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## State Trying New Way to Pay the Idle

SACRAMENTO (UPI)—The Reagan administration hopes it can stimulate the state's economy through an experimental program of depositing unemployment checks directly into a recipient's bank account.

Sigud I. Hansen, deputy director of the Department of Human Resources Development, said yesterday the pilot payment project was started this week in the town of Avalon on Catalina Island.

Under the plan, unemployment insurance benefits would be made through direct deposits in an individual's bank account instead of the present system of having the recipient collect payment at an UI office.

Hansen said the direct deposit system "eliminates handling of cash in UP offices and puts an end to the outdated practice of having claimants line up for pay when they could be looking for work."

Its greatest merit, Hansen added, "lies in its potential as a stimulus to the economy."

Hansen said that making payments directly to bank accounts would produce an increase in the banking system's reserve of money for loans and such loan money "would contribute to faster economic recovery within each community."

Avalon was selected to begin the project because it has only one bank.

Governor Ronald Reagan today took action to assure that persons in 37 California counties who were thrown out of work as the result of floods earlier this year may receive unemployment benefits.

The State Department of Human Resources Development estimates that some 90,000 persons could be eligible for unemployment checks totalling around \$28 million.

In signing an agreement with U.S. Secretary of Labor George Schultz, the governor's action cleared the way for California to carry out provisions of the Federal Disaster Relief Act of 1969 which enables "any individual unemployed as the result of a major disaster"--- including counties declared disaster areas earlier this year---to receive unemployment assistance. President Nixon recently signed the Act into law.

The Department of Human Resources Development will administer the federally funded relief program in California for the Department of Labor.

The governor and President Nixon joined in declaring 37 counties in California as disaster areas earlier this year after heavy rains and a record snowpack in the Sierra caused major flood damage.

The counties are: Amador, Contra Costa, El Dorado, Fresno, Humboldt, Inyo, Kern, Kings, Los Angeles, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Joaquin, San Luis Obispo, Santa Barbara, Shasta, Sierra, Solano, Sonoma, Stanislaus, Tehama, Tulare, Tuolumne, Ventura, and Yuba.

Governor Reagan called the action "good news for many thousands of Californians who were put out of work temporarily as the result of the floods" and noted that he signed the necessary agreement papers as soon as they were received this week from Washington, D.C.

"The news should make for an even happier Christmas for those who face the prospect of receiving such assistance," he added.

Application may be made any day between January 12 and February 23, 1970, at Unemployment Insurance offices of the California Department of Human Resources Development (HRD), to determine eligibility for the disaster unemployment assistance.



Sig Hansen, deputy director of HRD, reckoned that the average---repeat, average---person affected by the action will receive six weeks of benefits, at \$51 per week. He estimated that some 90,000 persons could be eligible, out of the 140,000 persons expected to apply.

Following application, the department will determine eligibility and the amount of assistance payable.

The funds will be paid out over a period of two to three months, he said.

The Department of Labor will reimburse HRD for the cost of administering the program in California.

Hansen said workers not covered under California's unemployment Insurance law---notably farm workers---may apply for disaster unemployment benefits provided under the new federal Disaster Act.

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EJG



EMPLOYMENT FACTS

--Unemployment was 7% or more for six months during 1961--the year Jesse Unruh took over as Speaker of the Assembly. (The 7% level has been reached during only one month of the 45 months of the Reagan administration)

--The unemployment rate in California averaged 5.9% or more for six of the last seven years of the prior administration (Brown-Unruh years). The rate was above a 6% average for three of those years.

--The unemployment rate has averaged less than 5% during the entire 45 months of the Reagan administration and reached the lowest level of the decade during two of those years (4.5% in 1968 and 1969).

--Unemployment has averaged 5.8% for the year 1970...less than the average for six of the last seven years of the prior administration (Brown-Unruh era--1960-65).

...in recent months has

Seasonally Adjusted Unemployment Rate  
California, 1960 - Present

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Full Year Aver.
REAGAN YEARS	1970	4.8	5.0	5.1	5.5	5.9	5.9							5.36*
	1969	4.4	4.5	4.4	4.3	4.2	4.4	4.4	4.6	4.7	4.6	4.6	4.4	4.5
	1968	4.6	4.7	4.6	4.6	4.6	4.6	4.6	4.5	4.5	4.4	4.5	4.0	4.5
	1967	4.8	4.9	5.1	5.5	5.2	5.1	5.0	5.0	4.8	4.8	4.6	4.7	5.0
BROWN - UNRUH YEARS	1966	5.4	5.0	5.0	4.7	4.7	4.8	4.9	4.9	4.9	5.0	4.9	5.1	4.9
	1965	6.4	5.7	6.0	6.2	6.0	5.9	6.1	5.9	5.7	5.8	5.5	5.5	5.9
	1964	5.9	5.9	5.9	5.8	6.0	6.0	5.9	6.0	6.1	6.1	6.3	6.0	6.0
	1963	5.7	6.1	5.9	6.2	6.1	6.0	6.0	6.1	6.1	5.9	6.1	5.8	6.0
	1962	6.0	6.1	6.1	5.8	5.8	6.0	5.8	5.7	5.7	5.7	5.7	5.8	5.9
	1961	6.9	6.9	7.2	7.3	7.3	7.0	7.1	7.0	6.8	6.7	6.3	6.2	6.9
	1960	4.9	5.0	5.2	5.4	5.6	5.8	6.0	6.2	6.4	6.5	6.6	7.1	5.9
	1959	5.4	5.1	4.9	4.6	4.5	4.6	4.5	4.6	4.5	4.8	4.8	4.8	4.8

\* Average for first six months of the Reagan 1970 Administration

1959-1966 average = 5.8

1967-1970 average = 4.7

1970

CALIFORNIA EMPLOYMENT FACTS!

Highest Job Total Ever

--Employment in California reached 8,210,000 in September 1970, the highest job total in the history of the state.

--The total number of unemployed, at 503,000 for the month, declined from the August total by 52,000. The number of unemployed is the lowest total since May.

--The calculated rate of unemployment was down from 6.4 percent to 5.8 percent! (Due to long-standing procedures routinely followed, the seasonally adjusted rate was calculated at 7 percent in September. It was 6.5 percent in August.)



### EMPLOYMENT FACTS

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--The unemployment rate in California averaged 5.9% or more for six of the last seven years of the prior administration (Brown-Unruh years). The rate was above a 6% average for three of those years.

--The unemployment rate has averaged less than 5% during the entire 45 months of the Reagan administration and reached the lowest level of the decade during two of those years (4.5% in 1968 and 1969).

--Unemployment has averaged 5.8% for the year 1970...less than the average for six of the last seven years of the prior administration (Brown-Unruh era--1960-65).

--A major reason for declining employment in California in recent months has been the aerospace-defense reductions. Yet Jesse Unruh has favored downgrading the aerospace-defense industry in favor of some sort of vague poverty-program type "retraining" programs for skilled aerospace engineers and defense workers.

CABINET MEETING - MONDAY, DECEMBER 18, 1967, 2:00 p.m.

SPENCER WILLIAMS: Health and Welfare

1. Issue No. 159 Implementation of new Section 2113 of the U.I. Code Department of Employment.

Williams: This would allow Department of Employment to accept restitution in lieu of prosecution on a wrongful claim. State of California has been the toughest with regard to prosecuting. Bill would give the State the right not to prosecute and accept restitution on first offenders. This may sound as though we are getting soft on offenders, and thus should not have publicity on it. It still would be a good thing: The offender has to pay interest, and is suspended for one year, and it would allow our staff to have a greater return by following up on fraud.

Governor: Okay--we rather would have the money than the bodies.

DECISION: Governor okayed it.

2. Issue No. 160 Consolidation of Mental Retardation program administration within an existing department.  
~~xxx~~

Williams: This would be a major change. We think we can get this accepted, the plan being to have a pediatrician to head the M.R. program. Lowry agrees to that, and to take this out of Public Health and into Mental Hygiene makes sense. It will eliminate conflicting rules. We feel we will free money this way, enough to establish one more regional center.

Governor: We only have two, and four hospitals.

Do all the other ten hospitals have MR's?

Williams: Four do.

Governor: Am I right that the local centers have a per capita cost 1/2

Williams: It is better for youngsters to go into diagnostic centers and into foster homes, and not go into hospital.

Governor: What is the liaison situation with local schools? I know they have programs for the M.R.'s.

Williams: Department of Education, which finances and operates classes.

Governor: Does anyone want to comment? It sounds good to me. We are not just creating another department.

Williams: Much agreement exists. The Short-Doyle program will tie into this also favorably.

Governor: If there is ever a need for information from people in hospitals, keep the name of Dr. Dietrich from Camarillo in mind. He was a very successful Beverly Hills pediatrician--walked away from his practice to take staff job in Camarillo, to see what he could do. I saw him--happy as a clam. He could have some good views for us.

Finch: We have to report to Task Force people. Very important.

Governor: That's a good idea; just a letter to each man on that particular Task Force, telling them that a major part of their recommendations is now in effect.

Clark: On Task Force--we discussed bringing in individual who will work for the cabinet on implementation. Someone who has not been a part of survey. Details are not in yet as to who. We will try to



DECISION

Memorandum

To : The Honorable Ronald Reagan  
Governor

VIA Mr. Win Adams  
Cabinet Secretary

Date : December 13, 1967

File No.: Issue #159

Subject: Implementation of new  
Section 2113 of the U. I. Code  
Department of Employment

From : Office of the Administrator

ISSUE: Implementation of new Section 2113 of the U. I. Code (the Harmer Bill) which permits the Department to accept restitution of benefits obtained fraudulently by first offenders in lieu of prosecution.

FACTS: The Department carries on a vigorous program to detect persons who fail to report earnings while drawing benefits. Its policy has been to prosecute such persons whenever it believes it can sustain a criminal complaint. Last fiscal year 5,900 cases were prosecuted and 5,727 convictions resulted. This program also detected and established overpayments in over 6,000 additional cases which were not prosecuted.


Other states utilize restitution and appropriate administrative penalties to a much greater extent than does California. In fact, the convictions in California represented 50 percent of all such cases convicted nationwide. Apparent intent of the Harmer Bill is to permit restitution and apply administrative penalties in lieu of prosecution in the less flagrant cases. Under this, the Department would:

- (1) Allow restitution in first offense cases involving only one or two false statements regarding earnings unless the claimant had within two years been assessed a penalty for false statement.
- (2) Allow restitution in other cases where the amount involved is minor.

Time saved through a reduction in prosecutions would be used to further expand and strengthen the fraud prevention and detection program. The additional cases should also result in a higher dollar volume of recovery to the U. I. Fund.

DISCUSSION: An Attorney General's opinion confirms that the new law is permissive. Discretion is permitted as to which cases may be offered the option of restitution. Various standards for measuring flagrancy and the consequent results have been explored. The recommended plan has been approved by the Department's Labor-Management Committee and the Governor's State Advisory Council.

RECOMMENDATION: Approval of the plan allowing restitution in most first offense cases, and in other cases where the amount involved is minor.

  
SPENCER WILLIAMS  
Administrator





*Cabud 2.9.68*

# Memorandum

To : The Honorable Ronald Reagan  
Governor

Date : February 7, 1968

VIA Mr. Win Adams  
Cabinet Secretary

File No.: HW 2-68-26

Subject: Disability Insurance  
Hospital Benefits

## DECISION

From : Office of the Administrator

ISSUE: Should legislation be introduced to increase the daily hospital benefit under the State Disability Insurance program from \$12 to \$18, to be financed by the steadily-increasing surplus in the DI fund?

FACTS: The DI fund balance, reflecting an excess of employee-paid premiums over payments for services, stood at \$73.4 million at the end of 1967, having increased by \$16 million during the year. At the present rate it will exceed \$100 million by 1970.

This fund is financed by a 1 percent tax on the first \$7400 of wages and covers off-the-job disabilities. It provides a weekly benefit of up to \$80 for not to exceed 26 weeks, and a daily hospital benefit of \$12 for a maximum of 20 days.

DISCUSSION: The daily hospital benefit has not been increased since 1958, and since that time average hospital charges have increased over 100 percent. Legislation already has been introduced to expand the tax base and increase the weekly benefit but this will affect only about 40 percent of the covered workers, squeeze private carriers out of the field, and make the program more susceptible to abuse. Increasing the hospital per diem will benefit the 65 percent of claimants whose illnesses involve hospitalization. About 75 percent of the covered workers also have some kind of group hospital and medical insurance which picks up excess costs over the DI \$12 daily benefit. Increasing the DI per diem will therefore either reduce premiums or increase benefits under group policies when such policies are renegotiated. For the 25 percent of workers without group insurance this increase will be a direct benefit. The effective date of the increase should be delayed to allow time for such renegotiation and to prevent a temporary windfall for insurance companies. The cost of the increase is estimated at \$16 million annually, leaving the fund with sound reserves.

