

employment payment for full-time work was 41 percent of the average weekly wage of covered workers in 1939 and only 34 percent by 1952.³³

The Bureau of Employment Security of the Department of Labor which administers the unemployment insurance program is not enthusiastic about tying benefits to the cost of living, though it does stress the importance of a proper relationship between benefits and wages. It is, however, vague on the latter point.

The preceding discussion has emphasized—and properly so in a wage-loss system—the importance of maintaining proper relationships between benefits and wages. It is important that changes in wages be recorded so that necessary changes can be made in the provisions for weekly benefits. It has been urged, also, that changes in benefits should accord not only with changes in wages but also with changes in the cost of living. Change in the cost of living here means change in the Consumer Price Index of the Bureau of Labor Statistics. Such comparisons do not seem completely valid in a short-term insurance system. If, by judicious amendment of maximum benefit provisions, a proper relationship between benefits and wages can be maintained, it appears too much to ask that benefits be changed in accordance with changes in prices as well. A worker is eligible for benefits generally for a maximum of 26 weeks in 52. Benefits are not payable for consecutive years unless the claimant has had sufficient employment following his former base period to requalify. This employment establishes new benefit rights in accordance with more recent wages—inflated or deflated as the case may be. It may be of some interest to see what the benefit will buy in 1939 or 1945 dollars, but this need not be a controlling consideration in a short-term, wage-loss system. For some beneficiaries, in fact, wages used as a base for benefits may already have been changed, up or down, in response to changes in the capitalized Consumer Price Index.

To rule out the need for variation of benefits with average changes in consumers' prices does not rule out frequent examination of the proportions of workers' incomes that go for "the nondeferrable bundle." There is an important difference between increasing benefits because living costs on the average went up, and increasing benefits because beneficiaries now spend relatively more of their income for food and rent and other basic essentials. Fortunately, the proportion of wages that goes for nondeferrable expenses does not seem to fluctuate as much as the Consumer Price Index itself. On the other hand, the figure is not computed very often, or on a State basis. Much research needs to be done in this area.³⁴

If the Government succeeds in tying benefits to wages, then, of course, one need not worry too much about the adjustment of prices because wage rates generally rise more than prices, given the gains in productivity. It is of some significance that the maximum benefit rate would be less restrictive today if inflation had not proceeded, for the adjustment in maximum benefit rate tended to lag. The percentage of benefits to covered wages was 40.8 percent in 1939, 33.7 in 1952, and, despite the great exhortation since 1952, only 34.8 in 1957.

The table below gives the benefit payments under unemployment insurance, benefit payments adjusted for price change, average weekly wages of covered workers and the percentage of benefits for full-time unemployment to average weekly wages in covered employments.

³³ U.S. Department of Labor, Bureau of Employment Security, "Adequacy of Benefits Under Unemployment Insurance, 1937-52," pp. 16 and 17.

³⁴ *Ibid.*, pp. 13, 14.