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STATE OF NEW YORK
EXECUTIVE CHAMBER

REPORT

OF

N.Y. (State)
Governor Smith's Reconstruction
Commission.

on

A Permanent Unemployment
Program

JUNE 17, 1919



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ANNALS

REPORT ON A PERMANENT UNEMPLOYMENT PROGRAM

Herewith the Reconstruction Commission begs to call to your attention the desirability of framing, as a part of the State's reconstruction program, a permanent program for dealing with the problem of unemployment in the State.

It is unnecessary for your Commission to point out that unemployment is a chronic feature in the industrial life of the State. This was clearly pointed out by the Wainwright Commission, which was appointed to inquire into the question of employers' liability and other matters, one of which was unemployment. In the report submitted by it to the Legislature of the State that Commission declared:

"We find in the industrial centers of this State, at all times of the year, in good times as well as in bad, wage-earners who cannot secure employment."— Report to the Legislature of the State of New York — Employment and lack of farm labor.— Page 2.

Hitherto the problem of unemployment, despite the insistence of all investigators of the subject upon its continuous and normal character, has been prone to be regarded by our government as an occasional emergency requiring, if anything, only emergency measures.

But the time has come for the State to consider what it may do in a permanent way to ameliorate if not to prevent this permanent, chronic ill of the industrial system.

The chronic unemployment which exists in the State, independent of business conditions, is attributable in the main to two factors (1) the physical impossibility, in the present industrial organization, of connecting worker and job without loss of time in the interim, and (2) the seasonal fluctuations in the demand for labor in the several industries. In addition to these continuous and normal causes of unemployment, we find the variations in the demand for labor in one or another industry due to the incessant

play of business conditions. Finally there are the cyclical depressions of the whole industrial system causing widespread and severe unemployment. These cyclical depressions are due to a number of causes among which are generally mentioned fluctuation in supply of gold and silver, misdirection of productive energy, under consumption, excessive competition, etc. For each of these factors a remedy must be sought.

PUBLIC AND PRIVATE EMPLOYMENT OFFICES

The problem of reducing to a minimum, if not wholly eliminating, the loss of time which now ensues in connecting the worker and the job is purely a problem of organization, of machinery. Were it possible to establish a system of labor exchanges which would record in a single unified register every vacancy and every seeker for work, this loss would be reduced to a minimum. It is the impossibility of securing even an approach to this condition under the system of competitive privately operated, fee-charging employment agencies that is responsible for the development of the public employment office. But unless the system of public employment offices is established upon an adequate basis it contributes nothing substantial to a solution of the problem. It merely adds another office to those already in the field. There is no more assurance than before that the man and the job will come together with a minimum of delay. In short, the system of public employment must be so fortified and extended that it comes to enjoy a substantial monopoly of the business of employment exchange. Only thus can the basic purpose of the system be realized.

This is not to say that there is not in so complex an industrial commercial community as this State a legitimate and permanent place for privately operated employment exchanges of certain types. There are certain classes of employment involving highly specialized qualifications, both professional and personal in which the employment exchange acts, in great measure, as the trusted agent of the employer. Schools, colleges and business colleges conduct employment bureaus in the larger cities which are of substantial benefit to graduates. In these limited fields, it is questionable whether the State exchange can ever displace the privately operated exchange, nor is it at all clear that it would be desirable

for it to do so. Again, in certain trades in which the "closed shop" prevails, the trade unions are the recognized employment exchanges of the industry. In these cases, the trade union furnishes a wholly efficient employment exchange within the field and there is no reason why it should be superseded by the public employment exchanges.

For the great run of employments, however, the ideal condition will be attained only when the State system of exchange becomes in effect the exclusive source of supply for labor. To that end the permanent legislative policy of the State should be carefully directed.