During the current session, many bills will be introduced to either utilize the DI fund surplus or to expand the program. Of all possible courses, increasing the hospital benefit (1) is least controversial, (2) is long overdue, (3) will prevent "raids" on the fund surplus, (4) is least susceptible to abuse by malingerers, and (5) will reflect the Administration's concern with the impact of rising hospital costs on the wage earner.

RECOMMENDATION: That the introduction of legislation to increase the daily hospital benefit from \$12 to \$18 (a 50 percent increase) be approved and that the Governor make an appropriate advance announcement.

*Spencer Williams*  
SPENCER WILLIAMS  
Administrator

*JK  
RR*

Governor Ronald Reagan today signed legislation which substantially increases workmen's compensation and unemployment disability benefits for millions of California workers.

The legislation was in the form of two bills--AB-1 and AB-3--which were approved unanimously by members of both the Senate and Assembly during the recent special session of the legislature.

AB-1 (Fenton) raises the maximum workmen's compensation temporary disability benefit from \$70 to \$87.50 per week. The bill also increases the maximum workmen's compensation death benefit and burial allowance. The benefits are paid by employers.

AB-3 (Zenovich) increases the maximum unemployment disability benefit from \$80 to \$87 per week. This insurance is paid for by employees in private industry.

At signing ceremonies in his capitol office, Governor Reagan praised business and labor for their cooperative efforts in making the legislation possible.

"I want to congratulate those who worked so diligently for the success of these bills. Without their efforts and cooperation, this needed legislation would not have been possible.

"I also want to thank members of the legislature for the prompt action and the unanimity they demonstrated in support of the two measures during the special session.

"Their action assures that the working men and women of this state will receive added protection to help meet their families' needs during periods of disability resulting from both on-the-job and off-the-job accidents."

The governor paid special tribute to Assemblyman Pete Wilson (R-San Diego) who carried the workmen's compensation bill during the regular legislative session and "whose efforts contributed in very large part to its ultimate success."

# # #



Cabuel  
93069

CABINET ISSUE MEMO

DECISION

DISCUSSION

X

To: Governor Ronald Reagan

Date: September 26, 1969

From: Human Relations Agency

No. HR 9-69-128

Signed by [Signature]  
Secretary, Human Relations Agency

OK  
BR  
Originated by [Signature] [Signature]  
Director, Dept. of Human Resources Development

SUBJECT: Nixon Administration Unemployment Insurance Bill (HR 12625)

ISSUE: What position should the Administration take on various provisions of this Bill before the Interstate Conference of Employment Security Agencies (ICESA) and in reply to Secretary of Labor Shultz?

CONCLUSION: President Nixon has actively solicited the support of the States on his UI Bill before the 91st Congress. There are parts of this Bill that California can support, some it should oppose. The Interstate Conference (ICESA) will poll the States on October 2-3, 1969 by sections of the bill, so a position in this manner is more appropriate than a single position on the entire bill.

The basic provisions of HR 12625 are as follows:

A. Coverage:

1. Small Employers: The bill would change federal law which now covers employers of four or more to cover all employers paying wages of \$300 or more in a calendar quarter. California already covers all such employers under state law. RECOMMEND NEUTRAL.
2. Farm Employers: The bill would cover farm employers employing four or more workers in 20 weeks in a year. This is a major policy matter. (Refer to Governor's Press Release dated 12/3/68 favoring the concept of coverage of farm workers.) Such coverage could cost California non-farm employers up to \$20 million annually without some limitations. Farm employers are agreeable to such coverage if there can be sufficient standards, particularly limiting coverage to full-time employees. RECOMMEND FAVOR IN PRINCIPLE.
3. Independent Contractors: This provides a slight increase in coverage to include agent and commissioned drivers of meat products, etc. RECOMMEND FAVOR.
4. Non-Profit Organizations: The bill provides coverage for certain workers in non-profit, charitable, religious, and educational institutions. Such organizations favor coverage. RECOMMEND FAVOR.
5. State Hospitals and Educational Institutions: The bill requires that the State cover employees of State hospitals and State institutions of higher education. There would be a cost to the General Fund of some \$5 to 15 million per year. Also, it may "open the door" to coverage of all state employees with considerable additional cost. State employees are not seeking such coverage. RECOMMEND OPPOSE.

- B. Federal Standards: The bill contains seven provisions which relate to benefits and establish eligibility standards which could obligate states to pass laws. California would not be adversely affected by the particular standards contained. The issue is whether states may be permitted continued freedom to revise their unemployment insurance laws in keeping with their own political, economic and social conditions. RECOMMEND OPPOSE.



- C. Financing: The bill would increase the taxable wage base on employers from the present \$3,000 level to \$4,800 in 1972 and to \$6,000 in 1974. Increased administrative costs in all states, plus the need to increase the fund available to pay extended benefits during recession periods, require some increase. Employers recognize this and will not oppose some increase in the tax base. RECOMMEND FAVOR, but only IF AMENDED to a limit of \$4,800.
- D. Reduced State Tax Rate for New Employers: The bill would permit a state to tax new employers at a rate less than the general rate. The purpose is to give some inducement to new employers. However, this would be unfair to other employers. RECOMMEND OPPOSE.
- E. Federal Extended Unemployment Compensation Benefits: The bill provides for the payment of extended UI benefits during a national economic turndown (national trigger of 4.5% insured unemployed). Extended benefits would be 100% federally financed. National trigger is desirable, but only if combined with a state trigger. Otherwise a state with 5% or higher unemployment rate may obtain no relief if the national rate does not reach 4.5%. RECOMMEND FAVOR, but only IF AMENDED to provide for state trigger.
- F. Judicial Review: The bill provides for judicial review of a determination by the Secretary of Labor that a state law does not conform to federal standards. Judicial Review is desirable, but safeguards must be included. RECOMMEND FAVOR, but only IF AMENDED to provide for a stay during appeal, exhaustion of state remedies prior to Secretary of Labor ruling, prospective application of ruling only, and application of weight of evidence rule to the Secretaries' findings.

There should be no increased cost to the State General Fund in any of the above provisions except as noted.

Further detailed supporting information will be available at the Cabinet presentation upon request.

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The facts herein are accurate to our best information. The recommendations are consistent with Administration policies; they have been carefully considered and are ready for Cabinet presentation and Governor's decision without further revision.

Cabuel  
12.2.69

CABINET ISSUE MEMO

DECISION

DISCUSSION

X

To: Governor Ronald Reagan

Date: November 26, 1969

From: Human Relations Agency

No. HR 11-69-167

Signed by J. Vanover

Originated by G. L. Sheffield  
G. L. Sheffield, Director  
Department of Human Resources Development

SUBJECT: Councils advisory to the Department of Human Resources Development

ISSUE: Change in advisory groups

OK  
RR

CONCLUSION: The Department of Human Resources Development will create one new advisory group to be principally concerned with Unemployment and Disability Insurance, replacing two previous advisory groups.

Facts and Discussion:

1. The State Advisory Council on the Department of Employment went out of existence on November 10, 1969, in accordance with implementation of the Governor's Reorganization Plan No. 1 of 1969.
2. It is the department's intent to dissolve the existing Labor-Management Committee (18 members, equally divided between labor and management) which has been appointed by and advisory to the Directors of Employment.
3. It is then the department's intent to create a "Labor-Management Advisory Council" of 11 members to meet Federal requirements. It will be composed as follows: 4 members from labor, 4 members from business and 3 public members.

This Council will be appointed by the Director of Human Resources Development after consultation with the Governor's Appointments Secretary. It will draw some of its membership from the defunct State Advisory Council on the Department of Employment and the former Labor-Management Committee, and will be augmented by new appointees. The Chairman will be appointed by the Director.

The Labor-Management Advisory Council will be separate from the Job Training and Development Services Advisory Board created by AB 1463. The Job Training Board is required by statute to devote its efforts particularly to job training, development, and placement of disadvantaged persons. It is not practical for this board to meet the legal requirements of the federal Wagner-Peyser Act which requires an "Advisory Council" with equal representation from labor and management, and with the public represented, for the purpose of formulating policies and discussing problems relating to employment service and unemployment insurance.

Consistent with the functional operating divisions which have been established in HRD, this action would result in an advisory group for each division, structured to concentrate on special areas of interest. The Job Training and Development



Services Advisory Board would be the principal advisory group to the Job Training, Development and Placement Division, and the Labor-Management Advisory Council would be advisory for the Tax Collections and Insurance Payments Division.

The Labor-Management Advisory Council would meet the Federal requirements, provide a forum for discussion of unemployment insurance matters for those who have deep interest, and be an important advisory group in the field of disability insurance also.



Cabinet  
1-28-70

CABINET ISSUE MEMO

DECISION  
DISCUSSION

X

To: Governor Ronald Reagan

Date: January 27, 1970

From: Human Relations Agency

No. HR 70-9

Signed  
by \_\_\_\_\_

OK *RR.*  
Originated  
by \_\_\_\_\_

*Rus Weston*  
*[Signature]*

SUBJECT: 1970-71 Supplemental Budget Request

ISSUE: Should \$867,784 be provided for adjudication and administering Workmen's Compensation Law cases?

CONCLUSION: This budget item should be reconsidered and restored. Ramifications of the proposed reduction, both political and injury to workers, insurance carriers, employers, and possible increase welfare cost mandate approval of this request.

DISCUSSION: This issue was presented to Cabinet during the budget process and rejected (without full discussion of the possible impact). Word of the proposed reduction has leaked and adverse reactions have commenced. Attached is a copy of a representative telegram. Additionally, Mr. Unruh is making the proposed reduction the subject of a speech in Los Angeles January 29, 1970. The reductions will present a hardship on injured employees by increasing the median time for disposition from 1.8 months to 2.8 months. This would reverse the accomplishments of this Administration which has reduced the median time from 2.7 down to the present 1.8 (the fastest service in history). Regardless of our fine record, the proposed reduction is being regarded as an act on the part of the Administration to diminish the rights of workers.

The figures relative to the proposed reduction are: a loss of 95 positions with approximately 75 layoffs; total case dispositions decreased by 9.6%; total hearings decreased by 13%; and total case backlog increase of 84.2%.

Approval of the supplemental will still have adverse affect, but much more limited and with the efforts of the department to minimize the backlog and increase efficiency, would be tolerable. There would be only a 33.5 position reduction with 13 layoffs; case disposition down by 1.3%; a reduction in total hearings conducted by 1%; increase in backlog of 40%; and median case time up to 2.2%.

Attached is a report from Roy Bell, the division chief answering questions by Vern Cannon regarding alternatives to layoffs. Legislation has been proposed to attack the backlog problem, two programs are currently being maintained to speed up disposition time and the efficiency of referees has increased in three years from an average of 40 cases a month per referee to 50 cases per month. These efforts and other will continue but to meet the current pressing situation, approval of the supplemental budget is necessary.

CABINET ISSUE MEMO

DECISION

DISCUSSION

X

To: Governor Ronald Reagan

Date: June 30, 1970

From:

No. HR 70-63

Signed  
by

*[Handwritten signature]*

Originated  
by

*[Handwritten signature]*  
G. L. Sheffield

Department of Human Resources Development

**SUBJECT:** HRD Strives for Faster Return to Work for  
Unemployment Insurance Claimants

**ISSUE:**

**CONCLUSION:** The Tax Collections and Insurance Payments Division (TCIP) of HRD is developing better ways to shorten the average duration of unemployment by assisting claimants in their own search for re-employment.

**DISCUSSION:** Experience has shown that the majority of UI claimants find work through their own efforts, rather than by a job referral from a public or private agency. Therefore, HRD is now engaged in several new activities directed at assisting and advising Unemployment Insurance (UI) claimants and other job-ready clients in how to secure work on their own behalf.

The individual receives comprehensive and individualized seek-work guidance and labor market information to assist him in finding his own job more quickly. There is a direct correlation between a well-directed job search and success in finding employment. Specially trained interviewers with knowledge of the labor market and job search methods assist claimants and other job-ready clients, some of whom have difficulty in determining where and how to look for work.

Multiple benefits accrue: The individual preserves his income level; persons who have returned to work provide more profit-producing services to employers; fewer UI payments reduce charges to the employer's tax account and keeps his UI tax rate low; staff needed for claimant services is reduced; and the individual develops a continuing ability to obtain work if he should again become unemployed in the future. Several related programs have been undertaken to accomplish this objective:

Employment Assistance Program - On June 1, in 25 small local offices, the TCIP Division assumed responsibility for serving job-ready clients, UI claimants and non-claimants, with assistance in obtaining work.



