employment Service was transferred to the Federal Security Agency, in accordance with the provisions of Reorganization Plan No. 1, issued pursuant to the Reorganization Act of 1939. Under this Reorganization Plan, the functions and duties of the United States Employment Service were consolidated with the Unemployment Compensation activities of the Social Security Board and administered by the Social Security Board.

On December 19, 1941, the Governors of the forty-eight States were requested by the late President Roosevelt, by telegram, to transfer to the federal government as of January 1, 1942, the administration of their respective state systems of public employment offices "to fully mobilize the manpower of the nation in the war emergency." Executive Order No. 8990 of December 23, 1941, formalized this request for the transfer. Accordingly, on January 1, 1942, the separate state systems of public employment offices were all placed under the direction of the Social Security Board. Because this request was identified with the "war emergency," it likewise identified it as a "loan" proposition. The States naturally expected the return of the Service to state control "in status quo" at the termination of the war emergency.

On September 17, 1942, pursuant to the provisions of Executive Order No. 9247, issued under Title I of the First War Powers Act, the United States Employment Service was transferred to the War Manpower Commission in order to "more effectively mobilize the nation's civilian manpower and womanpower in the nation's war effort."

On September 19, 1945, under Executive Order No. 9617, the War Manpower Commission was abolished and the United States Employment Service was transferred to the Department of Labor, and the functions of the Chairman of the War Manpower Commission with respect to the United States Employment Service were vested in the Secretary of Labor. That transfer was also effected under Title I of the First War Powers Act. Since transfers of functions or agencies of the government effected under this title are temporary in nature, upon termination of said title, and in the absence of appropriate action placing the United States Employment Service in the Department of Labor on a permanent basis, the United States Employment Service would revert to the Social Security Board. Consistent with President Truman's program to reassemble under the Department of Labor all the governmental activities which relate primarily to the nation's labor force, H. R. 6739 (Department of Labor Appropriation Act and now Public Law No. 549 of the 79th Congress) provided for the retention of the United States Employment Service in the Department of Labor for the fiscal year ending June 30, 1947.

Return to Dual Control in the Employment Security Program at the Federal Level. — What the above amounts to is that the Employment Services are back where they were prior to the late President Roosevelt's Reorganization Act of 1939, which transferred the Services from the Department of Labor to the Social Security Board for proper unification of the two functions (Employment Service and Unemployment Compensation) in one department. The 1939 act eliminated the complications and confusion caused by two separate financial grants for

administration of the two programs coming down from two separate agencies at the federal level.

Following this unification of functions at the federal level, most of the States, including Massachusetts, likewise integrated the two functions and accomplished a smooth-running organization to handle both claims and placements in the interests of a properly co-ordinated Employment Security Program.

Now, in 1946, a reversion back to the system of two financial grants for administration of the two programs, and the promulgation of rules, regulations and policies by two separate agencies has taken place at the federal level. This, again, is bound to cause unnecessary complications and confusion. It would seem that such difficulties at the federal level should be corrected by the integration of the two component programs in one federal agency.

Effect of Certain Provisions of Public Law No. 549. — Already, there are points of conflict in the interpretation of the personnel provisions of Public Law No. 549. In substance, the personnel provisions provide for the transfer to and retention in the state service of all persons employed in the offices of the United States Employment Service on the effective date of the act (July 26, 1946) and authorizes their separation or release from the state service only for specified reasons. The specific provisions for the transfer of the personnel are as follows:

> The Secretary of Labor may withhold or deny certifications of funds for a state system of public employment offices unless he finds that the State: —
>
> (1) (*a*) Has made provision for the transfer to and retention in the state-wide system of public employment offices of employees of the federal government who (on the effective date of this act) were employed in state or local employment service functions in such State, in the positions occupied by them under the federal service or in reasonably comparable positions, except that individuals so transferred may be separated or terminated for good cause as determined in individual cases under the applicable state merit system, or separated or terminated under the applicable state merit system, by reason of reductions in force found necessary in the interests of efficient operations, and may be separated (A) if they have failed to acquire eligibility to be certified for appointment superior to that of any war

veteran competing for the same appointment in the state-wide system of public employment offices under the state merit system in the positions occupied by them under the federal service or in reasonably comparable positions, after having been given a reasonable opportunity to acquire such eligibility, or (B) if the Secretary has determined that it is impossible for them to be given an opportunity to acquire such eligibility because of state constitutional or statutory provisions in force on the effective date of this act; and (*b*) has made provision for the extension to employees of the federal government who left employment-service positions in such State in order to perform training and service in the land or naval forces of the United States or service in the merchant marine as defined in Public Law 87, Seventy-eighth Congress, of the same employment rights and privileges as those provided for federal employees transferring to state employment in accordance with the provisions of this paragraph; or

(2) Has requested the detail of such employees to the state agency under the following provisions: — So much of the funds appropriated for state-wide systems of public employment offices as may be necessary shall be available to the Secretary of Labor, in lieu of any portion of the grant to the State, for the payment of compensation (under the salary scales applicable to such employee prior to the effective date of this act) to employees of the United States Employment Service in the Department of Labor, who, upon the request of the State, and for the purpose of permitting continuity in their employment pending an opportunity to acquire eligibility for state employment in accordance with clause (1) (*a*) of this paragraph, may be detailed by the Secretary of Labor to the state agency for service in the state-wide system of public employment offices.

In re-establishing the employment offices in Massachusetts, the Director of the Division of Employment Security is governed by the following laws and rules and regulations of the Commonwealth of Massachusetts as far as personnel is concerned:

(*a*) Chapter 535 of the Massachusetts Acts of 1943 and chapter 664 of the Massachusetts Acts of 1945.

(*b*) The Civil Service Laws of the State, particularly as found in chapter 31 of the General Laws and rules and regulations made thereunder which, under decisions of the Massachusetts Supreme Court, have the force of law.

(*c*) The laws and regulations of the Massachusetts Division of Personnel and Standardization established under the provisions of chapter 30 of the General Laws which have the force of law.

(*d*) Chapter 708 of the Massachusetts Acts of 1941 as amended.

(*e*) Chapter 517 of the Massachusetts Acts of 1941.

In conformity with the provisions of the foregoing, the Director of the Division proposed a Personnel Transfer Program which was unacceptable to the Secretary of Labor. Thus, Massachusetts was placed in the position of being asked, in essence, to violate its own law to accede to and comply with the interpretation of a federal bureau in this respect. This the Director of the Division refused to do and was supported in his action by the opinion rendered in the matter by the Attorney General of the Commonwealth, as follows:

NOVEMBER 14, 1946.

Mr. ROBERT E. MARSHALL, *Director, Division of Employment Security, 881 Commonwealth Avenue, Boston, Massachusetts.*

DEAR SIR: — I wish to acknowledge receipt of your letter of November 13, 1946, requesting my opinion with respect to certain matters therein stated.

I have made a careful examination of the plans submitted by you to the United States Department of Labor and I am convinced that your plans as submitted go as far as you have authority under the statutes of the Commonwealth of Massachusetts to go in attempting to comply with the requirements of that Department.

It is my opinion that you do not have any authority under the statutes of the Commonwealth of Massachusetts to accede to the requests which have been made to you, beyond those which appear in the plans already submitted.

Yours very truly,

(s) CLARENCE A. BARNES,
Attorney General.

An official public statement issued by Attorney General Barnes in the matter is also worthy of recording herein.

In accordance with the letter of November 13, 1946, from Robert E. Marshall, Director of the Massachusetts Division of Employment Security, I have on November 14, 1946, rendered an official opinion to Mr. Marshall as such Director that the plans which he has submitted to the U. S. Department of Labor were as broad in their scope as the present laws of the Commonwealth of Massachusetts permit them to be.

The act under which federal funds are furnished to the Commonwealth of Massachusetts gives complete discretion to the Secretary

of Labor as to whether or not he will withhold or deny certification of funds for a state system of public employment offices. I have informed the representative of the U. S. Department of Labor that it is impossible for the Commonwealth of Massachusetts, under existing laws, to do more than has been done in an effort to satisfy the demands of the U. S. Department of Labor.

I do not propose, as Attorney General of the Commonwealth of Massachusetts, to sanction the violation of the laws of the Commonwealth of Massachusetts because of directives or regulations issued by the Secretary of Labor or any other federal department. I sincerely hope that the Secretary of Labor will exercise the discretion given to him under the law and permit funds to come to Massachusetts, at least until the Legislature has had an opportunity to determine whether or not it wishes to change the existing laws of the Commonwealth of Massachusetts particularly those which protect the employees of the Commonwealth of Massachusetts through Civil Service requirements.

Thus, funds were not forthcoming from the United States Department of Labor for the operation of the Employment Service as of the close of business on November 15, 1946, the intended effective date of the re-establishment under state control. The only alternative to obtaining these funds was the condition outlined in clause (2) of the personnel transfer provisions of Public Law No. 549 quoted above, namely, that the State request the detail of the employees to the state agency to permit continuity of their employment pending an opportunity to acquire eligibility for state employment in accordance with clause (1) (*a*) of the personnel transfer provisions above quoted. This, Governor Tobin acceded to and on November 16, 1946, issued Executive Order No. 97 under his War Emergency Powers which permitted the release of funds from the United States Department of Labor for the operation of the Employment Service on an interim plan through January 31, 1947, pending the resolution of the issues in dispute.

