

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

MAINE PUBLIC DOCUMENTS

July 1, 1936 - June 30, 1938

FIRST ANNUAL REPORT

OF THE

**MAINE UNEMPLOYMENT
COMPENSATION COMMISSION**

TO

HIS EXCELLENCY, GOVERNOR LEWIS O. BARROWS

January 31, 1938

Your Excellency:

In submitting herewith a report of the administration and operation of the Maine Unemployment Compensation Commission for the last calendar year, as required by Chapter 192 of the Public Laws of 1935, we have included all of 1937 and also the period dating back to December 21, 1936, when this Commission was organized.

This report may fairly be termed a review of the organization stage in the life of this department, because the past twelve months and more have been devoted to preparing for the main objective for which this Commission was established, the payment of benefits to unemployed workers beginning January 1, 1938.

The Law provides for two separate divisions under the supervision of the Unemployment Compensation Commission, each division being charged with the carrying out of a specific major objective of the law. The Compensation Division, first to be established, has the duty of collecting and maintaining the funds obtained from pay roll contributions, and disbursing them for the relief of the unemployed. The second division, established in the middle of 1937, is the Employment Service Division and has the primary duty of registering unemployed workers and seeking to find employment for them.

Organizing of these two divisions has caused the department to grow from a commission of three members, a secretary and two or three clerks located in a small room on the third floor of the State House, to an organization numbering 277 persons, as of January 1, 1938, occupying three floors of a large business block at 331 Water Street, Augusta, and a score of branch offices scattered throughout the State.

The early months of the Commission's activities, in fact the entire year 1937, were devoted to pioneering in a new field. There were few landmarks to guide the Maine Commission because most of the other states in the Union were, like Maine, in the act of establishing similar departments.

FEDERAL CO-OPERATION

The only trustworthy guide for the Maine Commission was the Federal Social Security Board, primarily its Bureau of Unemployment Compensation, which performed a distinctive service to all the states in serving as a clearing house for the experiences of other states. But this agency too was pioneering a huge program, em-

bracing the combined experiences of the various states, and the result was that its suggestions and programs frequently were discarded or altered almost as rapidly as they were put into effect.

The first task that confronted the Commission in those last days of December, 1936, and early in 1937, was to collect a contribution of nine-tenths of one per cent of the total pay roll of every employer having eight or more persons in his employ during at least 20 weeks of the year 1936. Obviously, the first necessity was to determine the identity of all such employers. No such information was available when the Commission first assumed office.

A partial list of Maine employers was obtained through the State Department of Labor. This was supplemented by other names secured through the Industrial Accident Commission. The total list thus obtained was far short of the number of employers estimated to be subject to the law. The Commission thereupon began a thorough canvass of every business and industry in Maine, in order to compile as quickly and accurately as possible, a list of those employers liable to make pay roll contributions under the law.

Haste was essential in order that every subject employer might be notified in time to enable him to make his payroll contributions for the year 1936, and thereby avoid the penalty of a double assessment by the U. S. Bureau of Internal Revenue because of failure to pay his contribution before March 1, 1937.

The task of determining the number and identity of employers who should contribute to the unemployment fund was difficult in itself, but that which immediately followed was infinitely greater. This was the work of establishing individual earning cards for every one of approximately 178,000 workers in the State of Maine, and thereafter keeping a current record of the quarterly earnings of those workers. Such records were necessary because the law provides that benefits to be paid unemployed workers shall be computed on the basis of their total earnings in the preceding year or more of their last employment.

A double index of such covered workers was necessary, one by alphabetical sequence, the other by numerical sequence based on Social Security registration numbers. The need of a double index became increasingly evident as each calendar quarter brought its pay roll summaries from covered employers, and with them the realization that thousands of covered workers are of migratory

nature, frequently shifting their place of employment from one business to another or from one place to another several times within a period of a few months.

In working out this highly technical and detailed procedure of filing and accounting, the Commission adopted a policy, the wisdom of which we believe has been vindicated by the results achieved, that of employing an expert accountant on a temporary basis from one of the most prominent certified public accountancy firms in Maine, Mr. Richard M. Millett of the firm of Millett, Fish & Dresser.

Mr. Millett brought to our aid many years of experience in the field of public accountancy, plus a thorough study of the progress thus far made in the field of unemployment insurance throughout the country, such data being made available to him not only by the Federal Social Security Board, but by many nationally recognized business equipment houses and accounting agencies which had pioneered in this field. Later in 1937 Mr. Millett was recalled to our employment for the purpose of establishing the accounting procedure on which we were to base our benefit computations and payments, beginning January 1, 1938.