The British government in 1911 attacked the problem with characteristic thoroughness. Prior to that time there were only a few small exchanges operated under the "Unemployed Workmen Act of 1905." Having decided to enter upon the establishment of such offices, the government proceeded so rapidly that within a short time there had been established so many offices that it has been said that no worker in the United Kingdom is more than a short distance from an office.*

Utterly different has been the policy of this State. The public employment office system of the State was established by an act of 1914 and began operations in 1915. At the end of 1917 it was virtually taken over by the U. S. Employment Service created by the National government to meet the war emergency. It may thus be said to have had an existence of three years under normal conditions. Its appropriations have four times been passed on by the Legislature. In the City of New York there has been maintained but one real office — in the Borough of Brooklyn — obviously wholly useless as a solution of the situation, and serving the sole purpose of furnishing without charge, to a limited number of citizens who happen to be in a position to use it, a service performed equally well for a fee, by numerous private agencies. In its four up-State offices the service has doubtless approached much nearer the ideal of a central, monopolistic exchange, but even here it has been organized on a scale by no means adequate.

* The decision to make these offices the agencies of the unemployment insurance system inaugurated at the same time was of course partly responsible for the thoroughness with which the country was organized.

On March 21st last this Commission submitted to you a report, recommending that you urge upon the Legislature the allowance of an additional appropriation for the State employment service for the ensuing fiscal year sufficient to bring the total annual appropriation by the State to about \$400,000 with a provision for the acceptance by the State of a federal subsidy if the next Congress should make such a subsidy available. An additional appropriation on substantially this basis was made by the Legislature. The amount now available will in the judgment of your Commission enable the State Industrial Commission to place the service for the first time upon a basis in some degree commensurate with the size of the problem to be solved. But even this amount will be insufficient unless the State with or without federal aid stands ready still further to enlarge the service, as its development warrants, until it becomes in effect substantially the sole employment exchange of the State.

The Commission recognizes, however, that the time is perhaps distant when the State system will reach a point of efficiency sufficient to warrant its completely superseding all the privately operated employment agencies excepting those of a professional and personal character mentioned above. Nor when that time is reached, will it be necessary to enact legislation to terminate the activities of these private agencies. The competition of the free public agencies will of itself make impossible the continuance of most of the competitive privately operated, fee-charging agencies.

Until that time comes, however, the operation of the private employment agencies should receive a far more vigorous supervision on the part of the State than now obtains. Under existing laws* an employment agency is not required to obtain a State license, but cities of the first and second classes are permitted to require a license and to impose a fee of not more than \$25 in connection therewith. Of ten cities in the first and second classes, all except Troy and Binghamton have exercised the power thus vested in them. Even in these cities an employment agent, particularly one engaged in supplying common labor, who above all others requires close supervision by public officers — has but to establish himself in headquarters just outside of the city limits in

* General Business Law, Section 170.

order to escape completely the operation of the local ordinance. In the smaller towns and cities of the State all classes of employment agents are wholly without governmental supervision. Your Commission is strongly in favor of the view, taken by the Industrial Commission of the State, that all employment agencies in the State, regardless of their location, should be licensed, and should be required to sign a penal bond, the license to be for a short period of time and to embody provision for the revocation or non-renewal of the license in the event of improper conduct on the part of the licensee.

Your Commission understands that the Industrial Commission drew up proposals for a bill to be introduced in the last Legislature* requiring all employment agencies in the State to be licensed by the Industrial Commission, and to pay a fee of \$250. Your Commission is disposed to doubt whether anything is to be gained by disturbing the efficient system of licensing and regulation of employment agencies which has been built up under existing law by the municipal authorities in the cities of New York and Buffalo respectively. It seems to us that the proposed bill should be modified so as to provide that first class cities shall collect the license fees, returning half the fees to the State. With this reservation, they are heartily in accord with the proposal of the Industrial Commission. There should also be a provision that in all first and second class cities information and reports on standard forms should be submitted by the local licensing authority to the State Industrial Commission.

