
CHAPTER XVIII

THE EFFECTUATION OF CONSISTENT POLICIES AND PRINCIPLES

In the preceding chapter we have recommended the adoption of certain specific objectives and principles. We have given our reasons for believing that their adoption would promote the economic and social welfare of the country. Necessarily, however, we have dealt with the problem in broad and general terms.

THE CHARACTER OF PREVENTIVE POLICIES

Public-aid policy in the future should be directed first and foremost to utilizing to the full every measure which gives promise of minimizing the extent of economic insecurity. For although, as we have shown, it is unreasonable to expect that the need for socially provided income can be completely eliminated, a more positive attack upon the causes of economic insecurity and poverty would greatly reduce the need for public-aid measures as such. Some of the more promising weapons available to a democratic society may be briefly indicated.

Public Spending and Public Aid

The experience of the years since 1933 has shown that in periods of depression a well-timed and adequate public spending program could contribute materially to the full employment of our productive resources and the attainment of a higher level of national income. *We believe that to an increasing degree in the future government will have to accept a broad responsibility for so conducting its monetary and fiscal policies as to offset the wastes and irregularities of operation of uncoordinated private enterprise.*

In the implementation of these policies public aid can play an important role. If the difficulties in our economy were of a purely cyclical nature, a major function of public-aid policy would be to inject purchasing power during periods of decline and to assist in turning the tide. The rest could then be left to the dormant forces of expansion. Even if no positive stimulus were given, a permanently assured and appropriately financed public-aid system could strengthen the resistance of the economic system against depressions. The assurance through such a system of a minimum income to all our people in good and bad times would stabilize demand and serve as a protection against a downward spiraling of production. In addition, the number of beneficiaries under the various

In the following pages we translate these policies and principles into more specific terms, indicate their implications for the contemporary situation, and suggest some of the ways and means by which they might be put into effect.

social-insurance schemes increases in a depression. This is obvious with regard to unemployment compensation, but it is also true in some measure of old-age insurance. It would have to be made certain that declining yields of taxes or contributions would not lead to higher tax rates or curtailed payments. In other words, in a depression financing should be shifted from current receipts to borrowing or a decumulation of reserve funds. Such a policy would assure business that in the depression the purchasing power of these groups would not shrink. This would keep some sectors of business from curtailing their activities and thereby diminish the spiraling acceleration of a depression.

If, however, continuous economic growth is not assured by the automatic functioning of the private economy, additional measures become necessary. Public-aid expenditures remain important as a device to prevent or mitigate a drop in economic activities and thereby to gain time for the application of more fundamental methods of adjustment. But, although the economic structure itself cannot be repaired by public-aid measures alone, such programs may play an important role in implementing more far-reaching policies.

At first sight, it might seem that if a temporary public-aid program, financed by borrowing, can help sustain purchasing power for a short period, a permanent program, constantly lifting the consumption of the lowest income groups, could become an integral and constructive element of the economy. Supporters of this view argue that if it were possible, for instance, to borrow continuously for such programs, savings would be absorbed and transformed into mass purchasing power, thus offsetting, at least partly, oversaving, underinvestment, or underconsumption, which are all different aspects of the same fundamental phenomenon.

We believe that, during a depression, borrowing for public-aid expenditures is appropriate because it raises

income and makes possible a quickened tempo of economic activity with resultant higher tax revenues, so that the fiscal situation is better than it would be if such a policy had not been applied. But a permanent policy of borrowing for public aid, which neither increases nor redistributes national income but barely maintains it at a certain level, is an altogether different proposition. If the borrowing were carried on by the issuance of interest-bearing loans, it would result in a growing interest burden (in terms of interest charges as related to national income) and increasing tax rates. Continuous borrowing for public improvements which add to the productivity of the economy is, however, perfectly sound because no real increase in the debt and tax burden is involved. If continuous Government absorption of some of the Nation's current savings is required, the above considerations suggest that these savings be used for a program of public works and other productive programs rather than for relief or other security payments, which call forth no direct addition to production. A significant increase in output is now being secured in consequence of spending for war. However, it is evident that if, on the conclusion of the present era of spending for armaments, the increased production thereby secured is to take the form of goods and services contributing to the welfare of our people rather than to the destruction of our enemies, careful preparations must be made and more thought must be given to the types of production to be fostered by a public spending policy.

It could also be argued that a permanent public-aid program based on taxes or contributions results in a redistribution of income and thereby may help in effecting a more smoothly functioning economy. More specifically, it has been urged that schemes for the improvement of the standards of general relief, increased aid to dependent children, old-age pension schemes, public health insurance, a broader application of food and textile stamp plans, and similar measures, financed by taxes or contributions, would aid in bringing about an economic balance at a continually increasing level of production.

If such schemes were financed by progressive taxes, they might bring about a shift from savings to consumption. But the possibilities of tightening progressive taxes, even with fuller utilization of the Federal taxing powers, are limited. These taxes are likely, in view of the war situation, to be exploited up to their full economic, political, and psychological limits for general government purposes. Additional social functions must in general be financed out of taxes which, in one way or another, will be imposed on the masses of taxpayers in the middle income brackets or

even partly in the lower brackets through pay-roll taxes, sales taxes, or even income taxes with a low tax-exemption limit. The resultant shifting of consumption from such taxpayers to the recipients of old-age pensions, medical care, relief payments, and other forms of public aid, may be socially advantageous, but it is doubtful whether it could serve as a permanent adjustment of the economic system.

Minimum Wage Legislation

The successful application of constructive measures looking toward the full employment of all our resources would go far toward eliminating the need for public aid. But, even with a larger total national income, gross inequalities in its distribution would still make for individual economic insecurity. Measures promoting a more equal distribution of the national income, such as minimum-wage legislation, must therefore also be regarded as preventives of the need for public aid.

Geographical Redistribution of the Population

The existence of areas where economic opportunity is relatively limited, and the concentration of a significant proportion of the low-income and public-aid population therein, suggest a more positive national policy of transference than has yet been developed. Such action necessarily calls for greater knowledge of the labor market in geographical and occupational terms than we now possess, but not greater than we may reasonably hope to obtain. It involves also vocational guidance and training and, in many cases, financial assistance to persons who are transferred. It may call for coordinated policy in the realm of housing, such as is already in effect in other countries. It is unreasonable to expect the residents of these relatively poorer areas to be in a position either to provide the funds for transference and retraining or to accumulate the knowledge of available opportunities elsewhere. Measures to enable people in these areas, especially the younger age groups, to move to areas of greater economic opportunity will necessarily involve action at the Federal level.

It is as yet too soon to forecast the effect of the location of new plants and the development of new industrial areas in consequence of the strategic and military objectives which necessarily dominate the placement of orders under the defense program. It is evident, however, that the long-run consequences of these new industrial developments may be serious, and that the country must be prepared with constructive programs if the conclusion of the war is not to be followed by the appearance of a new series of depressed areas.

A Direct Attack on Low Productivity

Even a policy of deliberately fostered movement away from areas where economic opportunity is at present limited is an inadequate response to the challenge presented by chronic poverty, quite apart from the social undesirability of draining away a large proportion of the younger members of a community.

The poverty of entire areas, and therefore the extreme poverty of the public-aid population in those areas, will continue until there is a constructive attack on the root of the evil. This attack calls for the cooperation and planning of all groups in the country, although its implementation will involve specific activity on the part of government and particularly the Federal Government. *The problem calls for the stimulation and development of industries within the present depressed or underdeveloped areas.* The program of the Tennessee Valley Authority represents one such constructive attempt to revitalize and raise the economic capacity of an area. It is, however, not within our scope or competence to suggest more specific measures of economic reconstruction. These call for separate study, perhaps along the lines suggested in July 1938 by the report of the Conference on Economic Conditions in the South.

Public-aid programs such as the loan program of the Farm Security Administration represent a more modest, yet nevertheless constructive, approach to the problem of economic insecurity. Here, public aid takes the form of repayable advances to selected farmers for necessary equipment, together with constructive advice and guidance calculated to assist them to become more effective producers. Obviously the limits to what can be accomplished by programs of this type are set by the extent to which the economic development of the country requires the maintenance of a body of small-scale farmers and by the importance attached by individual workers to independent small-scale farming as a way of life. But the constructive character of such measures is undeniable.

