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Iowa IESC's position on the proposal  
for continued temporary extended  
compensation

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The Iowa Employment Security Commission's  
Position on the Proposal for Continued  
Temporary Extended Compensation

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Before discussing Iowa's experience with TEC, I believe we should remind ourselves that unemployment compensation is based on the principles of insurance. From this standpoint, the general effect of unemployment compensation is assisting regularly employed workers through the usual periods of unemployment. When greater than seasonal unemployment occurs or when workers have very irregular work patterns, our insurance principles encounter severe difficulties.

Unemployment insurance or compensation has two basic elements which are necessary to establishing eligibility for benefits and which distinguish it from relief. One is involuntary unemployment of workers who are able and willing to accept regular employment. The other basic element is the payment of contributions based on the previous employment of prospective claimants.

We must face up to the fact that unemployment insurance is not, cannot and should not be an all purpose program to cover all areas of unemployment. Certainly we must agree that during times of excessive unemployment there is a definite and logical need for extended benefits. We also recognize that our unemployment insurance program cannot be a narrow, single-sighted program unable and unwilling to adapt to a changing national economy.

However, under the present circumstances and conditions, unemployment insurance is adequate at this time. The proposed extension of benefit payments violates every accepted insurance principle. If this proposal prevails, we will be deserting these principles to embrace welfare principles. Should we decide to change these principles, then in fairness we should pay for the costs of these additional benefits from the general fund rather than from a specific tax levied upon employers.



To better understand why we feel that unemployment insurance is adequate at this time, we need to look at Iowa and see how it compares with the nation. Iowa tends to have a rather stable economy. Although Iowa has fluctuations in unemployment, these ups and downs in employment are not as frequent or as severe as those experienced by the nation as a whole.

Iowa's stable economy is the result of many forces. Over the years the state has steadily been developing a diversified economy of both agricultural and nonagricultural industry. Mechanization has reached a high level in most Iowa farm activities and very little future farm labor loss is expected from additional mechanization. Not only is there a healthy diversification between agriculture and nonagricultural industries, there is solid diversification within our manufacturing industries. Among its industries are electronics, farm machinery, food processing, aluminum, and steel fabricating and appliance industries. The low levels of employment during the year in one industry are counterbalanced by high levels of employment in another industry. As a result since the 1950's the rate of unemployment in Iowa has been considerably lower in Iowa than that of the nation as a whole. (See graph 1)

The rate of insured unemployment in Iowa runs about one half lower than the national rate. For example, for the week ending July 14, 1962, the insured unemployment rate in Iowa was 1.5 compared to a 3.9 national rate. (See graph 2)

Due to this stability of the Iowa economy, the average duration of unemployment was 11.9 weeks in 1961, which was considerably lower than the national average.

This stability indicates that our present unemployment compensation system which adheres to the principles of insurance is adequate.

Further evidence that our unemployment insurance system is adequate can be seen in our recent experience with TEC. Of the approximate 102,000 Iowans who established a benefit year under the state program, only some 27,000 were eligible for TEC at the time of this study. Between April 1961 and June 30, 1962, there



were only some 20,640 first claims and only 18,194 first payments. Finally, only some 11,000 claimants received all their TEC. (See graph 3)