As there are 672 private employment agencies in New York city and 71 licensed agencies up-State and a considerable number of unlicensed agencies, the returns in revenue to the State and the localities will be considerable. Believing that the interests of the working population and of the business community are promoted by a reduction in the number of small, inefficient and temporary agencies, your Commission wishes to record its approval of this proposed increase in the amount of the fee as a measure that will

* In addition a bill (see Assembly Bill 412) was introduced by Mr. Youker, January 31, 1919, providing that in all cities of the first and second class employment agencies shall pay a fee of \$250 to the Mayor or Commissioner of Licenses. This applies only to cities of the first and second class.

tend to discourage the multiplication of needless employment offices of inadequate financial and business stability.

The present State law provides for the maintenance of a standard type of register by the private employment agencies, and for the submission of figures from this register to the Bureau of Employment of the State Industrial Commission. At the present time the supervision of these registers is not vigorously exercised. It must however be borne in mind that it is very difficult to obtain accurate figures from private employment agencies. Notwithstanding this difficulty, the State Industrial Commission could make considerable progress by testing the figures submitted by several agencies and making an example of such agencies as make false returns. It would also be desirable to strengthen the present law so as to provide that the books of private exchanges should be open to audit by the State Industrial Commission as well as by first and second class cities.

In connection with the development of the State employment service and the control and gradual supplanting of most of the private employment agencies there are a number of important problems, which the Industrial Commission through the Bureau of Employment should study with a view to development of a definite program. The following subjects are among the most important which should be studied:

1. The organization of the labor market to bring about extensive dovetailing of winter and summer trades and to stimulate the use of subsidiary trades.
2. Directing labor to new occupations when changes of industrial structure result in displacement from chosen occupations.
3. Reserving certain places in industry for older men and women and leaving the younger generation the task of finding and forcing fresh openings for themselves.
4. Concentrating attention upon the need for industrial training, including "vestibule" or preliminary training, training in plants to increase efficiency while gainfully employed, and training in trade and business schools. This should be done with the State and local departments of education and with private educational institutions. An annual bulletin should be published, similar to that published by the Clearing House for War Time

Training for Women, describing the courses of training in schools, trade schools, colleges, etc., for those seeking a vocational education.

5. Directing boys and girls away from "blind alley" employment, and issuing monthly bulletins based on the most complete figures which can be obtained.

6. Testing periodically and comprehensively the amount of unemployment.

7. In cases of seasonal employment or depression, urging employers to shorten hours rather than discharge employees.

REGULATION OF INDUSTRY

Much of the seasonal employment which is characteristic of so many industries — notably the garment industry — could doubtless be eliminated by a more rational organization of the market and of the relations between manufacturer and distributors. This problem should be carefully studied especially by the Bureau of Employment of the State Industrial Commission in conjunction with the industries wherever possible.

Similarly, it has been urged, with apparent truth, that even the cyclical depressions to which the economic order is subject could be in a large measure prevented or at least ameliorated by educating the public and the business community to continue in the face of threatening depression to spend on the usual scale, and indeed to advance purchases at such times. Suggestions have been made for other forms of action by producers having the same end in view.*

Your Commission has not deemed it worth while to inquire with any thoroughness into suggestions of this character for the reason that, assuming their value, they can be made effective only if applied on a national, if not an international scale. Action in this field, if it is to be undertaken at all, is peculiarly the province of the national government and of the national organizations of industry, labor and commerce. It is not a matter in which action by the State would be appropriate or useful.

* See especially "How to Meet Hard Times," a "Program for the Prevention and Relief of Abnormal Unemployment," issued by the Mayor's Committee on Unemployment. New York City, January 1917.

CONTROL OF PUBLIC WORKS CONSTRUCTION

The periodic depressions to which the industrial order is subject are of course attributable to underlying economic forces which lie wholly outside the control of the State. It is to be questioned whether even the sphere of influence of the national government is sufficiently broad to enable it to cope with these forces; but that they are beyond the power of the State is unquestionable.