The early days of the department's activities in determining the number of employers and the number of workers covered by the Maine Unemployment Compensation Act were made especially difficult by reason of the fact that it was an entirely new and complicated program. Employers and employes alike were, as might be expected, very largely ignorant of the law, its operation, or its purposes. This meant that a tremendous amount of educational work had to be carried on by the Commission in order that its objectives could be achieved at the earliest possible date.

In this work, the Commission conducted a program of intensive publicity through the newspapers and the radio, in order to spread as quickly and as far as possible the aims and purposes of the law. Maine newspaper publishers and radio station operators coöperated generously in this task. Free space was obtained in every daily paper and in practically every weekly paper in Maine throughout much of the year, while the radio stations devoted regular periods of free time for several months during the year.

For the most part Maine employers coöperated whole-heartedly in seeking to conform to the requirements of the law and to provide the necessary reports as to their pay roll and records required by the law.

Doubt as to the constitutionality of the law led many employers to pay contributions during the early months of 1937 under legal protest, but these doubts rapidly dissolved late in May, when the United States Supreme Court held the Social Security Act, of which Unemployment Compensation is a part, to be constitutional. Acceptance of the law and its requirements became very general, and the Commission's work was attended thereafter by far less hostility and opposition than had been encountered in the early months of its organization.

STATE EMPLOYMENT SERVICE

With the Compensation Division fairly well organized by mid-summer, the Commission was then faced with the task of establishing a state wide employment service. Maine was one of the few states of the Union which had no employment service affiliated with the U. S. Employment Service. The only public employment service then in Maine was the National Reemployment Service, a temporary Federal agency established in 1934 to assist the several public works' agencies then in operation.

To establish a state employment service, the Commission was required to evolve a plan for state wide service which would be readily accessible to the great bulk of the working population of the State. To further comply with federal requirements, the State had to adopt a system of selecting personnel for its employment offices on a standard acceptable to the United States Employment Service.

No merit system then being in existence in Maine, this Commission, with the approval of the Governor and Council, established a system of merit examinations in conjunction with the United States Employment Service and Federal Social Security Board, and examined hundreds of applicants for the so-called key positions in the various offices to be established as part of its State Employment Service.

These examinations were conducted in August under the supervision of a committee consisting of Professor Orren C. Hormell of Bowdoin College, a leader in the movement which resulted in the enactment of a state wide Merit System in the 1937 Legislature; Professor Arthur G. Eustis of Colby College, and Mrs. Herschel Peabody of Bangor, then President of the State League of Women Voters, an organization which had played an important part in winning legislative approval of a State Merit System.

Meanwhile office locations had to be established in key cities and towns, alterations made to conform to United States Employment Service standards, and equipment planned and purchased for prompt installation.

The first appointments to the employment service personnel were made late in September. Most of these appointees were inexperienced in public employment office work. As a consequence the Commission had the task of training personnel to prepare them for the benefit payment problem they were soon to face, a handicap which most of the other states did not have in the crucial late months of 1937.

The State of Wisconsin was the only State in the United States having any real experience with unemployment compensation. That State had a compensation law before the Federal Act was passed in 1935 and began paying benefits to unemployed workers in August 1936.

Maine, as did most other states, attempted to gauge the probable extent of its unemployment, and consequent claims for benefits, by the experience already recorded in Wisconsin, making due allowance for differences in population and types of industries. By this method it was estimated that Maine might expect from 2,400 to 3,400 benefit claims a week in 1938.

A serious business depression, more kindly referred to elsewhere as a recession, developed rapidly late in 1937 and completely upset the calculations of all the states as to their probable volume of unemployment and benefit claims. So rapid were the employment layoffs in Maine in November and December that this Commission was required to revise its estimate sharply upward and make emergency plans for additional thousands of claims after January 1.

(*Note.* The first two weeks of 1938 actually developed a total of 20,000 benefit claims in contrast to the predicted maximum of 3,400 a week made in the preceding fall.)

Revision of these estimates forced the Commission to make an immediate expansion of its force to meet the growing burden of unemployment and its certainty of increased demands for benefits. Personnel in the employment service by early fall approximated 75 and the Compensation division numbered about 125 more. The next two months of the year witnessed a feverish effort to obtain and train personnel, and incidentally to provide necessary equipment and supplies to meet the greatly changed conditions. As a result the Commission had in its employ, at the year end, 120 persons in the Employment Service and 157 in the Compensation division, a total of 277.

FINANCIAL STATEMENT

The balance sheet attached to this report discloses interesting data concerning the operations of the department since the date of its organization.