Improvement of the Nation's Health

The need for public aid does not, however, arise solely from maladjustments in the economic system. A significant proportion of public-aid recipients are in a de-

pendent position because of inability to work effectively, or indeed to work at all, on account of remediable physical or psychological defects. Medical or dental care and other therapeutic treatment would return to self-support many persons who are now recipients of public aid. Clearly, a thoroughgoing program for the prevention of poverty demands the expansion of public-health facilities and services designed to protect the whole population from a loss or impairment of productive efficiency due to ill health.

Role of Social Case Work

It is important also to note that, while modern social case work has made a real contribution to the whole system of public aid, it can play an especially important role in the prevention of poverty where the need for public aid is attributable to personal maladjustments. Keeping alive the impulse to live responsibly and independently, the social worker may be the means by which the public-aid recipient is helped to secure diagnosis and treatment of some physical or mental ailment which has handicapped him in securing and retaining employment. Recipients are often not aware of community resources for such treatment, or lack courage, initiative, or realization of its importance.

Psychological as well as material assistance is often greatly needed by public-aid applicants. They are subject to widespread public prejudice and misunderstanding; they are commonly regarded as inferior and lacking in essential qualities of industry, thrift, and "character." This common prejudice reflects itself in the mind of the recipient himself and makes it difficult for him to maintain his own self-respect, courage, and initiative. These general attitudes cannot basically be altered, however skillful the social worker; but awareness of them and the undermining part they play is an important factor in emphasizing and encouraging the essential decency and strength of human beings. Where continued dependency may have caused loss of hope, responsiveness on the part of a trained social worker may be the beginning of a process of reconstruction of the recipient's strength and morale. Such enhancement of the morale of the recipient is a gain not merely for him but also for the taxpayers of the Nation.

PROVISION OF WORK AND TRAINING FOR THE UNEMPLOYED

We have already stated our reasons for believing that, if private industry cannot provide jobs for those who are willing and able to work, it is the duty of government to do so. In the following pages of this section we explore more fully the implications of the application of the work principle.

The Planning of Work Projects

To implement the work principle, a continuing program must be established that will include a broad diversity of projects and that is sufficiently flexible to expand and contract quickly in inverse ratio with the volume of private employment. *Full effectuation of*

the policy we recommend will call for a willingness on the part of the country to appropriate adequate funds and for careful advance planning of projects.

We believe that adoption of our suggestion that the function of operating and planning such projects should be regarded as a permanent and not merely an emergency function of the Federal Government, would foster such continuous planning. Local authorities cannot be expected to devote energies to this task unless there is some tangible evidence that the financially all-important Federal Government is committed to a continuing policy of public work provision whenever economic conditions so indicate. The national character of the problem of unemployment renders imperative coordination of these local planning activities, for it is evident that a really effective attack upon unemployment would combine work projects with transference schemes, and this can only be done with the aid of a central authority.

At the policy-forming level it is imperative that the relative role played by each program for the unemployed should be determined in the light of the economic circumstances of the country and the composition of the unemployed. In periods of acute depression work programs may require major emphasis. As signs of revival appear, increased emphasis may need to be laid upon training programs, placement activities, and assisted transference. When the weight of unemployment falls with especial severity upon the younger members of the population, youth programs should assume a more important role.

Policy decisions of this type cannot effectively be made in the absence of basic data. *There is need not only for more exact knowledge of fluctuations in the volume of unemployment, but also for the continuous availability of data concerning its geographical and occupational incidence as well as those characteristics of the unemployed (age, sex, occupational experience, and capacities) which are relevant in planning an appropriate and well-balanced program.* But, since public-aid and constructive public measures for the unemployed are not ends in themselves but are merely complementary to private employment, it is evident that the type of provision made for the unemployed should aim to fit workers for private employment. Thus so far as possible where specific training is provided or where the project work enhances skills, it is imperative that these be of a type likely to be in demand when industry revives. *It follows that intelligently directed public policy requires as a basic tool the widest possible knowledge of the probable trends of private employment and the types of occupational activities and skills which will be in demand.* Admittedly this is no easy problem. It is indeed a curious

fact that economists have long devoted study to analysis of the capital market and to forecasting major trends in the demand for capital but have to a very large extent neglected to devote similar attention to the vitally important labor market. Fortunately, in recent years a beginning has been made, and we regard the establishment by the Federal Government of an occupational-outlook division as one of the most encouraging steps toward the evolution of intelligently planned provision for the unemployed.

General Work Programs

The character of work programs must obviously vary with the characteristics of the unemployed whom they are designed to serve. Policy decisions must also be made concerning standards of performance to be required of project workers and the conditions of eligibility for project employment.

Nature of General Work Programs

A public work program should furnish employment on projects that will provide those facilities and services most needed by the Nation and by local communities. The program should include a sufficient diversity of both construction and nonconstruction projects so as to provide jobs that are in the closest possible accordance with the previous training and experience of the unemployed and the types of labor that will be in demand when industry revives. *A high degree of flexibility is essential so that employment can be contracted and expanded quickly as the volume of private employment rises and falls.* Achievement of this flexibility involves the maintenance of a reservoir of approved projects from which selection can be made when the need for public employment increases.

Rates of remuneration, conditions of employment, and hours of work should parallel as closely as possible those prevailing in private employment. Where, however, the work projects are primarily used as an instrument for training or retraining, suitable training grants should be paid in lieu of wages.

Standards of Performance

It follows that our formulation of the work principle carries with it the corollary that *employment on public work projects should be dependent upon standards of performance and efficiency similar to those normally required in private employment.* The worker who persistently fails to meet these standards must be regarded as an inappropriate subject for a general program of publicly provided work. The implementation of our recommendation for an adequate public-assistance system would greatly facilitate the application of this principle. It would remove one factor which, in

the absence of a satisfactory general-assistance program, would tend to depress standards of performance on a work program more nearly adequately financed than is now the case; namely, the concern on the part of supervisors that discharge for inefficiency is tantamount to depriving the worker and his family of the essentials of physical maintenance.

Intelligent public policy cannot afford to disregard the admittedly real differences between individuals in efficiency and willingness to work. The worker who is casual, not because available employment is intermittent but because he has no desire to hold down a continuous job, is a reality even though his numbers may be much smaller than public opinion generally recognizes. More important, however, are inefficiencies on the part of workers attributable to ill health, physical defects, malnutrition, psychological maladjustments, or the inculcation of poor work habits. We are not suggesting that the work principle which we have enunciated should be applied to these workers in the sense that government should supply them with jobs at prevailing conditions of employment and pay. But we do believe that it is in the public interest that government should accept a responsibility for remedying these defects where they are susceptible to treatment. Some of these inefficiencies, such as those attributable to malnutrition or poor work habits, may well be automatically remedied by the very fact of employment on a work program. But others will require more prolonged and probably also specialized therapeutic treatment.

Therapeutic programs, where necessary, should be kept separate from the work programs for persons of normal efficiency and capacity. To combine the two would be to endanger the prestige and standards of the regular work program and to run the risk of inadequate attention being devoted to the special measures required by those in need of therapeutic treatment. The development of special work programs would also facilitate the limitation of the general work program to those who can meet reasonable standards of performance and efficiency. For there would then be available a program more appropriate for workers who cannot meet these standards.

Eligibility for Public Work

The most cursory examination of normal patterns of employment reveals that there is a wide variety of employment and contractual relationships between employers and workers, and this variety is reflected in a marked diversity of types of unemployment. The application of the work principle must take account of the fact that these relationships vary as widely as the per-

sonal characteristics of unemployed workers referred to above.

