

ADEQUACY OF UNEMPLOYMENT BENEFITS IN THE DETROIT AREA DURING THE 1938 RECESSION

DANIEL CREAMER AND ARTHUR C. WELLMAN *

THE INAUGURATION OF unemployment benefit payments in Michigan in July 1938 coincided with the trough of a short but severe recession. A previous article¹ indicated that during the first benefit year in Michigan, nearly half of the benefit recipients exhausted their benefit rights.² This fact was taken as presumptive evidence that the duration of benefits under those circumstances was inadequate. It is helpful, however, to test the presumption. If most beneficiaries who exhaust benefit rights are reemployed within a short time after the receipt of their last benefit payment, the failure of unemployment benefits to compensate all unemployment may not be too serious. The situation is serious, however, from the standpoint of beneficiaries and of the community, if workers remain unemployed for weeks or months after they have exhausted their rights to benefits.

For this reason an attempt was made to determine the reemployment experience of beneficiaries who exhausted benefit rights and to ascertain how many of them were obliged to obtain unemployment relief, i. e., general relief and/or employment on Federal work projects. The experience of beneficiaries in the Detroit area (Wayne County) during the benefit year ended June 30, 1939, was selected for analysis. These beneficiaries constituted more than one-half of all benefit recipients in Michigan during that first benefit year, and their benefit rights did not differ significantly from those that accrued to the total group. The analysis is based on a 10-percent random sample of beneficiaries who filed a first compensable claim in July, August, or

September 1938 and whose last claim was filed in Wayne County.³

This sample included nearly 15,000 beneficiaries. Of this number, 6,941, or 46.5 percent of the total, exhausted their benefit rights. About 73 percent of the latter had exhausted their benefits by December 31, 1938, 6 months before the end of the benefit year. Expressed as a weighted average, the potential duration of uncompensated unemployment within the benefit year, for beneficiaries who exhausted their benefit rights, was 6 months.

The reemployment experience of workers who had exhausted benefits was investigated first by analyzing the wage reports submitted quarterly to the Michigan Unemployment Compensation Commission by employers of eight or more workers.⁴ These quarterly wage reports do not include self-employment, employment in excluded industries such as agriculture and domestic service, or covered employment in establishments with less than eight employees. Nor do they include any record of earnings in any other State.

Some of the gaps in the wage reports made under the State unemployment compensation law were partially overcome by use of the wage records of the Bureau of Old-Age and Survivors Insurance of the Social Security Board for beneficiaries for whom no earnings had been reported to the Michigan agency and for whom there was no record of relief after the exhaustion of benefits. The wage records of the Bureau are based on wages from covered employment in any State without regard to the size of establishment or the State in which the employer is located, and hence afforded a more inclusive record of wages in covered employment than did the reports under the Michigan unemployment compensation law.

*This article summarizes the major findings of a study made by the Bureau of Employment Security, Research and Statistics Division, of which Mr. Creamer was a member, in cooperation with the Michigan Unemployment Compensation Commission, Research, Statistics, and Planning Section, of which Mr. Wellman is a member. The complete report is to be published by the Bureau of Employment Security as Employment Security Memorandum No. 14.

¹ Stanchfield, Paul L., "The Adequacy of Benefit Duration in Michigan, 1938-39: A Survey of Experience in a Minor Depression," *Social Security Bulletin*, Vol. 3, No. 9 (September 1940), pp. 19-28.

² Under the Michigan unemployment compensation law, benefit years end 4 times a year at the end of each calendar quarter. The first benefit year ended on June 30, 1939, and included all claimants who first filed a compensable claim in July, August, or September 1938.

³ The benefit ledgers of all beneficiaries in the State who filed first compensable claims in the third quarter of 1938 were arranged by social security account number. From these ledgers every tenth ledger of beneficiaries filing the last compensable claim in a Wayne County office was withdrawn for the sample.

⁴ Employment with employers of eight or more is termed "subject" employment. Employment under the old-age and survivors insurance program is "covered" employment. The latter term is also used in general to include both types of employment.

Table 1.—Number of beneficiaries exhausting benefits in Wayne County¹ and percentage distribution according to quarter of reemployment,² by sex and by quarter of exhaustion

| Sex and quarter of exhaustion | Number of beneficiaries exhausting benefits | Percentage distribution by quarter of reemployment ² following quarter of exhaustion | | | | | |
|-------------------------------|---|---|------|--------------|---------------|----------------|---------------|
| | | Total | None | Same quarter | First quarter | Second quarter | Third quarter |
| All beneficiaries..... | 6,720 | 100.0 | 33.6 | 33.9 | 17.3 | 8.4 | 6.8 |
| Fourth quarter 1938..... | 4,835 | 100.0 | 37.8 | 28.4 | 15.4 | 8.0 | 9.4 |
| First quarter 1939..... | 977 | 100.0 | 26.0 | 44.6 | 15.6 | 13.8 | ..... |
| Second quarter 1939..... | 908 | 100.0 | 19.3 | 52.0 | 28.7 | ..... | ..... |
| Men, total..... | 5,404 | 100.0 | 30.8 | 35.2 | 17.8 | 8.0 | 7.3 |
| Fourth quarter 1938..... | 3,898 | 100.0 | 34.5 | 29.8 | 16.2 | 9.3 | 10.2 |
| First quarter 1939..... | 774 | 100.0 | 24.5 | 43.2 | 17.1 | 15.2 | ..... |
| Second quarter 1939..... | 732 | 100.0 | 18.2 | 54.6 | 27.2 | ..... | ..... |
| Women, total..... | 1,316 | 100.0 | 44.9 | 20.1 | 14.0 | 6.0 | 4.5 |
| Fourth quarter 1938..... | 937 | 100.0 | 51.8 | 22.3 | 12.1 | 7.5 | 6.3 |
| First quarter 1939..... | 203 | 100.0 | 31.5 | 50.2 | 9.0 | 8.4 | ..... |
| Second quarter 1939..... | 176 | 100.0 | 23.9 | 40.9 | 38.2 | ..... | ..... |