The issue presents another example of encroachment on states' rights and a frontal attack on the State's Civil Service System by a federal bureau insisting on imposing its rules and regulations or interpretations on a state agency in violation of its state laws.

IV. Activities of Division of Employment Security.

Benefit Program.

Benefit payments in the two years ending September 30, 1946, totaled $49,541,245.25, of which $44,301,163 was paid in the twelve months following the end of hostilities (when benefit payments represented more than twice the amount of contributions received).

The abrupt rise in benefit payments following VJ-Day is seen in Chart I, which shows the monthly distribution of benefit payments since 1940.

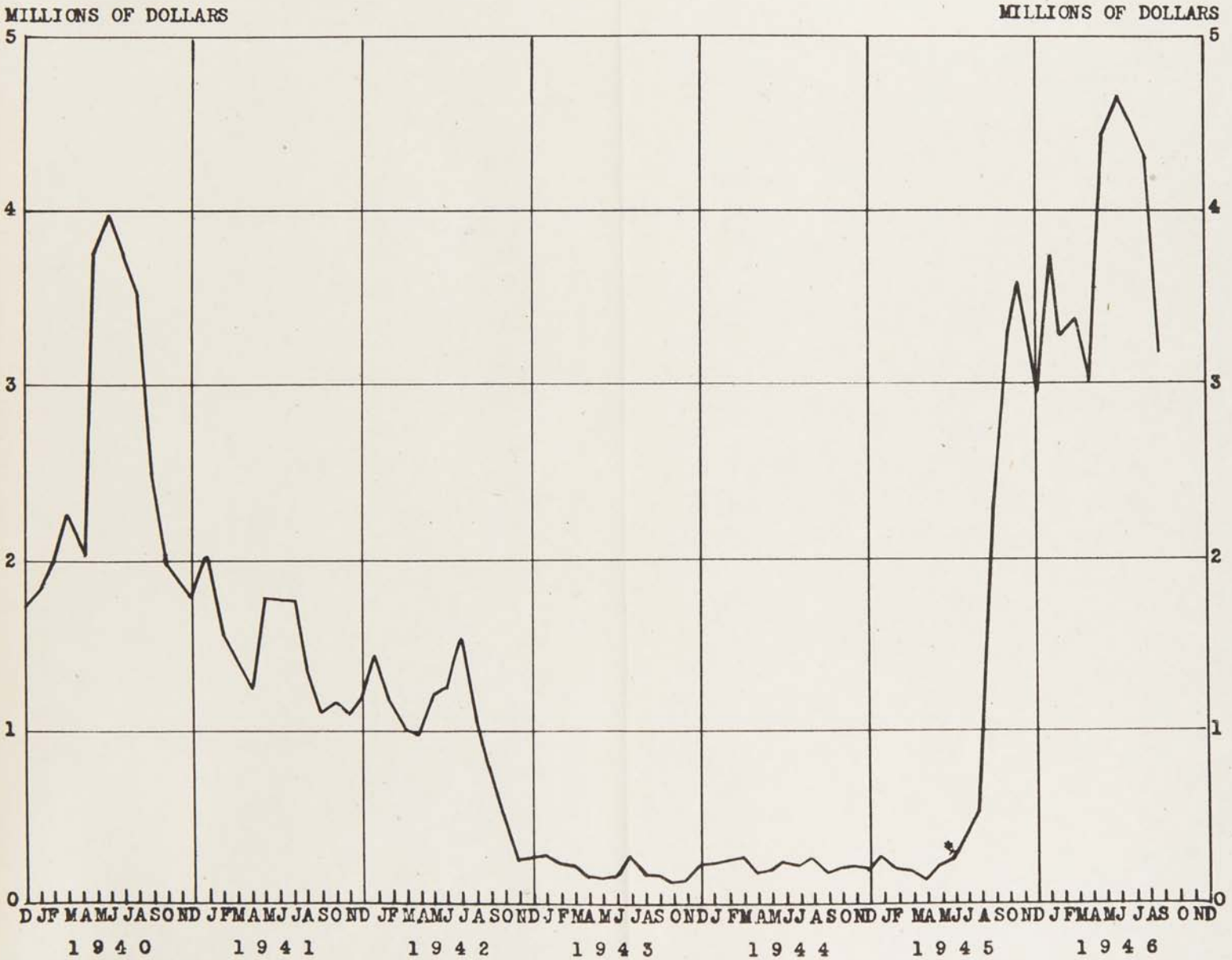
A contributory factor in the large increase in benefit payments was the liberalization of the benefit formula. Effective April 1, 1945, the maximum rate was increased from $18 to $21, and maximum potential duration was extended from 20 weeks to 23 weeks. As of April 1, 1946, the maximum rate was still further increased to $25. The effect of these changes in the rate schedule (together with the rise in earnings) is seen in the average benefit check paid to claimants in total unemployment. In the quarter ending September 30, 1944, the average check was $16.23. In the same quarter of 1945 it had increased to $19.32, and in the quarter ending September 30, 1946, it was $21.67.

A comparison of the potential duration and average benefit rate on claims filed in the benefit years 1940–1944 with corresponding data for the first half of the benefit year 1946–1947, showed that in the latter period, on the average, men were drawing $6 more per week and had a potential duration longer by 1.3 weeks than in the benefit year 1943–1944. Similarly, the average rate for women claimants increased by $4.07, while average potential duration remained at approximately the same level.

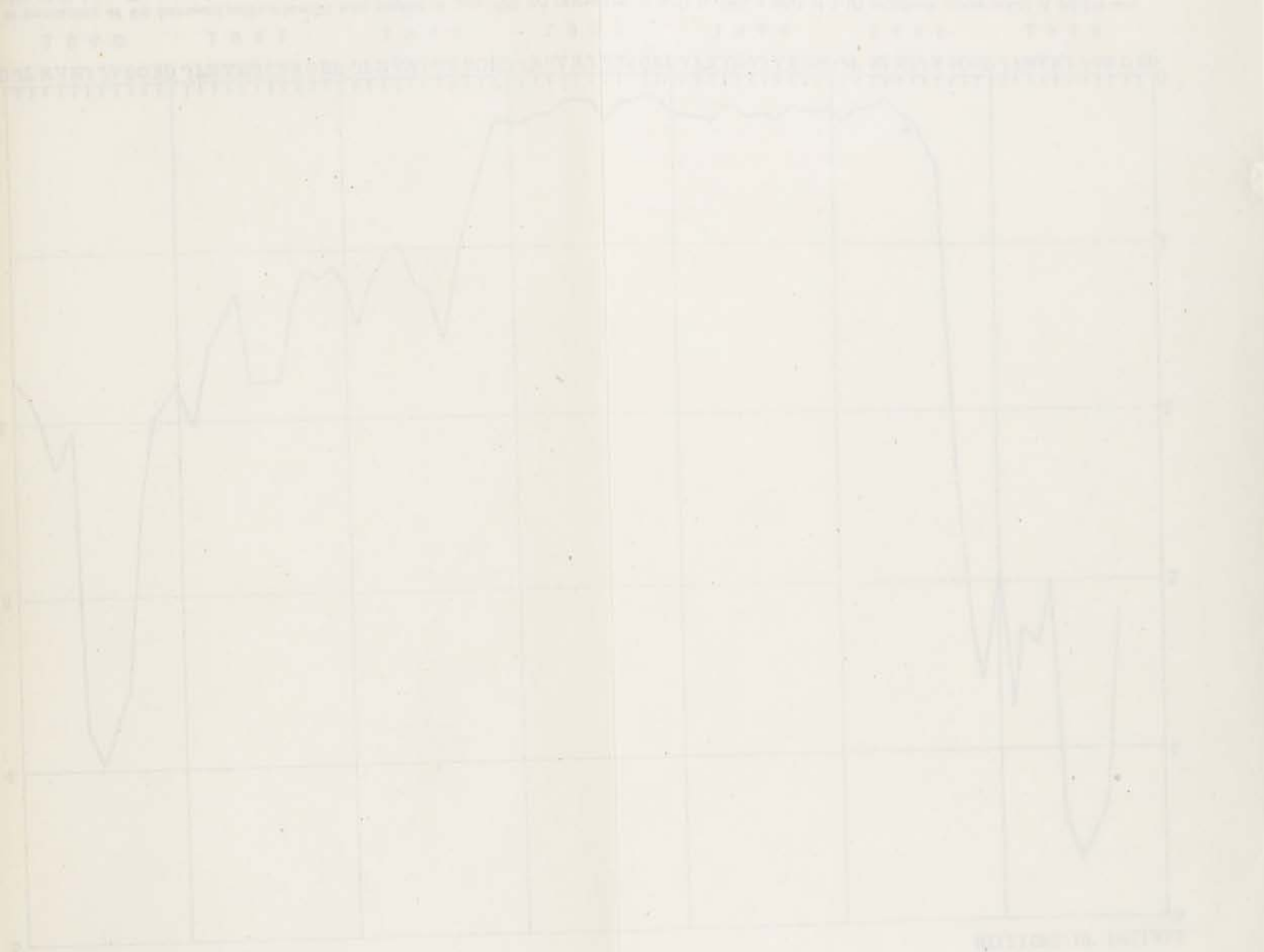
While these increases were primarily due to the liberalization of the rate schedule and the extension of maximum duration to 23 weeks, they are also accounted for, in part, by the fact that workers filing claims in the

CHART I

BENEFIT PAYMENTS BY MONTHS



* In consequence of the increased maximum benefit rate adopted in June 1945 but retroactive to April 1, 1945, a total of 5,129 adjustment checks valued at $46,019 were issued in June. The aggregate amount of these checks is included in the total for June 1945.



year 1946–1947 came largely from war industries where wage levels were considerably above the average.