Expanded Claimant Services - In 11 Southern California offices claimants receive individualized seek-work guidance. This service is similar to the Five Cities Project being conducted in the San Francisco-Oakland area as part of a national experiment.

"Cafeteria Style" Job Order Displays - Job orders are displayed in the office lobby for self-screening by clients, who may then be directed to the employer after they make inquiry.

Claimant Interviews - A new program for selective in-depth interviewing of claimants who need job-finding assistance will be implemented statewide before 1971.

Job Information Service - Specially trained staff in 13 large UI local offices obtain, analyze, compile, and distribute current and local job market information to claims interviewers so they can more effectively assist job-seekers.

Accom. 70  
employment

7/7/70 Research J/M

EMPLOYMENT STATISTICS (June, 1970)

Seasonally adjusted unemployment in California for June 1970 was 5.9 per cent, unchanged from the rate for May. In June, 1969, the rate was 4.2 per cent.

The national unemployment rate DECLINED from 5.0 to 4.7 per cent, a drop of .3 of one per cent.

Total civilian employment INCREASED in <sup>June</sup> ~~May~~ to an all-time California record of 8,193,000, some 94,000 more than in May. However, much of the gain to a near-seasonal rate of employment increase resulted from the return to work of Teamsters following a strike settlement.

Compared to June, 1969, total employment was up by 100,000 or 1.2 per cent (smallest year-to-year gain since mid-1961). Trade, services and government continued to provide the bulk of the new jobs added over the year.

Counteracting some of the growth was continuing loss in manufacturing because of aerospace cutbacks. For the first time since late 1965, employment in aerospace fell below the 500,000 mark in June. The total now is 495,000, off about 78,000 from a year ago.

Construction employment slipped below the year-ago level and agriculture was a fraction off from June 1969 figure.

Total unemployment in California increased by 68,000 between May and June to a total of about 540,000. Factors in the increase included entry of younger workers into the job market at the end of the school



term and recovery from the secondary effects of Teamsters strikes. The 540,000 total is 151,000 more than the total unemployed in June 1969.

COMPARISON TO PRIOR ADMINISTRATION

For the first 42 months of the Reagan administration (through ~~May~~ <sup>June</sup> 1970) overall unemployment in California averaged 4.74 per cent. For the two-year period 1968-69, unemployment averaged only 4.4 per cent.

Averages	1967	4.95%	
	1968	4.52%	
	1969	4.45%	
	1970	5.36%	(1st six months)

During the prior administration, California's unemployment rate averaged 5.9% or higher for five of the last seven years it was in Sacramento.

Averages:	1960	5.9%
	1961	6.9%
	1962	5.85%
	1963	6.0%
	1964	5.99%
	1965	5.9%
	1966	4.9%

Unemployment rates in California were higher than the May and June 1970 figure or equal to it in 1960, 1961, 1963, 1964, and 1965 and the monthly average was 5.85% in 1962.

PEAK HIT 7%

The high point, seasonally adjusted unemployment rate, was 7.3% in April and May of 1961.

NATIONAL STATISTICS

Unemployment nationally reached the 5% mark or higher (on a monthly basis) in 1960, 1961, 1962, 1963, 1964, and 1965. It was only after the build-up for the Vietnam war that unemployment started turning downward during the Kennedy-Johnson administrations.

The national unemployment rate reached a decade (60's) peak of 7.1% in May of 1961.



Cabinet  
7.21.70

CABINET ISSUE MEMO

DECISION

X

DISCUSSION

To: Governor Ronald Reagan

Date: July 20, 1970

From:

No. HR 70-69

Signed by Herbert L. Ashley

OK  
OR  
Originated by G. L. Sheffield  
Department of Human Resources Development

**SUBJECT:** Denial of U.I. Benefits to Persons whose Personal Appearance Removes Them from the Labor Market

**ISSUE:** Should the state deny U.I. Benefits to people whose appearance effectively removes them from the labor market.

**CONCLUSION:** Yes. Surveys show that most employers will not hire persons with very long hair or who affect an outlandish mode of dress. HRD believes these people have made themselves unavailable for work and are, therefore, not entitled to U.I. benefits.

**DISCUSSION:** James Hammond, Manager of the Monterey U.I. office found that up to 82% of employers in the area would not hire men with shoulder-length hair, beards, or who wore "hippie-type" attire, for work involving public contact or food handling. Since correction of these deficiencies are within individual control, the individual has thus made employment unlikely, if not impossible. On that premise, Hammond denied benefits to several such claimants.

Four of these people have brought suit in the Federal District Court, claiming the denial is an unconstitutional infringement of personal freedom and seeking an injunction in all such cases. The court has issued a temporary restraining order for the four plaintiffs but has denied a "class" order for all similar cases.

A hearing on the temporary injunction was held June 26, at which time three employers, represented by Willard Carr of Gibson, Dunn and Crutcher, joined as intervening defendants. The employers are Southern California Edison Company, American Cement Corporation and Transit-Mixed Concrete Company. Defendants were granted a continuance to August 3, at which time the court is expected to rule on the temporary injunction. Other employers may intervene in the interim.

The department feels its position is reasonable, within the intent of the law and in the public interest. It will appeal if an injunction is granted.



CABINET ISSUE MEMO

DECISION

DISCUSSION

X

To: Governor Ronald Reagan

Date: July 22, 1970

From: Human Relations Agency

No. HR 70-71

Signed  
by

*Lucian B. Vandegriff*  
Lucian B. Vandegriff, Secretary

Originated  
by

*G. L. Sheffield*  
G. L. Sheffield

Department of Human Resources Development

**SUBJECT:** Application of the welfare "fair hearing" requirement to Unemployment Insurance operations.

**ISSUE:** Pending litigation and HRD's proposed course of action.

**CONCLUSION:**

**DISCUSSION:** The California Unemployment Insurance Code contains various provisions whereby payment of UI benefits to claimants, is suspended pending a formal ruling on eligibility. Litigation now pending against the Department of Human Resources Development attempts to apply the recent decision of the United States Supreme Court in the welfare "fair hearing" cases (Goldberg v. Kelly and Wheeler v. Montgomery) to several classes of unemployment insurance claimants. Specifically, the issue is whether UI benefits can be suspended pending a formal review and decision, without some form of "fair hearing" on the suspension.

The types of cases in which unemployment insurance benefits are suspended pending a formal referee decision are as follows:

1. The claimant is disqualified initially for voluntarily quitting, or for being discharged from his most recent employment, or for being on strike. The withholding of benefits while the claimant appeals to a referee was upheld by the Superior Court of Contra Costa County in the case of Hicks v. Sheffield in an action filed by the Contra Costa Legal Aid Society.
2. The claimant is held eligible by the department on an issue of voluntary quit or misconduct discharge, but the employer appeals to a referee. A three-judge Federal District Court held the suspension of benefits was unconstitutional in the case of Java v. HRD, also by Contra Costa Legal Aid Society.
3. The claimant is initially disqualified by the department and appeals to a referee who reverses the determination and holds the claimant eligible for benefits. A Federal District Court has issued a Temporary Restraining Order against the department in the case of McCrae and Reed v. HRD to prevent the suspension of benefits pending the employer appeal to the Appeals Board. This action originated with the Santa Clara Legal Aid Society.
4. A claimant currently receiving benefits is disqualified for receipt of wages, being unavailable for work, refusing suitable work or failing to seek work. Benefits are suspended pending the claimant's appeal to a referee. A hearing on a preliminary injunction was held



on June 26, 1970, in the Federal District Court in San Francisco in the case of Crow v. Shultz, brought jointly by Santa Cruz and Contra Costa Legal Aid Societies. The preliminary injunction was denied.

Appeal to U. S. Supreme Court

The State is appealing the Java decision to the Supreme Court. It is possible that other cases from California or other states also may be consolidated in such appeal. To effectively present the issue to the Court our brief will include the problems of suspending benefits to all other classes of claimants and the implications of the Java decision in terms of Unemployment Fund cost and administrative cost and difficulty.

Administrative Review

HRD is undertaking a detailed review and analysis of procedures and laws relating to determination of eligibility for unemployment insurance benefits and suspension of benefits. We are considering means whereby a claimant can be required to repay the benefits received when the employer subsequently prevails in his appeal.

Notice to Other Departments

Other departments of State Government which follow laws or procedures whereby some benefit, license, etc., is suspended after it is initially granted should be advised of the welfare "fair hearing" requirement and its possible extension to other situations.

AUG 12 1970

DECISION

DISCUSSION

X

CABINET ISSUE MEMO

Cabinet  
8-20-70

To: Governor Ronald Reagan

Date: August 12, 1970

From: Human Relations Agency

No. HR 70-87

Signed by [Signature]

Originated by [Signature]  
G. L. Sheffield, Director  
Department of Human Resources Development

SUBJECT: Nixon Administration Unemployment Insurance Bill (H.R. 14705) as Passed by Congress and Signed by the President on August 10, 1970

ISSUE: None

CONCLUSION: The President's unemployment insurance bill (summarized below) will require several changes in the California unemployment insurance program by January 1, 1972. Necessary legislation will be prepared by HRD for the 1971 session, except for extended duration coverage which is presently before the Legislature. One change, adding coverage of state hospital and higher education employees, will require a General Fund increase of about \$4 million in FY 71-72.

DISCUSSION: The bill as signed is substantially as discussed in memo HR-9-69-128 (9-26-69). The basic provisions of the bill are:

A. Coverage:

1. Small Employers: The bill changes federal law which now covers employers of four or more to cover all employers paying \$1,500 or more in a calendar quarter or having an employee for 20 or more weeks in a year. California law already covers all such employers.
2. Independent Contractors: The bill covers agent drivers and commission drivers and certain others not considered employees. California law must be amended accordingly, resulting in coverage of about 20,000 such persons.
3. Agricultural Labor: Employees of commercial processing plants and profit-making irrigation operations. Minimal effect on California, since State law already covers most such workers.
4. Nonprofit Organizations: The bill requires that states cover workers in nonprofit, charitable and educational institutions. States must permit such organizations to elect to reimburse the State UI Fund for the cost of benefits paid to their former employees rather than pay the regular tax. California must adopt such coverage, effective 1-1-72, affecting about 90,000 additional workers.
5. State Hospital and Educational Institutions: The bill requires coverage of employees of state hospitals and state institutions of higher education by either paying the tax or reimbursing the added cost of benefits. About 80,000 state employees will be involved. California law must be amended to provide such coverage, effective 1-1-72, with an estimated General Fund increase of about \$4 million per year on the lower reimbursement basis. California did not support this provision of the bill.



B. Federal Standards: The bill requires slight changes in California laws to add provisions for: (1) no payment of benefits in a second benefit year without some work since beginning of first benefit year; and (2) no denial of benefits to an individual taking approved training.

C. Financing: The bill increases the net federal tax from 0.4 to 0.5% effective 1-1-70, and increases the taxable wage base from \$3,000 to \$4,200 beginning 1972. California must increase its taxable wage base to \$4,200 from the present \$3,800, but may reduce the state tax rate to offset the increase in tax revenues.

D. Federal Extended Unemployment Compensation Benefits: The bill mandates, not later than 1-1-72, a program for federal-state extended benefits payable for 13 weeks (beyond the current 26 weeks) during periods of high unemployment. The benefits are financed 50% from federal UI tax revenues and 50% by the state. The program triggers "on" nationally when insured unemployment (nationwide) reaches 4.5% for three consecutive months and triggers "off" when the rate falls below 4.5% for three consecutive months; (not to be confused with the overall unemployment rate which not stands at about 6.2% for California). Also, extended benefits are payable in a particular state when the insured unemployment rate in that state for 13 consecutive weeks is at least 4% and is also 20% over the rate for the same period in each of two preceding years. If the present trend continues, it is estimated that by 1-1-71 California will meet both requirements. Insured unemployment in the state was 4.94% in July. AB 739, now in the Senate Industrial Relations Committee, will integrate present California extended duration provisions with H.R. 14705. This will allow California to obtain 50-50 federal financing for any extended duration benefit period in 1971.

Cabinet  
10-20-70

CABINET ISSUE MEMO

DECISION

X

DISCUSSION

To: Governor Ronald Reagan

Date: October 14, 1970

From: Human Relations Agency

No. HR 70-98

Signed by *Ann Starnes*  
Secretary, Human Relations Agency

Originated by *G. L. Sheffield*  
G. L. Sheffield  
Department of Human Resources Development

SUBJECT: Private Employment Agency Services to UI Claimants

ISSUE: Shall the Department of HRD approach federal officials (Labor, HEW, OEO, etc.) as to funding an experimental program for contracting with private employment agencies for job placement of UI claimants?