¹ Based on 10-percent sample selected at random from approximately 150,000 beneficiaries of unemployment compensation in Wayne County, Mich., whose benefit year ended June 30, 1939. Of the 6,941 who exhausted benefit rights, wage files of 221 were in use at time of survey.

² Calendar quarter in which earnings were at least \$50 was considered quarter of reemployment.

It was not possible to determine the extent to which beneficiaries might have obtained reemployment in noncovered industries. It would seem, however, that this gap is not of importance for benefit recipients in a highly industrialized area such as Detroit—and they were all resident in that area when they filed their last claim for benefits.

The wage records furnish no more precise time unit than the calendar quarter, since the employer is required to report only the aggregate quarterly earnings paid each covered worker. In the study, reemployment is defined as quarterly earnings of at least \$50 in any one calendar quarter beginning with the quarter in which exhaustion of benefits occurred. While this definition is arbitrary, it has some relation to the provision of the Michigan Unemployment Compensation Act which requires, as qualification for

benefits, earnings of at least \$50 in each of 2 of the 4 quarters in the base period, with minimum aggregate base-period earnings of \$200.

The analysis of the wage records of the Michigan unemployment compensation agency was undertaken in February 1940, at which time the files contained reports for the 4 quarters which began October 1, 1938, and ended September 30, 1939.⁶ In appraising these reemployment data, it should be remembered that the trough of the decline in employment in Michigan occurred in July 1938, and the subsequent increase in employment continued throughout the remainder of 1938 and all of 1939 without interruption. This rise in general employment should mean, therefore, that the

⁶ The base period for initial claims filed in the first quarter of 1940. At the time of the analysis, the wage files of 221 of the beneficiaries with exhausted benefits in the 10-percent sample were in use. In terms of personal characteristics of the beneficiaries, the withdrawal of these records seems to have been random.

Table 2.—Number of beneficiaries exhausting benefits in Wayne County¹ and percentage distribution according to number of quarters reemployed,² by sex and by quarter of exhaustion

| Sex and quarter of exhaustion | Number of beneficiaries exhausting benefits | Percentage distribution by number of quarters reemployed | | | | | Percent reemployed in all possible quarters | |
|-------------------------------|---|--|------|------|------|-------|---|------|
| | | Total | None | 1 | 2 | 3 | | 4 |
| All beneficiaries..... | 6,720 | 100.0 | 33.6 | 20.5 | 20.5 | 14.0 | 11.4 | 19.7 |
| Fourth quarter 1938..... | 4,835 | 100.0 | 37.8 | 16.0 | 14.7 | 15.7 | 15.8 | 15.8 |
| First quarter 1939..... | 977 | 100.0 | 26.0 | 25.0 | 29.5 | 18.9 | ..... | 18.9 |
| Second quarter 1939..... | 908 | 100.0 | 19.3 | 39.3 | 41.4 | ..... | ..... | 41.4 |
| Men, total..... | 5,404 | 100.0 | 30.8 | 20.6 | 20.8 | 15.0 | 12.8 | 21.8 |
| Fourth quarter 1938..... | 3,898 | 100.0 | 34.5 | 16.2 | 16.0 | 10.6 | 17.7 | 17.7 |
| First quarter 1939..... | 774 | 100.0 | 24.5 | 28.0 | 28.0 | 21.5 | ..... | 21.5 |
| Second quarter 1939..... | 732 | 100.0 | 18.2 | 38.5 | 43.3 | ..... | ..... | 43.3 |
| Women, total..... | 1,316 | 100.0 | 44.9 | 20.3 | 19.5 | 9.0 | 5.4 | 11.3 |
| Fourth quarter 1938..... | 937 | 100.0 | 51.8 | 15.2 | 13.6 | 11.9 | 7.5 | 7.5 |
| First quarter 1939..... | 203 | 100.0 | 31.5 | 24.1 | 35.0 | 9.4 | ..... | 9.4 |
| Second quarter 1939..... | 176 | 100.0 | 23.9 | 42.0 | 33.5 | ..... | ..... | 33.5 |

¹ See table 1, footnote 1.

² See table 1, footnote 2.

later the exhaustion of benefits occurred in the benefit year the better were the chances of reemployment. Within these terms, then, it is possible to inquire how many beneficiaries obtained reemployment and how closely reemployment followed exhaustion of benefits. It is also possible to estimate the duration of uncompensated unemployment.