Benefit Year.	Average Rates.			Average Potential Duration (Weeks).		
	All Claimants.	Men.	Women.	All Claimants.	Men.	Women.
1940–41 . .	$10 44	$11 61	$ 8 67	17.4	17.4	17.3
1941–42 . .	10 73	12 37	8 85	16.8	16.6	17.0
1942–43 . .	11 60	13 27	10 27	17.5	17.7	17.4
1943–44 . .	15 93	17 00	15 15	17.1	17.7	16.5
1945–46 . .	19 05	20 09	18 33	19.4	20.8	18.4
1946–47[1] . .	21 32	23 00	19 22	17.8	19.0	16.4

[1] April 1, 1946, to September 30, 1946.

It will be observed that while average potential duration in the year 1946–1947 was somewhat longer than in 1943–1944, it was considerably shorter than in 1945–1946. This decrease was attributable to liberalization of the rate schedule, and to the fact that earnings of many claimants were concentrated in the months before V-J Day.

Benefit Year.	Per Cent entitled to 20 (or More[1]) Weeks.		
	All Claimants.	Men.	Women.
1940–41	53.5	54.3	52.5
1941–42	47.5	48.2	46.7
1942–43	58.5	62.9	54.9
1943–44	49.2	65.5	36.9
1945–46	66.1	79.7	56.5
1946–47[2]	46.3	59.7	30.3

[1] Maximum duration increased as of April 1, 1945, to 23 weeks.
[2] April 1, 1946, to September 30, 1946.

As the above table shows, there were relatively more claimants (both men and women) entitled to 20 or more weeks in the 1945–1946 benefit year than in the 1946–

1947 year. In part, this is attributable to the higher rate schedule in effect in the more recent year. In part it is also due to the fact that many claimants who earned high wages in the period prior to V-J Day in 1945 (the base year for 1946–1947) had little or no earnings after that date.

Also worthy of notice is the fact that of the claimants qualifying for the maximum rate of $25 per week in 1946–1947 nearly 30 per cent were entitled also to the maximum potential duration of 23 weeks. For women claimants the per cent was 13, while for men it was 44.

Promptness in Payment of Benefits.

Promptness in issuing benefit payments is one of the criteria of an efficient unemployment compensation agency, and figures recently released by the Bureau of Employment Security show that Massachusetts claimants are served very promptly in comparison with claimants in other States of comparable size and industrial pattern. In the quarter ending June 30, 1946, Massachusetts issued 93.3 per cent of all intrastate payments within two weeks after the end of the compensable week. This is well above the nation-wide average. The only State with a better record than Massachusetts was California, where payments are made in cash at the local office on the day the compensable claim is filed. The figures in the following table show payments made in less than two weeks following the compensable week. (In prior years when data on payments made within one week were available, Massachusetts held first place among these States with regard to promptness in issuing benefit payments.)

Time Lapse in Intrastate Benefit Payments for Total Unemployment for Selected States.

[April to June, 1946.]

State.	Number of Payments.	Per Cent of Payments made in —	
		Less than Two Weeks.	Six Weeks or More.
All States	14,699,162	81.5	3.8
Massachusetts	567,349	93.3	1.8
California	2,050,408	94.9	2.7
New York	2,032,145	87.9	3.0
Pennsylvania	1,580,938	89.5	3.0
Connecticut	205,575	61.4	6.2
New Jersey	974,644	81.8	7.6
Michigan	1,006,459	82.9	4.3
Ohio	795,246	81.7	5.2
Illinois	1,053,712	36.8	5.0

Disputed Claims.

Before the Director's determination of any claim for unemployment benefits becomes final, the employer is given an opportunity to protest the allowance of the claim. When a claim is filed, the most recent employer is notified, and it is incumbent on him to notify the Director if he has reason to believe that there has been misrepresentation, or has any reason which might affect the allowance of the claim.

The Determination and Adjustment Division in the Central Office receives for decision all claims on which the reason for separation as stated by the claimant indicates possible ineligibility, all claims to which the employer has raised objection, all disputes with respect to wage records, and all cases involving disqualification for refusal to apply for or to accept suitable employment or for other reasons.

The ratio of disputed claims to initial claims increased during the years when labor was in demand for war industries. In periods when many job opportunities

are available, workers are more likely to quit voluntarily and it is also easier to identify those claimants who are not actually seeking work. In 1944 disputed claims represented nearly 52 per cent of initial claims filed, while in 1945 the percentage dropped to 35.7. As employment increased again in 1946, it will be observed that the percentage of claims disputed also increased.

Year.	Initial Claims.	Total Disputed Claims.	
		Number.	Per Cent of Initial Claims.
1946[1]	249,440	115,571	46.3
1945	205,942	73,312	35.7
1944	71,960	37,313	51.8
1943	76,695	30,496	39.8
1942	252,613	80,904	32.0
1941	393,149	92,234	23.4

[1] Through September 30.

The types of disputed claims handled in the Determination and Adjustment Division in the two years ending September 30, 1946, are shown in Table I. Approximately 53 per cent of the disputed claims determined in the two years under review represented cases of questionable separations; that is, the reason for separation as stated by the claimant gave rise to a question as to whether he might have quit voluntarily, have been discharged for misconduct, or in some other manner have become ineligible for benefits. Many of these were workers who voluntarily left their jobs early in the summer of 1945 expecting to return later, but after V-J Day found no jobs available and filed claims for unemployment benefits. Questionable separation cases represented 47 per cent of disputed claims determined before September 1, 1945, and 54 per cent of those determined after that date.

On the other hand, disqualification cases determined prior to September 1, 1945, represented 23 per cent of

disputed claims, as compared with 16 per cent of disputed claims determined after that date, when fewer jobs were available. It is more difficult to identify claimants who are not actually seeking work when the employment offices have few available openings to which to offer referral.

Claims which were disputed by the employer represented approximately 1 out of every 14 initial claims filed prior to August 1, 1945. The initial claim load in August and the following months was largely attributable to involuntary layoffs following V-J Day, and the proportion of employer objections decreased to approximately 1 in 18.

Labor disputes in electrical and metal working industries were responsible for an increase in 1946 in the number of claims disputed on this issue.

During the two-year period, decisions of the Determination and Adjustment Division were appealed to the Board of Review in 18,065 instances. Withdrawals accounted for approximately 8 per cent of the 15,462 appeals disposed of. As shown elsewhere in this report, the determinations of the Director as represented by decisions of the Determination and Adjustment Division were affirmed in 74 per cent of the decisions of the Board of Review.

TABLE 1. — *Disputed Claims compared with Total Initial Claims received for the Period from October 1, 1944, through September 30, 1946.*

BY TYPE OF DISPUTE.

PERIOD.	TOTAL INITIAL CLAIMS.		Total Disputed Claims.	Per Cent of Initial Claims.	TYPE OF DISPUTE.								Disqualification Cases.	Per Cent of Initial Claims.
	Number.	Per Cent.			Questionable Separations.[1]	Per Cent of Initial Claims.	Labor Disputes.	Per Cent of Initial Claims.	Wage Records.	Per Cent of Initial Claims.	Employer Objections.	Per Cent of Initial Claims.		
Grand Total	475,398	100.0	197,191	41.5	104,668	22.0	21,901	4.6	9,068	1.9	27,663	5.8	33,891	7.2
October to December, 1944	20,016	100.0	8,308	41.5	3,757	18.8	952	4.7	449	2.2	1,396	7.0	1,754	8.8
October	6,587	100.0	2,699	41.0	1,438	21.8	113	1.7	181	2.8	421	6.4	546	8.3
November	6,717	100.0	2,557	38.1	1,330	19.8	13	.2	125	1.9	341	5.1	748	11.1
December	6,712	100.0	3,052	45.4	989	14.7	826	12.3	143	2.1	634	9.4	460	6.9
January to December, 1945	205,942	100.0	73,312	35.7	33,779	16.4	6,901	3.4	4,363	2.1	10,835	5.3	17,434	8.5
January	6,452	100.0	2,661	41.3	1,289	20.0	149	2.3	163	2.5	385	6.0	675	10.5
February	4,603	100.0	1,884	41.0	976	21.2	30	.7	91	2.0	363	7.9	424	9.2
March	4,777	100.0	2,149	45.0	1,094	22.9	3	.1	148	3.1	379	7.9	525	11.0
April	9,069	100.0	4,426	48.8	1,626	17.9	1,594	17.6	86	.9	607	6.7	513	5.7
May	7,071	100.0	3,042	42.9	1,459	20.6	339	4.8	179	2.5	476	6.7	589	8.3