CONCLUSION: The Department of HRD should be authorized to pursue this course of action.

DISCUSSION: Implementation of the Department's similar, OEO-funded, demonstration project for welfare recipients is now proceeding. The Superior Court of Sacramento County upheld the right of the State to conduct this project by dismissing the CSEA court action. This decision dispelled many doubts as to the constitutionality of contracting this type of state work with private industry. HRD wants to extend this concept through further experimental programs.

Application of this approach to UI claimants proposes to reduce the duration of benefit payments. The average claimant is paid \$53 per week for 14 weeks, or a total of \$742. Depending on the extent to which duration and amount of benefits can be reduced, private agencies can be paid for finding jobs and still produce a saving of UI taxes for employers. This may also prevent the claimant from becoming a welfare recipient when his UI benefits are exhausted.

Most UI tax funds are earmarked solely for paying benefits. The federal portion is used to fund employment services and manpower programs. These activities are subject to the Wagner-Peyser Act which has a prohibition against referring applicants to fee-charging agencies. Thus, general application of the concept probably would require federal and/or state legislation.



Cabused  
10-29-70

CABINET ISSUE MEMO

DECISION	
DISCUSSION	
INFORMATION	X

To: Governor Ronald Reagan

Date: Oct. 28, 1970

From: Human Relations Agency

No. HR 70-100

Signed by [Signature]

Originated by [Signature]

Secretary, Human Relations Agency

G. L. Sheffield  
Department of Human Resources Development

**SUBJECT:** Federal-State Extended Duration (ED) Benefits for Unemployment Insurance Claimants.

**ISSUE:** None

**CONCLUSION:** The passage of federal and state legislation (HR 14705 and AB 739) extends UI eligibility by up to 13 weeks during periods of high unemployment.

**DISCUSSION:** UI covered workers currently are eligible for up to 26 weeks of benefits. If they have not found employment at the end of that period, they become potential welfare applicants. ED benefits extend by 50% the time in which they can draw benefits while seeking employment in the tight labor market.

ED benefits are "triggered on" nationwide when the national rate of UI covered unemployment exceeds 4.5% for three successive months and shuts off when the rate falls below that figure for three successive months. There is an additional provision that triggers ED in individual states if that state's rate goes above 4% for 13 successive weeks and is also 20% over the rate for the corresponding period in each of two preceding years.

AB 739 anticipates this trend and permits the state to receive 50% federal funding after October 10, 1970, when federal money first becomes available. California's recent rate history will call for the acceptance of ED claims on and after December 20, 1970. This is the earliest possible activation permitted by the effective date of AB 739. It is estimated that the first three months thereafter will produce 30,000 claims and that ED will remain in effect for a year or more.

The Department of Human Resources Development will be able to handle this additional workload through its traditional use of seasonal and intermittent employees who are called in to work during peak periods. About 198 will be required and some may be recruited from among unemployed aerospace workers. The department's ceiling of permanent personnel is not affected.

Bi-weekly payment of UI benefits, now implemented statewide, will substantially reduce the impact of the program but the workload may require Saturday and evening shifts.

OFFICE OF THE GOVERNOR  
Sacramento, California  
Contact: Paul Beck  
445-4571 11-23-71

RELEASE: Immediate

#658

Governor Ronald Reagan today signed legislation that increases the maximum weekly unemployment benefit from \$65 to \$75 per week.

In signing the measure (AB 1088) by Assemblyman Jack Fenton (D-Montebello), Governor Reagan pointed out that the last raise in the weekly unemployment benefit, from \$55 to \$65, was in 1965.

The new law will mean a boost in unemployment benefits for approximately 500,000 workers now covered by the program, who will file new claims in the following 12 months. Approximately 35 percent of the eligible claimants will get the full \$10 increase to \$75 in weekly benefits, while another 12 percent will receive smaller increases depending on their earnings.

The bill also increases the earnings required by a worker to be eligible for minimum benefits from \$720 to \$750 per year.

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WAS



Governor Ronald Reagan this morning issued the following statement:

"Since much of the news now emanating from Sacramento must be disturbing and disheartening to most Californians, perhaps I can brighten the day a bit with some news I have just been given by our Department of Human Resources Development.

"For only the third time in the past 20 years California's seasonally adjusted unemployment rate fell a full eight points in November---from 7 percent to 6.2 percent. This is the lowest monthly rate recorded in the state since July, 1970 and is the largest single monthly drop since May of 1958.

"As you know, for more than a year the unemployment rate in the state has been averaging about 7 percent or more as the nation has continued to make the painful transition from a wartime to a peacetime economy. While it is difficult to attribute November's sharp decline in the rate to any specific set of factors, I can't help but believe that it indicates President Nixon's program to fight inflation is taking hold here in California.

"I am informed that normally at this time of year, a seasonal increase in unemployment usually occurs as summer farm work and other outdoor activities taper off. For this reason, using past experience as a guide, we would have expected unemployment to go up by about 80,000 in November. Instead, it went up only 18,000---the smallest November increase since 1950.

"Compared with November of 1970 the number of unemployed people in California is down by 75,000. In fact, this was the second consecutive month that unemployment was below that of a year ago.

"Also, the number of Californians filing claims for regular unemployment insurance benefits held almost level in November, a period when such claims usually rise very sharply.

"We are obviously very pleased with these figures and we hope the downward trend in our unemployment rate will continue in the months ahead."

#####

Release No. HRD LNR - 598

December 9, 1971

State of California  
Department of Human Resources Development  
800 Capitol Mall  
Sacramento, CA 95814

CONTACT: Bill Lawson  
916/445-1952

FOR IMMEDIATE RELEASE

*Accom.  
econ.*

A top Reagan Administration official disclosed today that the state is working with California banks to develop new systems for tax collections and payouts that could ultimately save millions of dollars annually by reducing paperwork and duplicative services.

Sigurd I. Hansen, director of the Department of Human Resources Development, said his department handles close to a billion dollars annually in unemployment and disability funds and expects to collect at least another billion dollars annually in income tax withholdings beginning in 1972.

"We must find ways to turn the tide of this mounting paperwork," Hansen said. "Under present circumstances, we are receiving and processing countless numbers of checks every day in tax collections and insurance payments and it's been obvious for some time that new methods must be developed to streamline these services. They are becoming too costly and too time-consuming."

Hansen said that key officials of California banks have just completed an exchange of personnel with HRD so that each could observe the other's procedures and operations with a view to eliminating duplicative services and developing an understanding of each other's problems. Other meetings are planned, he said.



Last week, Hansen added, Bank of America's vice president Russell L. Fenwick met with top HRD officials to explain the operation of "SCOPE" and its possible application to government accounting systems. "SCOPE," an acronym for Special Committee on Paperless Entries, is a new system of automatic deposits and debits now being tested by California banks in an effort to stem the rising volume of check-handling chores.

Hansen noted that it had been estimated that more than 62 million checks are written daily in the United States and that check-processing procedures averaged 14.6 cents per check, or roughly \$9 million daily.

"Even with the introduction of computers and such advances as optical scanning equipment, we have not solved the fundamental problem caused by the physical growth in the volume of checks to be processed," Hansen said.

"These meetings with bank officials are just the beginning," Hansen added. "Our hope is that we can eventually eliminate much of the routine paper transfers and thus save time and -- equally important -- the cost of these procedures, which is ultimately borne by the taxpayer."

Hansen said the bank officials who participated in the recent discussions were: Jack F. Holland, Vice President, Government Relations, Security Pacific National Bank; Jack G. Ward, Vice President, Wholesale Marketing, Security Pacific National Bank; Leno A. Tabacchi, Vice President, Operations, Security Pacific National Bank; Tony A. Russo, Assistant Chief Analyst, Bank of America.

OFFICE OF THE GOVERNOR  
Sacramento, California  
Contact: Paul Beck  
445-4571 12-17-71

RELEASE: Immediate

#705

Governor Ronald Reagan today signed legislation increasing weekly unemployment compensation disability insurance benefits from \$87 to \$105.

In signing the measure (AB 1423 by Assemblyman David C. Pierson, D-Inglewood) the governor pointed out that the last increase in the rate was made in 1969.

"I am happy to sign this legislation because it will help to ease the burden of those, who through no fault of their own, are unable to work in a time of inflation and high prices," the governor said.

#####

WAS



To: Work Session Members

From: Edwin W. Thomas  
Administrative Officer  
to the Cabinet

WORK SESSION, THURSDAY, NOVEMBER 27, 1973

Decision Issues:

✓ HW 73-36

New Department of Labor Procedures for Estimating  
Employment and Unemployment

Recommendation: The Governor send a letter to the  
President asking that the revisions be postponed  
until technical problems are solved and an adequate  
system of implementation has been developed.

Decision: Recommend approval by the Governor after  
a stronger letter is drafted by Ed Wheeler, Jim  
Stearns and Ike Livermore. Jim Jenkins will review  
final draft before being sent. (letter sent 11/30/73)

OK  
10/2

BT 73-23

EPA Transportation Control Plan for California

Recommendation: The State, as well as the Agencies  
involved, should file a suit to prevent EPA from  
implementing, or requiring state and local agencies  
to implement, EPA's unreasonable and unproved trans-  
portation control measures in California.

Decision: The following actions were recommended to  
the Governor for approval:

1. Filing a petition of review.
2. Herb Ellingwood notify Attorney General's Office  
of our willingness to join Pacific Legal Foundation's  
Suit.
3. Legal Affairs Unit to follow suit closely.
4. Be flexible enough to pursue our own course of action  
at any time.

OK  
10/2

To: Governor Ronald Reagan

Date: November 14, 1973

From: Earl W. Brian

No. HW 73-36

Signed by Earl W. Brian

Originated by Gene Lynch

**SUBJECT:** NEW DEPARTMENT OF LABOR PROCEDURES FOR ESTIMATING EMPLOYMENT AND UNEMPLOYMENT

**ISSUE:** Impact of revisions to California's employment and unemployment estimates.

**CONCLUSION:** The Governor should send the proposed letter to the President asking that the revisions be postponed until technical problems are solved and an adequate system of implementation has been developed.

Summary:

HRD and all other State Employment Security agencies prepare monthly and annual estimates of employment, unemployment, and rate of unemployment for states and areas using procedures prescribed by the Bureau of Labor Statistics. The State has been advised that we will be required to implement revised estimating procedures effective January 1974. The major impact in California would be to substantially raise the State's estimates of unemployment and rate of unemployment. The 1972-HRD-prepared unemployment estimate for California was 516,000, or 5.8 percent of the labor force. Under the revised procedure the estimate would be 651,000, or 7.6 percent of the labor force. In September 1973, California unemployment was 408,000, or 5.2 percent of the labor force. Under the revised procedures the figures would have been 515,000, or 6.8 percent, respectively.

The new procedures will not essentially change the definition of employment and unemployment, but will have a substantial impact on the estimates of employment and unemployment. We question whether the proposed revisions will give more accurate appraisal of the California employment and unemployment situation. The higher unemployment rate the revised procedures will produce would indicate a relatively depressed economy in California. Other economic indicators, however, show that the State's economy was comparatively prosperous in 1972 and is still strong. For example, with about 10 percent of the Nation's labor force, California's economy produced nearly 15 percent of the Nation's new wage and salary jobs in 1972.

To avoid the repercussions of such a dramatic change in the employment and unemployment estimates, the State should send the attached letter to the President, requesting these changes not be implemented without development of a broader sample and greater assurances as to the quality of the proposed system.

In the event that states are required to install these changes, we would propose an information program that informs the public that the changes are a result of technical factors and that the changes may result in a more favorable distribution of Federal funds to California.



*J.M.*

State of California  
Department of Human Resources Development  
800 Capitol Mall  
Sacramento, CA 95814

Contact: Bill Lawson  
(916) 445-1952

*Accomp-  
Emp.*

SPEECH DELIVERED

By

DWIGHT (SPEED) GEDULDIG

Director  
California Department of Human Resources Development

California Labor Federation, AFL-CIO  
Unemployment and Disability Insurance  
Educational Conference

Time: 9:30 a.m.  
Date: November 30, 1973  
Place: Jack Tar Hotel  
San Francisco, California

NOTE: There may be changes in, or additions to, the attached speech. However, Mr. Geduldig will stand by the contents of this speech as written.

I want to thank your Executive Secretary Jack Henning for asking me to speak today because it gives me the opportunity to bring you up to date on several changes that have taken place in our Department -- and a few still to come -- and to review UI-DI matters. It also gives me an opportunity to tell you about some of the problems we're facing in our services to the unemployed, particularly the UI or DI claimant.

Most of you probably know by now that on January 1 we are changing our name from HRD to EDD: Employment Development Department.