At any given time there will be found, among the unemployed, persons out of work for very short periods, many of whom will be recalled by their former employers or reabsorbed in their customary occupations within a relatively short time. This group embraces workers whose employment is subject to short seasonal interruptions as well as a large number of others who, because of fluctuations in demand or management policies, become unemployed for more or less short periods of time. At the other extreme there will be persons of whom it may be said that their employment rather than their unemployment is intermittent. These constitute the group known as casual workers. In between, there is a group whose size varies with general business conditions; these persons are normally dependent upon more or less continuous employment and have succeeded, or might have expected to succeed, in securing it; but this employment status has been interrupted for a relatively long period. This interruption may be due to a prolonged general business depression or to the decline of an industry or occupation to which they were attached, coupled with technical obstacles to reabsorption in expanding industries attributable to their training or geographical location. This group includes also new entrants to the labor market who have never secured any permanent attachment to employment. Finally, the unemployed include also a certain number of persons who are partially unemployed as well as some who are part-time workers. The former are characterized by the fact that they are not technically severed from an employment relationship but they may work for their "regular employer" only for part of a week or for alternate weeks. The latter are persons who desire employment only for certain days in the week or certain seasons of the year.

It is evident from this very broad characterization of the groups who at any time comprise the unemployed that a single program, and in particular the provision of work, could not meet the special circumstances of all of these diverse groups.

Clearly our statement regarding the desirability of public provision of work for the unemployed could not be held to apply to part-time workers as defined above. To the extent that individuals may be without work for certain days of the week or for short periods of the year for purely personal reasons, such as family responsibilities or other ties, there is no need for government to provide employment for these periods. Indeed, so long as such individuals can maintain themselves by their own efforts, we would regard it as

unfortunate if a work program were so devised as to tempt such persons to change their work patterns.

The desirability of providing public work for farmers during periods of inactivity presents peculiar problems. The general arguments we have urged in favor of the public provision of work for the involuntarily idle points clearly to making work projects available to farmers during substantial periods of the year when their services are not required on the farm. Yet, in view of the existing disparity between cash incomes from agricultural and from other types of employment, it is undesirable that work programs should provide farmers with any incentive to neglect their farming operations in order to secure the more regular and possibly higher wages from public employment. Equally, too, it is undesirable for public work projects to have the reverse effect; namely, to encourage farmers of marginal efficiency or operating marginal farms to continue their attachment to the soil by filling in the gap between the yield from agriculture and the amount necessary to provide a decent living standard. In the depth of a depression, such a policy may be the least of evils in view of the temporary absence of expanding opportunities for employment elsewhere. In the longer run, however, such a policy is inefficient and wasteful.

The desirability of providing work on public projects to farmers during periods when their services are not needed on the farm cannot be answered out of hand. Much will depend upon the length of the period for which public aid is sought. The longer the period, the more probable does it become that other measures, such as transference to other areas or employments, are more appropriate. Much, too, depends upon the economic situation of the country. The more depressed the state of the economy, the more justifiable will it be to utilize public work projects, even though they temporarily encourage farmers to remain in an uneconomic and unprofitable employment.

It would be an unwise policy to develop work programs for the partially unemployed. By partial unemployment we refer to a situation in which a worker's relationship with his employer is not severed but where he is employed only for a fraction of a week or for alternate weeks. To develop work programs for such workers would either interrupt an established relationship between employer and employed or involve a serious diminution of the efficiency of project work by the periodic absence of workers when working for their private employers. Clearly the need of such workers is for income rather than work during their period of partial unemployment. For a very large proportion of such workers this income is today provided through the unemployment compensation laws, and we

see no reason for a change of policy in this respect. On the contrary, it is highly desirable that steps be taken in those States which do not now provide partial unemployment benefits, so that this deficiency can be remedied as early as possible.

It is obviously wasteful, through work programs or otherwise, to retrain workers for other types of work immediately they become unemployed, for there is always a possibility that an opening in their customary employment will shortly appear. Many of the considerations applicable to the partially unemployed apply to those whose unemployment is normally of short duration. And since there is usually no way of telling, when a man first becomes unemployed, whether his unemployment will be of short or long duration, this group must also be held to include all workers during the first few weeks or months of their unemployment. For most seasonally unemployed workers in industries with short slack seasons, the probability of speedy re-employment becomes indeed almost a certainty. For nonseasonal workers there is no grave danger, during the first few weeks of unemployment, of loss of skills or demoralization attributable to idleness which would justify assignment to a work program as a remedial measure. It is also inefficient to organize work programs for such workers. The quality of the projects will suffer if they are staffed by workers who are likely to be recalled by their employers at an early date.

The special needs of these workers are for income to replace their loss of earnings and for guidance and assistance in finding work. The unemployment compensation laws of the country already play an important role in meeting the first of these needs although, as our report has shown, the period for which benefits are payable is still short in relation to the length of unemployment suffered by most workers, and the coverage of the laws is still limited. At a later point we indicate the changes required if existing unemployment compensation laws are to play their appropriate role in the complex of measures for the unemployed.

The other-than-maintenance needs of these workers must be met in other ways. *All the unemployed should be encouraged to maintain continuous contact with the employment service during this period. Such encouragement could be implemented by making this contact compulsory for all workers receiving public aid, whether from unemployment compensation or general public assistance or publicly provided work.* Moreover, we should like to see the employment service charged with the responsibility for accumulating the relevant occupational and work-experience data in regard to those workers who are approaching exhaustion of unemployment compensation benefit rights, so that this information will be available in planning appropriate work projects for

those who remain unemployed when the benefit period has expired.

The preceding analysis leads us to the conclusion that *the public provision of work for those for whom private industry cannot provide jobs should concentrate upon the unemployed whose employment status has been interrupted for a relatively long period or whose prospects of reemployment in private industry are obviously remote because of prevailing economic conditions.* We believe, however, that sound public policy in regard to this group cannot be limited to the indefinite provision of work on public projects, regardless of the type of work on which they were engaged or the reasons for the long duration of their unemployment. Long-continued unemployment may be due to several forces. It may be attributable to a prolonged cyclical depression; it may reflect an increasing tendency on the part of the economy to operate at a level which does not fully utilize all available resources. It may also be due to the fact that the unemployed have become attached to declining occupations, industries, or depressed geographical areas in which, for economic and technical reasons, the prospects of revival are slim. Of these three possible factors, the third is perhaps the most easily identifiable, and it is in regard to persons whose long unemployment is due to this cause that a more constructive policy is clearly imperative. For, while the morale of the unemployed may be maintained by the provision of work, the economic interests of the country demand that the work on which they are engaged should be such as to fit them for absorption into types of employment which are expanding and that every effort should be made to transfer such workers away from depressed areas.

Assisted Training and Transference

We have earlier stressed the importance of such constructive and preventive measures as training, retraining, and transference. Although it may often be possible to combine these objectives with the operation of a work program of the type we have in mind, this will not always be the case. *We urge that increased attention be paid to schemes for reconditioning, training, and retraining and, above all, that special grants be payable to enrollees on such programs.* These grants would not normally be as high as the wages received by project workers, for the enrollee is not making a comparable contribution to production. But they should be large enough to provide for the maintenance of the trainee and his family, if any.

We also recommend the adoption of a policy of assisted transference. We recognize that the potentialities of transference will vary with the economic state of the country, and that in periods of acute depression

there may be little opportunity or justification for fostering the movement of workers. But with business revival these opportunities occur, and with intelligent planning they can be utilized. The adoption of a program of assisted transference which would involve the payment of costs of removal of the worker and his family and perhaps special grants to tide them over the first few months, would be a sound investment on the part of the Nation. We believe, too, that real advantages would accrue from a more general adoption of the policy of granting to the employment offices power to advance fares and funds for the purchase of tools to workers who have real prospects of employment in other areas, or who have sold their tools during a spell of unemployment.

All our recommendations regarding training programs and assisted transference are, of course, postulated on the assumption that increased attention is paid by those responsible for policy formation to long-run trends in the supply of and demand for labor. We return to this topic at a later point.

Work and Training Programs for Youth

We have already given our reasons for believing that special measures are needed for the group between the compulsory school-attendance age and approximately 21. It was suggested that social policy in regard to this age group should include further education and training or productive work, depending on which type of experience would best facilitate the processes of maturation for the individual youth. We wish to make it clear that we are using the terms education and training in a very broad sense and specifically that by education we do not mean a prolongation of the curriculum that has in the main characterized our schools. For, while few would probably claim that the general level of education of our people leaves nothing to be desired, it is equally evident that neither the economic interests of society nor the capacities of individuals would justify an attempt to provide continuing full-time formal education for all young people up to the age of 21. Furthermore, by emphasizing training, we do not intend to imply that all young people should necessarily be equipped with highly technical skills.