June	10,153	100.0	3,927	38.8	1,590	15.7	493	4.9	183	1.8	779	7.7	882	8.7
July	10,471	100.0	5,235	49.9	2,470	23.6	113	1.1	204	1.9	621	5.9	1,827	17.4
August	52,337	100.0	5,522	10.5	3,308	6.3	0	0	203	.4	640	1.2	1,371	2.6
September	34,847	100.0	11,051	31.7	5,432	15.6	553	1.6	584	1.7	1,510	4.3	2,972	8.5
October	25,858	100.0	14,178	54.8	5,844	22.6	1,662	6.4	1,012	3.9	2,263	8.8	3,397	13.1
November	18,854	100.0	10,444	55.4	4,525	24.0	1,103	5.9	1,078	5.7	1,562	8.3	2,176	11.5
December	21,450	100.0	8,793	40.9	4,166	19.4	862	4.0	432	2.0	1,250	5.8	2,083	9.7
January to September, 1946	249,440	100.0	115,571	46.3	67,132	26.9	14,048	5.6	4,256	1.7	15,432	6.2	14,703	5.9
January	34,628	100.0	12,405	35.9	6,088	17.6	2,355	6.8	193	.6	1,901	5.5	1,868	5.4
February	26,027	100.0	13,467	51.7	5,597	21.5	4,721	18.1	162	.6	1,515	5.8	1,472	5.7
March	21,488	100.0	11,081	51.6	5,883	27.4	2,449	11.4	263	1.2	1,442	6.7	1,044	4.9
April	43,693	100.0	20,444	46.8	16,258	37.2	1,468	3.4	288	.7	1,331	3.0	1,099	2.5
May	30,201	100.0	14,034	46.4	8,151	27.0	1,451	4.8	679	2.2	1,674	5.5	2,079	6.9
June	22,572	100.0	10,933	48.4	5,818	25.8	190	.8	1,114	4.9	1,991	8.8	1,820	8.1
July	26,070	100.0	13,447	51.5	8,011	30.7	179	.7	728	2.8	2,513	9.6	2,016	7.7
August	23,410	100.0	9,260	39.5	6,232	26.6	243	1.0	456	2.0	1,039	4.4	1,290	5.5
September	21,351	100.0	10,500	49.2	5,094	23.9	992	4.6	373	1.8	2,026	9.5	2,015	9.4

[1] These cases represent claims on which the reason for separation as given by the claimant is one which raises some question as to the validity of the claim.

Appeals before Board of Review.

Some 345 appeals were awaiting determination by the Board of Review at October 1, 1944. In the following 24 months a total of 18,065 additional appeals were received, approximately 81 per cent of which were received subsequent to V-J Day. After 15,462 appeals had been disposed of, as indicated in the following tabulation, 2,948 were awaiting determination at the close of the two-year period covered by this report.

Disposition of Appeals.

	Total.		October, 1944 to September, 1945.		October, 1945 to September, 1946.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total appeals disposed of.	15,462	100.0	4,014	100.0	11,448	100.0
Decisions rendered . .	12,247	79.2	3,271	81.5	8,976	78.4
Appellant withdrawals .	1,214	7.8	318	7.9	896	7.8
Other dispositions . .	2,001	13.0	425	10.6	1,576	13.8

Analysis of decisions by type of issue showed that nearly a third involved questions of "ability, availability, not unemployed". The next largest group consisted of "voluntary quit" cases. A large number of workers had quit their employment prior to V-J Day with the intention of returning in September or later, at which time they found no work available. They then filed claims which were disallowed by the Director, and appealed to the Board of Review.

Decisions by Type of Issue.

	Total.		October, 1944 to September, 1945.		October, 1945 to September, 1946.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total decisions	12,247	100.0	3,271	100.0	8,976	100.0
Claim and registration	156	1.3	61	1.9	95	1.1
Suitable work	1,241	10.1	475	14.5	766	8.5
Voluntary quit	3,413	27.9	502	15.4	2,911	32.4
Misconduct	708	5.8	112	3.4	596	6.7
Labor dispute	2,531	20.7	1,058	32.3	1,473	16.4
Ability, availability, not unemployed.	4,004	32.7	1,047	32.0	2,957	32.9
Other remuneration	154	1.2	4	.1	150	1.7
All others	40	.3	12	.4	28	.3

The effect of the sudden increase in work load following V-J Day is seen in the increase in time lapse between the receipt of appeals and their determination as shown in the tabulation below. Whereas, in the first of the two years under review, 26.8 per cent of decisions were issued within 30 days and 89.0 per cent within 60 days, in the year after V-J Day only 0.5 per cent of decisions were issued within 30 days and 13.0 per cent within 60 days. If data on two labor disputes (where one determination affected large numbers of appeals) are omitted, the per cent of decisions issued within 30 days was 38.6 in the first year and 0.5 in the second year.

Time Lapse between Receipt of Appeals and Decisions rendered.

	Total.		October, 1944 to September, 1945.		October, 1945 to September, 1946.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total decisions	12,247	100.0	3,271	100.0	8,976	100.0
0- 30 days	919	7 5	875	26.8	44	.5
31- 45 "	948	7.7	638	19.5	310	3.4
46- 60 "	2,216	18.1	1,398[1]	42.7	818	9.1
61- 90 "	2,913	23.8	254	7.8	2,659	29.6
91-180 "	4,976	40.6	101	3.1	4,875[2]	54.4
Over 180 days	275	2.3	5	.1	270	3.0

[1] Includes 1,003 cases involving "labor dispute" at one establishment.
[2] Includes 232 cases involving "labor dispute" at one establishment.

The determination of the Director was affirmed in 71.6 per cent of the 10,466 decisions on claimant appeals, and in 84.8 per cent of the 1,781 decisions on employer appeals. Included in this latter group were 1,003 cases involved in a labor dispute at one establishment.

Decisions on Claimant Appeals.

	Total.		October, 1944 to September, 1945.		October, 1945 to September, 1946.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total decisions on claimant appeals.	10,466	100.0	2,085	100.0	8,381	100.0
No modification in claimant's favor.	7,498	71.6	1,546	74.1	5,952	71.0
Modification in claimant's favor.	2,968	28.4	539	25.9	2,429[1]	29.0

[1] Includes 79 cases involving "other remuneration" at one establishment.

Decisions on Employer Appeals.

	Total.		October, 1944 to September, 1945.		October, 1945 to September, 1946.	
	Number.	Per Cent.	Number.	Per Cent.	Number.	Per Cent.
Total decisions on employer appeals.	1,781	100.0	1,186	100.0	595	100.0
No modification against claimant's interest.	1,511	84.8	1,066[1]	89.9	445	74.8
Modification against claimant's interest.	270	15.2	120	10.1	150	25.2

[1] Includes 1,003 cases involving "labor dispute" at one establishment.

The Board of Review also acts as agent in out-of-state cases, conducting hearings, and making transcripts of testimony. A total of 130 interstate interrogatories were disposed of in the 24 months included in this report.

Another function of the Board of Review is the consideration of appeals by employers with respect to their status as determined by the Director. Some 50 status cases were decided by the Board during the two years ending September 30, 1946.

Veterans of World War II who are dissatisfied with determinations of their claims for readjustment allowances may also appeal to the Board of Review, and a total of 5,030 such appeals were received. As shown in the section of this report dealing with activities on behalf of veterans, the majority of disputed readjustment allowance claims involved the issues "ability, availability, not unemployed" and "voluntary quit." The determination of the Director was affirmed in 61 per cent of the decisions of the Board of Review on disputed readjustment allowance claims, as compared with 71 per cent of decisions on disputed unemployment compensation claims.

Employer and Employee Coverage.

At October 1, 1944, some 73,876 employers were subject to the Massachusetts Employment Security Law. As of October 1, 1946, this number had increased by 4,920 and totaled 78,796.

Each year this Division makes an estimate, based on a representative sample, of the number of individuals who have earned wages in covered employment during the calendar year. The estimated number of workers with wage credits earned in 1945 was 7.1 per cent less than in 1943 when war-time employment was at its peak: in the year 1943, 1,950,000; in 1944, 1,780,000; and in 1945, 1,812,000.

Experience Rating in 1945 and 1946.

Some 27,151 employers who became subject to the Massachusetts Employment Security Law prior to January 1, 1941, were entitled to have their contribution rates for 1945 determined in accordance with experience rating provisions of the law. In 1946, the number of employers who were eligible for rate reduction had increased to 28,777, or approximately 38 per cent of all employers subject to the law at January 1, 1946. Many of the 47,762 establishments not yet eligible had become newly subject to the law upon the extension of coverage to employers of less than four workers, which was effective January 1, 1943.

Decreases in benefit payments, together with increases in taxable pay rolls, have steadily reduced contribution rates under the experience rating program. The following tabulation shows the average contribution rates for rated employers and for all employers, for each year since experience rating provisions of the law first became effective.

Year.	Rated Employers (Per Cent).	All Employers (Per Cent).
1946	.59	.75
1945	.60	.85
1944	.72	.93
1943	1.08	1.28
1942	1.32	1.52

Notwithstanding the great increase in benefit payments which followed V-J Day, the three-year totals for most rated employers were low enough to entitle them to some

reduction in rate in 1946. As the following tabulation shows, in 1946 only 1.3 per cent of the rated employers were required to pay the full 2.7 per cent rate, while 91.3 per cent qualified for the minimum rate of 0.5 per cent. In 1942, 24.5 per cent of rated employers were required to pay the full rate while only 31.0 per cent qualified for the minimum rate.