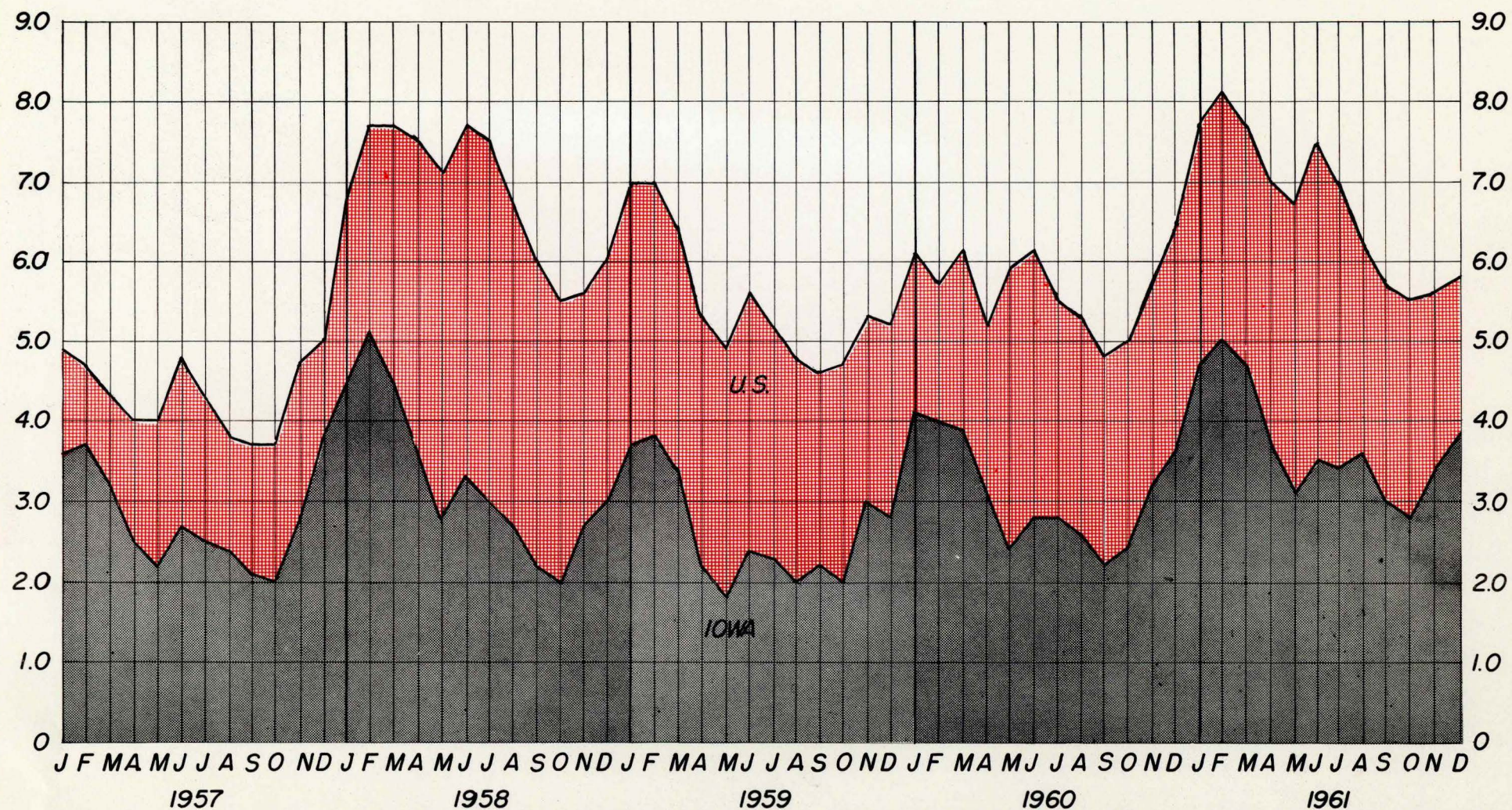
From an insurance standpoint, covered Iowa employers paid out \$10,000,000 while unemployed individuals who drew extended benefits received less than \$4,000,000. In other words, less than 40 cents of each dollar paid for extended benefits remained in the state to bolster the economy while more than 60 cents left the State and was dissipated elsewhere. (See graph 4)

One cannot help but question the value of extended payments to claimants. An analysis indicates that fewer skilled workmen draw extended benefits than other occupational groups. Extended benefits encourage workers to remain in declining industries, increase their reluctance to accept training or make an effort to develop skills to replace those which are obsolete. Certainly after the exhaustion of extended benefits, the unemployed worker faces the same problem. He still may have no job. The mobility of our workforce is affected by extended benefits. May it not act as an incentive to remain in idleness in times when unemployed rates are not excessive? Cannot the question be raised as to this individual's genuine attachment to the labor market? There is evidence that an average of 90% of the workers exhausting extended benefits failed to keep their work registration active in the State Employment Service system. They were apparently no longer interested in the labor market, at least not interested enough to use the facilities of the public Employment Service system. About one-third of claimants drawing extended benefits are "retirees". It is well known that in any unemployment insurance system retired workers who claim these benefits seek employment in a very perfunctory manner, and usually do not seek employment at all until all possible benefits are exhausted.

In summary, we believe that the proposal for extended benefits should not prevail and our regular State unemployment insurance program is adequate at this time.