Extent of Reemployment

Quarter of Reemployment

One-third of the beneficiaries in the 10-percent sample were reemployed, after the exhaustion of benefits, in the same calendar quarter in which they exhausted their benefit rights (table 1). By September 30, 1939 (i. e., as many as 3 calendar quarters following exhaustion of benefits for 72 percent of the sample) two-thirds of the beneficiaries had found reemployment. One-third, however, failed to earn as much as \$50 in covered employment, in Michigan or elsewhere, in any one quarter in the period surveyed, beginning with the quarter of exhaustion. Nearly one-fourth of the beneficiaries had no recorded earnings.⁶

That the survey period (October 1, 1938–September 30, 1939) coincided with a period of increasing employment opportunities is partially reflected in the fact that the immediacy and extent

⁶Death records of beneficiaries in the sample were not checked; deaths would account for some, but not a large number, of those who failed to obtain reemployment. It should be mentioned also that those who were not reemployed until the first, second, or third quarter following the quarter of exhaustion of benefits may have had prior jobs in Michigan or elsewhere in employment not subject to the provisions of the Michigan unemployment compensation law or covered by the Federal old-age and survivors insurance program.

of reemployment varies with respect to the different quarters of exhaustion. Thus, of the beneficiaries who had drawn all their benefits in the fourth quarter of 1938 only 28 percent were reemployed in the same quarter; the corresponding percentages were 45 and 52, respectively, for those who exhausted benefits in the first and second quarters of 1939. Furthermore, of the beneficiaries who exhausted benefit rights in the fourth quarter of 1938, 38 percent did not succeed in obtaining reemployment, despite the longer period they had in which to find employment. Comparable percentages for those initiating post-exhaustion periods in the first and second quarters of 1939 were 26 and 19, respectively. There were some differences in the reemployment experience of the men and women. Relatively more women failed to become reemployed than was the case with men, irrespective of the quarter of exhaustion. For those reemployed in the survey period, however, the speed with which jobs were found was about the same for both men and women.

Reemployment Measured by Earnings

In view of the more or less arbitrary definition of reemployment adopted—i. e., quarterly earnings of at least \$50—it is pertinent, within the limitations of the data, to inquire into the duration of the reemployment, as reflected by the quarterly distribution of earnings as well as by the total amount of the earnings. In how many quarters, for example, did beneficiaries have quarterly earnings of at least \$50 (table 2)?

Table 3.—Number of beneficiaries exhausting benefits in Wayne County¹ and percentage distribution according to amount of post-exhaustion earnings, by sex and by quarter of exhaustion

| Sex and quarter of exhaustion | Number of beneficiaries exhausting benefits | Percentage distribution by amount of post-exhaustion earnings | | | | | | | | | | | |
|-------------------------------|---|---|------|--------|---------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|------------------|
| | | Total | None | \$1-49 | \$50-99 | \$100-199 | \$200-299 | \$300-399 | \$400-499 | \$500-749 | \$750-999 | \$1,000-1,499 | \$1,500 and over |
| All beneficiaries..... | 6,720 | 100.0 | 23.6 | 8.4 | 6.9 | 10.5 | 9.1 | 7.1 | 5.6 | 9.9 | 7.5 | 9.8 | 1.6 |
| Fourth quarter 1938..... | 4,835 | 100.0 | 27.3 | 9.0 | 6.2 | 7.4 | 6.8 | 5.5 | 4.8 | 9.0 | 8.9 | 12.0 | 1.9 |
| First quarter 1939..... | 977 | 100.0 | 16.9 | 7.4 | 9.7 | 12.9 | 12.6 | 10.8 | 5.8 | 11.7 | 6.3 | 4.6 | 1.4 |
| Second quarter 1939..... | 908 | 100.0 | 11.3 | 6.5 | 8.0 | 24.2 | 17.7 | 12.1 | 9.1 | 9.5 | 1.3 | .8 | ..... |
| Men, total..... | 5,404 | 100.0 | 21.4 | 8.1 | 6.6 | 9.5 | 8.5 | 7.1 | 5.6 | 10.9 | 8.5 | 11.9 | 1.9 |
| Fourth quarter 1938..... | 3,898 | 100.0 | 24.4 | 8.7 | 5.7 | 6.7 | 6.0 | 5.5 | 4.6 | 10.4 | 9.8 | 15.3 | 2.3 |
| First quarter 1939..... | 774 | 100.0 | 15.9 | 7.2 | 8.9 | 11.7 | 10.4 | 11.0 | 6.3 | 13.3 | 8.0 | 5.6 | 1.7 |
| Second quarter 1939..... | 732 | 100.0 | 11.2 | 5.7 | 7.1 | 22.2 | 17.3 | 12.4 | 10.4 | 11.5 | 1.6 | .6 | ..... |
| Women, total..... | 1,316 | 100.0 | 32.7 | 9.8 | 8.6 | 14.6 | 11.5 | 7.2 | 5.3 | 5.5 | 3.6 | .8 | .4 |
| Fourth quarter 1938..... | 937 | 100.0 | 39.1 | 10.2 | 7.0 | 10.8 | 8.1 | 5.8 | 5.8 | 6.3 | 5.0 | 1.2 | .7 |
| First quarter 1939..... | 203 | 100.0 | 21.2 | 7.9 | 12.8 | 17.3 | 21.1 | 10.3 | 3.4 | 5.5 | ..... | ..... | .5 |
| Second quarter 1939..... | 176 | 100.0 | 11.9 | 9.6 | 11.9 | 32.0 | 18.7 | 10.8 | 4.0 | 1.1 | ..... | ..... | ..... |

¹ See table 1, footnote 1.

