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Introduction [to Job and Income Security for Unemployed Workers]

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I. INTRODUCTION

“I’m mighty glad to get this check, but getting back on the job is even better.”

—Niels R. Ruud

“We have started to pay unemployment benefits in Wisconsin. . . . but let’s not forget that steady work and wages will always be better than unemployment benefits.”

—Paul Raushenbush

These two statements were made July 1, 1936 in Madison, Wisconsin on the occasion of the first unemployment insurance benefit payment ever made in the United States.¹ In his terse remark, the recipient expressed perfectly the appropriate perspective about the benefit payment. The response by Mr. Raushenbush, the first and long-time director of the Wisconsin program and one of the “fathers” of unemployment insurance in this country, underscored the joint objectives of income support and reemployment. In both statements, the emphasis on the latter is clear.

This monograph describes a new framework, called the Job Security System,² which would integrate the various

1. *American Labor Legislation Review*, September 1936, p. 102.

2. This title is used to distinguish the proposed system from the present federal-state system made up of state employment security agencies operating unemployment insurance and employment service programs.

public programs designed to help experienced unemployed workers find work and to alleviate their unemployment. The scheme's main purpose is to organize these programs systematically and cohesively and focus them on the goal of employment. Its core objective is getting unemployed workers into suitable jobs. No one served by the proposed system is outside the labor force; each is capable of working and available for work. The presumption is that everyone who applies for help in finding work or for income maintenance during unemployment wants a job and is seeking one.

By and large, clients of the Job Security System are unemployed workers with established labor force attachment. New entrants and reentrants to the labor force may also be served, but they are likely to be aided more directly by programs provided under the Comprehensive Employment and Training Act (CETA), especially if there is a problem of low income and a lack of skills or work experience. The CETA programs are outside the proposed system. The Job Security System and CETA programs, however, must coordinate their services to assure that no one seeking employment who can be helped is neglected.

Besides job search assistance and other employment services, the Job Security System (JSS) provides income support consisting, for the most part, of two types of wage-loss compensation: unemployment insurance (UI) and a new program of unemployment assistance (UA). UI is available as a matter of right to covered unemployed workers who meet certain employment-related conditions, such as past and current labor force attachment. UA would be available to the noninsured unemployed—those who exhaust UI benefits or are not covered by UI—who meet similar conditions plus an income test. In addition, the system would administer a number of special programs that supplement UI for certain categories of unemployed workers, such as trade adjustment

assistance for workers adversely affected by foreign imports. The system may also pay cash benefits or allowances in connection with specific adjustment activities, such as retraining and relocation, when undertaken by unemployed workers.

The JSS deals with the unemployed as individuals and with individual employers who want workers. It does not, as such, treat the general problem of unemployment, of general insufficiency in the demand for labor. That is the concern of fiscal, monetary, and other economic policies. The proposed system's main thrust is to guide the unemployed labor supply to the jobs available and, to the extent it can, to help bring about the most efficient employment of the labor supply. In the process, the system would constantly update and improve its knowledge of the labor market to identify jobs which are available and employers who are likely to need workers.

The expectation is that nearly all unemployed workers assisted by the system will become reemployed within a reasonable period of time, most within a few months. It must be emphasized, however, that this expectation can be realized only if the economy is in good health and generates a strong demand for labor. If labor demand is weak, the number of jobless workers will increase, as will the average duration of their unemployment, and the system will be less successful in achieving its goal despite its best efforts on behalf of clients. The value and effectiveness of the JSS will be most evident when there are jobs to be filled.

Justification for the New System

Many public programs now exist for aiding the unemployed. They include the state employment or job services and various CETA programs operated by local government units and by states. These programs offer job search and related employment services, vocational training, other

vocational adjustment services, and temporary public service employment.³ Other public programs provide various forms of income support for the unemployed. These include unemployment insurance, welfare payments through the federally subsidized Aid to Families with Dependent Children (AFDC)-Unemployed Father program,⁴ disaster unemployment assistance, a growing number of special programs aimed at compensating workers for job loss resulting from certain government policies,⁵ and limited local or state general assistance that may be available for needy persons, including some who are unemployed.⁶ Some federal programs provide other forms of financial assistance for the unemployed, such as food stamps, Medicaid, and housing subsidies; these are also available to persons who are not in the labor force. Some of the unemployed who are in public training programs may receive training allowances.⁷

These programs began and evolved over the past 50 years, many of them within the last 20 years. Since problems of the unemployed are varied and numerous, it is not surprising that the measures devised to help overcome these problems are also varied and numerous. Taken together, the public programs available represent an extensive set of policies

3. At the time of writing (early 1981), the public service employment programs under CETA are being curtailed and scheduled to terminate by October 1981.