For some years however the suggestion has been urged that in the control over public works the State and its local subdivisions possessed a potential economic power which they might employ measurably to ameliorate the severity of these periodic industrial depressions. It has been urged that many of the public works projects of the states, counties and municipalities, as well as of the national government and of the great public utilities such as the railroads, are not of a character imperatively requiring their execution at a given time, as they are not produced to meet a market demand. If projected on a long-term basis, it would be possible to defer the execution of a portion of the annual program of such projects from year to year, a corresponding reserve fund being set up. Thus, when a period of general industrial depression menaced it would be possible for the national, State and local governments and the railroads to forthwith, with funds and plans already available, proceed to the execution of the defense program. Such a procedure, if extensively followed, would, it has been urged, greatly reduce the extent of the unemployment which a depression would normally involve, not merely by directly giving employment to a considerable number of men, but by steadying the market for consumption of goods. The buying power of the men given employment would exert a most wholesome effect on a market suffering as it always suffers in times of depression from lack of confidence in the future.

It has been pointed out that this plan involves in effect a reversal of the practice now commonly followed by public officials and railroads, of discontinuing improvements in times of depression. For this practice there exists however no justification in reason or experience. On the contrary it is certain that the plan would be of financial advantage to the governmental bodies and the railroads though this is not its purpose, for it would of course enable

them to buy materials and perhaps labor at lesser prices than in times of industrial activity.

Your Commission is of the opinion that there is little if any improvement contemplated by the railroads and other large public utilities which can be deferred without serious detriment or danger.

It has been questioned whether this plan, even if admitted to be practicable so far as government agencies are concerned would be effective — whether the amount of public works construction which could be deferred in this way is sufficiently great to have any influence on the general economic situation. Only a long-term test could furnish a reliable answer to this question. Mr. John R. Shillady, who investigated the subject for the Mayor's Committee on Unemployment created during the crisis of 1914, has made perhaps the most careful detailed examination of this subject. His conclusion was that "If an employment reserve approximating 10 per cent, on the average, of the 'outlay' of federal, State, county and municipal governments on the acquisition and construction of permanent properties and public improvements, added to a like one-tenth of the annual railroad expenditures for roads and permanent equipment, be erected by means of such a deferred improvements program as has been suggested there will result, on the most conservative estimate, a fund for use during the tenth year sufficient to employ at least one-tenth of the working population of the country engaged in trade, transportation and manufacturing and mechanical pursuits, for a period of twelve weeks, at an average weekly wage, for all ages and kinds of labor, of \$12 for males and \$7 for females." He believed that this potential reserve was sufficiently large to exert a most beneficial influence upon the employment situation. His average weekly wage would of course be far from a living wage under present conditions.

Whatever may be the actual importance of the influence which the general adoption of this plan in this country would exert, it seems clear that, if it would have any beneficial influence whatever it is the duty of the State to apply it within the limited field over which it has control, and to urge and assist the cities and counties of the State to do likewise, unless there exist administrative reasons which render its execution impracticable.

It must be admitted that despite the advocacy of the suggestion under discussion for some years past, there is but little precedent,

either in this country or abroad, for concrete action by which it may be put in effect. The British Development Commission, which recommends to the treasury allowances of funds (by grant or loan) to government departments or local authorities for the development of agricultural and other rural industries, including roads, has followed the plan of designating some of the projects approved by it for execution only if "distress arising from lack of employment, should occur," and has set aside a very considerable portion of the funds under its control to be used only for grants for projects of this class.

It is said that in Germany certain of the cities have followed the practice of setting up financial reserves for the accumulation of improvement funds and that recently such reserves, originally merely a fiscal expedient, for making possible the construction of costly works, have demonstrated their value in facilitating the rapid execution of such works in times of unemployment.

The experience in foreign countries in providing public works merely for purposes of charity is of no value in the consideration of a logical deferred public works program.

In this country, the only action thus far taken is that embodied in the Pennsylvania law of 1917, providing for the creation of a State Board of Public Works, and making a small appropriation therefor (\$40,000); said board being empowered upon the certification by the Industrial Commission of a state of unemployment, immediately to allot the funds at its disposal to the several departments of the State having public works projects ready for execution but no funds available therefor. In effect this plan is the German one of accumulating a reserve fund to be immediately available when the emergency arises; but the wholly inadequate size of the initial appropriation is strongly suggestive of the extreme difficulty which should be encountered in attempting to build up reserves of this kind in the present condition of the finances of most of our states.