The name, "Human Resources Development" was alright for one side of our business -- helping the disadvantaged -- but it didn't mean much to the thousands of skilled workers who wanted help in finding another job to match their experience.

It didn't strike the right note with employers, either. Many felt we had stopped helping the skilled person who was looking for a job and were concentrating most of our resources on welfare recipients.

Actually, the problem went even deeper than that. We changed our name from the Department of Employment to HRD in 1969. But this really was late recognition of a change that started in 1964 when MDTA got under way -- the Manpower Development and Training Act. That was the first of the major modern manpower programs aimed at training the hardcore unemployed and people displaced by automation or other technological advances.

This was followed by dozens of other manpower programs to help the disadvantaged -- like WIN, STEP, NAB-JOBS, JOBS OPTIONAL, for example -- and it got to the point where it seemed as if the programs were multiplying like rabbits.

(more)



This resulted in duplication and waste of funds. At the same time, our placements were suffering.

In 1964, when all this was beginning, we had 929,000 placements. Every year after that, our placements went down -- 800,000 -- 700,000 -- 600,000 -- until in 1971 we recorded only 335,000 placements.

Obviously, something was wrong. At that rate, we would have been out of the placement business in a couple of years.

Several things were wrong. We were spending too much time on programs and not enough on people. We were counseling, testing, assessing, training -- trying to provide motivation and lots of other high-sounding qualities -- but at the end of it all we weren't providing enough jobs. In fact, many of the trainees went through several programs and still didn't get a job.

At the same time, employers were turned off. I'm sure they understood the need to help the disadvantaged -- and there is a continuing need -- but many felt we were providing them with less-than-qualified individuals.

The result was that job orders from employers dropped drastically. More than 60 percent. And, of course, fewer job orders meant fewer placements.

Another thing wrong was the organization of the Department. The UI division had its own field offices. So did our training and placement division and our farm labor division.

I can't take the time today to detail all the changes we made to correct this situation.

(more)

In essence, we reorganized the Department -- consolidated all the service delivery operations into one branch under one manager -- and we're well on the way to accomplishing the same thing at the field office level.

We cut out a lot of manpower massaging by switching emphasis from hand-holding to getting people jobs as fast as possible. But -- let me emphasize -- nobody is sent out for a job interview without the qualifications called for in the job order -- unless the employer agrees in advance to consider a trainee.

Our first order of business is -- matching qualified applicants to employers' job orders.

At the same time, there were other changes to be faced. Washington was planning to implement manpower revenue sharing -- shifting responsibility for the operation of manpower training to the major cities and counties, with direct funding, and the balance to the state for areas with smaller populations.

We were obviously going to need a focal point at the state level where all these local manpower programs involving the spending of millions of dollars annually could be evaluated and coordinated.

Also, the Health and Welfare Agency, of which HRD is a part, was planning a consolidation of its own to cut down the number of departments and streamline its services to the public.

The upshot of all this was two bills introduced earlier this year to form two new departments -- and one is the new Employment Development Department.

(more)



A few wags have already noted that we're careful not to call it the Department of Employment Development -- DED. I have no wish to be the DED-head and no one wants to operate DED programs. So it's EDD, not DED.

The bill creating this new Department also established a California Manpower Planning Council and staff to develop a State manpower plan to coordinate the use of funds at local, regional and state levels among the various programs operating in California.

It also called for the establishment of a network of EDD community manpower centers, each of which will be a sort of one-stop operation, responsible for all the manpower needs of a community: meeting job orders, making placements, paying benefits, providing labor market information to anyone who needs it, helping welfare recipients get back into the mainstream, and so on. As I said, we have already started on this kind of consolidation at the local field office level.

We hope these measures will produce a much more rational and understandable set-up than we had under the old HRD system.

However, we had already turned the corner on placements through the new Operations Branch set-up and the one-office, one-manager concept.

During the first quarter of this Fiscal Year (July through September), total placements were up by 30 percent over the same period a year ago.

(more)

Now, of special interest to you will be the other new Department to be formed: the Department of Benefit Payments. The operative date of the legislation for this new Department is July 1, 1974, but the bill allows transfer of functions from HRD and other Departments anytime after January 1.

That new Department will consist of what is now the Department of Social Welfare, with audit and tax collection functions from HRD and the Department of Health added.

From a practical point of view, the change won't directly affect anyone applying for UI or DI benefits. The idea is to bring together all the fiscal operations involved in the collection, accounting and auditing of the \$5 billion paid out annually in health, welfare, UI and DI funds.

UI and DI claimants will still make their claims through our field offices and will continue to get the other services they need from those offices.

But employers will be filing tax contributions and reports of wages to the Department of Benefit Payments. In other words, the delivery system won't change, but bookkeeping and general fiscal control will be transferred to the new department, where it will be consolidated with the rest of the Health and Welfare Agency's fiscal, banking and accounting functions.

This centralized control will eliminate duplication involved in the former fragmented payout systems. It will also improve the state's ability to detect administrative errors and fraud.

(more)



All these efforts are aimed at improving our service -- to help people find jobs quickly. We're eliminating duplication and overlap, and cutting red tape wherever possible.

Let me review some other recent developments in our UI programs.

Anyone who has claimed UI benefits in the past year or so will know about the plastic claims card we have been issuing. We are still issuing them and eventually we'll be using them to provide benefit payments instead of handling cash at the UI office.

We are conducting a pilot test in Sacramento's UI office right now and we'll be going statewide as soon as the bugs are out of the system.

The card has raised lettering, like a credit card, and it will be used in much the same way to produce a bank draft, cashable anywhere, like a check.

A duplicate copy of the draft will go to the Department of Benefit Payments. It will be processed through an optical scanner and into a computer system which will record the transaction automatically. Now it's often typed -- sometimes even handwritten. It will mean tremendous savings in administrative costs and will cut down on errors and fraud.

It will also allow us to pay benefits without the need for cash in any locality, on a seasonal, part-time or even one-time basis. For example, if a community is hit by a natural disaster -- or a large plant layoff calls for swift temporary service, maybe in the plant itself. Not paying claims in cash will reduce our risks as well as those of our claimants. Quite a few have been rolled and robbed after leaving one of our offices.

(more)

On a wider front, I came here today armed with a pretty impressive fact. I was going to tell you that in two years Governor Reagan has signed key bills worth more than a quarter of a billion dollars annually in boosted benefits for jobless or disabled workers.

But, Jack Henning said it much more effectively than I ever could in a recent issue of the AFL/CIO News. Let me quote his words:

"Within the past two years, Governor Reagan has signed AFL/CIO backed bills increasing social insurance benefits for injured or unemployed California workers by more than \$266 million. No Governor -- Republican or Democrat -- in the history of the State has ever done anything like that."

Aware as we all are that California AFL/CIO has, shall we say, a few areas of some disagreement with the present Administration, this statement by Jack is all the more significant and welcomed.

Of course, as most of you probably know, the bulk of the detailed work on UI and DI legislation is hammered out in long sessions at the negotiating tables by organized labor and management.

Also, most of the bills were sponsored by Democrats, so the record has been one of management-labor cooperation and bi-partisan support in the Legislature.

I'd like to take just a couple of minutes to review some of those bills for this reason. When you look at one bill in one year, it may or may not be impressive. But when you look at several bills over just two or three years, the full measure of the advances made in UI and DI stand out clearly.

(more)



Take Disability Insurance, for instance.

In 1971, the Governor signed a bill raising the maximum weekly benefit from \$87 to \$105. This year, he signed another bill raising the maximum from \$105 to \$119. He also signed a bill giving DI benefits for up to 26 weeks for pregnancy involving abnormal complications or disabling conditions.

Now look at the advance in UI benefits.

In 1971, Governor Reagan signed a bill boosting maximum weekly benefits from \$65 to \$75. Last month, he signed another bill increasing the maximum to \$90 weekly.

Workmen's Comp. has had similar increases. In 1971, it was boosted from \$87.50 to \$105 weekly. This year, it was raised to \$119. The waiting period was reduced in 1971 from 49 to 28 days. This year, it was reduced to 21 days.

Also, under Workmen's Comp. death benefit payments to totally dependent widows went up in 1971 from \$20,000 to \$25,000. This year, these payments were increased to \$40,000.

In all, over the two years, these bills amount to more than a quarter of a billion dollars in increased payments.

And our goal is to maintain and expand on California's reputation for top service in the UI and DI fields. Throughout the nation, California is recognized as having one of the most efficient and effective programs -- we are also one of the lowest-cost states in this regard.

(more)

Now I have to tell you that this enviable position is being jeopardized by federally imposed budget cuts.

This is the result of decisions made by the OMB (Office of Management and Budget) to restrict federal spending. In our UI program, they have established dollar ceilings which not only do not allow for rising costs of rentals, supplies, salaries and the like, but in fact are lower than the amount established for last year.

At the same time, our workload in terms of initial claims, weeks claimed and non-monetary determinations (follow-up interviews) has greatly increased.

The practical effect of these cuts is that our level of staffing has been reduced. We haven't had any layoffs yet, but we have cut back on the recall of intermittents who normally help in times of increased workload, and haven't been replacing people who leave or retire.

I suspect that your membership has reported instances of increased waiting to file claims -- scheduling back for service another day -- delays in making determinations and in correcting errors and omissions in awards.

(more)



These are the practical day-to-day effects seen by the worker who is looking for prompt payment of his claim. But, when UI staffing is cut back, the long-term effects run deeper and are more significant. An administrative backlog drains the UI fund in several ways. Inability to collect all delinquent taxes, and an increase in unrecovered overpayments are two obvious examples.

We are deeply concerned about this deterioration in our services and, unfortunately, I can only predict worse to come unless our funding problems are resolved.

Aside from the usual seasonal increase in UI claims at this time of the year, we have looming ahead of us the spectre of layoffs because of the energy crisis.

The domino effect of cuts in gasoline supplies, fuels for industry and power plants are not hard to imagine. It will directly effect the auto industry and its subsidiaries, of course, and it's estimated that one in every six jobs is related to the automobile -- its manufacture, maintenance and use.

In California, we have about 187,000 workers employed in service stations or auto dealerships, another 56,000 in auto repair shops and 38,000 in auto manufacturing.

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These are some obvious examples -- and there are many less apparent, for example in the recreation industry.

A very large percentage of workers laid off by the energy crisis will be covered by UI -- but those who are not may still be coming to us for benefits. You may know that Senator Jackson has added an amendment to the Emergency Petroleum Act for this purpose.

The Jackson amendment would authorize benefits to workers not otherwise eligible. This would include those who lack wage credits to qualify as well as those who have exhausted their UI entitlement.

But even without this amendment, most of the workers who may be laid off because of the repercussions of the energy crisis will be covered, so we must prepare for this increased workload.

By the way, I wonder how many of you saw the other day a new proposal that's being kicked around -- for pre-employment insurance. The idea would be to pay what would amount to UI benefits to anyone entering the job market for the first time -- people with no previous employment, like youth leaving school or college or housewives looking for a job after their children have grown up.

(more)



This may seem like a drastic change in the original concept of unemployment insurance -- the question arises: who would pay for the benefits?

But the proposition is not completely without merit. It's like an investment, or start-up cost, with the expectation that it will pay for itself in future years in self-sufficient workers who might otherwise turn to welfare.

My only comment at this time is that we now have about a dozen different kinds of income maintenance programs -- and some people are in several. Some day we're going to have to put it all together -- but getting the various government agencies to agree -- county, state and federal -- which will be about as easy as grabbing live bait in a bucket.

As you probably know, the funds to administer the UI program are normally adequate -- a specific percentage of employers' contributions are collected for this purpose -- but our problem is in getting OMB to release the money for the use it was intended.

So I'm asking for your help in bringing these facts before your representatives in Washington. If the monies earmarked for the program are not made available, the service must suffer. We are doing all we can in the meantime to avoid that, by switching employment service staff to UI -- but then our job placement service suffers. There is no way that the quality of service can be maintained indefinitely with less than adequate funds.

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Now, on the DI front, the picture is also bleak. I'm sure you are aware that the administration of disability insurance has been maintained during the entire history of the program at a remarkably low cost to you. This cost has been around four percent of worker contributions, a cost ratio that can't be matched by any other state DI program.

Impartial actuaries from outside of state government recently appraised the program as very efficiently run. They said it was unlikely that any significant reduction in this rate could be made.

It is my unhappy duty to report to you that events of this past week will likely cause those administrative costs to rise. For over 27 years we have had a significant agreement with the Federal Government that where certain operations were required for UI tax and claims functions, the DI program would pay only the ADDED cost, resulting from their participation in the same functions.