The Provision To Be Made for Youth

We have in mind rather a series of related measures which will attain two objectives basic to the sound political and economic development of the country. *The need is for measures which will enable youth who ought to continue formal education to do so and to ensure that all youth on reaching adulthood are equipped with the necessary work habits and disciplines and familiarity with the use of tools, so that they can*

compete effectively for employment with other adults. As the Nation has become more highly industrialized and urbanized, it has become also increasingly difficult for young people in school to obtain that incidental work experience in the home and in the community which in the past was an important element in the process of transforming a youth into a productive member of society. The same trends have for decades operated to exclude more and more young people from full-time gainful employment. The phenomenal growth of the secondary schools of the country has in great part been due to the operation of these trends. Many young people have stayed in school because they were unable to obtain work. But the reduction in opportunities to gain work experience incidental to school attendance, together with the difficulties of securing work experience when formal school attendance is terminated, obliges society to make good the deficiency either through work experience related to formal schooling or through the provision of work for wages.

For that section of our youth who are receiving higher education of a type that calls for full-time application to study, the inculcation of work habits and discipline is likely to be secured through the formal educational process itself. This does not, of course, preclude the desirability of providing, at some stage of their development, work experience of a manual type, if this is not involved in their course of higher study. But it is unrealistic to expect that the coincidence of education and work-training experience can be assured through higher or professional education to more than a fraction of the population between the ages of 16 and 21. Sound policy would suggest, therefore, that youth who desire and can profit by higher technical or professional education and for whom there are prospects of subsequent productive use of this training, should be encouraged, and if necessary assisted, to remain in technical school or university. However, a different social policy is indicated for other youth.

A certain number of young people who have the ability to become skilled in one of the trades requiring a long period of special training should be expected to enter apprenticeships when they reach the age which is acceptable to labor and industry and after they have obtained a desirable or practical amount of formal and cultural education. *Apprenticeship should be more widely recognized as a channel for vocational adjustment.* Encouragement should be given to the promotion work being done by the Apprenticeship Section of the Division of Labor Standards. The wider development of apprenticeship would call for better provision by public schools of specific related instruction for apprentices to supplement their training on the job, and it would relieve the present public-school vocational pro-

grams to some extent by eliminating duplication of effort by school and shop. Much of the intensive specialized training which is now provided through public funds in schools could be provided more effectively on the job rather than in the schools, either through apprenticeships or through some other arrangement with industry for learners in the skilled or semiskilled trades which do not require as long periods of training as are involved in the apprenticeship agreements.

Considerable reorientation has been taking place in recent years in regard to the philosophy and scope of vocational education in the public schools but it is still safe to say that in general the concept of vocational education is limited to intensive specialized training in certain fields. It is unquestionably desirable to make more widely available to young people the opportunity for specialized training in agriculture, homemaking, certain phases of trades and industries, and in office and distributive occupations. However, *a greater number could profit more from a generalized type of vocational preparation with emphasis on work experience, the formation of proper work habits, and occupational orientation of the type being promoted by the Federal youth programs.* This type of vocational preparation calls for an expanded view of the role of vocational education and an extension of the facilities for it in order that work experience may be adequately supplemented by the proper type of vocational training.

Work Experience During School Attendance

The task of providing the desirable combination of work experience and continued education for young people who are engaged in full-time general, professional, or technical education or training is not a simple one. Even were the country to adopt a policy of raising the compulsory school-attendance age to 17 or 18, the change would serve only to emphasize still further an existing defect in our educational system. We refer to the failure of the schools as yet to adapt their curriculum to the need for providing work experience for every student.

Leading educational organizations have indeed accepted the principle of providing work experience to young people and through National, State, and local school work councils are already studying how best to meet the problems raised by this new demand which society has made of the schools. It is recognized that education must become a vital continuing process as well as a preparation for life. *It is to be hoped that an ever-increasing body of citizens will realize that a policy of providing meaningful unpaid work experience in school or in community service during the period of school attendance must be adopted if the educational institutions of the Nation are to turn out*

young people capable of coping with the realities of modern life.

The experimentation with the student work program of the National Youth Administration has done much to hasten the realization that the schools must accept this new responsibility. Other experiments have also attempted, with varied degrees of success, to demonstrate that work experience, with or without wages, can be supplied to students by the community without the aid of a Federal subsidy. All this experimentation has served to highlight the problems of school organization and curriculum reorganization that are encountered in introducing this new element into the secondary school.

In addition to the sufficiently difficult problem of how technically to organize and provide for such work experience, the role of wage payments in such a program presents real difficulties. A considerable body of opinion appears to support the view that work experience would lose some of its effectiveness if it were not performed for a wage. Important as this motivation may be, we doubt both the financial practicability and the wisdom of attempting to provide work experience at a wage for everyone in school. We believe that the sounder course in the long run would be to regard the work experience given in schools as part of the educational process which the community affords to all young people as both a privilege and an obligation. School administrators would then not be faced with the necessity of having to deal with the problem of providing work experience that will be equally beneficial to those who are being paid for the work they do and to those who are not being paid. This is the type of problem all school administrators will face in the future in planning for the inclusion of work experience in their curricula if the present student work program of the NYA is retained. *Financial aid should take the form of maintenance grants to permit the young members of low income families to continue in school until they have completed that degree of formal training combined with work experience which is at any time set as the minimum for a productive, efficient, and intelligent citizenry. No part of such payments should be treated as part of the resources of the family in determining public-aid payments where these are required by the family.*

Out-of-School Work Programs

With the acceptance of work as an educational force, it must also be recognized that for some young people formal schooling supplemented by work experience might not be the most desirable arrangement. No matter how attractive and purposeful the curriculum of modern schools is made, *there will probably always be a segment of the school population in the age group*

above about 16 years who will wish to abandon full-time schooling. For these, and for the group which has not secured private employment after completing formal education, the emphasis should be on work supplemented by some type of schooling, particularly schooling that is directly related to the type of work on which they are engaged. These youth need a less formal type of education, and the present program of the CCC and the out-of-school work program of the NYA are particularly well suited to them. The emphasis in both these agencies is primarily on work, but it is supplemented in varying degrees by related training which hitherto has varied considerably in quality. While both agencies have contacts of a more or less formal nature with the public-school system, we believe that increased attention should be paid to the educational side of the CCC and NYA out-of-school work programs. The activities of both Federal agencies should be integrated much more closely with the educational agencies of the country than has hitherto been the case.

We should also like to see each program devote special attention to the health of young people. The CCC already has extensive facilities; but the NYA has had appropriations for this purpose for only one year. *We believe that the correction of physical defects and the maintenance of a high standard of health should be a primary objective of every youth program.*

Whether or not the present wage scales used by the CCC and NYA are satisfactory for a program which is primarily work-directed but closely integrated with the educational system is a matter that should receive further study. Little is known about a "youth standard of living," beyond the obvious fact that the requirements of young people attending school and living at home are less than the requirements of those away from home who pay room and board or are entirely on their own.

Eligibility for Youth Work Programs

Young people should be referred to one or the other of these programs or urged to remain in full-time day school on the basis of their individual psychological and educational needs and capacities. There should certainly be no competition for young people between agencies. The extent of the combined effort to supply work to youth would depend on the number who particularly need this type of experience at this age. *Eligibility for the youth work program should ordinarily be restricted to young people under 21 years of age. By that time the special responsibility of society for the education of its young citizens and for fitting them successfully to compete for work with older workers may legitimately end. This does not imply that the provision of facilities for adult education*

should cease or that as adults they will not need the guidance and placement services of the employment service. *The minimum age of entry to these work programs should not be so low as to be at variance with the compulsory school-attendance ages in the various States, or with Federal and State child-labor laws.* It is more logical that the minimum age for the NYA type of program (local work projects) should be set at 16 than that the minimum for the CCC type of program should be set at that point. Many youths who are not mature enough to be separated from home influences at the age of 16 nevertheless need the kind of training and experience which comes from actually participating in a work program conducted in the local community.