It discloses that at the year end the Maine Commission was collecting contributions from 2,895 employers, that number having been found to employ 8 or more persons for a period of 20 weeks or more as required by law. The statement shows further that 178,364 workers are employed by these covered employers and are therefore eligible to benefits if hereafter they become unemployed.

The statement shows that on a basis of nine-tenths of one per cent contributions for the year 1936 the Maine Commission collected a total of \$1,252,643.46. For the year 1937 when the rate was one and eight-tenths per cent on pay rolls, the Commission collected \$2,499,647.04. The sum of \$790.37 was collected in 1937 as interest or penalties on delinquent employers, making a grand total of receipts from pay roll contributions for 1936 and 1937 of \$3,753,080.87.

At the year end the Maine Commission had deposited a total of \$3,500,000.00 in the Federal Reserve Bank in Boston, the depository designated by the United States Treasury for its deposits to this fund, which in 1938 will be requisitioned as needed from time to time for payment of benefits. The fund was credited with interest amounting to \$45,130.72 by December 31, 1937.

Attached also to this report are summaries of grants received from all sources and expenditures made by the Commission from the time of its organization up to January 1, 1938. These summaries show that the Commission received a total of \$331,219.47 in the form of grants from the Social Security Board and from the matched appropriations of the State of Maine and the Federal Wagner-Peyser Act. For all purposes the Commission expended a total of \$227,611.09. Personal services or salaries constituted nearly half of this expenditure, a total of \$110,168.43.

An analysis of the department's cost of operation for the period, basing cost on the amount of contributions collected as against the amount expended, shows a gross cost of six and one-fourth per cent. This, we feel, compares favorably with Wisconsin's cost of twelve per cent and New Hampshire's average of eight per cent for the first year of operation.

DEATH OF COMMISSIONER JOHNSON

The original Commission, appointed by Governor Louis J. Brann on December 22, 1936, consisted of Clifford A. Somerville of Portland as Chairman and representative of the public at large, and Myron E. Bennett of Sanford, representing employers, both Republicans, and Frank D. Johnson of Woodland, Democrat, representing employes. Mr. Johnson died suddenly of a heart attack on May 18, 1937. In his place Governor Lewis O. Barrows appointed Mr. Charles E. Fortin of Lewiston to represent employes and the minority party.

The Maine Commission took an active interest in the formation of the National Interstate Conference of Unemployment Compensation Agencies, which by July, 1937, included the Commissions of all 48 States, the District of Columbia and the territory of Alaska and Hawaii. Maine also coöperated in the formation of a New England Conference as a Regional group of the national organization.

In August the Maine Commission had the pleasure of entertaining the New England Conference at a Regional meeting at Kineo, which was honored by the presence of Professor George Bigge, a member of the Federal Social Security Board, various other representatives of that Board, and by the presence of Governor Barrows. In October, at the first annual meeting of the Interstate Conference at Washington, New England was designated one of twelve Regions for the entire country and Maine's Commission was honored by the election of its Chairman as Regional Vice Chairman to serve as a member of the National Executive Committee of the Conference.

To report here in full detail the operation of the Commission from the first year of its existence is impractical and unnecessary. We of the Commission feel that the year has seen more of accomplishment than mere figures as to personnel, equipment, or funds, can indicate. As to whether it has truly been accomplishment only the future can tell.

We recognize now, for as always hindsight is much clearer than foresight, that the year has had its quota of mistakes, including both errors of omission and commission. We plead no excuses for most of these errors, trusting that the future will judge with patience and toleration the extent to which we have profited by mistakes of the past. Some mistakes we feel may properly be charged to the fact that the department was pioneering a new and gigantic program and was organizing, from the very foundation, a State department similar to none existing in our State government.

STATE-FEDERAL RELATIONS

No other State department is so closely entangled in the Federal government in the working out of a program of such far reaching magnitude. The extent of this involvement is shown by the fact that with the exception of approximately \$19,000.00 a year contributed by the State of Maine, the entire cost of the department, which as previously stated amounted to \$227,611.09 in 1937, is borne by the Federal Government.

In the administration of this money the Commission must account to two separate Federal departments, the Social Security Board and the Department of Labor, as well as to the State of Maine. The department is established by State law but is bound by that same law to observe the requirements of the Federal Social Security Act and the supplementary regulations of the Social Security Board, also the provisions of the Federal Wagner-Peyser Act and the supplementary regulations of the United States Employment Service.

The past year's experience has demonstrated frequent conflicts between the State and Federal Acts and requirements or regulations thereunder established by the Federal agencies and the State. Members of the original legislative committee which drafted the Maine law and other responsible State officials, frequently expressed doubt, in the early months of our activities, as to whether we were administering a State or Federal department. Not until late in 1937 did there come general acceptance of the theory that it is a State department, although still closely circumscribed by the fact that the Federal Government furnishes most of the funds for its operation and specifically directs the manner in which those funds may be spent.