Of the men who had exhausted benefits in the last quarter of 1938, only 17.7 percent were employed in each of the 4 quarters comprising the survey period. A similar proportion were employed in each of 1 to 3 quarters. More than 21 percent of the men who claimed their last benefit in the first quarter of 1939 were employed in each of the subsequent 3 quarters, while more than 25 percent were employed in each of 1 or 2 quarters. Of those men who were the last to exhaust benefits, more than 40 percent were employed in 2 quarters (the maximum possible), while slightly less were employed for only 1 quarter. In other words, only 21.8 percent of the men were employed in all possible post-exhaustion quarters. Reemployment among the women, on the other hand, was even less widespread, with only 11.3 percent employed in all possible post-exhaustion quarters.

Nor is the record any more impressive if reemployment is measured in terms of total earnings in covered employment (table 3). Regardless of the quarter of exhaustion, more than half of the men either had no earnings or failed to earn as much as \$300 even though 72 percent had a potential reemployment period of 9 to 11 months. Less than 14 percent earned \$1,000 or more, and these were almost entirely the beneficiaries with the maximum potential reemployment period. By this measure, too, the women beneficiaries had still less reemployment than the men. From 75 to 84 percent, depending on the quarter of exhaustion, either had no earnings or failed to earn as much as \$300, and less than 2 percent succeeded in earning \$1,000 or more.

Number Filing Claims in Second Benefit Year

The preponderance of low earnings would indicate that reemployment for a considerable number was not continuous. There is corroborative evidence for this inference in the number of persons who filed claims for benefits in the second benefit year. Such claims were filed by 39 percent of the men and 35 percent of the women, and between 80 and 85 percent of all the claims were allowed. In view of the high allowance rate it would seem that the number of persons filing claims represents an understatement of recurrent unemployment, since those who were unemployed and knew they were ineligible for benefits would not file. About three-fifths of the claims were filed in July 1939, the first month of the second benefit year.

Extent of Requalification for Benefits, January-March 1940

There remains still another measure of the extent of reemployment, a measure entirely in terms of the Michigan law. It is possible to determine the number of beneficiaries who had sufficient base-period earnings to qualify for benefits in the quarter January-March 1940 if they had occasion to file a claim. Qualification would have required earnings of at least \$50 in each of 2 of the 4 calendar quarters October 1, 1938-September 30, 1939, together with minimum total earnings of \$200 in the same 4 quarters. Of course, only earnings received from employers subject to the Michigan law would figure in this determination.

In accordance with this provision of the law, 55 percent of the men and 43 percent of the women would have been eligible had they been unemployed and filed claims for benefits. Thus, to the fact that the beneficiaries with exhausted benefits were without protection from the insurance program for 6 months on the average during the benefit year must be added the fact that about half of these beneficiaries would have remained without protection for at least 9 months following the completion of the benefit year.

Total Unemployment Compared With Compensable Unemployment

The unemployment experience of beneficiaries who had exhausted their benefits may be summarized by comparing the estimated duration of their unemployment—over the period from the loss of job that initiated the first benefit payments to the date of reemployment following exhaustion of benefits—with their compensated unemployment during this period. To the limitation of the gaps in the reemployment data, previously explained, must be added the limitation of the time units available. Since only the month of separation from employment was known, the midpoint of the month was taken as the date unemployment began. The date of exhaustion was similarly determined. It was necessary to place the date of reemployment at the midpoint of the quarter in which it occurred. This procedure would seem to give a conservative bias to the results in that, since employment opportunities were improving during the survey period, more individuals could be expected to be reemployed in the latter half of the quarter than in the first half.

The duration of the total unemployment period for these beneficiaries spans the interval from the loss of employment to the waiting period⁷ plus the weeks they received unemployment benefits (converted to a monthly basis) plus the interval after exhaustion of benefits, up to the date of their reemployment or September 30, 1939, as the case may be. In table 4 these estimates are presented separately for men and women and for those with 16 weeks of benefits and with less than 16 weeks.

It should be noted that these estimates of unemployment extend over an approximate maximum of 2 years, while maximum benefit durations are designed to compensate for unemployment within a single benefit year. Some of the individuals were able to qualify for a second benefit year within the survey period. The number of individuals who would have qualified for benefits in 2 years if the program had been in effect at the time of their first separation from employment cannot be precisely determined; undoubtedly it might have been considerable, since those laid off first might have had good earnings in 1936 and the first half of 1937—periods of relatively good employment opportunities.

Even if it were assumed that all the beneficiaries with allowed duration of 16 weeks had qualified for 32 weeks' duration in a 2-year period, the maximum benefits allowed in 2 years would have been approximately 8 months. Under these circumstances approximately 29 percent of these

⁷ The waiting-period weeks are omitted from the calculations of duration of both unemployment and benefits, since a basic assumption in present unemployment compensation laws is that the worker can carry himself through the waiting period.

men beneficiaries would have received protection for their entire period of unemployment. Even if the law had provided benefits for 26 weeks—the most liberal duration of benefits that is mentioned in present-day public discussion—and it were assumed that the men and women who had allowed duration of 16 weeks would be eligible for two benefit periods of 26 weeks each, only 55 percent of this group would have received protection for their entire period of unemployment.