Rate (Per Cent).	1946.		1945.		1942.	
	Number.	Per Cent of Total.	Number.	Per Cent of Total.	Number.	Per Cent of Total.
Totals, all rates	28,777	100.0	27,151	100.0	16,727	100.0
.5	26,266	91.3	22,322	82.2	5,191	31.0
1.0	1,102	4.1	1,815	6.7	2,869	17.2
1.5	590	2.1	1,131	4.2	2,007	12.0
2.0	206	.7	457	1.7	1,442	8.6
2.5	157	.5	333	1.2	1,114	6.7
2.7	366	1.3	1,093	4.0	4,104	24.5

Savings to employers in 1946 due to reduced contribution rates were estimated at $54,366,000. In 1942, savings to employers were estimated to be $25,630,300.

Year.	Total Taxable Pay Roll.	Yield at 2.7 Per Cent.	Estimated Contribution Receipts.	Estimated Reduction.
1946	$2,788,000,000[1]	$75,276,000	$20,910,000	$54,366,000
1945	2,513,471,000	67,863,700	22,091,151	45,772,600
1942	2,179,945,400	58,858,500	33,228,200	25,630,300

[1] Estimated.

Analysis by size of pay roll showed that in 1945 and earlier years, establishments having a pay roll of $1,000,000 and over had the lowest average contribution rate. In 1946, however, this was found not to be the case. Owing to heavy layoffs in war industries, the proportion of the largest establishments entitled to the minimum rate, dropped from 92.0 per cent in 1945 to 88.6 per cent in 1946.

Size of Pay Roll.	1946.		1945.		1942.	
	Number of Establishments.	Average Contribution Rates.	Number of Establishments.	Average Contribution Rates.	Number of Establishments.	Average Contribution Rates.
Total — all rated Establishments.	28,777	.59	27,151	.60	16,727	1.32
Below $5,000	6,302	.62	6,221	.83	2,279	1.56
$5,000 to $9,999	6,559	.58	5,825	.70	2,711	1.70
10,000 to 19,999	6,084	.55	5,738	.64	4,020	1.51
20,000 to 49,999	5,054	.65	4,803	.63	4,053	1.42
50,000 to 99,999	2,127	.57	2,024	.63	1,738	1.42
100,000 to 999,999	2,360	.60	2,240	.62	1,751	1.45
1,000,000 and over	291	.57	300	.57	175	1 13

Chart II compares graphically the average rates for rated employers for 1946 for the various industry divisions and for certain selected major industry groups.

Table II shows the average contribution rates for rated accounts by industry for the year 1946. For most groups the rates averaged less than .60 per cent. The highest average rate was found in the apparel industry in which the figure was 1.05 per cent. Two other industries which are subject to seasonal fluctuations showed relatively high average rates — building construction (.78 per cent) and leather and leather products (.77 per cent). Textile manufacturing also showed a relatively high average rate (.83 per cent).

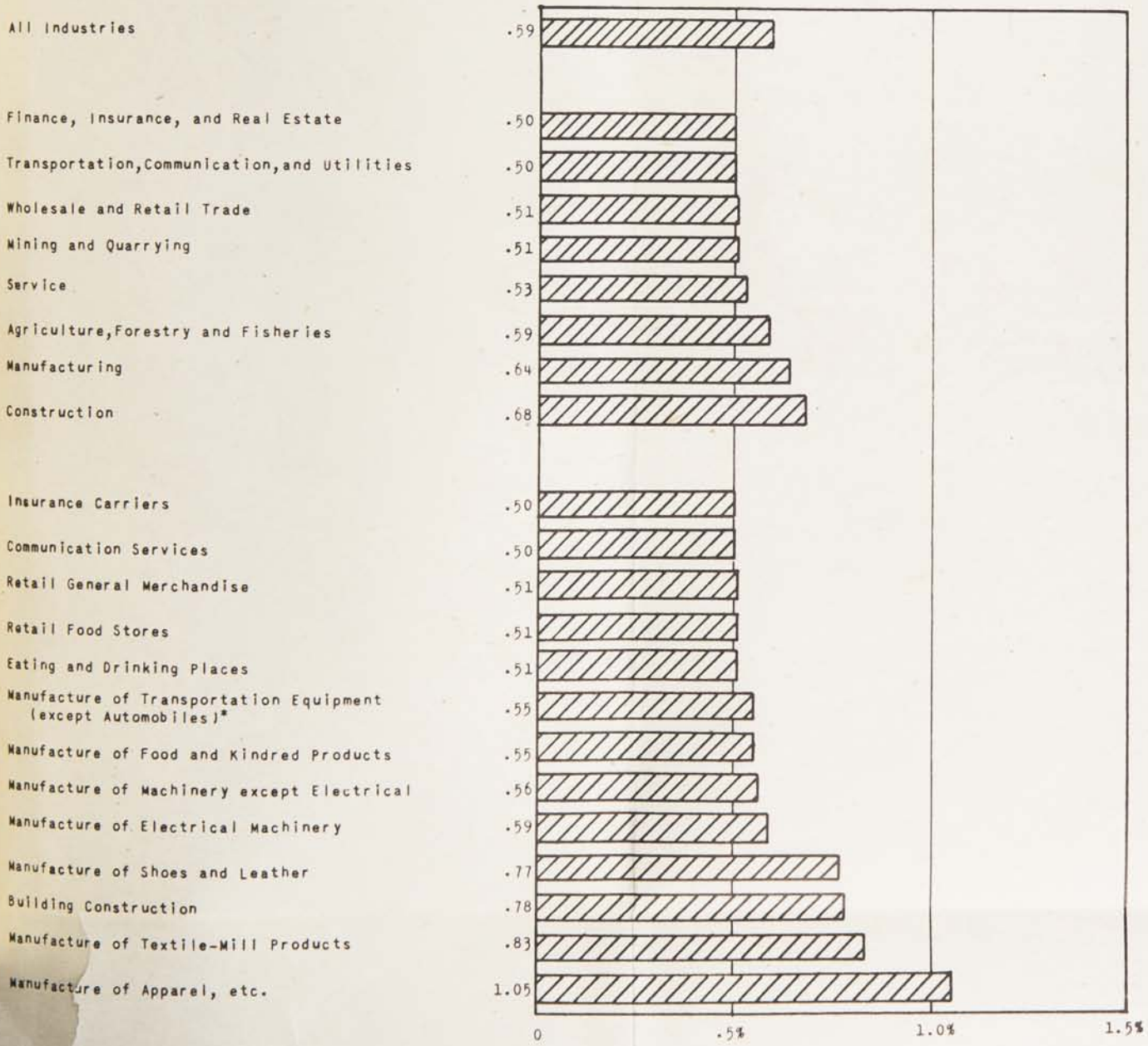
Table II. — *Rated Accounts, Average Contribution Rates and Estimated Reductions for 1946, by Industry.*

Industry.	Rated Accounts.	Average Contribution Rate.[1]	Estimated Amount of Reduction.[2]
Total, all Industries	28,777	.59	$50,700,000
Agriculture, forestry and fishing	141	.59	41,000
00 to 06 and 07 Agriculture	129	.59	38,300
08 Forestry	1	.50	300
09 Fishing	11	.53	2,400
Mining	67	.51	55,000
10 to 14 Mining and quarrying	67	.51	55,000

[1] Weighted for amount of 1945 taxable pay roll at each rate.
[2] Based on 1945 taxable pay roll.

CHART II

AVERAGE CONTRIBUTION RATES OF RATED EMPLOYERS FOR 1946 FOR INDUSTRY DIVISIONS AND FOR CERTAIN MAJOR INDUSTRY GROUPS



* Includes shipbuilding.

TABLE II. — *Rated Accounts, Average Contribution Rates and Estimated Reductions for 1946, by Industry.* — Continued.

INDUSTRY.	Rated Accounts.	Average Contribution Rate.[1]	Estimated Amount of Reduction.[2]
Construction	2,132	.68	$1,200,000
15 Building construction — general contractors	560	.78	350,000
16 General contractors, other than building	204	.68	250,000
17 Construction — special trade contractors	1,368	.62	600,000
Manufacturing	5,821	.64	28,800,000
19 Ordnance and accessories	18	.78	450,000
20 Food and kindred products	586	.55	1,460,000
21 Tobacco	15	.61	17,000
22 Textile-mill products	457	.83	4,045,000
23 Apparel and other finished products	721	1.05	970,000
24 Lumber and timber basic products	94	.54	63,000
25 Furniture and finished lumber products	377	.52	610,000
26 Paper and allied products	224	.50	1,285,000
27 Printing, publishing and allied industries	651	.50	1,120,000
28 Chemicals and allied products	250	.51	780,000
29 Products of petroleum and coal	13	.50	50,000
30 Rubber products	73	.58	1,215,000
31 Leather and leather products	551	.77	2,045,000
32 Stone, clay and glass products	141	.52	550,000
33 Iron and steel and their products	403	.57	2,340,000
34 Transportation equipment (except automobiles).	58	.55	1,940,000
35 Nonferrous metals and their products	263	.53	870,000
36 Electrical machinery	104	.59	4,000,000
37 Machinery (except electrical)	477	.56	3,530,000
38 Automobiles and automobile equipment	23	.62	100,000
39 Miscellaneous manufacturing industries	322	.58	1,360,000
Transportation, communication and utilities	1,177	.50	3,400,000
41 Street railways and bus lines	28	.50	722,000
42 Trucking and/or warehousing for hire	759	.50	666,000
43 Other transportation, except water transportation.	176	.51	226,000
44 Water transportation	24	.50	18,000
45 Other services allied to transportation	71	.50	160,000
46 Communication: Telephone, telegraph, etc.	10	.50	886.000
48 Utilities: Electric and gas	84	.50	706,000
49 Other local utilities and local public services	25	.50	16,000

[1] Weighted for amount of 1945 taxable pay roll at each rate.
[2] Based on 1945 taxable pay roll.