4. The standard AFDC program may also be included in this listing since some adult recipients must register for work with the public employment service and be available for work. Not all AFDC recipients, however, are required to do so, such as those caring for small children or for family members who are sick or disabled.

5. These include, among others, Trade Adjustment Assistance (as provided under the Trade Act of 1974), the Redwood Employee Protection Program, two Railroad Employee Protection Programs, Urban Mass Transportation Protection, and the Airline Employee Protection Program.

6. The railroad UI program is not part of the present federal-state system and remains outside the proposed new system. Ideally, and eventually, it too should be included.

7. Other public income maintenance programs, such as social security-old age insurance, also supply support for the unemployed although that is not their particular objective. See Merrill G. Murray, *Income for the Unemployed: The Variety and Fragmentation of Programs*, (Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research, April 1971), p. 70.

ministering to the needs of unemployed persons. It is fair to ask, then, what the proposed new system can add. Why is it desirable to establish another or a different approach in an area already addressed by so many approaches? What does the proposed system offer that is different and significantly better than what present arrangements provide?

The Job Security System is designed not so much as a new *additional* approach for aiding the unemployed, but rather as a means for pulling existing programs together into a more coherent, integrated, and coordinated set of activities. Many of the existing programs developed at different times to meet specific needs without taking sufficient account of other programs already in place which served similar purposes. A new program may have emerged because an existing program did not serve a particular need adequately or as precisely as desired, and because it often was easier to create a separate approach than try to adapt or improve a larger established program. There has been, for example, a proliferation of special programs (see footnote 5) aimed at specific industries or groups of workers who are dislocated because of a public policy, such as tariff reduction agreements with other countries, or deregulation of a particular industry. These programs single out limited groups of workers for special treatment usually more generous than that provided by the more general programs.⁸

Another kind of development has been the partial redirection of an existing program to serve purposes it was not originally intended or designed to serve. The use of unemployment insurance, for example, to compensate for very long term unemployment during 1975-1977 (up to 65 weeks in some cases) went far beyond that program's

8. For a description and discussion of these programs, see Mamoru Ishikawa, *Unemployment Insurance and Proliferation of Other Income Protection Programs for Experienced Workers*, Unemployment Insurance Occasional Paper 80-1 (Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service, 1980).

original conception. The increased refocusing of the AFDC program on availability for work or training for many of its adult recipients is another example of a significant change in direction that places strains on a program's conceptual base and structure.

The motivations for these new developments have usually been quite reasonable and sound, and the approaches taken may also have been reasonable and sound up to a point. As new developments accumulate over time, however, without adequate coordination, confusions and inefficiencies multiply. Both duplications and gaps in services and support for the unemployed may develop. There may be unequal treatment of the unemployed without justification that is apparent to recipients. Administrative responsibilities are fragmented. Programs may conflict or work at cross purposes, and tendencies develop to lose sight of intended goals. Administrative difficulties increase and funds may be wasted. Both those who pay for the costs of these services and those who receive them have reason to complain. When such conditions accumulate to major proportions, it is time to consider consolidation and reform. The Job Security System is proposed as a means for such consolidation and reform.