All of the arrangements pertaining to youth work programs should be completely divorced from all considerations of need, though cognizance will necessarily have to be taken of family circumstances in the course of helping young people to formulate their occupational plans.

Two mechanisms would go far in facilitating the coordination of the two Federal youth programs and coordinating them with the educational system of the country; namely, a well-developed guidance service available to all young people and a central intake point for the youth work programs. Both of these mechanisms are part of the same process. *Guidance should be continuously available to young people.* In the past, help in making decisions about what course to follow in certain social-economic situations came chiefly through the home. While it is obviously undesirable that parents should abdicate their responsibility for guiding their offspring in the shaping of their personal lives, the increasing complexity of modern life and the forces creating the stresses in our economic system have made it practically impossible for most parents to be sufficiently well informed to function as adequate counselors to their children when crucial economic choices are to be made. It is apparent that organized public services must be prepared to supplement the efforts of the parents, particularly with reference to occupational adjustment. At a later stage we make specific suggestions for administrative implementation of the youth policies we have recommended.

The foregoing proposals for a program for young people between the end of compulsory school attendance and the age of approximately 21 has presupposed that the maintenance needs of low-income families have been met through social insurance, adequate general relief, the special public assistances, or a work program which would provide wage employment for heads of families who are unable to obtain private employment. The public work program for adults would presumably

be available to those youth who under special circumstances were forced to become the primary wage earners for the family, but on the whole, employment on adult work projects would not be available to young people until they had reached the age of 20 or 21. The youth who receive special training or higher education would probably not be ready for full-time employment as experienced and fully-trained workmen before that time. Even those who had left school at the legal school-leaving age and been employed either by a private employer or on youth work projects would require some time to become proficient workmen and to gain sufficient maturity to be able to compete with older workers.

If our proposed policies were followed, young people over 21 would compete for public work on the same basis as other adults with the knowledge that they, too, would be looked upon as experienced workers with good work habits and attitudes as a result of their participation in one or more phases of the combined measures we recommend for youth in and out of school. In any event, they would be directed to the general work program only when the public employment offices were satisfied that there was no private employment available.

The Distribution of Work Opportunity

In terms of long-range planning we look forward to the time when the public will be prepared to implement financially an adequate work program. We hope that ultimately the public will accept the necessity for diversified public projects and that the planning of socially useful projects to utilize idle manpower will come to be regarded as a normal and continuous function of all levels of government. But we recognize that fulfillment of these conditions may take time. Realism compels us to face the fact that in the immediate future the practical question may continue to be how to make the most effective use of a work program which is admittedly inadequate in size to provide for all those for whom our preceding analysis has indicated that a work program would be appropriate. The problem in other words is one of "rationing."

The Role of the Means Test

Broadly speaking, during recent years the rationing principle has been the means test. The retention of this principle is probably inevitable so long as there is a limited work program and a wholly inadequate public-assistance system. In such circumstances the work program will continue to be regarded primarily as a relief measure. The adoption of our recommendation for the establishment of an effective basic underpinning program would remove the necessity for using even a restricted work program as a major relief device

and would make it possible to determine both the scope of current work programs and the allocation of workers to them by other than considerations of pure need; namely, by reference to labor-market considerations alone.

With such a general public-assistance system in operation, we believe that *it would be undesirable to continue use of the means test as the technique for rationing a limited work program.* Its retention in such circumstances would perpetuate the present anomalous situation whereby workers are not given a form of public aid designed to conserve morale and skills until they have experienced a demoralizing period of idleness and exhaustion of resources. It would continue the need for an investigation of the personal lives of the recipients, thus detracting from the value of the program to morale. It would perpetuate one of the present weaknesses of work programs to which the report has drawn attention; namely, that many workers whose need for employment is as great as that of those who can pass a means test would be denied access to the work program. Finally, abandonment of the means test as the condition of employment on projects would make it possible to select workers by reference to other and more relevant criteria, such as their capacity to profit by employment and their efficiency. The quality of project work would thereby be enhanced.

But if the means test is abandoned as the rationing principle, other devices must be sought. In our discussion of the types of workers for whom work should be provided, we have already indicated that, in the main, project employment should be limited to workers with relatively long periods of unemployment or those whose prospects of reabsorption by private industry are remote. Even so, we have to contemplate the possibility that the scope of available work projects may at any time be insufficient to provide work for all those who have exhausted their period of unemployment compensation (which we propose should be expanded to 26 weeks) or who have undergone a similar period of unemployment without receiving public aid or deriving aid from the reformed general-relief system. There would then remain four major possibilities: rotation of work, payment of lower wages on work projects, restriction of weekly hours of employment, or adoption of projects requiring relatively little materials or equipment.

All of these four methods of rationing a limited work program are unsatisfactory in different ways. Payment of lower wages, especially if lowered below the present security wage, would tend to increase the need for relief supplementation and would either drive down rates in private industry (and thus injure nonrelief workers) or greatly detract from the prestige of public

work. It would make insistence on high standards of efficiency and performance more difficult, for the worker would not have the same sense of obligation to perform a "fair day's work for a fair wage," and would invalidate comparisons of efficiency with those in private industry. The general effect upon the quality of the projects and on the morale-enhancing values of the program would be depressive.

Limitation of hours to less than a full week's work or staggering of employment from week to week has in effect been tried and proved highly unsatisfactory. It greatly interferes with the efficient organization and operation of projects. Even more important is the harmful effect upon morale. Discontinuity of work is not conducive to the maintenance of discipline and work habits, and the worker is never really available for private employment.

Restriction of projects to those requiring relatively little material or equipment limits the types of projects that can be carried out and consequently lessens the possibility of maintaining skills of a type likely to be required by private industry. Moreover, the social usefulness of projects is likely to be diminished if work that could more efficiently be done by machinery is performed by hand and if all types of projects involving the use of significant amounts of equipment and material are to be avoided.

Rotation of work, by which we mean a plan in which workers would be employed for a period of several months and then laid off to give an opportunity for such employment to others, is perhaps less unsatisfactory than other methods of rationing an inadequately financed work program, but is also subject to serious objections. Such a scheme would interfere with the efficiency of operation of projects to a much lesser extent than the alternative of working short hours or on odd days, but it would none the less impede efficiency. In comparison with the use of the needs test, it would have the advantage of more fairly distributing opportunity to participate in what must, in the circumstances we are considering, be regarded as a limited good; namely, the receipt of public aid in the form of employment. Provided our proposal for an adequate underpinning service based upon need were adopted, however, no material suffering to workers and their families would result, and the scheme would direct attention to the essential obstacle to full employment; namely, that the country was not prepared to provide a work program of the proportions needed.

This discussion of the shortcomings of available devices for rationing access to a limited work program serves but to emphasize the fact that there is no real substitute for a program of adequate dimensions. *So long as it is necessary to resort to one or other of these*

devices because of an unwillingness to implement an adequate program, so long will the country fail to reap the full gains which a work program is capable of yielding.

Even if in all the circumstances it should be decided that the means test must be retained, at least as an interim measure, we believe that it should be possible to divorce the work program more sharply from the general public-assistance administration and to adopt a less exhaustive test of need and investigation of resources than is characteristic of relief administration. In place of the present use of the local relief office as the point of entry to the work program, we suggest an arrangement whereby persons desiring public employment would register at an employment office. Applicants should there complete a form on which, in addition to work-experience questions, there would be questions relating to family responsibilities and extent of income. In referring applicants to the project administrators, the employment service would select solely on the basis of labor-market and employment considerations. It would be the responsibility of the project administrator in making assignments to do so on the basis of relative needs as determined by the information contained on the work application form.

Special Claims of Youth

Whatever decision be made as to the most appropriate principle on which a limited work program should be rationed, it is imperative that *special attention should be paid to the problems of unemployed youth.* For we believe that sound public policy must accept the fact that unemployment among youth is a phenomenon of great potential danger to social stability. The seriousness of the situation for the young workers affected lies not so much in the numbers unemployed at any one time as in the fact that they approach the middle working age, supposedly the most favorable period, without the preliminary work experience to permit them even to establish themselves securely in the labor market. The unemployed youth of today is often the unskilled, low-paid, frequently unemployed man of tomorrow.