Turning now specifically to the conditions in our own State, we find that there have been unusually large expenditures for public works, including public buildings, during the past years by the State, the counties and the cities. How much of this expenditure could have been deferred for a period of years, against such an emergency as threatened the State during the months following

the termination of hostilities is a question of the greatest difficulty. In some of the branches of public work, as for example in the construction of school buildings in the City of New York, it is notorious that construction has lagged far in the rear of actual need, so that no deferment, for however good a cause, could have been made. Again, in the case of the Barge Canal, we have an enormous public work most of which could not be put to any substantial use until the whole of it has been completed. Obviously deferment here could economically have been employed only within very narrow limitations. On the other hand, much of the State road work, some of the city work, and doubtless even much of the county work, could readily have been deferred for a period of years.

Without attempting any estimate of the amount of expenditure which could be deferred and accumulated — an attempt which could produce only the merest guess — it seems clear to your Commission that, in the absence of parallel action by the national government and the railroads, the influence which could be exerted by the State and its local subdivisions would be a minor one. Still more minor would be the effect produced if, as seems necessary, the action of the State were confined to works executed by the State itself. It is difficult to see how the State could effectively compel the action of the local authorities in this respect except perhaps as to works financed jointly by the State and the locality.

In view of the minor effect which action by the State could thus at best produce, your Commission has not felt justified in recommending recourse to any new and untried methods of public works administration and finance. For the present it would seem that the most that can practically be done is to impress upon the various State departments and the local authorities the desirability of planning public improvements upon a long-term basis, and to designate some authority in the State to keep currently in touch with the execution of the several local and State programs, with a view to urging upon the city, county and State authorities, and where necessary upon the State Legislature, prompt action in pushing forward the work outlined with especial vigor whenever industrial depression threatens. In addition the work of the War Department on employment of soldiers has clearly demonstrated the possibilities in guiding the unemployed to work, and providing

men for contractors through the careful analysis of public works contracts and close co-operation with the authorities responsible for letting contracts. We are of the opinion that an annual conference of all public works authorities in the State would be of great benefit not only for this purpose but also for the purposes of co-operation in the purely engineering and contracting problems of the several administrations. In its investigation of the status of existing public works projects throughout the State, your Commission has been impressed with the absence of concrete and exact information on this subject upon which any official policy might be formulated, and with the absence of any central official authority which might, upon such information, attempt, if only by exhortation, to enlist the co-operation of the several local and State authorities in carrying out any policy that might seem expedient in view of the current business and employment situation. Your Commission believes that had such a body been in existence prior to the cessation of hostilities it might have done a very great service in procuring the initiative or resumption of construction on a number of projects some months earlier than has actually been the case. With this experience in mind your Commission recommends that (1) In the absence of a single recognized State Public Works Director the Legislature authorize and require the State Industrial Commission through the Bureau of Employment to obtain during the first three months of each year from the several State departments and localities information regarding all public works projected and under construction, and to publish this information annually in April, in a summary form similar to that adopted this year by the Reconstruction Commission in its report to you on public improvements. (2) An informal body be set up consisting of representatives of the State departments principally concerned with public works including the State Engineer, Superintendent of Public Works, Commissioner of Highways, State Architect and Conservation Commissioner, and of representatives of the State Industrial Commission, which shall study the data thus obtained in conjunction with the data regarding employment and business conditions currently gathered by the State Industrial Commission and shall call in April or May an annual conference of all public works authorities throughout the State to discuss engineering,

financial, employment and other common problems and to endeavor by counsel and suggestion to effect the vigorous prosecution of all works already planned for and financed, and the prompt financing of works projected whenever severe business depression and unemployment threaten. At this conference arrangements should be made by the representatives of the Bureau of Employment with the various public works authorities, whereby the Bureau could be instrumental in supplying men to officials and contractors when work actually commences. Were such a board instituted, its operations over a period of a few years would disclose, more effectively than any speculation which may now be advanced by your Commission, precisely what if anything may be accomplished by more positive and compulsory action of the State in securing an actual deferment of public works construction against periods of depression.