This arrangement was arrived at deliberately to encourage the establishment of disability insurance programs in most other states where workers don't have this kind of protection. It also makes a lot of sense in view of the fact that the functions must be performed even if a DI program does not exist. But I have been advised that the OMB plans to require the few states that have DI programs to pay the cost of such functions on a proportionate SHARE of cost basis. In effect, this could be an extra administrative cost to our DI program, based on Federal guesstimates, of \$4 1/2 million. That would be about a 30 percent increase over current costs.

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I intend to formally protest and resist this dramatic change in the relationship of administrative costs for UI and disability insurance programs. I seek your support in this endeavor also, both because of the impact on your program (for which you pay all the costs) and because it deters the spread of disability insurance coverage to workers in other states.

Even more fundamental an effect on your DI program is another troublesome matter -- the contention that DI benefits should be paid for a normal pregnancy.

Back in 1946, the Legislature said that the purpose of the DI program was to "compensate in part for wage loss sustained by individuals unemployed because of sickness or injury". The Legislature further provided that in no case should the term "disability" include "pregnancy". If the U.S. Supreme Court upholds a recent federal district court ruling, this concept will be radically changed.

The district court's decision held that DI benefits must be paid to a healthy woman who has a normal pregnancy, delivery and recovery. That is, pay "maternity benefits" from the Disability Insurance Fund. This is a far cry from the "sickness or injury" concept that the Legislature has left unchanged for the past 27 years.

(more)

This year (as I said earlier) the Governor signed an AFL/CIO sponsored bill to pay DI benefits in the case of abnormal and involuntary complications of pregnancy, but not for normal delivery and recuperation.

If the Supreme Court orders benefit payments for ordinary pregnancies, the solvency of the Disability Insurance Fund will be threatened. I have estimates that such maternity benefits would cost California workers an additional \$133 million a year to pay benefits to a relatively small percentage of the total work force. This means that if the Supreme Court doesn't reject the lower court decision, the Legislature will have to act immediately to meet the increased cost of the program by raising workers' contributions by about one third.

Until that is done, and income matches outgo, there are only two ways to pay maternity benefits. One, is to deplete fund reserves to the point of inadequacy. The other is to reduce drastically the weekly benefits payable to all disabled workers. Neither is a pleasant or reasonable option.

It is my belief that payment of benefits from the DI Fund for normal pregnancies is not justified, particularly when the program as actually administered provides more benefits to women workers than to men, even without the addition of normal pregnancy.

I can see that the financing of pregnancy expenses from some source is needed, but I can't agree that such benefits should be provided from the DI Fund.

(more)



It would destroy the original concept of this program as an insurance program to be operated under insurance principles by providing the broadest coverage and maximum benefits at the lowest possible cost.

Therefore, I ask for your understanding and support in our battle to retain this concept of payment of benefits only for unexpected sickness or injury, as the program was originally conceived and sponsored by the labor unions of California.

So, just at the time when we are in the midst of efforts to improve our services, we are faced with these serious challenges to the day-to-day operation of our UI and DI programs.

To repeat, we need all the support we can muster to get the message through that the UI program is and will be in trouble until its full share of administrative funds is released. Operating as we now must, can only increase service delays in our field offices. It's also a false economy measure in the long run because it will deplete the UI fund and hurt our employment service.

Secondly, to change the DI costing from the added cost basis to the shared cost basis can only mean higher direct costs for the DI program. And, lastly, the need to exclude normal pregnancies from DI coverage is vital if we are to avoid a major increase in costs and contributions.

Your understanding, your support, and through you the support of others who may be able to influence decisions on these points, will be greatly appreciated.

# # #

lower from two-thirds to a majority the vote as to change bank and corporation tax and its pledge to lead an initiative on there if they can't get it through the legislature?

A Well, I'm opposed, for one reason. I agree with the idea that they shouldn't have any consideration more than any other taxpayer. But I believe that we should make it two-thirds vote for any tax increase, because I think it should be harder to increase taxes, not easier.

Q Governor, for the past -- for the past year the state has been Sacramento and Stockton that its unemployment rates were around five per cent. Now, the federal government has come in and told us they are really up around seven per cent. Who are we to believe?

A Well, I'm glad you asked that question because that reveals the kind of confusion that is going to follow what I think was a ridiculous move by the Labor Department in Washington. They have devised a new statistical system for calling unemployment. We think we have had a pretty accurate system. Now I can give you the example. By our system we know that unemployment in January went up over December. By the new statistical system they make it look like we have seven and a half, not five and a half per cent, unemployment, but under their figures your unemployment goes down. Now, we know it went up from December to January, but under their new system they're figuring it we went down in unemployment in this month. And we know it isn't true. But we think a great many people are not going to understand and they are going to suddenly, particularly in the energy crisis, see unemployment rates suddenly of seven and eight per cent. And they are going to think it is an increase of that much because they won't recognize that where last month our figures showed 5.3 per -- unemployment, under the newly adopted system, which we announced today, those figures would have been 7.5. Now, what they have done, among other things, is go all the way down and include 14 year olds as unemployed. The truth of the matter is the federal system for declaring unemployed is nothing more than a bottery itself. They make 50,000 periodically -- 50,000 phone calls to households in the United States and ask them if they got anybody there that wants work. Now, if you got a 14 year old kid going to school, and mama wants to say, "Yeah, I wish he did have a job after school," bang, he's now unemployed. And I have used this figure before. Sweden, where, being socialist, they have an accurate count of the unemployed, know exactly how many people are out



of work -- Sweden, a few years ago, used the American system as an experiment and found that their actual unemployment of 46,000 went up to 137,000 under the American system. And we are in disagreement with this shift to this new method. But we are a little confused. We don't understand it and we particularly don't understand it because apparently Washington, for the national level, is going to continue to use the old figures. And this one's got us really spinning. So, it is bureaucracy at its worst.

# Reagan Claims US Data Inflate State's Jobless Rate Level

United Press International

The California unemployment rate will leap dramatically this month — perhaps up to the 8 per cent level — pushed upward by what Gov. Ronald Reagan says are “contrived” federal statistical requirements.

The sharp increase, however, could make additional federal funds available to help create more jobs for out-of-work Californians and ease unemployment expected to result from the energy crisis.

## Economic Indicator

The unemployment rate, which stood at 5.5 per cent last month, is an important economic indicator which is used to determine whether areas qualify for special federal aid.

The rate also plays a role in business decisions and it can have a psychological effect on the state's economic climate.

For the past six years, the annual unemployment rate estimated by the state has been significantly lower than the rate calculated for California by the federal government.

The new method of estimating state unemployment will make the rate calculated by California conform more closely to federal standards.

The procedure will boost the rate automatically by about one-third above its old level, a spokesman for the state Department of Employment Development said in an interview.

## New Figures

In other words, if the unemployment rate for January is 5.8 per cent under the old method, the new method of computing will hike it to roughly 7.7 per cent.

And a 6 per cent unemployment rate figure under the old method will now jump to 8 per cent under the new system.

The increase in the rate stems basically from the higher federal calculations of the number of persons in the work force, especially the amount of youths and women entering it.

In a letter to President Nixon, Reagan complained that “many people will attribute the drastic increase solely to a depressed economic situation.”

## Disagree

The governor declared the new system was “contrived by the Bureau of Labor Statistics” and “will inflate the number of unemployed by expanding the count of persons with tenuous attachment to the labor force.” Legislative Analyst A. Alan Post and the chairman of the Senate Finance Committee, Randolph Collier, D-Yreka, disagreed with Reagan's contention, however, during a recent meeting of the committee.

Collier said the new method

“would be beneficial, especially in this energy crunch” because it could trigger added federal benefits.

The amount of additional federal funds which California cities and counties might receive could not be estimated, the state Employment Department said, because other factors besides the unemployment rate also play a role in determining where the aid goes.

Post said while the higher unemployment rate could cause “some embarrassment” for the Reagan administration we “ought to face up to the fact that we have a special problem.”

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# Joblessness, U.S. Says

## California Unemployment Figure May Hit 8% Under Revised System It Must Begin Using

LA Times BY HARRY BERNSTEIN  
Times Labor Writer

1-22-74

California and 11 other states have badly underestimated their unemployment rates, according to federal government experts, it was disclosed Monday.

The states must start this month using a revised system of figuring the number of jobless workers, which will mean a dramatic increase in January's unemployment rate and perhaps millions of dollars more from the federal government to help the unemployed workers.

California's unemployment rate could hit 8% soon under the revised system, or nearly 2% more than estimated under the old method.

Gov. Reagan, in a letter of appeal directly to President Nixon, asked that the new system of calculating the unemployed not be put into effect yet because of the strong, negative impact it might have on public opinion.

Reagan urged the President to postpone any revisions in the method of figuring the jobless rate until the federal government is better able to "assure the quality of the proposed new system."

He called the new system a "contrived" one and said many people will attribute the "drastic increase solely to a depressed economic situation," and not a different method of calculating the number of unemployed.

But state Senate Finance Committee Chairman Randolph Collier (D-Yreka) said the new method "would be beneficial, especially in this energy crunch" because it is expected to bring California added millions of dollars from federal government programs.

A. Alan Post, legislative analyst, said the new jobless rate might cause "some embarrassment" for the Reagan Administration, but "we ought to face up to the fact that we have a special problem."

The expectation of additional federal money is based on the fact that the amount of federal government funds going to the states depends in part on the number of unemployed

workers in a state or area.

The revised January estimate of unemployed is expected to be at least 7.5% of the work force.

The change was ordered by the Bureau of Labor Statistics to make certain that all states use the same system for figuring their jobless rates that the federal government uses.

Under the old method, California's jobless rate in December was estimated at 5.5% of the work force.

That was just 0.6% more than the national average of 4.9% in December.

But if the new method had been used, the national average still would have been 4.9%, but California's jobless rate would have been estimated at 7.3%.

This means that, according to the federal government, California's unemployment problem is far worse than the statistics had been showing.

Other states which will also have to make upward changes in their jobless rate include New York, Pennsylvania, Illinois, Ohio, Florida, Texas, Indiana, North Carolina, Missouri, Virginia and Wisconsin.

States which will have downward changes in their jobless rates are Michigan, New Jersey and Massachusetts.

The statistical revisions mean, in effect, that California will have its jobless rate boosted by about a third. The amount will vary from state to state.

The average number of unemployed in California during 1973 was 472,000, or 5.2% of the work force, according to the old system.

In fact, the federal government says, there actually were about 613,000 people looking for work, or 7% of the work force.

The revisions come at a crucial time because unemployment is on the rise anyway, regardless of how the rate is figured, because of the energy crisis and other factors.

So when the upward trend is re-

Please Turn to Back Page, Col. 3

## JOBS

Continued from First Page

ported, it will be magnified by the revised method of calculating.

The basic idea is to bring the state's estimates in line with the federal government estimates, and different systems have been used in the past at the state and national level.

The federal government estimates the jobless rate by an actual, house-to-house survey of 50,000 homes every month, at a cost of \$5 million.

Of that total, 5,000 households are surveyed in California.

For the last seven years, the federal survey of California has been averaged, but the result is not used as the California jobless rate because the number of homes surveyed in any one state is considered too small to be accurate.

Instead, California does its own jobless estimating.

The state starts with the number of workers actually drawing unemployment benefits. Then it estimates, based on historical patterns, the number of people out of jobs but who are not drawing jobless benefits for some reason. This latter group would include farm workers, domestics, the self-employed and others who are not covered by jobless insurance.

The two figures are combined: those actually drawing jobless benefits and those estimated to be out of work, and the total is figured as California's unemployment rate for the month.

But the trouble is the state's estimate has differed from the federal estimate, and the federal government figures its average is statistically the most accurate since it is based on an actual house-to-house sample of workers.

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E 18

# SENATOR GEORGE R. MOSCONE

Room 408, State Capitol, Sacramento, Ca. 95814

FOR RELEASE

Contact: John Jervis, (916) 445-0507

January 25, 1974 8PM

State Senate Majority Leader George Moscone accused Governor Reagan of shamefully trying to hide the true seriousness of unemployment in California with a "flim-flam numbers game." Senator Moscone, in a speech prepared for delivery to the Consumer Federation of California (Friday, January 25, 8 PM, Century Plaza Hotel, Los Angeles), cited the Governor's "desperate message" to the President regarding the disparity between state and federal unemployment figures.

"Our Governor has told the President that to adopt the federal unemployment figures, which are closer to reality, would make it appear that the economy is going bad. That kind of 'head-in-the-sand' approach by the Governor is what he has been practicing for for seven years," added Senator Moscone.

"The Reagan Administration has been pretending that our unemployment rate is about 5-6%. Actually it is much higher. But the Governor has been forgetting to count women and young persons who are out in the labor market, looking for work like a great number of other people.