The older unemployed men regard work as a way of life. They can look back to long work histories, and they have already established families and assumed responsibilities which remain as a persistent spur to economic activity. The young unemployed worker who finds it impossible to secure a foothold is more likely than the older worker to become unwilling to seek work and satisfied with his idleness, or even to grow embittered and adopt an antisocial attitude. Work habits do not come to him easily if he is fortunate enough to secure occasional work. Grave social problems of juvenile

delinquency and crime are traceable to widespread unemployment among young people, and their personal lives are thwarted by failure to earn a livelihood.

In addition to the human values at stake, it is obvious that society as a whole has also a very direct economic interest in arresting these consequences of unemployment among youth. Any investment that would increase the employability and productivity of this group holds promise of considerable return, for the young worker has a long working life ahead. Furthermore, young workers are more adaptable than those who have become established in specific occupations and places. Hence, the young unemployed stand out as the group on whom programs aiming to redirect the flow of labor between occupations and places could most effectively be concentrated.

For these reasons we believe that *if only limited funds are to be available for meeting the special other-than-maintenance problems attributable to unemployment, a considerable fraction must, in the national interest, be devoted to special provision for youth.* The adoption of our proposal for a comprehensive general public-assistance system, coupled with the greater clarity as to the objectives of specific programs which we have urged, would facilitate the application of this policy. In the absence of adequate assurance of maintenance and in the prevailing confusion as to the basic objectives of the work programs, arguments that stress the greater maintenance needs of the older men with dependents are strong and persuasive. If maintenance were assured, it would be possible for society to allocate such funds as it is prepared to devote to constructive work programs by reference to criteria more appropriate to the objectives of such measures.

Expansion of the Functions of the Employment Service

A further development necessary to secure an allocation of the unemployed to the various available programs more in accordance with the national interest is an organizational change. The employment offices should be more fully utilized as the agencies to guide and refer the unemployed to the various programs. We have already stated that we should like to see all unemployed persons above the compulsory school-attendance age who seek public work or aid required to maintain continuous registration at an employment office. *The employment office would be responsible for compiling the necessary information relative to the employment history of individuals.* These data would be essential in referring workers to private or public employment, or to training programs, or in advising and possibly assisting transference. If collected on a uniform basis for the Nation as a whole and continuously

analyzed, they would assist in the framing of programs to meet the changing needs of the country and of the unemployed.

We should further like to see the employment offices given the responsibility of referring workers not merely to private employment but to all available public programs in the light of their knowledge of employment trends and of the characteristics of the unemployed. We use the word "refer" rather than "assign" deliberately, for it is obvious that those who have charge of the operation of work projects, conservation camps, or training programs must, like private employers, in the last resort have freedom to reject unsuitable applicants. A preliminary selection of applicants by one central agency specializing in employment conditions would however give more assurance than we now have that

workers would be referred to employment programs by reference to labor-market criteria and that all available programs would be taken into account in making any given decision.

This study has already indicated that the employment office is the obvious local agency to perform this function. No other local agency has so many facilities or so extensive a knowledge as this office possesses through its existing registration of workers and contacts with employers. The defense program, not only here but in other countries, also has shown that the employment office can and must become the central point of mobilization of labor for national needs.

At a later stage we discuss in more detail the administrative arrangements that might be envisaged to permit the employment service to carry out these broader functions.

ASSURANCE OF MINIMUM SECURITY

Acceptance of our recommendation that the Nation should regard the assurance of minimum security for all our people, wherever they live, as a major objective of public-aid policy calls for decisions on three major questions: What should be the level of living which this assured security should afford? Under what conditions should it be available? How can the policy be implemented?

The Level of Public-Aid Payments

Determination of the plane of living which should be assured is perhaps the most difficult practical question in the entire realm of public-aid policy. We believe that *the long-run objective should be to provide a standard of living that is not too widely at variance from what we like to think of as the "American standard."* Apart from important and humanitarian considerations, we believe further that the present international situation only increases the desirability of making it possible for all Americans to enjoy a way of life which they will value sufficiently to be prepared to defend.

Comparison with available measures of levels of living indicates the distance we have yet to travel before even a rough approximation to the American standard is a reality for all our people. In the course of this study we have had occasion to refer to two standards of living, namely, those afforded by the so-called "maintenance" and "emergency" budgets. Analysis of the content of the level of living made possible by these two budgets convinces us that they are well described by their titles. That afforded by the emergency budget (which is not yet attained by most public-aid recipients) is admittedly deficient, even in terms of

nutrition, if a family were compelled to exist at this level for any continuous period. But the slightly more adequate maintenance budget, modest as is the level of living it affords, represents a standard that is today not reached by a large proportion of the families of the Nation. Clearly, it would be optimistic to assume that even the modest goal of the emergency level of living can be immediately attained, but awareness of our distance from it and of the very moderate degree of comfort which its attainment would assure, should be continuously with us.

In a country characterized by such wide economic diversity as the United States, no single meaningful minimum can be laid down. It would be impractical, in other words, to suggest that the Federal Government should today spell out in terms of dollars and cents the specific sum of money which is to be regarded as the single national minimum standard and also draw up a schedule of the extent to which the various resources of a needy applicant and specified members of his household or family should be taken into account in determining a specific grant. For many years to come we may well have to recognize the conditions peculiar to regions. But that is not to say that within these regions there should not be greater equality of access to whatever regional minimum standard is decided upon, or that continuing attention should not be paid to the objective of raising the level of living in those areas or regions which fall markedly below the national average.

For assurance of access to minimum security will not be achieved by public-aid policy alone. The attack must be made on a vastly wider front for, as this study has shown, low relief standards tend in general to co-

incide geographically with low standards of private incomes. Hence a large-scale attempt to enforce sharply higher standards through the medium of government work and relief policy would seriously disrupt the private economy in some sections of the country and cause public opposition that might destroy the entire program. The maintenance of operations on the basis of private production and adherence to the democratic tradition require that these facts cannot and should not be disregarded.

Yet although the extent to which the standard of living of recipients of socially provided income can be increased is sharply limited by the character of the private economy, there is still considerable leeway. It is admittedly undesirable that public-aid payments in any significant proportion of cases should approach so closely the income to be secured through participation in private production as to deter their recipients from seeking private employment. At the same time it is obvious that social policy cannot accept prevailing wage levels as the upper limit to public-aid allowances regardless of how low prevailing wages may be. Fortunately for public-aid policy makers, the Nation, through its wage-and-hour legislation, has declared itself in favor of Nation-wide fair-wage labor standards in regard to interstate industry. So long as public-aid allowances, in areas where prevailing wages are extremely low, do not approximate this national minimum wage standard, we believe that no reasonable objection can be made if public-aid payments exceed wages from private employment. Public-aid programs would be merely implementing a policy of Nation-wide minimum wages already determined upon by the country.

The Conditions Under Which Public Aid Should Be Available

The second question to be faced concerns the conditions under which this aid is to be available. Specifically it must be decided whether or not access to this minimum security should be made conditional on passage of a test of need, and whether the payment should be adjusted to need or take the form of the right to a sum calculable from a formula set out in the law. We deliberately phrase the question in these terms in place of the more usual form—namely, whether or not security should be given as a “right”—for to an increasing degree the concept of security as a right is being extended from the social insurances to the public assistances and other forms of public aid. In what follows, however, we shall refer primarily to the social insurances, for this type of security most completely embodies the principle of making speci-

fied payments, unaccompanied by the requirement to pass a means test.

The Right to Social-Insurance Benefits

We have already given our reasons for recommending that the social-insurance type of security should be made more widely available. At the same time we indicated that the social and economic risks involved in making this type of security universally available are considerable. Hitherto the economic interests of society have been protected by restricting the right to social-insurance benefits to certain groups.