If these estimates are indicative of the real situation, the conclusion seems to follow that in a period of a sharp, short recession in business activity a marked extension of benefits would be necessary to solve the problem of uncompensated unemployment for an appreciable portion of the beneficiaries.

Unemployment Relief Experience

For an appraisal of the program during the first year of operation it is important to know something of the consequences of long intervals of uncompensated unemployment. Unfortunately, information is readily available only on the more extreme consequences—the ones reflected in those cases in which the beneficiaries were forced to resort to unemployment relief.

Relief needs in the following discussion are limited to those which arise from unemployment. Ordinarily beneficiaries might need relief during the waiting period, or as a supplement to the weekly benefit amount, or after exhaustion of benefits, or during any combination of these three phases of benefit payments. However, for the period under consideration, there was another

Table 4.—Number of beneficiaries exhausting benefits in Wayne County,¹ by sex and benefit duration, and percentage distribution by total period of unemployment²

| Sex and period of benefit duration | Number of beneficiaries exhausting benefits | Percentage distribution by total period of unemployment ² (months) | | | | | | | | | |
|---|---|---|-------------|---------|---------|----------|-----------|-----------|-----------|-----------|---------------|
| | | Total | 4.5 or less | 4.6-6.5 | 6.6-9.5 | 9.6-12.5 | 12.6-15.5 | 15.6-18.5 | 18.6-21.5 | 21.6-24.5 | 24.6 and over |
| All beneficiaries | 3,072 | 100.0 | 2.5 | 7.8 | 14.4 | 24.4 | 15.3 | 13.1 | 16.3 | 5.3 | 0.9 |
| With allowed duration of 16 weeks | 4,037 | 100.0 | 2.3 | 9.9 | 17.2 | 25.3 | 16.1 | 14.6 | 13.6 | 1.0 | 2.2 |
| With allowed duration of less than 16 weeks | 2,635 | 100.0 | 2.8 | 4.5 | 10.2 | 23.2 | 14.0 | 10.8 | 20.4 | 11.9 | 2.2 |
| Men, total | 5,356 | 100.0 | 2.5 | 8.3 | 15.0 | 25.1 | 15.1 | 12.7 | 15.8 | 4.8 | .7 |
| With allowed duration of 16 weeks | 3,455 | 100.0 | 2.3 | 10.6 | 17.7 | 25.3 | 15.4 | 14.0 | 13.7 | 1.0 | 2.0 |
| With allowed duration of less than 16 weeks | 1,901 | 100.0 | 3.0 | 4.2 | 9.9 | 24.8 | 14.6 | 10.2 | 19.0 | 11.7 | 2.0 |
| Women, total | 1,316 | 100.0 | 2.4 | 5.5 | 12.4 | 21.3 | 16.1 | 14.9 | 18.5 | 7.4 | 1.5 |
| With allowed duration of 16 weeks | 582 | 100.0 | 2.2 | 5.9 | 14.4 | 24.7 | 20.2 | 17.8 | 13.9 | .9 | 2.7 |
| With allowed duration of less than 16 weeks | 734 | 100.0 | 2.4 | 5.3 | 10.8 | 18.8 | 12.8 | 12.5 | 22.2 | 12.5 | 2.7 |

¹ See table 1, footnote 1.

² Duration of unemployment is interval from month of separation from employment leading to first compensable claim to date of first waiting-period claim plus number of weeks of benefit plus interval between exhaustion of

benefits and quarter of reemployment or Sept. 30, 1939, as case may be.
³ Of the 6,720 beneficiaries who exhausted benefit rights for whom reemployment data were obtained, data to estimate duration of unemployment were inadequate for 48.

Table 5.—Distribution of Detroit beneficiaries who exhausted benefits,¹ by relief status² during January 1938–June 1939

| Relief status | Total number | Percent of total number | Percentage distribution |
|--|--------------|-------------------------|-------------------------|
| Total sample..... | 6,454 | 100.0 | ----- |
| Not known to relief, 1935-39..... | 3,840 | 59.6 | ----- |
| Known to relief, 1935-39 ³ | 2,605 | 40.4 | ----- |
| Received general relief and/or WPA employment, January 1938–June 1939..... | 1,983 | 30.7 | ----- |
| Received general relief ⁴ | 1,691 | 26.2 | 100.0 |
| Before receipt of benefits..... | 1,036 | 16.1 | 61.3 |
| Before and after receipt of benefits..... | 480 | 7.5 | 28.7 |
| After receipts of benefits..... | 169 | 2.6 | 10.0 |
| Received WPA employment only..... | 292 | 4.5 | 100.0 |
| Before receipt of benefits..... | 164 | 2.4 | 52.7 |
| Before and after receipts of benefits..... | 112 | 1.7 | 38.4 |
| After receipt of benefits..... | 20 | .4 | 8.9 |

¹ Detroit beneficiaries represented 93 percent of the Wayne County sample. See table 1, footnote 1.

² Beneficiaries were considered to have relief status if they were members of households receiving unemployment relief during period studied.

³ Includes 398 beneficiaries in households which applied for relief in January 1938–June 1939 but did not receive direct relief during that period.

