

be registered for work. All costs of administration of Federally approved State laws are paid out of Federal appropriations under Title III of the Social Security Act, and funds are granted to the States by the Bureau of Employment Security. The Federal Unemployment Tax Act provides a payroll tax on employers of 3.1 percent of an employee's first \$3,000 of annual wages, but allows an offset to employers covered under Federally approved State unemployment insurance laws so that the net Federal tax is .4 percent. Proceeds are earmarked for the employment security program. Each State's unemployment funds are deposited in a separate account in the U.S. Treasury and may be withdrawn solely for payment of benefits by that State. A Federal loan fund may be drawn upon by a State whose fund is nearing exhaustion.

Benefits to unemployed Federal employees and ex-servicemen are provided out of Federal funds under Title XV of the Social Security Act. Benefits are determined for individuals on the terms provided under the respective State laws, and are administered by the States through formal agreements between the Secretary of Labor and the State governments.

3. History

The Social Security Act of 1935 established the framework for the Federal-State system of unemployment compensation. Prior to that Act only one State, Wisconsin, had enacted an unemployment insurance law. With the tax offset incentive provided in the Social Security Act, laws were quickly passed by all the remaining States and Alaska, Hawaii and the District of Columbia.

Coverage under the Federal law, initially applicable to employers with 8 or more employees in 20 weeks in a calendar year, was extended, effective for 1955 and subsequent years, to employers with 4 or more workers in 20 weeks. Effective January 1, 1961, the Federal law was extended to include Puerto Rico which had previously established an unemployment insurance system independent of the Federal-State system.

During the latter half of the 1950's, two programs of Federal benefits were added: unemployment compensation for Federal civilian employees (UCFE), effective January 1, 1955, and unemployment compensation for ex-servicemen (UCX), effective October 27, 1958. Benefits under these programs are paid in the same amount, on the same terms, and subject to the same conditions as the compensation that would be payable under the applicable State law.

The Federal-State UI organization has been utilized to administer the following temporary Federal programs of unemployment benefit payments: Servicemen's readjustment allowances, 1944-1950; reconversion unemployment benefits for seamen, 1947-1950, unemployment benefits for veterans with military service in the Korea period, 1952-1956; and temporary extended unemployment benefits during the recessions of 1958 and 1961.

The steady growth of the program can be illustrated by the following table showing some of the key statistics at 5 years intervals, beginning with 1939, the first year in which the program was fully operative in all States.