Old-age and survivors insurance.—The limitation of insurance payments to aged persons who have in their working life contributed toward the cost of these benefits selects a group, the majority of whom are by definition unlikely when attaining benefit status to be active participants in production. Even if payments approximate earnings, little economic harm is done. And society can justify the restriction of the right to insurance benefits to some only of the over-65 group by pointing to the fact that these people have made a contribution toward the cost of their benefit and may properly expect preferential treatment.

We believe, however, that this compromise represents no final solution. As pressures for more nearly adequate benefits develop, the proportion of cost that will be directly paid for by contributions from recipients in the low-income groups will necessarily decline, since it will be impracticable to pay greatly increased benefits on an earned basis. The justification for restricting the right to benefits to the proportion of the population technically covered by the insurance scheme will be correspondingly weakened. Admittedly the risk of discouraging participation in production by making assured payments as a right to aged persons is small. But we recognize that the low levels of income and the intermittent employment of important groups in the population may limit the possibility of providing this right through the insurance system so long as eligibility and benefit amount continue to be directly influenced by past earnings and continuity of employment.

Weighty considerations of a social and economic character can be urged in favor of a retention of the type of benefit formula at present embodied in the old-age and survivors insurance system and of a modified contributory principle. It is not yet clear how far the attempt to modify these features may detract from the peculiar advantages and inner consistency of the system we now have. In any case, periods of involuntary unemployment, sickness, and military service should not impair eligibility for, and amount of, benefits. The country may, however, have to face the fact that there

are some groups of irregularly employed and low-paid persons whose minimum security cannot be assured through social-insurance measures so long as the present benefit and eligibility provisions of the old-age and survivors insurance system are retained. In any case, we believe that pressure to extend social-insurance rights to groups for whom the system is in this sense inappropriate will be lessened if, through an improvement in the general-relief system, the alternative provision is more acceptable than it now is in many parts of the country. *The inclusion of workers in domestic, agricultural, and other low-paid employments should, therefore, be considered in relation to their patterns of employment and the character and amount of their earnings and the feasibility of devising a benefit formula which will yield them significant payments. Additional groups of employees should be covered as rapidly as it can be demonstrated that they will receive adequate or significant benefits from the system.*

On the other hand we can see no reason, social or economic, justifying the present exclusion of employees of nonprofit concerns, and we recommend their prompt inclusion in the scheme.

Unemployment compensation.—The extension of the right to minimum security raises more difficult issues when the population of working age is considered. The question of extending the right to unemployment insurance benefits cannot be discussed apart from consideration of the nature of the benefits to which the right is given. Obviously the higher the level of the benefits in relation to previous earnings and the longer the period for which they are paid, the greater is the risk that compensated unemployment will be regarded as a desirable alternative to employment.

At the present time, apart from very modest minimum benefits, the benefit rate cannot exceed about half of the recipient's previous full-time earnings from covered employment. Its duration is relatively short and in the majority of States is directly conditioned by the amount of previous earnings. Obviously there is little danger that a system of this type would offer any substantial or sustained inducement to malingering.

However, the benefit provisions are undergoing significant changes. The system of determining the duration of benefit by reference to the past earnings of the individual claimant is being abandoned and a flat duration is being substituted. In many States the benefit provisions are being liberalized through the introduction of minimum benefits and the raising of maximum benefits. The provision of dependents' allowances in the old-age and survivors insurance plan will increasingly emphasize the lack of these in unemployment compensation, and the present large unemployment compensation reserves will give further

impetus to those who, representing the interests of labor, urge a liberalization of existing laws. The adoption of our recommendation for an adequate basic underpinning service would also inevitably have repercussions upon the benefit structure of the insurance systems, since it would provide a basis of comparison of adequacy not hitherto available.

Essentially the issue turns around the importance of the role that is to be assigned to unemployment compensation in the total complex of security measures for the unemployed. If benefits are payable for only a brief time, it may be reasonable to assume that they are but a minor supplement to private resources. Benefits closely influenced by the amount of previous earnings and the stability of employment, even if payable for a longer time, would also cause no difficulties if the system were restricted to the relatively small group of high-paid and regularly employed workers. Equally too, if there is no satisfactory alternative general public-assistance system, any payment, however small, is worth while for the recipient.

While we do not believe that this type of security can ever be made available to the entire population, we feel that for the workers covered *the benefits should in the vast majority of cases eliminate the necessity for supplementation from other types of public aid and should be available for a more significant period, which we suggest should be 26 weeks.* If unemployment compensation is thus to be utilized as an important institution, capable of carrying a significant proportion of low-paid as well as highly paid workers for meaningful periods following unemployment and pending their referral to appropriate work programs, and if our recommendation for a more nearly adequate general public-assistance system is adopted, then reconsideration of the present benefit formula is imperative. This reconsideration must be directed toward the possibility of making the benefit amount more nearly adequate to meet the beneficiary's need for maintenance during the period for which benefits are payable.

As a first step toward this end *we should like to see further exploration of the payment of dependents' benefits.* Such benefits are already provided by the old-age and survivors insurance system, and there is now general agreement that they have greatly strengthened the social value of the program.

If this recommendation is adopted, and indeed if tendencies toward liberalization now apparent in some States continue, it will be increasingly important to devise eligibility provisions which will eliminate those for whom receipt of benefit would prove a dangerously attractive alternative to employment. The present test of minimum earnings during a quarter or a year is at best a very rough device for eliminating the ir-

regularly and casually employed, and we should like to see further study given to the feasibility of such criteria of eligibility for unemployment compensation as the requirement of a minimum number of weeks of work.

Exclusions from the right to social-insurance benefits that are based upon the type of employer or the nature of employment raise different issues. We recommend that coverage be extended to employees of small firms and persons working for nonprofit institutions. The exclusion of such workers cannot be justified on either economic or social grounds. We also recommend that seamen, whose present exclusion from the State systems is primarily due to constitutional difficulties, be provided with unemployment compensation coverage by the Federal Government.

On the other hand, the two major occupations excluded, agriculture and domestic service, are characteristically low-wage occupations. Given the present minimum-earnings requirements, extension of the insurance system to these workers would in a large proportion of cases offer an illusory protection since many would fail to qualify and the benefits received would be minute. On the other hand, more nearly adequate minimum benefits would in these occupations raise in acute form the problem of unduly close approximation of benefits to earnings.

We recommend that the inclusion of workers in domestic, agricultural, and other low-paid employments be considered in relation to their patterns of employment and the character and amount of their earnings and the feasibility of devising a benefit formula which will yield them significant payments. Should it be shown that the earnings and irregularity of employment of agricultural and domestic workers do not justify their inclusion in the general unemployment compensation systems, we should like to see further study given to the possibility of developing separate insurance systems with special eligibility and benefit provisions for at least the first of these two groups. Such a special program has already been developed to meet the peculiar conditions of railroad employment in this country, and special schemes for agriculture have long been in operation elsewhere. If benefit and eligibility revisions in the general schemes should finally result in the setting of relatively high minimum benefits, and if the development of special programs should be found impractical, it might follow that agricultural and domestic workers must be regarded as groups whose inclusion in unemployment compensation plans would not be consistent with the national interest. If this proved to be the case, their needs could probably be provided for more appropriately by the im-

proved basic general-assistance system which we have recommended.

Disability insurance.—The social-insurance principle has now been applied to two major types of risk which threaten the security of the individual: old age and unemployment. As yet it has not been utilized to meet the interruptions to earning power due to ill health. We believe the reasons we have already given for favoring a wide extension of the social-insurance type of security apply with equal validity to the risks of ill health or disability. We therefore urge the development of social-insurance measures to assure at least partial replacement of income loss during periods of temporary and permanent disablement or illness.

Maintenance of the Applicant's Privacy

Insofar as access to minimum security is made dependent on a test of need, the question arises as to what the nature of that test should be. At present the test is generally applied by making inquiry of the applicant as to the details of all his expenditures. His budget is then estimated and from this total is subtracted any current income which he may have. The result is called his budgetary deficiency and is made the basis of whatever assistance the agency gives.