⁴ Includes a number of beneficiaries who also had WPA employment, but does not include the 292 who received only WPA employment and no general relief.

possibility. Unemployment compensation payments did not begin in Michigan until the 1937–38 recession had been under way for more than 6 months and a large backlog of unemployment had accumulated among covered workers. For this reason many who ordinarily would have been forced to obtain relief only after the exhaustion of their benefit rights found it necessary to apply for relief before benefit payments began. In these special circumstances the receipt of relief prior to benefit payments can be considered as equivalent to post-exhaustion relief experience.⁸ For beneficiaries who did not exhaust their benefit rights, however, a more qualified interpretation must be made of the receipt of relief prior to benefit payments.

Complete relief data were readily available only for beneficiaries resident in the city of Detroit, or about 93 percent of the total sample.⁹ Analysis of the records of the Detroit Department of Public Welfare for the period January 1, 1938–June 30, 1939, revealed that at least 10.1 percent of the 6,454 Detroit beneficiaries who exhausted benefit

⁸ Loss of attachment in the industrial labor market for such reasons as superannuation or loss of skill or ability will account for the movement of a small portion of beneficiaries from unemployment compensation to direct relief and employment on work projects. Obviously, unemployment compensation has no continuing obligation to such beneficiaries. Since this group would be extremely small, however, and difficult to separate from others who exhaust their benefit rights, no attempt is made to segregate it here.

⁹ Since relief records are maintained on a household rather than individual basis, most of the data from this source concern the characteristics and experience of the entire relief household.

rights were in households that received general relief during the benefit year, and 26.2 percent were in households that received relief either immediately prior to or during the benefit year or in both periods (table 5). Nearly one-fourth of these cases, according to the records, had never before applied for general relief. A slightly smaller percentage of the Detroit beneficiaries with unexhausted benefits were also on the general relief rolls immediately preceding their benefit year.¹⁰

The percentage of all beneficiaries who had work-projects employment but received no general relief was 4.5;¹¹ 2.1 percent had work-projects employment after exhaustion of benefits.

It is thus evident that in the recession period of 1938 some 30 percent of the beneficiaries who exhausted benefits were obliged to obtain relief when unemployment compensation was not available. Such aid was received also by a smaller percent of the beneficiaries who did not exhaust benefits.¹²

Receipt of both unemployment compensation and relief by such a considerable proportion of beneficiaries is not to be explained by unusually liberal relief policies in the city of Detroit. Relief payments during those months represented only 85–90 percent of the amount necessary to sustain the household at the minimum subsistence level as measured by the budgetary standards of the agency; these standards are similar to those used by the United States Department of Agriculture and are based on current prices of food, clothing, and shelter. The household could obtain general relief only if its income, after the liquidation of resources not required for living purposes, was 10–15 percent below the minimum subsistence level.

¹⁰ The check of the welfare records of those who did not exhaust benefits was based on a 12½-percent subsample of the original 10-percent sample. From the larger sample, stratified by sex, industry, and age, every eighth card was selected. That the subsample was representative of the larger sample is indicated by the fact that the month of separation from last employment prior to the benefit year for the subsample group was in close agreement with the distribution by month of separation of the larger sample. It is this factor that would largely condition whether a beneficiary was on the relief rolls prior to the receipt of unemployment compensation.

¹¹ These data were disclosed by an independent analysis of the family case records maintained by the Wayne County WPA for beneficiaries with exhausted benefits. It is assumed that the same percentage applies to the beneficiaries with unexhausted benefit rights. The subsequent analysis, however, is based only on those who had received general relief from the Detroit Department of Public Welfare.

¹² It was pointed out in the earlier article that about 45 percent of the benefit recipients who did not actually exhaust benefit rights would have drawn all their benefits if weeks of unemployment occurring before July 1938 had been available for waiting-period credit or as compensable weeks.

The maximum weekly food allowance in 1938 for households with no source of income other than relief was approximately \$1.65 for a single man, \$2.95 for man and wife, \$4.40 for man and wife with one child, \$5.65 for man and wife with two children, and \$6.60 for man and wife with three children. One ton of coal per month was allowed during the winter, the actual cost of shelter was allowed, and clothing was provided in kind. The actual payment to the household was the difference between the budget, reduced by 10-15 percent, and any resources the household might have.

The same standards of need were applied by the relief agency in certifying workers to WPA employment as were used in granting general relief. The security wage, however, was somewhat higher than the maximum relief grant for medium-sized households. Prior to July 1939, the security wage in the Detroit area ranged from \$60 a month for unskilled labor to \$95 for professional and technical workers. It would appear then that the Detroit standards were not out of line with those in other areas.

Of the 1,691 beneficiaries with exhausted benefit rights who were in households receiving general relief during the survey period, 15 percent were women. Among the 4,763 beneficiaries not included in relief cases during 1938-39, 21.5 percent were women. This is an expected difference, since most women workers are secondary workers in the household and those households, according to the records of the survey, included a larger

percentage of households containing more than one employable person than did the relief households in which the beneficiary was the primary worker. The probability of a household being without an employed worker—that is, needing relief—is less for multiple-worker households than for single-worker households.

Nearly two-thirds (62.6 percent) of the beneficiaries in households receiving relief were considered to be heads¹ of the household (see table 6), and of that number all but 4 percent were men. Of beneficiaries in relief households who were not heads of households, about two-thirds were men.