Passing of time, we are confident, will bring the states and public generally to the realization that unemployment compensation as now established is, in the words of the United States Supreme Court, "——— a coöperative legislative effort by state and national governments for carrying out a public purpose common to both, which neither could fully achieve without the cooperation of the other."

The past year and the year immediately ahead must be accepted as a period of trial and error for a vast undertaking. Amendments to both Federal and State laws, undoubtedly must be made if we are to perfect a plan, now unwieldy and cumbersome in many respects, into a practical and effective method of providing aid to the unemployed.

RECOMMENDATIONS

In submitting this sketchy outline of the past year's activities, this Commission is not unmindful of the fact that the law charges us with the responsibility of recommending to your Excellency, such amendments to the law as we deem necessary.

In view of the dual fact that the legislature does not meet in regular session until January, 1939, and that the present critical period of benefit payment operations does not warrant hasty changes in the law, we are suggesting no specific amendments to the law in this report.

As a general observation, it is our belief that the present law, if found to be of benefit to the 178,000 workers now covered by it, should be broadened in scope so as to include in that coverage employers having less than eight workers in their employ, fully as much as those employers having eight or more workers. As to specific recommendations, we believe another year's operation will clearly demonstrate the extent to which, if at all, the present law should be changed.

In conclusion, we desire to express our appreciation to your Excellency, to the members of the Executive Council and to other state officials, particularly Attorney General Franz U. Burkett, for the coöperation rendered this Commission in this troublesome period in the life of what presently is Maine's largest state department.

UNEMPLOYMENT COMPENSATION FUND CLEARING ACCOUNT

As of December 31, 1937

Pay Roll Period 1937	1936 Pay Roll Tax	1937 Pay Roll Tax	Interest and Penalties	Total
Feb. 19 to				
Apr. 14 Contributions and Interest.....	\$1,223,118.39			\$1,223,118.39
Mar. 31 Contributions and Interest.....	14,331.62	\$635,745.27	\$71.41	650,148.30
June 30 Contributions and Interest.....	4,142.21	662,916.27	64.67	667,123.15
July 31 Contributions and Interest.....	3,027.64	268,551.36	91.01	271,670.01
Aug. 31 Contributions and Interest.....	1,399.59	236,964.11	86.30	238,450.00
Sept. 30 Contributions and Interest.....	4,261.81	192,744.68	266.35	197,272.85
Oct. 31 Contributions and Interest.....	952.75	286,667.67	77.73	287,698.15
Nov. 30 Contributions and Interest.....	1,409.44	216,057.68	132.90	217,600.02
Total 1936 Contributions.....	\$1,252,643.46			
Total 1937 Contributions.....		\$2,499,647.04		
Total Interest and Penalties.....			\$790.37	
Total—All Collections.....				\$3,753,080.87
Less: Funds transferred to Unemployment Trust Fund in U. S. Treasury.....				3,500,000.00
				\$253,080.87
Less: Refunds of Overpayments to Employers Nos. 1-28 (inclusive).....				2,151.63
Balance at Depositors Trust Co., Augusta, Maine.....				\$250,929.24

Number of Contributing Employers..... 2,895
Number of Covered Employees..... 178,364

UNEMPLOYMENT TRUST FUND IN U. S. TREASURY

1937	Interest Earned	Deposits	Total
Mar. 4 Deposit (per Certificate).....		\$300,000.00	
Mar. 5 Deposit (per Certificate).....		300,000.00	
Mar. 11 Deposit (per Certificate).....		400,000.00	
April 21 Deposit (per Certificate).....		200,000.00	
May 10 Deposit (per Certificate).....		300,000.00	
May 13 Deposit (per Certificate).....		200,000.00	
June 8 Deposit (per Certificate).....		150,000.00	
July 12 Int. on Trust Fund (1st Quarter).....	\$1,697.00		
Int. on Trust Fund (2nd Quarter).....	9,192.88		
July 28 Deposit (per Certificate).....		50,000.00	
Aug. 3 Deposit (per Certificate).....		50,000.00	
Aug. 6 Deposit (per Certificate).....		100,000.00	
Aug. 9 Deposit (per Certificate).....		200,000.00	
Aug. 13 Deposit (per Certificate).....		200,000.00	
Aug. 17 Deposit (per Certificate).....		50,000.00	
Sept. 8 Deposit (per Certificate).....		200,000.00	
Sept. 22 Deposit (per Certificate).....		100,000.00	
Oct. 8 Deposit (per Certificate).....		200,000.00	
Oct. 15 Int. on Trust Fund (3rd Quarter).....	14,284.17		
Nov. 5 Deposit (per Certificate).....		100,000.00	
Nov. 9 Deposit (per Certificate).....		100,000.00	
Dec. 1 Deposit (per Certificate).....		100,000.00	
Dec. 4 Deposit (per Certificate).....		100,000.00	
Dec. 8 Deposit (per Certificate).....		100,000.00	
Dec. 31.....	19,956.67		
Total Interest Earned.....	\$45,130.72		
Total Certificates of Deposit.....		\$3,500,000.00	
Total on Deposit at 12-31-37.....			\$3,545,130.72