While 16,142 veterans had filed claims for readjustment allowances prior to October 1, 1945, and would have exhausted their entitlement prior to October 1, 1946, if they had remained continuously unemployed, actually only 1,628 had exhausted their entitlement at that date. Furthermore, of the 241,185 veterans who had drawn at least one check, only 59,326 (25 per cent) were still on the rolls in the week ending October 2, 1946.

Veterans of World War II receive their readjustment allowance payments with the same promptness as unemployment compensation claimants receive their checks. According to figures released by the Readjustment Allowance Service of the Veterans' Administration at Washington, Massachusetts veterans received their readjustment allowance payments in September, 1946, more promptly than veterans in any other State of comparable size and industrial pattern except California, where the per cent of payments made within one week was the same as in Massachusetts. (It is assumed, however, that in California readjustment allowance payments are made in cash at local offices, in accordance with procedure followed in making payments on regular unemployment compensation claims.)

Time Lapse in Payment of Readjustment Allowances for Unemployment for Selected States, September, 1946.

States.	Number of Payments.	Per Cent of Payments made in—		
		One Week.	One Week and Less than Two.	Six Weeks and Over.
All States	6,215,618	44.7	35.2	2.7
Massachusetts	300,315	89.8	5.7	1.2
California	285,548	89.8	5.6	1.6
Michigan	221,315	55.7	32.9	2.2
Pennsylvania	730,103	44.7	42.4	2.8
New York	816,221	42.1	51.1	1.5
New Jersey	311,239	35.4	45.7	1.9
Illinois	287,537	12.0	42.4	3.0
Connecticut	72,781	11.4	42.1	4.4
Ohio	287,127	8.6	55.6	3.3

Veterans of World War II who are dissatisfied with determinations of their claims for readjustment allowances may appeal to the Board of Review. As of September 30, 1946, a total of 5,030 such appeals had been received by the Board of Review and 2,562 decisions had been rendered. In 61 per cent of the decisions, the determination of the Director was affirmed. Questions of "ability, availability, etc." were involved in 37 per cent of the decisions while "voluntary quit" cases formed the next largest group, representing 32 per cent of the decisions.

The Servicemen's Readjustment Act also makes provision for payment of allowances to self-employed veterans whose net income from their business is less than $100 in any month. Self-employed veterans receive the difference between $100 and their net earnings. By the end of September, 1946, 1,528 Massachusetts veterans had applied for readjustment allowances under this provision of the act.

Controls.

Throughout the past two years the Division has continued the program for the prevention of erroneous or fraudulent payment of unemployment compensation. This program included the "mechanical verification" of claims, and supervision by a staff of specially trained individuals. Particularly difficult or openly fraudulent cases may be referred to the State Police.

The Overpayment Section also has the duty of preventing erroneous or fraudulent payment on readjustment allowances to veterans of World War II.

Administrative Costs.

Administrative costs of the Massachusetts Division of Employment Security totaled $4,006,953.52, in the two fiscal years ending June 30, 1946. The entire amount came from federal grants under Section III of the Social Security Act and Title V of the Servicemen's Readjustment Act of 1944.

The "war-time loan" arrangement whereby the Massachusetts employment service functioned as a part of the United States Employment Service remained in operation throughout the two years. The above expenditures, therefore, include certain invoices paid for the United States Employment Service.

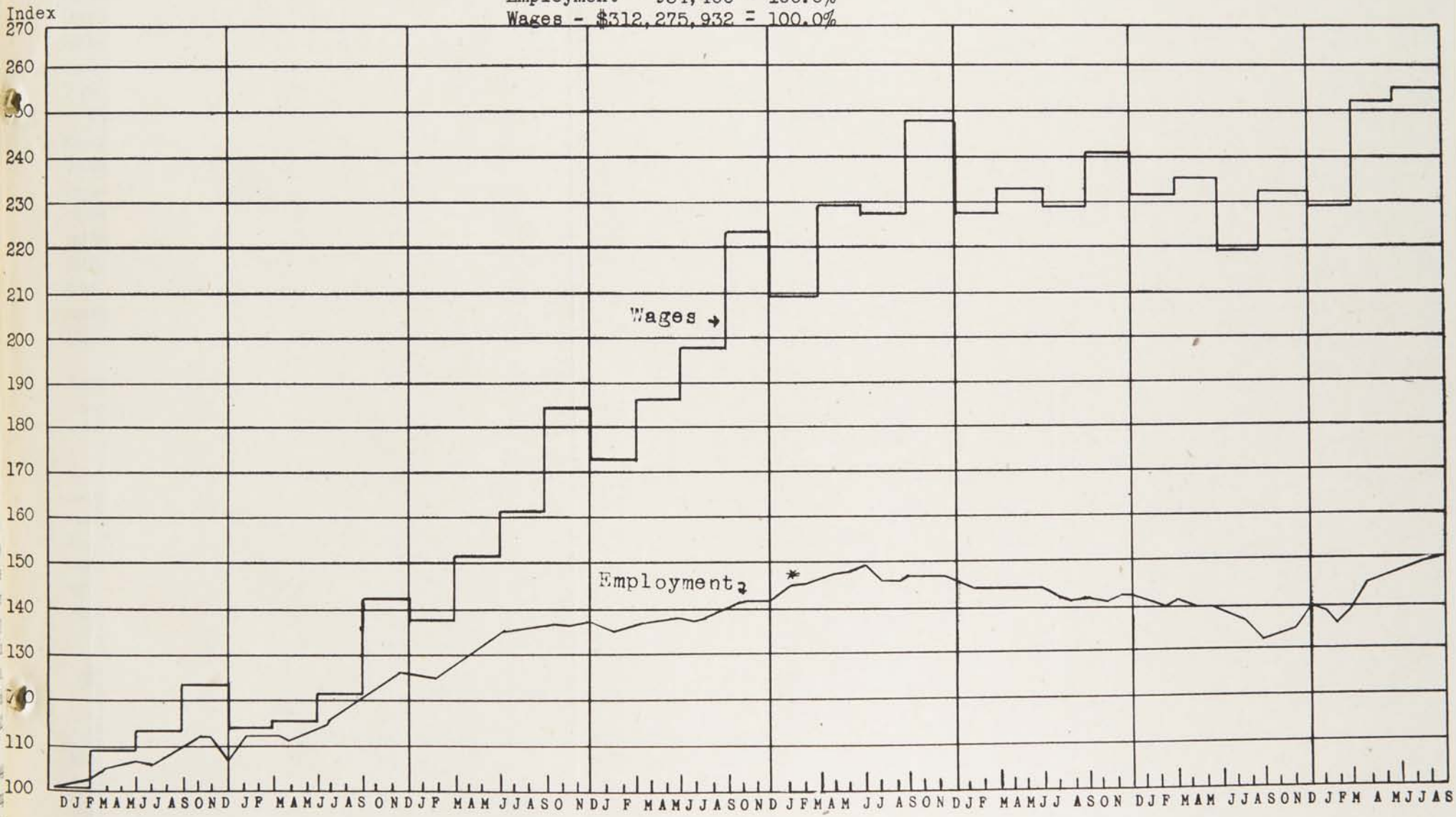
Employment and Wages.

Employment in establishments covered by the Massachusetts Employment Security Law decreased in the first nine months of 1945, and as of September 15, 1945, totaled 1,264,438. This was the lowest point since the early months of 1941. Following the first impact of post V-J Day layoffs, however, employment rallied and showed a sharp upward trend throughout the ensuing twelve months. The estimated total of 1,430,000 covered workers as of September 15, 1946, was above the war-time peak of 1,420,200 which was reached in June, 1943.

Chart III shows the trends in employment and wages for the period January 1, 1939, through September 30, 1946. Since data on which this chart is based were obtained from Employers' Quarterly Wage and Contribution Reports filed with this department, they do not include figures from government establishments, such as the Boston Navy Yard, the Watertown Arsenal, and the Springfield Armory, where employment and wages have shown tremendous changes in the years covered by the report. The large increases in pay rolls in the December quarter include bonuses and other compensation paid at the end of the year, but actually applicable to services rendered throughout the year. In connection with the chart it should also be noted that, as of January 1, 1943, coverage was extended to include employers of one or more. (From 1939 through 1942, coverage was limited to employers of four or more.)

Although employment was decreasing throughout 1944 and the first nine months of 1945, wages were increasing. The total of $2,902,065,900 paid to workers in the year 1944 exceeded the amount paid in the preceding year

CHART 111 - INDEXES--WAGES AND EMPLOYMENT--ALL INDUSTRIES
January 1, 1939 - September 30, 1946
Based on Quarterly Contribution Reports of Employers
Subject to the Massachusetts Employment Security Law
Employment - 954,466 = 100.0%
Wages - $312,275,932 = 100.0%



* INCREASE IN JANUARY 1943 ACCOUNTED FOR BY EXTENSION OF COVERAGE TO EMPLOYERS OF 1 OR MORE. ESTIMATED NUMBER OF WORKERS AFFECTED-60,000

by 1.5 per cent, while wages paid in the first half of 1945 were greater by 2 per cent than wages in the first half of 1944. Notwithstanding V-J Day layoffs, wages in the latter half of 1945 were only 3.6 per cent below wages in the latter half of 1944. This interruption in the increase in pay rolls was only temporary and it has been estimated that wages in the first nine months of 1946 exceeded wages in the first nine months of 1945 by about 7 per cent.