More than four-fifths (85.2 percent) of the beneficiaries in the general relief cases were white, and about the same proportion were men. Of the 250 colored beneficiaries (Negro, Mexican, Indian, and other), 95 percent were men. The proportion of colored persons among the beneficiaries not in general relief cases or among the covered population is not known.

Since such a large proportion of benefit recipients who obtained general relief were heads of households, it might be expected that relatively more of them, and especially of the men, were in their middle years than were those who did not receive general relief. Furthermore, since workers in the middle years tended to qualify for longer durations and higher rates of benefits than did the young or

¹ A beneficiary was considered head of the household when the first initial of his given name and year of birth were identical with those reported for the head of the relief case.

Table 6.—Percentage distribution of Detroit beneficiaries who exhausted benefits,¹ by status in households receiving general relief January 1938-June 1939, and by duration of relief

| Duration of relief ² (months) | Status of beneficiaries in households receiving general relief, January 1938-June 1939 | | | | | | | | | | | |
|--|--|----------------|------------------|----------------------------|----------------|------------------|--------------------------------------|----------------|------------------|---------------------------|----------------|------------------|
| | All households | | | Before receipt of benefits | | | Before and after receipt of benefits | | | After receipt of benefits | | |
| | Total | Household head | Secondary worker | Total | Household head | Secondary worker | Total | Household head | Secondary worker | Total | Household head | Secondary worker |
| Number of beneficiaries | 1,691 | 1,058 | 633 | 1,036 | 587 | 449 | 486 | 356 | 130 | 169 | 115 | 54 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1-2 ¹ | 33.5 | 34.7 | 31.6 | 43.6 | 48.4 | 37.4 | 8.3 | 3.4 | 8.1 | 58.5 | 61.8 | 51.9 |
| 3-4 | 19.0 | 19.0 | 20.4 | 20.8 | 19.4 | 22.8 | 16.0 | 19.4 | 6.9 | 24.8 | 20.9 | 33.3 |
| 5-6 | 16.9 | 15.5 | 19.1 | 19.7 | 17.2 | 22.9 | 13.8 | 14.9 | 10.8 | 8.8 | 8.7 | 7.4 |
| 7-8 | 13.5 | 13.6 | 13.4 | 12.0 | 11.7 | 12.2 | 20.4 | 19.9 | 21.5 | 8.6 | 8.5 | 8.7 |
| 9-10 | 6.0 | 6.4 | 5.4 | 2.3 | 1.9 | 2.9 | 15.2 | 15.5 | 14.6 | 2.4 | 1.7 | 3.7 |
| 11-12 | 3.8 | 4.7 | 2.2 | 1.0 | 1.2 | .7 | 10.7 | 11.5 | 8.5 | 1.2 | 1.7 | ----- |
| 13-18 | 3.9 | 4.1 | 3.0 | .4 | .2 | .7 | 12.3 | 11.2 | 15.4 | 1.2 | 1.7 | ----- |
| 19 and more | 2.5 | 1.4 | 4.3 | .2 | ----- | .4 | 8.3 | 4.2 | 19.2 | ----- | ----- | ----- |

¹ See table 5, footnote 1.

² Includes estimate of WPA employment prior to benefit year for cases closed to WPA prior to benefit year.

³ Cases opened and closed in same month were assigned duration of 1 month.

Table 7.—Cumulative percentage distribution of Detroit beneficiaries who exhausted benefits,¹ by relief status and by month of separation from employment²

| Year and month of separation ³ | Not in receipt of general relief | In receipt of general relief |
|---|----------------------------------|------------------------------|
| Total number of beneficiaries..... | 4,746 | 1,673 |
| 1937 | | |
| September and prior thereto..... | 3.2 | 2.6 |
| October..... | 6.7 | 5.2 |
| November..... | 17.5 | 16.7 |
| December..... | 40.0 | 41.3 |
| 1938 | | |
| January..... | 51.7 | 52.7 |
| February..... | 59.3 | 60.6 |
| March..... | 67.7 | 70.0 |
| April..... | 74.5 | 76.6 |
| May..... | 81.4 | 84.2 |
| June..... | 89.0 | 91.2 |
| July..... | 96.4 | 96.8 |
| August..... | 99.8 | 99.8 |
| September..... | 100.0 | 100.0 |

¹ See table 5, footnote 1.
² Month of separation from employment was month preceding first compensable claim.
³ Excludes 17 beneficiaries with unknown month of separation.
⁴ Excludes 18 beneficiaries with unknown month of separation.

older workers, it is likely that the beneficiaries who exhausted benefit rights and received relief drew benefits for a slightly longer period and at a slightly higher rate than did the beneficiaries who exhausted their benefit rights but did not receive unemployment relief.¹⁴ There was no evidence that the group which received both unemployment compensation and general relief was the first to become unemployed (table 7). The data would seem to indicate that beneficiaries in receipt of general relief during the survey period were as employable as beneficiaries who did not receive general relief. However, it should be noted that those who received general relief only during the benefit year, an important minority of the total in receipt of general relief, tended to be at some disadvantage in finding reemployment after the exhaustion of benefits as compared to those who did not obtain general relief or to those who obtained it only prior to the benefit year.

Special needs such as result from illness were the main causes of destitution in only 6.6 percent of the cases. Nor could it be claimed that large families caused a rapid depletion of the resources of these households after unemployment occurred. The average number in the household was slightly less than three persons.

