

totally unemployed, he received an average weekly benefit check of \$36.56.

In addition to the State unemployment insurance programs are two Federal unemployment insurance programs established by the Congress and operated by the Labor Department through the State employment security offices. These consist of a program of unemployment insurance benefits for unemployed civilian workers of the Federal Government and a similar program for ex-servicemen.

In fiscal year 1965 nearly 255,000 such unemployed workers received benefits under the two Federal programs and their total benefit payments amounted to over \$132 million.

The effectiveness of a program which distributes some \$2.4 to \$2.5 billion a year in direct payment to unemployed workers in alleviating the hardship to these individuals and in maintaining their purchasing power and the volume of business in their communities is clear. At the same time, it should be recognized that the qualifications for drawing these benefits are strict, that the number of weeks of qualification is limited, and that the average weekly benefit check represents only about 30 to 35 percent of the weekly wage loss suffered by the claimant. This is clearly an insurance program, not a welfare program.

It should be noted that unemployment insurance benefits under the State programs are paid from a fund built up from payroll taxes (which in fiscal year 1965 amounted to something over \$3 billion). These benefits, therefore, do not represent an expenditure by the Federal Government.

Obviously, the economic effect of the benefit payments, as far as gross national product is concerned, is in the area of "personal consumption expenditures." These, in turn, are largely dependent upon disposable personal income, which includes these "transfer payments."

In fiscal year 1965, transfer payments accounted for 8.6 percent of all disposable personal income, and unemployment insurance benefit payments accounts for about 6½ percent of all the transfer payments. While these percentages are low, the volumes involved are large and the unemployment insurance benefits provide some income for such basic necessities as food, housing, medical care, and the payment of bills for other goods and services.

The "stabilizing effect" of the State unemployment insurance system is more clearly demonstrated on a national basis during a period of recession. The most recent recession was that of fiscal year 1961 which, fortunately, was both shallow and short. Nevertheless, in fiscal year 1961 over \$3½ billion was paid out in unemployment insurance benefits to 7.7 million individuals. The speed with which this program operates is one of its strengths. Benefit payments in fiscal year 1961 were up by \$1.2 billion over payments in fiscal year 1960, a rise of 40 percent.

#### 10. *Economic classification of program expenditures.* (See table 3.)

Program: Unemployment insurance program.

Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.