The following tabulation shows how employment in manufacturing decreased from the peak of 845,284 in June, 1943, to an estimated 751,400 in September, 1946, — a drop of 11 per cent. In trade and service, on the other hand, employment increased each year — the estimated employment in September, 1946, in these two industry divisions representing increases of 15 per cent and 19 per cent, respectively. In construction it was estimated that the increase between June, 1943, and September, 1946, was approximately 44 per cent.

Number of Workers employed in Establishments Covered by the Massachusetts Employment Security Law.

	All Industries.	Manufacturing.	Trade.	Service.	Construction.
June, 1943	1,420,200	845,284	293,166	96,131	40,043
June, 1944	1,375,303	802,615	296,843	98,766	32,578
June, 1945	1,339,397	755,778	301,347	101,554	35,737
June, 1946	1,402,800[1]	734,500[1]	330,700[1]	116,121[1]	54,300[1]
Sept. 1946	1,430,000[1]	751,400[1]	337,350[1]	114,000[1]	57,600[1]

[1] Estimated.

V. Condition of the Massachusetts Unemployment Trust Fund.

The balance in the unemployment trust fund at September 30, 1946, totaled $197,565,684.19. This amount represents the excess of receipts since January 1, 1936, when the fund was established, over disbursements since January 1, 1938, when benefit payments began.

Financial transactions affecting the fund since January 1, 1936, are summarized as follows:

Contributions and interest penalties (net)		$337,994,941 69
Interest on investments		22,900,144 32
Total net receipts		$360,895,086 01
Benefit payments	$161,016,676 25	
Transfer to railroad unemployment trust fund	2,312,725 57	
		163,329,401 82
Balance September 30, 1946		$197,565,684 19

The growth of the fund is shown graphically in Chart IV while Table III shows, by quarters, the amount of contributions and income collected, together with the amount of benefits disbursed.

It will be observed that the balance in the fund has shown a net decrease in each of the last four quarters, and that the balance at September 30, 1946, was less than at September 30, 1945, by $18,207,950.42. This decrease was attributable to the great increase in benefit payments to workers unemployed because of post V-J Day layoffs and material shortages, or indirectly affected by labor disputes.

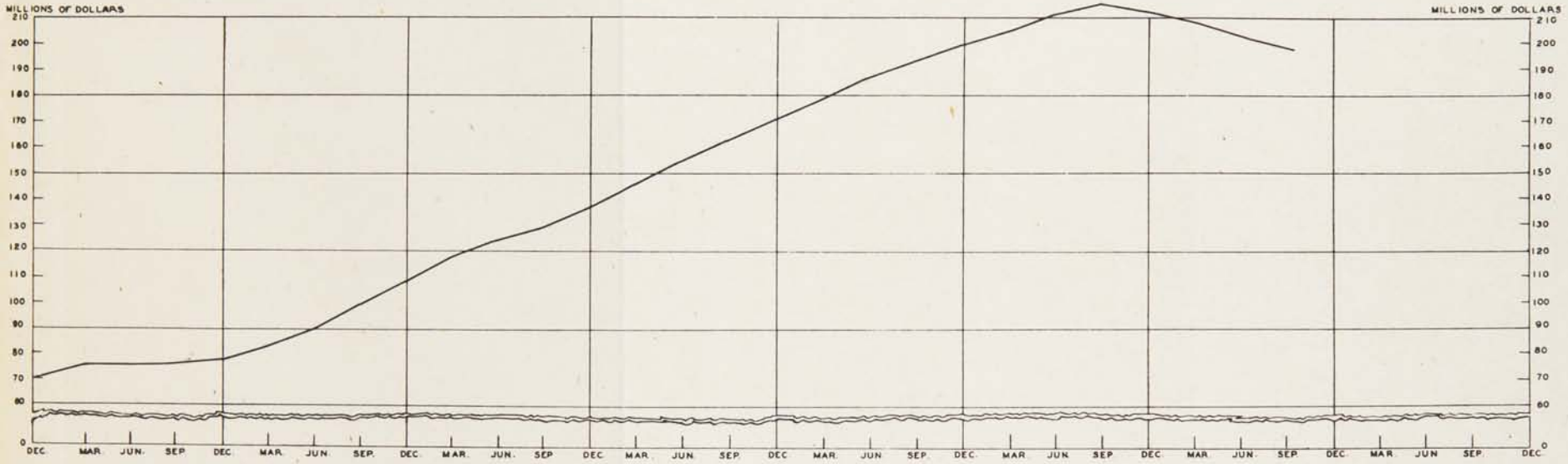
Total collections also decreased in the twelve months ending September 30, 1946. This decrease is due to reduced contribution rates assigned to employers under experience rating provisions of the Massachusetts Employment Security Law, and to reductions in taxable pay rolls.

CHART IV

CONDITION OF UNEMPLOYMENT COMPENSATION FUND, AND TRANSACTIONS AFFECTING THE FUND

JANUARY 1, 1940 - SEPTEMBER 30, 1946, BY QUARTERS

BALANCE IN UNEMPLOYMENT COMPENSATION FUND



CONTRIBUTIONS AND PENALTIES, INTEREST FROM U.S., AND BENEFITS

* DURING OCTOBER 1940, THE SUM OF $2,312,725.63 WAS TRANSFERRED TO THE RAILROAD UNEMPLOYMENT

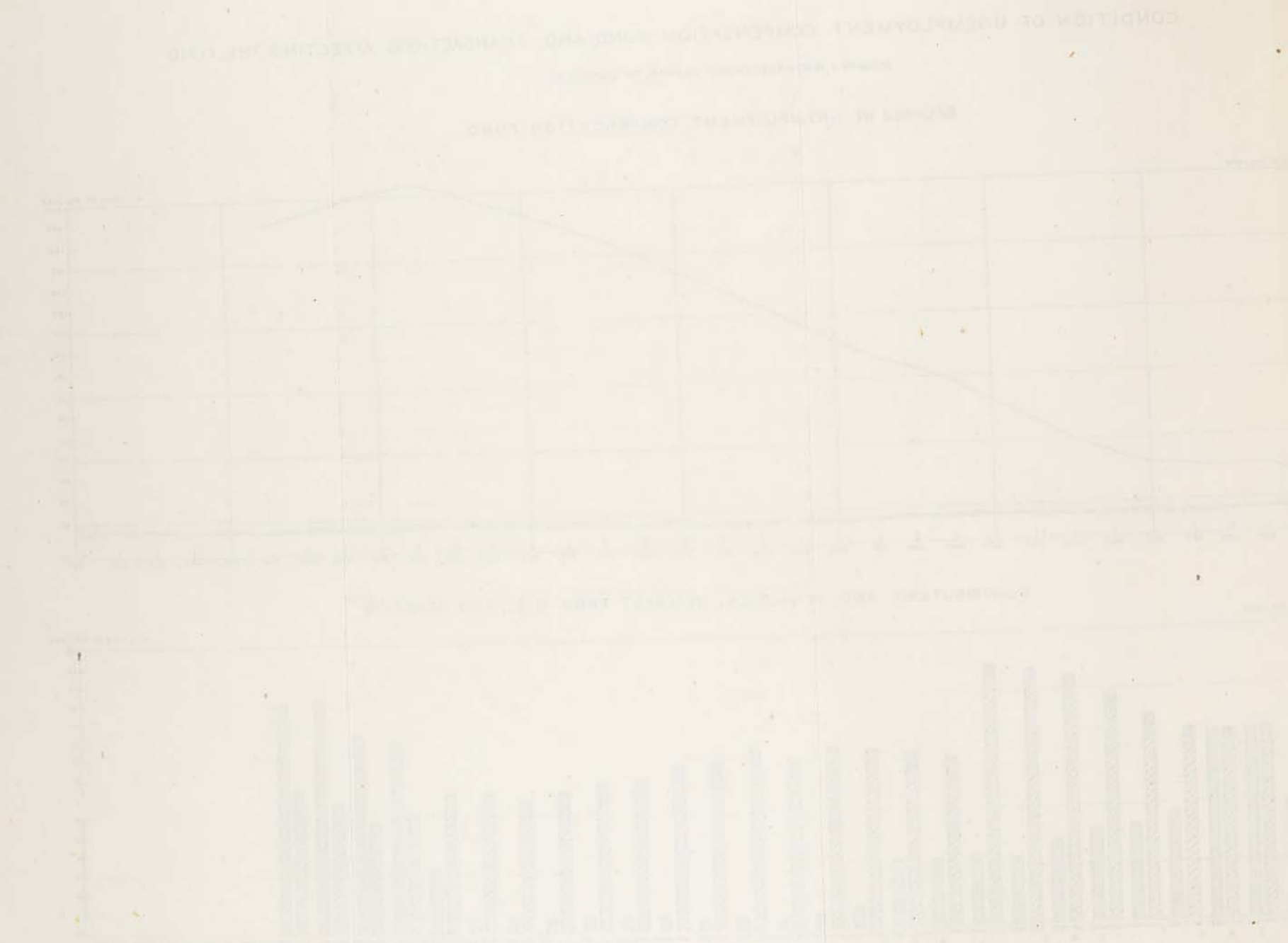


TABLE III. — *Unemployment Compensation Fund, January 1, 1936 to September 30, 1946.*