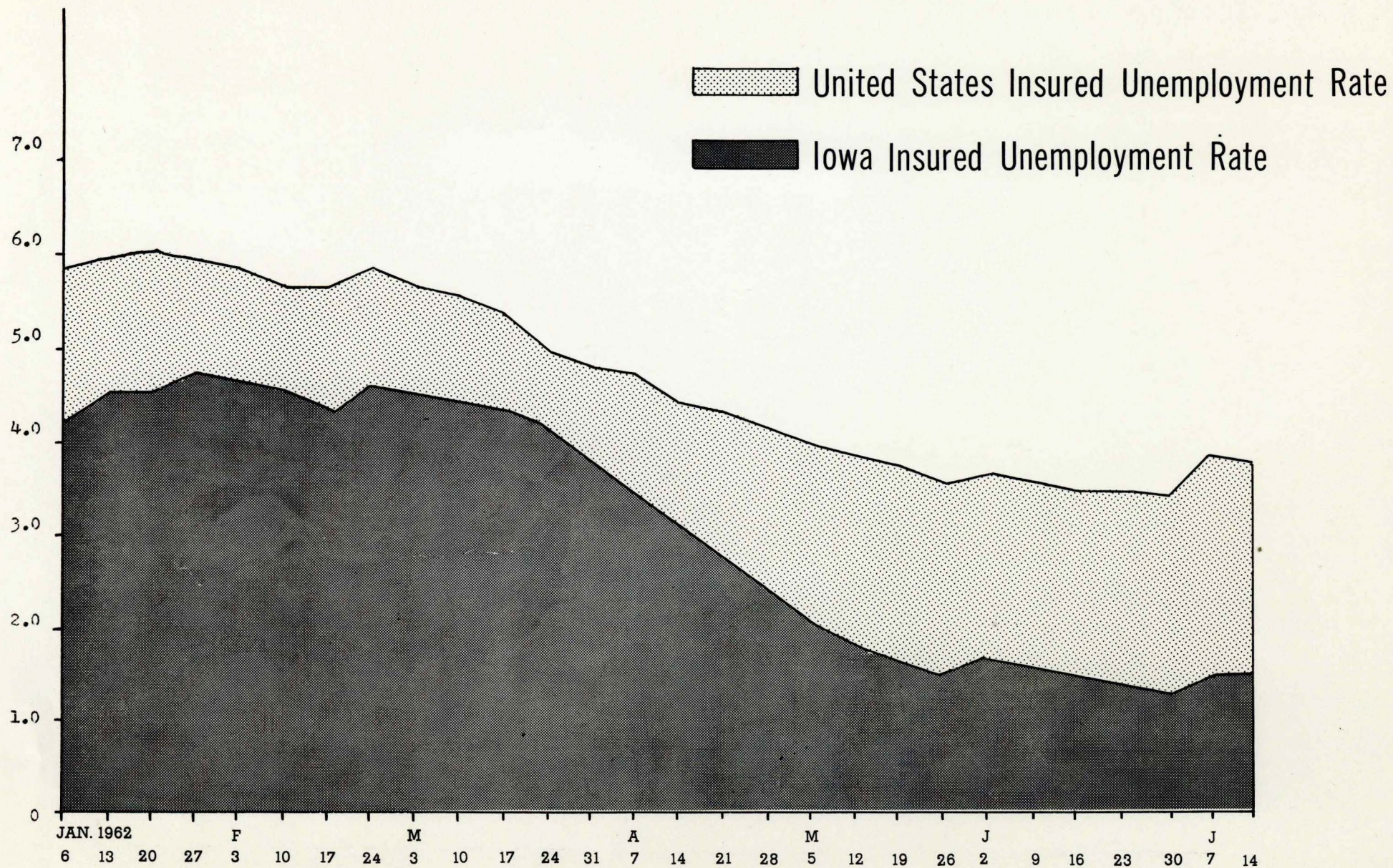


*Unemployment Rate in Iowa and the United States 1957-1961*





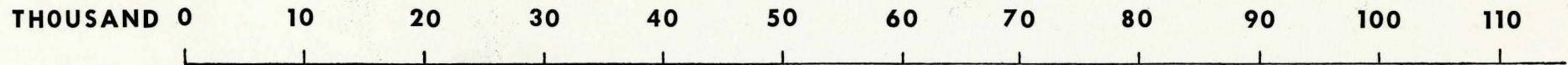
# INSURED UNEMPLOYMENT IN IOWA COMPARED TO NATIONAL RATE





## IOWA UI AND TEC EXPERIENCE

THOUSAND 0 10 20 30 40 50 60 70 80 90 100 110



101,908 **ELEGIBLE CLAIMANTS UNDER STATE PROGRAM**

Exhausted State Claims Who .....

27,366

Could Have Filed For TEC

20,642

Did File For TEC

18,194

Drew Some TEC

11,003

Drew All Their TEC

# IOWA TEC EXPERIENCE

MILLION

10.5

10.0

9.5

9.0

8.5

8.0

7.5

7.0

6.5

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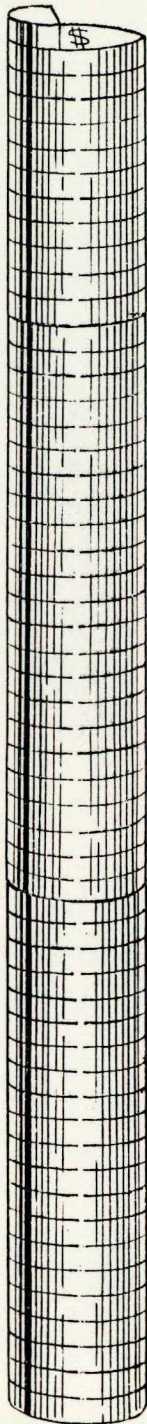
2.5

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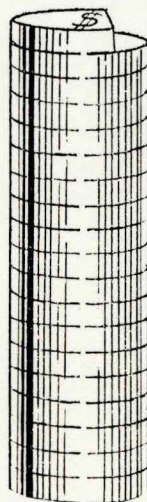
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\$10,040,000

ESTIMATED CONTRIBUTIONS BY IOWA EMPLOYERS



\$3,896,070

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