UNEMPLOYMENT INSURANCE

Even were all the measures suggested and referred to in the foregoing taken and vigorously prosecuted not only by the State but by the nation as well, there would still persist, as a chronic feature of the industrial system, a certain amount of unemployment. The industrial mechanism is too complicated to be entirely within the reach of such measures. Against the unavoidable idleness, which is impossible of elimination, unemployment insurance has been the remedy resorted to in other countries.

But were any plan of unemployment insurance to be put into effect in the near future in this State, before the policies outlined can have been developed and matured, or before any consistent and widespread attempt is made to develop them, the insurance problem presented becomes of far greater magnitude and difficulty.

Before unemployment insurance can be put into effect, the State employment service must be greatly extended, must be practically a monopoly and must be so efficient as to be capable of administering a law which involves complete supervision of all employment throughout the State.

In view of these considerations, this Commission does not recommend any immediate action by the State looking toward unemployment insurance. We are of the opinion that the adop-

tion of our other recommendations will lead in a short time to the accumulation of experience which will clearly demonstrate whether or not unemployment insurance is the next logical step.

SUMMARY OF RECOMMENDATIONS TO THE GOVERNOR

1. Continue to develop the State employment service looking toward an ultimate State monopoly in this field, excepting possibly a small number of Union agencies and private agencies supplying service of a personal and professional character.

2. Revise and introduce the bill drawn up by the Industrial Commission providing for licensing at a fee of \$250 of all private employment agencies. The State Industrial Commission should license all agencies excepting those in first class cities. In such cities the licensing should be done locally, but the State should divide all fees equally with the cities. The State's fees should go into a fund for the support of the Bureau of Employment.

3. Enforce the present State law providing for the maintenance of standard registers and the submission of figures by private employment agencies, extend the supervision of private employment agencies, and draw up legislation opening the books of private exchanges to audit by the State Bureau of Employment.

4. Direct the Industrial Commissioner, through the Bureau of Employment, to develop a program which should cover the following subjects:

(a) The organization of the labor market to bring about extensive dovetailing of winter and summer trades and to stimulate the use of subsidiary trades.

(b) Directing labor to new occupations when changes of industrial structure result in displacement from chosen occupations.

(c) Reserving certain places in industry for older men and women, and leaving the younger generation the task of finding and forcing fresh openings for themselves.

(d) Concentrating attention upon the need for industrial training, including "vestibule" training where such training does not lead to blind alley employment, training in plants to increase efficiency while gainfully employed, and training in trade and business schools. Issue in co-operation with the State and city departments of education annual bulletins out-

lining the courses of training in schools for all schools, colleges, etc., open to persons seeking vocational education.

(e) Directing boys and girls away from "blind alley" employment.

(f) Testing periodically and comprehensively the amount of unemployment and publishing bulletins based on the most complete figures which can be obtained.

(g) In cases of seasonal employment or depression, urging employers to shorten hours rather than discharge employees.

5. Authorize and require the State Industrial Commission through the Bureau of Employment to obtain during the first three months of each year from the several State departments and localities current information regarding all public works projected and under construction and to publish this information annually in April in summary form.

6. Appoint an informal committee composed of representatives of the State departments principally concerned with public improvements and of the State Industrial Commission to study data thus obtained in conjunction with data regarding employment and business conditions currently gathered by the State Industrial Commission, and to call in April or May an annual conference of all public works authorities throughout the State to discuss engineering, financial employment and other common problems. This committee should vigorously prosecute all public improvements whenever business depression and unemployment threaten, and report upon the need, if any, of compulsory action to secure the deferment of public works and the establishment of public works reserves.

ABRAM I. ELKUS.

Chairman Reconstruction Commission.

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