The duration of relief and the number of shifts between unemployment compensation and relief provide some measure of the extremity of need in

¹⁴ Proof of this relationship is shown in tables 32 and 33 of Bureau Memorandum No. 14, op. cit.

these households and the problem faced by the households in shifting from one program to another.

The duration of relief has been computed in terms of months. Included in the count were the general relief periods which occurred partly or wholly during the calendar year 1938 or were initiated in the first 6 months of 1939. The terminal date of this phase of the survey was February 15, 1940.

Data on the duration of WPA employment were not available. However, if prior to the receipt of the first benefit check a general relief case was closed because of employment on WPA, it was assumed that WPA employment continued until the person received his first benefit check. Accordingly, for all cases receiving relief prior to the benefit year, the duration of relief was counted from the date of acceptance for general relief to the date the first unemployment compensation check was issued. The duration of relief during the benefit year (that is, the receipt of relief concurrently with benefits or after the exhaustion of benefits) was based only on the number of months in which general relief was received and involves no assumption as to the duration of WPA employment which may have followed the relief period. For cases opened and closed in the same month, the duration was counted as 1 month.

Of the 1,691 beneficiaries in households receiving general relief during the 18-month survey period, 33.5 percent received such relief for 2 months or less (table 6).¹⁵ As many as 30 percent received relief for 7 months or more and 6 percent for more than a year. Cases in which the beneficiary was head of the household received relief for a somewhat shorter total period than cases in which the beneficiary was a subsidiary worker. This applies both to the group that received general relief only prior to the benefit year and to the group which also received it during the benefit year.

The number of shifts between general relief, work projects, and unemployment compensation in the course of a period of unemployment has a bearing on one part of the problem which confronts the benefit recipient in obtaining necessary aid when he is unemployed. Ordinarily the bene-

¹⁵ 17 percent of those who received general relief after exhaustion of benefits did so for less than 3 months.

fit recipient will make no more than two shifts between agencies and receive aid from no more than three agencies. In a long period of unemployment he may exhaust his benefit rights and be forced on the general relief rolls, from which he may be certified and assigned to work-projects employment. During the period under study, however, it was possible for the benefit recipient to have a period of general relief and a period of work-projects employment before, during, and/or after the receipt of unemployment compensation, making four or more shifts and five or more periods of either unemployment relief or unemployment compensation.¹⁶

Although the data available from the general relief and unemployment compensation records do not lend themselves to a count of the actual number of shifts or assistance periods, they permit computation of the minimum number of shifts and periods. Of the 1,691 beneficiaries who received general relief during the 18 months studied, 41.4 percent made at least one shift between agencies, 33.4 percent at least two shifts, 17.9 percent at least three shifts, and 7.3 percent made at least four shifts.

For the beneficiary and his family these shifts create problems of adjusting to changing levels of income and to different types of benefits. They may involve a shift from a cash benefit to commissary or store orders, from free choice to restricted choice or dependency upon Federal surplus commodities. Loss of income may occur during the transfer from one type of assistance to another. For the agencies, such shifts necessitate a multiplicity of investigations, records, and reports, which add to administrative costs.

Summary

This analysis of the post-exhaustion experience of recipients of unemployment benefits in Wayne County, Michigan, discloses that the unemployment compensation program fell far short of providing protection against all the unemployment experienced by workers who had sufficiently good job attachments to qualify for benefits. Although

¹⁶ Even with the unemployment compensation program in continuous operation, it should be noted that it will be possible for benefit recipients who exhaust their rights early in the benefit year and who qualify for benefits in the succeeding benefit year to receive relief and work-projects employment both before and after the benefit period in the second benefit year.

the months following the exhaustion of benefits were months of increasing employment opportunities, only one-third of the beneficiaries were reemployed in covered employment—that is, with earnings of at least \$50—in the calendar quarter in which they exhausted their benefit rights. Equally significant is the fact that another third were not reemployed by the end of the first quarter following the end of their first benefit year.¹⁷ The limited extent of reemployment is also indicated by the fact that only half of the beneficiaries exhausting benefit rights could have qualified for benefits in the first quarter of 1940, the third quarter following the completion of the benefit year.

Most serious are the implications from the estimates of the total duration of unemployment, from loss of job prior to the benefit year to the date of reemployment in covered industry. These estimates disclose that for only about 29 percent of the men exhausting benefits who had an allowed duration of 16 weeks would 32 weeks of benefits have bridged the total period of unemployment. Even if benefits had been paid for 52 weeks in two years, only about half this group would have received benefits for each week of unemployment.

Because of the long intervals of uncompensated unemployment, about 30 percent of all beneficiaries who did exhaust benefits, and a somewhat smaller percent of those who did not, were obliged to obtain general relief or work-projects employment immediately before or during the benefit year, when unemployment compensation was not available. About 15 percent received general relief or work-projects employment after the exhaustion of benefits. Since there was nothing unusual in the Detroit relief situation, this finding casts considerable doubt on the validity of the contention sometimes made that unemployment compensation and unemployment relief programs aid two entirely different segments of the employable population. With respect to several characteristics reflecting employability, the beneficiaries who were in relief households did not differ significantly from beneficiaries who exhausted their benefit rights but were not known to general relief agencies.

¹⁷ It should be repeated that any possible employment in noncovered industries could not be taken into account in this study.