"I don't want to tell this Governor how to do his job, but he might better serve the people of California by coming home from New Hampshire and South Carolina and talking with some of the people who are standing in unemployment lines.

Senator Moscone called upon the membership of the Consumer Federation of California to continue its forthright job of making public policy in behalf of the labor and consumer movements.

"You and I know that the wage earner in this state is paying the bills for society's ills. We can't live by bread alone. Frankly, we can't afford to. The President has told us that the price of bread will not reach a dollar



a loaf -- but remember he's the same President who has been less than frank with us before.

"There is a very real crisis upon us in 1974. We have reached a turning point that demands a fresh and vigorous leadership. We have a chance in 1974 to do something about the sorry conditions that certain leaders have let develop.

"Government has apparently been willing to stand by idly, hand in hand with big business profiteers, and allow those at the bottom of the ladder to fall by the wayside.

"You in the ranks of the consumer and labor movement, who share such common ideals, must put your abilities and talents together in the name of restoring not only faith and trust in government -- but in returning some share of decency to all Californians," added Senator Moscone.

The Consumer Federation of California met to give special awards to Floyd (Red) Smith, International President of the International Association of Machinists and Aerospace Workers and to Jerry Voorhis, former Executive Director of the Cooperative League of the USA.

Sac Bee

## Employers In State Get Tax Break

3-27-74

Most employers in California will get a tax break this year.

The State Employment Development Department announced yesterday afternoon that it is reducing its tax for the state unemployment insurance fund from 4.1 per cent to 1.7 per cent.

Some 230,000 of the state's 385,000 employers

will benefit from the change. They are expected to save a total of \$90 million.

Essentially, the system works on the principle that the unemployment insurance fund should be built up in good years of low unemployment so there will be reserves to meet heavier benefit payments

in hard times. Since the fund is in good condition this year, the state does not need the higher assessment.

Employers pay the total cost of unemployment insurance benefits through the tax, which covers the first \$4,200 earned by each employe.



CABINET ISSUE MEMO

DECISION

DISCUSSION

X

*Cabinet*  
*5-28-74*  
To: Governor Ronald Reagan

Date: May 23, 1974

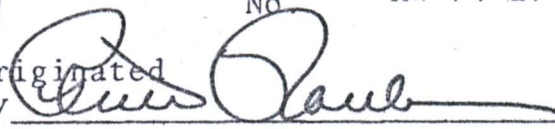
From: Health and Welfare Agency

No. HW 74-17

Signed  
by



Originated  
by



**SUBJECT:** Adequacy of the Unemployment Fund.

**ISSUE:** Whether the current balance in the Unemployment Fund of about \$1.2 billion is adequate.

**CONCLUSION:** The current Fund balance is large enough to finance a moderate economic downturn, but is not sufficient to withstand a major depression such as California experienced during 1949 or the period 1958 to 1962. A work group should be designated to make recommendations concerning the funds financial situation.

**FISCAL IMPACT:** None.

**DISCUSSION:** The purpose of the Unemployment Fund is to maintain the solvency of the program which is entirely financed by employer taxes.

No precise criteria are available to determine exactly what is a safe balance for the Fund. A small Fund appeals to some employers because it allows lower taxes for temporary periods, but requires much higher taxes during recessionary periods when employers can least afford to pay them. Proper Fund management attempts to avoid the need to raise taxes by emergency legislation, or to borrow monies.

A large Fund has the advantage that its solvency is more secure, that tax rates fluctuate less from year to year, and it is practical to have a maximum tax rate, that counter-cyclical financing may be allowed to operate, that interest earnings are greater, lessening the tax burden, and that growth in the Fund needed to compensate for higher wages and higher benefit maximums may be provided.

The most commonly used measure of Fund adequacy requires that the balance be at least 1.5 times the highest cost rate for a year experienced during the prior ten years. For the California Fund to satisfy this minimum requirement, a balance of \$1.6 billion would be needed instead of the current \$1.2 billion.

The current Fund is not sufficient to finance recessions as severe as those experienced in California in the past; the 1949 recession caused a drop in the Fund equivalent to 2.51 percent of wages, on 1974 wages this would amount to about \$1.5 billion; the period from 1958 to 1962 saw a drop equal to 2.80 percent of wages, this is equivalent to about \$1.6 billion in 1974.

This means that the current Fund balance of \$1.2 billion has only marginal adequacy. It is recommended that a work group be designated to work with our consulting actuary to review the situation of the Fund, and make appropriate recommendations.



Wall St Jnl 6-18-74

## Pregnancy Benefits Aren't Compulsory In State Disability Plans, Top Court Says

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Supreme Court said state-required disability insurance plans needn't include benefits for employees who miss work because of normal pregnancies.

In a decision involving California's disability insurance program, a supplement to worker's compensation for employes in private industry, the high court denied a female worker's claims that withholding the pregnancy-related benefits was unconstitutional sex discrimination:

In other actions, the Supreme Court:

—Overturned a lower court decision allowing Gold Seal Liquors Inc. to offset its freight loss and damage claims against freight transportation charges it owes Penn Central Transportation Co., the Penn Central Co. railroad subsidiary that is in bankruptcy reorganization proceedings. The lower court decision, which would have produced a net judgment of \$11,000 against Penn Central, would interfere with the duties of a separate lower court that is overseeing the reorganization, the Justices held. They said the offset judgment would give preference to the claim of one creditor of the troubled railroad.

### Alberto-Culver Dispute

—Held that Alberto-Culver Co. must submit to international arbitration its contract

dispute with Fritz Scherk, a German citizen who owned three foreign companies acquired by Alberto-Culver in 1969. Alberto-Culver had sued Mr. Scherk for damages, alleging that he made fraudulent statements about the status of trademarks acquired in the transaction. Mr. Scherk sought to delay the suit pending arbitration of the dispute, as provided for in his contract with Alberto-Culver. A lower court barred arbitration under a prior Supreme Court decision that an agreement to arbitrate doesn't preclude a suit under the 1933 Securities Act. But the Supreme Court overruled the lower court, saying this was an international commercial transaction and the dispute shouldn't be resolved by the courts of any one country.

California's disability insurance program is financed entirely by deductions from the wages of participants. Participation is mandatory unless the employes are protected by a voluntary private plan approved by the state. When the current suit was brought, the program defined the term "disability" to exclude "any injury or illness caused by or arising in connection with pregnancy and for a period of 28 days thereafter."

The action was brought by four women who could no longer work because of pregnancy. For three of them, the disabilities were attributable to complications during their pregnancies. The fourth had a normal pregnancy, which was the sole cause of her disability. The four alleged that exclusion of the pregnancy-related disability benefits violated their constitutional right of equal protection.

A federal district court agreed, saying the exclusion didn't have any "rational and substantial relationship to a legitimate state purpose. . . ." In overturning the district court, the Supreme Court noted that California had amended its plan to exclude only "maternity" benefits, those stemming from a normal pregnancy. Observing that the three women with abnormal pregnancies now had received some disability benefits, the high court said their case was moot.

### California Stance Said Justified

The Justices went on to hold that California was justified in excluding benefits for normal pregnancies. The court noted that California wasn't discriminating against anyone eligible for insurance protection. Rather, it said, the state simply had decided against insuring all employment disability risks.

Writing for a six-member majority, Justice Potter Stewart said nothing in the Constitution requires a state "to subordinate or compromise its legitimate interests solely to create a more comprehensive social insurance program than it already has."

Noting that inclusion of pregnancy-related benefits would substantially boost the program's cost, Justice Stewart said California has a "legitimate interest" in keeping its insurance program self-supporting. He said it also has a "legitimate concern" in keeping the employe-contribution rate low enough to avoid overburdening "low-income employes who may be most in need of the disability insurance." Joining in the majority were Chief Justice Warren Burger and Justices Byron White, Harry Blackmun, Lewis F. Powell and William Rehnquist.

Dissenting were Justices William O. Douglas, Thurgood Marshall and William Brennan, who said California had created a "double standard" by "singling out for less favorable treatment a gender-linked disability peculiar to women."



DW: UI

# Losing the Unemployment Numbers Game

## Pity the cities when the Bureau of Labor Statistics changes the rules

Businessmen in many of the nation's largest cities are growing more and more edgy about steady increases in unemployment rates for their metropolitan areas.

However, if they take a close look, they will often find these ominous figures are part of what some experts claim is a myth manufactured by the Bureau of Labor Statistics.

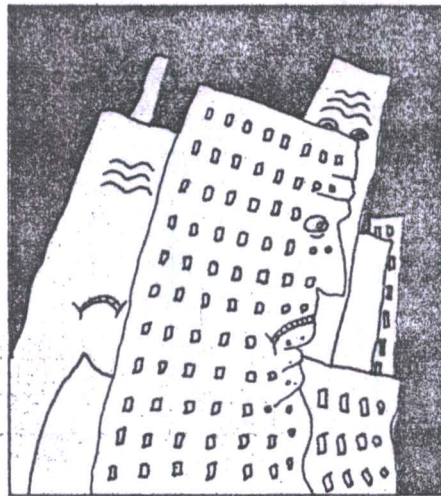
The experts say the myth was launched at the beginning of this year when BLS quietly changed the method of computing state and local unemployment.

Although you can't get BLS to spell the new system out this simply, the broad concept seems to be increased emphasis on the total labor force of a specific community—employed as well as unemployed. Where the worker lives is where he becomes a statistic—whether employed or unemployed. Under the old system, he became a statistic where he toiled or became unemployed.

As yet, the new system has had little discernible effect on the percentage of joblessness nationally. But it has sent unemployment rates soaring in a number of major cities.

San Diego, for instance, had an average UR of an even 5 per cent for 1973. But by May of this year, the rate had zoomed to 9.3 per cent. Comparably, the Los Angeles-Long Beach rate went from 4.7 per cent to 6.7 per cent, and San Francisco-Oakland from 5 per cent to 7.7.

California cities were not the only ones zapped by the BLS' statistical



twister. Miami's unemployment rate rose from an average 4 per cent in 1973 to almost 5 per cent in May; Atlanta from 3.1 per cent to 4.2 per cent; Indianapolis from 3.4 per cent to 5.5 per cent; Cleveland from 3.1 per cent to 5.1 per cent; Cincinnati from 3.5 per cent to 5.2 per cent; Pittsburgh from 4.6 per cent to 5.7 per cent and Philadelphia from 5.4 per cent to 6.3 per cent.

In most cases, the increases resulted from people being counted as unemployed in these cities under the new "place of residence" method who were counted elsewhere under the old "place of work" system. San Diego had to count 58,000 people as without jobs in May as against 23,900 a year earlier when its unemployment rate stood at 4.6 per cent. And Los Angeles counted 212,800 as jobless the same month compared

with less than 150,000 in May, 1973.

For BLS' computation purposes, some metropolitan "labor areas" have been gerrymandered (while others have stayed the same). As a result, in some cities the UR soared even though the number of unemployed counted went down.

New York's 1973 average rate was 4.7 per cent based on an average 257,800 jobless. But its May, 1974, rate shot up to 6.6 per cent despite the fact that only 248,400 were counted as unemployed. In fact, New York—with Nassau County on Long Island no longer included in its labor area—was classified as an area of substantial unemployment this summer for the first time since that classification came into use in 1955.

### Figures of fear

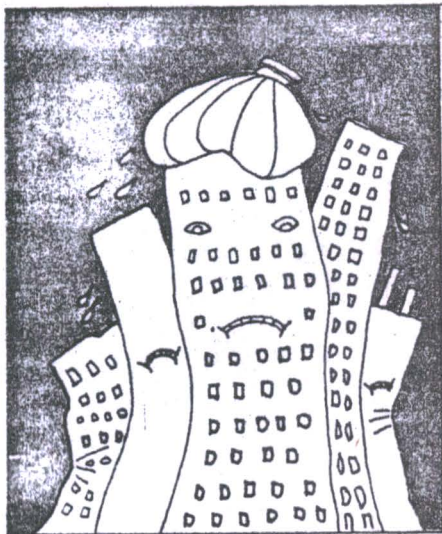
The psychological impact of these statistical increases on local economies has undoubtedly been formidable. As economist Milton Friedman has observed: "Few figures are watched with more fear and trembling than those reported each month on the percentage of the labor force unemployed."

Past experience shows that sustained high unemployment rates make local bankers skittish about lending money. Local merchants reduce inventories and sales forces. In short, local economies can fast sink into a malaise if their unemployment rates keep climbing as they have in so many metropolitan areas this year.

Moreover, the national economy is



really a mirror of the aggregate of local economies up and down the land. If the mirror develops too many cloudy spots, as it has in recent months, the national economic picture is bound to get more gloomy, too. Indeed, the new method of com-



puting local unemployment rates may already have had serious national repercussions.