In view of the large numbers of applicants with whom government has now to deal, we doubt whether so elaborate and detailed a technique for determining payments is desirable or feasible. We attach great importance to individualized treatment in a service such as general relief, which deals with persons whose dependency may be due to a variety of causes and who will inevitably have very varied needs. But we believe that a distinction can and should be made between individualized treatment and the minute and detailed determination of budgetary needs which now characterizes the application of the budgetary-deficiency principle in many parts of the country. The present method is time-consuming and costly and involves inquiry into the details of the applicant's personal life which may prove embarrassing. Whether justified or not, the applicant is apt to feel that the knowledge thus gained will be used by officials as the basis of dictation or control. We believe that so intimate an association between a public official exercising discretionary action and private individuals is undesirable and, as a rule, unnecessary. In any case, so high a degree of detailed calculation of individual budgetary items is often a mere pointless formality, since after the budgetary deficiency is estimated it is often impossible, because of shortage of funds, for the agency to grant the amount found to be needed by the applicant. In consequence, the whole point of the budget estimate

is lost. *We should like to see further consideration given to combining the necessary individualized treatment with techniques of determining need that do not interfere in so detailed a manner with the rightful privacy of the family.*

Implementation of Access to Minimum Security

Obviously great progress toward this goal will have been made if our recommendations for an adequate work program and for an extension and a strengthening of the social insurances are adopted. But as we have shown in Chapter XVII, these alone are not sufficient.

Strengthening the Special Assistances

Further progress would be assured if the special assistances could be made more fully available in all parts of the country and if payments were more nearly adequate. The inadequacy of these assistances in various parts of the country is in part due to the fact that Federal grants are available on an equal matching, rather than a variable, basis. *We urge that in future Federal grants should reflect differences in need and in economic and fiscal capacity between the States.* It is impossible at the present time for the relatively greatest amount of Federal aid to be directed to areas in proportion to their relative disadvantages. In part also, inadequate payments are due to the fact that the Federal Government sets maximums to the matchable payments to individuals. While such maximums are inconsistent with the objectives of a service based upon individual need, it may well be that for some time to come the Federal Government will find it necessary to limit its commitments in this manner. But there is no excuse for the fact that these maximum matching sums are lower for aid to dependent children than for old-age and blind assistance, nor for the failure to provide for a payment to the mother in aid to dependent children.

The Federal Act providing aid to dependent children should provide specifically for payments to mothers. Grants under the aid-to-dependent-children program should be comparable in adequacy with those for the aged and blind.

Provision for specifically taking the needs of the mother into account when determining aid-to-dependent-children payments and an increase in the maximum payment which the Federal Government will match would, we believe, make more certain the attainment of the objective of this program. The intent of this measure is to make possible a normal home environment for dependent children who for one reason or another have lost their breadwinners. It is clearly absurd in a program with this objective to make no financial provision

for an allowance for the mother of the family, thereby forcing her to seek gainful employment. Moreover, we believe that the Nation owes it to itself to treat the citizens of tomorrow not less favorably than it treats its aged or blind. The Nation is not making a sound investment in the future when it is willing to grant a mother with two dependent children only three-fourths as much as it grants to a single aged person.

An Adequate General Public-Assistance System

In the preceding chapter we gave our general reasons for believing that the adoption of our recommendations in regard to the work, social-insurance, and special-assistance programs would not suffice to ensure our goal of minimum security. Indeed it follows from our discussion of work and insurance programs that in future greater, rather than less, attention must be paid to devising eligibility provisions that will restrict access to these measures to persons for whom each type of provision is peculiarly appropriate. If all those persons who cannot appropriately be provided for on the existing special programs are to enjoy real security, it is essential that there be a comprehensive noncategorical program in which the sole condition of eligibility is need. Such a system does not exist today in many parts of the country.

In this study attention has been drawn to the three obstacles which stand in the way of assuring to all Americans equal access to this minimum security. These obstacles are: the financial incapacity of many non-Federal governmental units in relation to the expenditures which would be required to attain this objective; the high degree of public apathy in certain areas, reflecting failure fully to realize the extent and importance of the problem; and finally the generally low level of incomes from private employment of many groups in many parts of the country. Unless a direct attack is made upon these obstacles, the disturbing and distressing conditions to which the report has called attention will remain.

We have already indicated that the low level of incomes in many parts of the country may well impede the attainment of decent living conditions in these sections for many years to come. But financial incapacity and public apathy are more amenable to immediate action. The former would be overcome by financial aid from the Federal Government for the program now left wholly to State and local finances, namely, general relief. A substantial contribution toward the costs of public aid is already made by the Federal Government through the Work Projects Administration, the special assistances, the Farm Security measures, and the old-age insurances which are financed

by federally collected taxes and which involve the possibility of a Federal subsidy at some later date. As this report has shown, however, the disadvantage of the principle of limiting the financial contribution of the Federal Government to specific programs is the fact that this often leads to the neglect of other groups of needy persons who cannot qualify for one or other of the above-mentioned forms of public aid. Moreover, because some of the programs which receive Federal financial aid provide for persons to whom assistance is given not on the basis of demonstrated need but as a social-insurance right, the addition of Federal funds does not necessarily relieve to a corresponding extent the financial burdens falling on State and local agencies which provide solely for needy individuals. *We are forced to conclude that Federal financial aid should be available also for the programs which provide for the undifferentiated group of needy people, namely, for general public assistance. Furthermore, for the reasons which we shall elaborate in our recommendations on finance, we believe that this grant should be on a variable rather than a uniform matching basis.*

While we are convinced that the first of the major obstacles which today stand in the way of assuring to all Americans equal access to minimum security could be removed by the granting of Federal funds on a variable basis for general public assistance, we recognize that the second obstacle to which we have referred above is not so easily overcome. It raises in an acute form the question whether the assurance of a certain minimum of economic security for all our citizens, regardless of place of residence, has not become an essential prerequisite to the maintenance of a sense of national unity. We have already given our reasons for believing that the question must be answered affirmatively, and that the assurance of this minimum security must be viewed as a major objective of national policy.

In recent years our people have increasingly accepted the responsibility of the Federal Government for the economic welfare of its citizens. It has become more widely accepted that if other political units do not or will not take effective action, the Federal Government must, because of the consequences of inaction upon the life of the whole Nation and upon the stability of our economy. But that responsibility has not been fully accepted in regard to the minimum security of all citizens, nor has the policy been continuously supported. There is as yet no clear statement of policy as to whether the responsibility of the Federal Government should be limited to removing financial obstacles to the assurance of this minimum security, or whether it should go beyond this relatively passive policy in

cases where State and local governments even with a variable Federal grant are unwilling to take full advantage of the Federal financial aid.

We believe that the country must be prepared boldly to recognize that the national Government has a responsibility for all Americans and that it should work towards the goal of assuring access to minimum security for all our people, wherever they may live. Departure from a purely enabling attitude on the part of the Federal Government calls, however, for a clear realization of the implications of the alternative policy. Effective access to minimum security implies in the first place a more active role on the part of the Federal Government over and above merely making funds available. It calls for the setting of certain national minimum standards and for measures to ensure that these standards are in fact maintained. In our administrative recommendations we suggest ways and means by which the advantages of State operation of the general public-assistance program can be retained without unduly sacrificing the security of citizens in States unwilling, despite the availability of Federal financial aid, to operate an adequate system. At this point we are concerned solely with the character of the minimum standards which should be required as a condition for Federal grants.

Obviously, standards in regard to the operation of the system throughout all political subdivisions of the State, similar to these now required for the Federal grants to the special assistances, should be laid down. Equally obviously, in view of the discriminations now operating in many parts of the country, *the Federal grants should be conditional on the removal of specific disqualification of applicants on the grounds of age, race, citizenship, marital status, or employability.* We believe, too, that in view of the hardship worked by existing settlement laws, *it should be required as a condition of the Federal grant that no person be required to satisfy a settlement or residence requirement of more than 1 year.*

We recognize that even this requirement would leave unprotected many needy people. *Special provision must be made for transients; i. e., all persons who cannot satisfy a 1-year residence requirement.* So long as State financial and administrative responsibility for general public assistance is continued, and we believe it should be, we see no other way of adequately protecting such persons than for the Federal Government to assume full financial responsibility for the aid granted them. But to secure reimbursement from the Federal Government, the States should be required to show that the treatment afforded transients is no