PERIOD.	COLLECTIONS.				Income credited by United States Treasury.	Total Collections and Income.	Benefit Payments (Net).	Net Addition to Fund.	Balance in Fund.
	CONTRIBUTIONS.		Interest and Penalties (Net).	Total Collections.					
	Employer.	Employee.[1]							
Year 1936	$8,208,951 36	–	$4,794 23	$8,213,745 59	–	$8,213,745 59	–	$8,213,745 59	$8,213,745 59
Year 1937	23,337,398 04	$9,645,950 99	40,388 20	33,023,737 23	$316,870 66	33,340,607 89	–	33,340,607 89	41,554,353 48
Year 1938	28,418,078 79	7,506,687 93	27,331 16	35,952,097 88	1,023,409 47	36,975,507 35	$27,098,765 00	9,876,742 35	51,431,095 83
Year 1939	37,597,499 40	117,135 39	50,984 63	37,765,619 42	1,396,233 89	39,161,853 31	19,650,608 00	19,511,245 31	70,942,341 14
Quarters ending:									
March 31, 1940	10,474,707 61	7,280 16	12,734 97	10,494,722 74	428,231 95	10,922,954 69	6,086,585 00	4,836,369 69	75,778,710 83
June 30, 1940	9,343,430 92	9,149 20	13,154 76	9,365,734 88	462,645 32	9,828,380 20	9,707,197 00	121,183 20	75,899,894 03
Sept. 30, 1940	9,142,710 57	2,535 61	10,326 30	9,155,572 48	478,361 14	9,633,933 62	9,725,394 00	91,460 38[2]	75,808,433 65
Dec. 31, 1940	9,347,750 99	6,782 40	12,875 05	9,367,408 44	469,385 61	9,836,794 05	5,631,236 00	1,892,832 48[3]	77,701,266 13
March 31, 1941	10,092,859 91	2,420 07	11,009 31	10,106,289 29	469,862 19	10,576,151 48	4,999,061 00	5,577,090 48	83,278,356 61
June 30, 1941	11,230,639 50	3,564 95	10,606 87	11,244,811 32	501,158 67	11,745,969 99	4,777,941 00	6,968,028 99	90,246,385 60
Sept. 30, 1941	12,107,481 83	3,965 39	13,963 08	12,125,410 30	546,959 32	12,672,369 62	4,252,273 00	8,420,096 62	98,666,482 22
Dec. 31, 1941	12,458,290 65	4,070 43	17,058 40	12,479,419 48	592,497 71	13,071,917 19	3,452,942 00	9,618,975 19	108,285,457 41
March 31, 1942	12,625,687 83	999 57	9,525 33	12,636,212 83	645,293 39	13,281,506 22	3,652,347 00	9,629,159 22	117,914,616 63
June 30, 1942	7,944,775 34	1,942 59	10,895 63	7,957,613 56	701,511 88	8,659,125 44	3,455,179 00	5,203,946 44	123,118,563 07
Sept. 30, 1942	8,187,746 95	1,517 33	13,798 03	8,203,062 31	746,340 80	8,949,403 11	3,388,844 00	5,560,559 11	128,679,122 18
Dec. 31, 1942	8,491,756 58	161 61	14,139 76	8,506,057 95	707,927 91	9,213,985 86	1,084,732 00	8,129,253 86	136,808,376 04

[1] Employee contributions began January 1, 1937. They were eliminated from the law as of July 1, 1938. Amounts collected since that date represent contributions with respect to wages earned prior to July 1, 1938.
[2] Decrease.
[3] After transfer to Railroad Unemployment Insurance Fund in October, 1940, of $2,312,725.57.

TABLE III. — *Unemployment Compensation Fund, January 1, 1936 to September 30, 1946* — Concluded.

PERIOD.	COLLECTIONS.				Income credited by United States Treasury.	Total Collections and Income.	Benefit Payments (Net).	Net Addition to Fund.	Balance in Fund.
	CONTRIBUTIONS.		Interest and Penalties (Net).	Total Collections.					
	Employer.	Employee.[1]							
March 31, 1943	$8,573,796 10	$191 45	$14,286 09	$8,588,273 64	$741,189 67	$9,329,463 31	$766,578 00	$8,562,885 31	$145,371,261 35
June 30, 1943	7,930,753 77	854 43	14,169 91	7,945,778 11	782,595 46	8,728,373 57	489,731 00	8,238,642 57	153,609,903 92
Sept. 30, 1943	8,590,318 78	635 37	14,599 82	8,605,553 97	827,745 69	9,433,299 66	630,748 00	8,802,551 66	162,412,455 58
Dec. 31, 1943	8,061,936 14	691 30	13,966 27	8,076,593 71	748,615 50	8,825,209 21	483,139 00	8,340,070 21	170,754,525 79
March 31, 1944	7,784,298 36	1,810 23	7,631 42	7,793,740 01	783,865 00	8,577,605 01	794,020 00	7,783,585 01	178,538,110 80
June 30, 1944	6,917,233 78	642 46	10,479 57	6,928,355 81	826,947 98	7,755,303 79	656,253 00	7,099,050 79	185,637,161 59
Sept. 30, 1944	6,871,048 40	443 43	9,752 77	6,881,244 60	854,879 54	7,736,124 14	691,858 00	7,044,266 14	192,681,427 73
Dec. 31, 1944	6,430,734 30	330 01	8,317 39	6,439,381 70	901,578 98	7,340,960 68	628,004 00	6,712,956 68	199,394,384 41
March 31, 1945	5,766,982 88	178 95	6,944 45	5,774,106 28	933,406 24	6,707,512 52	673,244 50	6,034,268 02	205,428,652 43
June 30, 1945	6,161,155 56	500 67	6,085 11	6,167,741 34	964,720 41	7,132,461 75	655,993 00	6,476,468 75	211,905,121 18
Sept. 30, 1945	6,143,773 36	692 79	5,548 39	6,150,014 54	1,001,339 64	7,151,354 18	3,282,840 75	3,868,513 43	215,773,634 61
Dec. 31, 1945	5,259,444 07	551 81	6,080 37	5,266,076 25	1,032,911 76	6,298,988 01	9,821,807 00	3,522,818 99	212,250,815 62
March 31, 1946	4,669,178 82	365 60	5,581 70	4,675,126 12	1,022,377 57	5,697,503 69	10,371,170 00	4,673,666 31[2]	207,577,149 31
June 30, 1946	5,724,426 96	358 12	6,618 71	5,731,403 79	1,002,647 23	6,734,051 02	12,090,332 00	5,356,280 98[2]	202,220,868 33
Sept. 30, 1946	6,368,970 09	270 35	4,795 68	6,374,036 12	988,633 74	7,362,669 86	12,017,854 00	4,655,184 14[2]	197,565,684 19
Totals	$320,263,817 64	$17,322,680 69	$408,443 36	$337,994,941 69	$22,900,144 32	$360,895,086 01	$161,016,676 25	–	–
Balance, Sept. 30, 1946	–	–	–	–	–	–	–	$197,565,684 19	$197,565,684 19

[1] Employee contributions began January 1, 1937. They were eliminated from the law as of July 1, 1938. Amounts collected since that date represent contributions with respect to wages earned prior to July 1, 1938.

[2] Decrease.

[3] After transfer to [illegible] Unemployment Insurance Fund in October, 1940, of $2,312,725.57.

VI. Membership of Advisory Council.

Appointment.

On February 17, 1939, the State Advisory Council of the Division of Employment Security was appointed by Ex-Governor Leverett Saltonstall, under the provisions of sub-section 9N (*a*) of chapter 23 of the General Laws, as same appears in section 1 of Chapter 20 of the Acts of 1939.

Membership.

The membership of the Council at present is as follows:

	Represents —	Expiration of Term.
William G. Sutcliffe, chairman 46 Dover Road, Wellesley	Public	1949
Francis J. Carreiro[1] 380 Foley Avenue, Somerset Center	Public	1951
Mary M. Riley 224 M Street, South Boston	Employees	1949
Antonio England[2] 106 Mt. Vernon Street, New Bedford	Employees	1951
Fred W. Steele 115 Hawthorn Street, New Bedford	Employers	1949
Irving E. Rogers[3] 15 Bradstreet Road, North Andover	Employers	1951

[1] Appointed on September 5, 1945, by Governor Maurice J. Tobin to replace Henry Cloutier, whose term expired.

[2] Daniel J. Goggin was appointed on December 6, 1944, by Ex-Governor Leverett Saltonstall to fill unexpired term of Joseph J. Cabral, deceased December 2, 1944. Antonio England was appointed on November 14, 1945, by Governor Maurice J. Tobin to replace Daniel J. Goggin, whose term expired.

[3] Appointed on April 10, 1946, by Governor Maurice J. Tobin to replace Alfred E. Rankin, whose term expired. Mr. Rogers resigned December 9, 1946, and Mr. Joseph A. Dunn of East Boston was nominated for appointment on December 26, 1946, by Governor Maurice J. Tobin and confirmed on January 2, 1947, to fill Mr. Rogers' unexpired term.