The new system would also provide an opportunity to establish a common and consistent conceptual base for these programs, and that may be its most important justification. Too often, programs have narrow objectives and fail to take account of broader or more primary goals. More adequate income support for unemployed workers is an important purpose sought by some of the new special programs, but overconcentration on that objective can diminish emphasis on assisting the process of reemployment. To a large extent, the failure to pursue the latter goal more vigorously is a problem of administrative priorities and inadequate financing rather than statutory intent. The UI program has always required claimants to be available for work and to seek

work, and looks to the employment service (ES) to assure their exposure to jobs. The ES, however, is continually diverted to place higher priorities on serving groups other than UI claimants, thereby reducing the reemployment emphasis for the latter. Moreover, the ES staff nationally has remained fixed in size for 15 years despite its heavier responsibilities, which effectively bars any significant improvements in its services. The proposed JSS builds emphasis on the reemployment objective directly into its procedures so that it cannot be neglected so easily.

To repeat the point made at the outset, it is the premise of the new system that suitable reemployment is its core objective. Income support is a vital factor, but it should not overshadow the ultimate goal of employment; it should be administered so as to support that goal as well as to alleviate hardship. The fact, for example, that recipients of AFDC or of state and local general assistance include both labor force participants and nonparticipants makes those programs ill-suited to pursue the employment objective for the former. The Job Security System alters the income support arrangements for labor force participants now under these programs to correct for that deficiency.

Failure to pursue the employment objective vigorously has contributed to general public criticism of income maintenance programs. Much of the public regards these programs as too generous and too easily available to too many individuals who are suspected of being unavailable for work or unwilling to work, despite what they claim openly. Whether or not such criticism is fully justified, the lack of emphasis on reemployment assistance helps to convey and sustain the impression held. The proposed system offers the opportunity to reestablish the primacy of employment and thereby respond to public concerns over income maintenance programs.

Another supporting argument for the proposed system is that it may open the way to resolve some problems in several existing programs that appear to have become intractable. By incorporating these existing programs within the system and integrating them around the central orientation of employment assistance, some restructuring and improvements can be made which may resolve their problems more readily than possible within their current contexts.

The public employment services, for example, require revitalization and strengthening. Their active integration with UI and other income assistance within the JSS stresses the reemployment goal for recipients and restores the employment service to the major role contemplated for it earlier but which has become increasingly remote over the years. Employment service financing requires reform and expansion which may have a better chance under the JSS design.

The federal-state UI program currently faces serious problems which appear very difficult to resolve within its present structure, at least in a way that would attract broad agreement. Under the proposed JSS, the UI program would be restructured to emphasize close integration with reemployment assistance. The new structure also offers a way of treating two major problems that bedevil the present program—the duration of UI protection and financial insolvency.

The establishment of a new unemployment assistance program within the proposed new system seeks to rationalize the treatment of some AFDC recipients as labor force participants and to close the gaps that exist in the support of other needy unemployed persons. Welfare reform proposals continue to mix welfare and employment assistance without adequate distinctions among recipients so that the latter can be applied effectively. The incorporation of UA within the

JSS would make that distinction clear. Welfare reform could then deal more readily with those AFDC recipients who cannot work or are not expected to work.

General Design

The JSS proposal calls for a comprehensive and integrated system that provides various employment assistance services and income support to unemployed workers, and to some underemployed workers as well. The system combines, restructures, and improves upon present employment and income support programs to assure closer coordination among them, greater efficiency of their operations, and more complete coverage of the needs of the unemployed. It assumes that private sector activity and public economic policies will keep overall unemployment levels within manageable bounds; the system's services and support are likely to prove inadequate and ineffective under conditions of prolonged mass unemployment no matter how well organized and integrated they are.⁹

At all times, the Job Security System emphasizes employment promotion efforts to help jobseekers find satisfactory work. Income support is viewed as a temporary measure available only when reasonable employment is not available and while jobseeking efforts proceed. Income support is important to the unemployed, but its provision must not obscure the focus on promotion of reemployment. If unemployment continues for a very long period, particularly under generally normal labor market conditions, the individual's employability may require reevaluation. The possibility must be considered that the very long term jobless worker may in fact be unemployable. That individual might

9. One hesitates to specify a particular limit above which unemployment would be considered unmanageable, but the peak unemployment rates experienced in the 1975 recession period would surely qualify as such if continued for very long.

be offered a place in a sheltered workshop program or shifted to the Supplemental Security Income program currently available for the disabled and the aged who need such support.