The revision of the awesome UR applies to 30 major labor areas—and dozens of smaller ones—in 19 states which BLS says contain some 75 per cent of all the unemployed.

Boston provides what a BLS official calls “the most dramatic example” of how the new methodology works. Under the old method, the Boston labor area’s unemployment rate in December, 1973, was 5.9 per cent. Using the new system, the rate would have been 7.4 per cent.

According to BLS, the place of work concept formerly used in Massachusetts and most other states deflated unemployment in Boston and inflated it in outlying labor areas.

Brockton, south of Boston, was tagged with an 8.9 per cent UR last December under the old method but under the new it would have been 7.3 per cent. And Lowell, to the north, had a 9.7 per cent UR the same month that would have been 7.2 per cent under the new procedure.

The place of residence system which BLS has now forced on the

states has been used for years in computing the national unemployment rate, which is primarily based on a survey of 50,000 rotating households. Since BLS still uses this system in toting up the national UR, it has not been subject to the same exponential increases as local rates. For one thing, it embraces the whole country and is not affected by gerrymandering as are many labor areas.

On the surface, it may seem plausible to have all the states using the same methodology as BLS. Certainly, the new system provides a statistical boon for communities like Brockton and Lowell, black-eyed for years with high unemployment rates.

The fallacy in this is that a high UR in Boston quite naturally attracts much more attention than it did in Brockton and Lowell. The same visibility principle applies, of course, in other big cities whose UR’s have been sent into orbit by the new system.

#### Out with the old

There has long been criticism that computation methodology has grossly exaggerated UR’s, both locally and nationally.

“Unemployment,” says Dr. Friedman, one of the critics, “is mostly a brief period between jobs—or between school or housework and a job.”

Ralph A. Schepens of Cleveland, president of the National Employment Association and proprietor of a large private placement agency, agrees.

“The government has never adequately defined unemployment for statistical purposes,” he says. “Economists knew there were many inflationary factors in the old method of computing the unemployment rate. And we now know that not all of these were expunged from the new system.”

BLS tacitly confessed the validity of at least some criticisms of the old method when it structured the new. It eliminated second jobs held by moonlighting teachers, firemen and others which somehow got tangled up in the old UR and accounted for

5 per cent of the total. The new method also excludes jobs held by youngsters under 16 who quit baby-sitting or give up newspaper delivery routes. By BLS’ own admission, these kid jobs had been frequently included in the old computation.

Even these desirable adjustments have not, however, helped local unemployment rates.

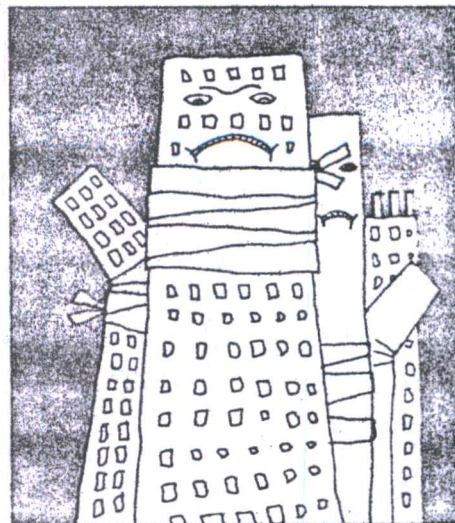
And BLS could hardly have picked a worse time to send big city joblessness percentages whamming toward the moon.

When the new method went into effect on Jan. 1 the energy crisis syndrome was already having an adverse effect on the economy. Yet BLS, a division of the Labor Department, chose that unsteady moment to further inflate local unemployment rates.

Why? Well, for one thing the change had been “on stream” for some time. And once something gets on stream in the federal bureaucracy it is likely to continue moving inexorably onward, come what may.

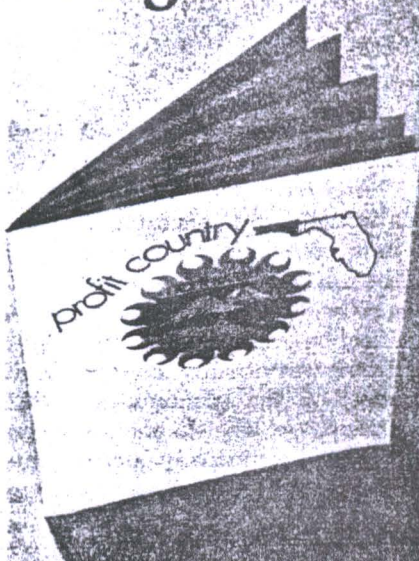
BLS Commissioner Julius Shiskin says the official rationale behind the change was twofold: (1) BLS felt the time had come for all states to use the same method that BLS used, and (2) BLS was required to make the change by the Comprehensive Employment and Training Act.

An official in another part of the Labor Department disputes Mr. Shiskin on the latter. He says the Act did





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## The Unemployment Numbers Game *continued*

not "require" any such thing. Be that as it may, CETA has assuredly played a major role in making the recent high unemployment rates more palatable to the states.

To qualify for CETA funds for public service employment, a city must show a 6.5 per cent UR three months running. Under the old computation method, many cities could

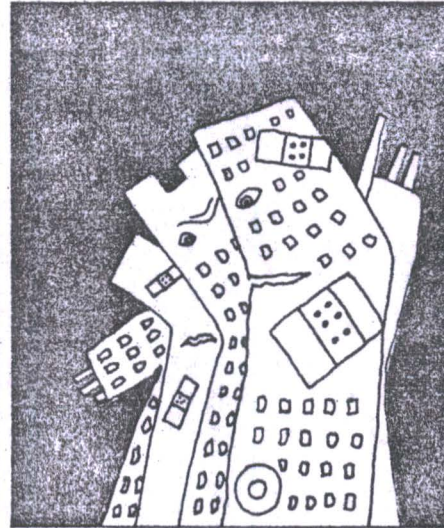
1973, when the former rules were in effect.

Most cities and states that have had their UR's hiked remain discreetly silent—in spite of the obviously depressing effect on local business. Apparently, there is nothing like the promise of federal largesse to prompt a swallowing of civic pride.

Back in January, California complained the loudest. Gov. Ronald Reagan fired off a letter to the White House asking for a moratorium on the new method, which he called "contrived." He foresaw that most people would attribute "the drastic increase [in unemployment rates] solely to a depressed economic situation."

However, a ranking BLS official claims California has "made no complaint since then" because it discovered it would get a really mammoth slice of that CETA pie.

The California State Employment Development Department, allowing that no recent squawk has been made, implies the real reason is that the state has simply accepted a fait accompli in the new methodology.



not qualify. But the new method is jacking up their UR's so they can cash in on the big CETA pizza—to fund all portions of CETA in fiscal year 1975, the Administration is asking \$2 billion.

### States, too

Not only are many cities' UR's rising because of the new BLS rules, but so are those of many of the 19 states in which the cities are located. A state may not be affected by the change from place of work to place of residence computation—after all, both places generally are in the same state for the same jobless worker—but BLS now requires states to report as unemployed many whom the states in the past would not have counted in that category. These more than offset the moonlighters and youngsters no longer counted.

Changes in economic conditions also enter into the picture, but BLS' computation shift can be blamed for most of the UR jump in California, for example. In May, California's UR was listed at 7.2 per cent—against an average of 4.7 per cent in

### What goes on here?

Whatever the reason for California's recent silence, a few waltzes around the subject with top BLS officials should be sufficient to convince even the Bureau's most ardent admirers that Gov. Reagan was on target when he branded the new method "contrived."

The statistical sleight of hand employed by BLS has earmarks of a shell game. And, sad to say, not even the Bureau understands what it has wrought.

Commissioner Shiskin, in a memorandum to Congress last spring, said the old method "tended to overstate unemployment rates for most suburban areas" and to "understate" them for central cities.

Yet, during a recent interview a high-ranking BLS official stated emphatically that the effect was "just the opposite."

With this kind of confusion prevailing at the federal level, it is small wonder that cities have been thrown into a tizzy by the switch in computing unemployment rates.

—WILLIAM J. GILL



Sac Union 10.30.74

# State Gladly Lags Nation

## *Inflation, Unemployment Below the Average*

Inflation hasn't hit California quite as hard as the rest of the country, but prices have still jumped a hefty 11.6 per cent in the state since last fall, the Department of Finance reported Tuesday.

The consumer price index rose 12.1 per cent across the nation from September 1973 to September 1974, half a per cent more than the California rate, the department said.

The bimonthly economic report also said manufacturing jobs in California have increased over last year at three times the national average.

But the continued housing slump, a possible slump in the aerospace industry,

and the steady rise in unemployment cloud the state's economic picture.

The department said the depressed housing market contributed heavily to California's 8.2 per cent unemployment rate in September.

If current high mortgage rates and tight money continue, only about 140,000 housing units will be built in the state this year, compared to 218,000 last year, the department said.

Employment in the state's construction industry is down 2 per cent so far this year.

Some other areas of the economy

looked brighter. The report said manufacturing jobs in the state during the first nine months of 1974 increased 2.8 per cent over the same period last year, compared to the national increase of 0.9 per cent.

Nonagricultural employment through September stood at 7.9 million, up 2.9 per cent from last year. The national growth was 2.3 per cent.

The manufacturing gains were paced by new aerospace contracts, such as a \$44.7 million award to Hughes Aircraft Co. for the Maverick missile and \$72.9 million in contracts to Lockheed for submarine and antisubmarine weapons, the report said.

But the department warned, "Some reductions in aerospace employment are possible in coming months" because of expected federal cutbacks.

The report also said air travel was below expectations this summer, and a slowdown may be ahead in the consumer electronics market.

The unemployment rate, highest of the year, has been less severe in metropolitan areas like Los Angeles-Long Beach, Anaheim-Santa Ana Garden Grove, San Jose and Sacramento, the report said. But San Diego has been hard hit as have some smaller cities.



OFFICE OF GOVERNOR RONALD REAGAN  
Sacramento, California 95814  
Clyde Walthall, Press Secretary  
916-445-4571 12-30-74

RELEASE: Immediate

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Governor Ronald Reagan today issued an Executive Order creating a new government unit, the Coordinating Office for Public Service Employment (COPSE). COPSE will serve as the central point for handling non-civil service appointments to state government positions through the Public Service Employment program (PSE).

This Public Service Employment program is a federally-funded program (Title II of the Comprehensive Employment and Training Act of 1973), which aims to counter high unemployment by providing temporary public service jobs for the unemployed in areas where the unemployment rate is 6.5 percent or higher.

Funds for PSE jobs are included in the revenue sharing funds returned by the federal government to cities and counties with populations of 100,000 or more (referred to as Prime Sponsors). State government departments and other state agencies will be hiring through sub-grant arrangements with these prime sponsors and the public service jobs will be in the prime sponsors' areas.

The new unit, COPSE, will be the hiring agent for all state government positions in the PSE program. COPSE will, in effect, be acting for the governor, since the positions created will be filled by governor appointees exempt from the usual civil service procedure.

The jobs will be in positions additional to the regular civil service lists and will not affect civil service opportunities and promotions. They will be transitional or training positions, preferably in occupational fields most likely to expand when the employment situation improves.

COPSE will be located in the Employment Development Department building, 800 Capitol Mall, Sacramento.

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WLO: Employment  
UI

PROGRAM GROWTH INDICATORS  
1966-67 vs 1974-75  
HEALTH AND WELFARE AGENCY

Employment Development Department

<u>Item</u>	<u>Fiscal Year 1966-67</u>	<u>Fiscal Year 1973-74</u>	<u>Change</u>	<u>Percent Change</u>
New Applications	1,458,502	1,344,535	113,967	- 7.8
Welfare Placements <u>a/</u>	--	75,705	--	--
WIN Registrants <u>b/</u>	--	198,462	--	--
Benefit Programs				
a. UI Regular Weeks Claimed	10,510,435	12,917,496	2,407,061	+ 22.9
c. DI First Claims Received	601,807	732,845	131,038	+ 21.8
Man Years	8,025.8 <sup>1</sup>	9,366.4 <sup>2</sup>	1,340.6	+ 16.7

a/ Includes CWEP. In FY 1971-72, the first year that data was collected, there were 25,448 welfare placements. The FY 1973-74 figure represents a 197.5 percent increase over that level.

b/ A count of new WIN registrants during the fiscal year. Excludes carry-over from June 30, 1973. In FY 1972-73, there were 245,995 WIN registrants. The FY 1973-74 total dropped by 19.3 percent from the prior year.

<sup>1</sup> State of California 1967-68 Budget Supplement Salaries and Wages

<sup>2</sup> State of California 1974-75 Budget Supplement Volume II