

in real dollars above the 1939 level. But there was very little improvement from 1946 to 1957 in real dollars. It can be argued, indeed, that the rise of unemployment benefits was substantially less than the increase of per capita real income, which was of the order of about 50 percent during these years. But the fact that benefits were tied to some extent to wages raised benefits much more favorably to the beneficiaries than, for example, under the old age and survivors' insurance program, where such criteria were not used in any significant sense. Since the benefits did not rise as much as real weekly wages, it might be expected that benefits in relation to average weekly wages in covered industries would decline.

In theory, unemployment compensation (UC) was supposed to provide assistance for the unemployed worker over the period during which he would be seeking a new job. The period covered should, therefore, be adequate and the proportion of benefits to wages be high enough to cover minimum needs and yet not be so high as to discourage workers from seeking new employment. It was not expected that the UC fund would be solvent in the event of another collapse such as occurred in the early 1930's.

In many respects the program has failed to achieve these objectives. Thus in two recent periods of mild unemployment, the benefits have covered but one-quarter of the cost of unemployment, the explanation being the large numbers still uncovered, the small benefit payments relative to wages, the exhaustion of benefits by many workers.

For the years 1938-53, there were 57 million man-years of unemployment; but only \$12 billion of unemployment benefits were disbursed, or about \$210 per man-year of unemployment. In 1949, a year of unemployment about as severe as 1954 (3.4 million unemployed), wage losses amounted from \$7 to \$8 billion, and unemployment benefits, \$1.9 billion, or 25 percent of the wage losses.³⁶

Prof. Richard Lester writes as follows:

A consequence of the low benefit levels and relatively short duration (plus restricted coverage and uncompensated waiting periods) has been that unemployment insurance has offset (or compensated for) less than 30 percent of the computed earnings lost from unemployment during postwar recessions.

For the first 4 months of 1958, he estimates 29 percent as the compensated share of computed earnings lost.³⁷

It is quite clear why the compensation under unemployment compensation is inadequate to deal with the large losses of wages due to unemployment. One point is of course the inadequate duration and another is the fact that the benefits cover about only one-third of the average weekly wage. Then after a while the benefit rights are exhausted. Again, covered employment is only part of total employment. For example, in 1957 covered employment was less than 40 million and employment around 65 million. In October 1957, insured unemployment was 1.3 million and the total unemployment 2.5 million; or in other words, one-half of the unemployed were receiving benefits. In April 1958, in the depths of the recession, the

³⁶ Figures from "National Income," 1954 edition; Social Security Bulletin, September 1954; and "Economic Report of the President," January 1954.

³⁷ R. A. Lester, "Issues in Unemployment Insurance," paper for the Social Security Conference, East Lansing, Nov. 18, 1958, p. 7 (mimeographed).