While the proposed JSS is national in scope, it is designed to operate essentially through state-administered programs. State UI and job services would continue, but subject to some modifications or adaptations required by restructuring under the new system. Federal and state governments would continue as partners in the system, but the balance of responsibility and control would shift more towards a national orientation with regard to the problem of long term unemployment. The shift reflects a recognition that when unemployment becomes increasingly prolonged for individual workers, the means required to support them and to resolve their problems may lie increasingly beyond the capacities of local and state resources.

Central to the Job Security System is the registration of jobseekers for work and the listing of as many job openings as possible at the public employment or job security offices. The key is the establishment of a genuine, fully-functioning labor exchange. With some exceptions, registration would be compulsory for all those seeking income support and employment assistance provided under the system.

Jobseekers would be diagnosed and classified according to their need for job search assistance. Assistance could range from simply providing access to a listing of job openings to planning and facilitating substantial training or rehabilitation. Where a job is not immediately available, the unemployed worker may draw income support if eligible. Following initial diagnosis, the system would provide for further review, at appropriate times, of the registrant's job search activities and reassessment of need for help if unemployment continues. The advice and assistance supplied would then change accordingly.

Since most subsidized public service employment and training for the unemployed are now organized and administered through decentralized CETA programs, the Job Security System must coordinate its activities closely with these programs. How best to achieve the proper coordination between CETA and the public employment service is currently an uncertain and controversial matter. No attempt is made here to deal with the question. Evaluation of CETA-employment service relations should be pressed to illuminate the problems. Their resolution should aim at serving the best interests of jobseekers and employers. Through improved collection and analysis of labor market information, the JSS would continuously monitor the need for employability development services, training, and public service employment for its clients. Such information and analysis also form an important base for planning CETA programs. Because eligibility rules exclude many unemployed workers from CETA programs, the JSS should have the flexibility of providing similar types of services to such workers when the need is indicated.

Income support supplied through the Job Security System is identified clearly as support for labor force participants. Income support for nonparticipants should be supplied outside this system. Some of the present welfare programs mix the two. These should be redesigned so that labor force participants now serviced through welfare programs would receive their support through the JSS. A major innovation proposed with JSS is the establishment of a new unemployment assistance program to supply income support to needy unemployed jobseekers who are not eligible to receive unemployment insurance. Unemployment assistance would replace present welfare support for those who are able to work and expected to seek employment and who have some work experience. Like unemployment insurance, UA would be available as a weekly benefit.

Under the proposed system, unemployment insurance is restructured as a three-tiered program to cover short, medium, and long term unemployment, and to limit its total scope to the first 39 weeks of unemployment. The full extent of UI protection would be available to eligible unemployed workers at all times; the payment of long term benefits would not depend on the rate of unemployment. Any support beyond the UI limit would be supplied through the unemployment assistance program. The new arrangement eliminates special extensions of unemployment benefits during recession periods. Each UI tier has its own eligibility requirements and job search conditions. The proposed method of financing UI benefit costs is geared to the three-tiered arrangement.

The Job Security System, as proposed, also encompasses other forms of support and employment assistance, such as training allowance supplements, relocation assistance, and other rehabilitation measures.

The proposed system takes account of the varied composition of the unemployed as analyzed in terms of certain characteristics that are relevant to distinguishing job search service and income support needs. In describing the plan, this monograph proceeds first with an analysis of the system's potential clientele in terms of some of these characteristics. It then discusses the types of services and income support provided under the system for each clientele category. The type of services and support available, and the manner in which they are supplied, may vary at different stages of an individual's unemployment or with the condition of the relevant labor market. These distinctions are important and also noted. Following this presentation of what the system offers for different categories of the unemployed, each type of proposed service or income support is more fully described with regard to content and financing, with particular emphasis on explaining changes from existing ar-

rangements, the reasons for the changes, and some opposing arguments.

Recently, the National Commission on Unemployment Compensation (NCUC) completed a two and one-half year study of the federal-state UI program and related problems.¹⁰ Many of the concerns of the Commission overlap those addressed by the JSS proposal. Where appropriate, NCUC recommendations will be indicated and discussed in this monograph.

10. *Unemployment Compensation: Final Report*, National Commission on Unemployment Compensation, Washington, DC, July 1980.