COMPENSATION DIVISION
Grants from Social Security Board

Period

Dec. 22–Dec. 31, 1936.....	\$ 4,000.00
Jan. 1–Mar. 31, 1937.....	56,212.54
April 1–June 20, 1937.....	32,250.49
July 1–Sept. 30, 1937.....	20,662.82
Oct. 1–Dec. 31, 1937.....	71,373.74
	\$184,499.59

Expenditures for Period Dec. 22, 1936–Dec. 31, 1937

Personal Services.....	\$84,911.71
Consumable Supplies.....	8,678.67
Telephone.....	1,242.24
Telegraph.....	161.43
Postage.....	2,240.41
Travel Expense.....	8,967.20
Transportation of Things.....	153.84
Printing and Binding.....	8,811.32
Advertising.....	253.24
Light.....	763.11
Rent—Premises.....	3,428.35
Rent—Equipment.....	164.00
Repairs and Alterations.....	1,879.58
Other Expense.....	1,310.40
Equipment.....	37,338.52
	\$160,304.02

STATE EMPLOYMENT SERVICE

Grants Received

Quarter July 1, 1937–September 30, 1937

Social Security.....	\$48,127.72
Wagner-Peyser.....	6,284.59
State of Maine.....	6,284.59
	\$60,696.90

Quarter October 1, 1937–December 31, 1937

Social Security.....	\$79,276.36
Wagner-Peyser.....	3,373.31
State of Maine.....	3,373.31
	86,022.98
	\$146,719.88

Expenditures

Quarter July 1, 1937-September 30, 1937

Personal Services.....	\$1,807.68	
Supplies Consumable.....	2,488.98	
Telephone.....	79.13	
Telegraph.....	1.45	
Travel Expense.....	5.95	
Transportation of Things.....	24.90	
Printing and Binding.....	78.04	
Light.....	10.05	
Rent.....	667.50	
Repairs and Alterations.....	2,036.81	
Other Expenses.....	4.00	
Equipment.....	20,406.07	
	<hr/>	27,610.56

Quarter October 1, 1937-December 31, 1937

Personal Services.....	\$23,449.04	
Supplies Consumable.....	1,733.99	
Telephone.....	602.06	
Telegraph.....	60.82	
Postage.....	.81	
Travel Expense.....	1,103.34	
Transportation of Things.....	149.92	
Printing and Binding.....	185.23	
Light.....	365.74	
Rent.....	3,873.60	
Repairs and Alterations.....	660.62	
Other Expenses.....	281.26	
Equipment.....	7,230.08	
	<hr/>	39,696.51
		<hr/>
		\$67,307.07

CONSOLIDATED GRANTS RECEIVED

Dec. 22, 1936–Dec. 31, 1937

Dec. 22–Dec. 31, 1936	Social Security Board	\$ 4,000.00
Jan. 1–Mar. 31, 1937	Social Security Board	56,212.54
Apr. 1–June 30, 1937	Social Security Board	32,250.49
July 1–Sept. 30, 1937	Social Security Board	68,790.54
July 1–Sept. 30, 1937	State of Maine	6,284.59
July 1–Sept. 30, 1937	Wagner-Peyser Act	6,284.59
Oct. 1–Dec. 31, 1937	Social Security Board	150,650.10
Oct. 1–Dec. 31, 1937	Wagner-Peyser Act	3,373.31
Oct. 1–Dec. 31, 1937	State of Maine	3,373.31
		<hr/>
		\$331,219.47

CONSOLIDATED ACCOUNT OF EXPENDITURES

Dec. 22, 1936–Dec. 31, 1937

Personal Services	\$110,168.43
Consumable Supplies	12,901.64
Telephone	1,923.43
Telegraph	223.70
Postage	2,241.22
Travel Expense	10,076.49
Transportation of Things	328.66
Printing and Binding	9,074.59
Advertising	253.24
Light	1,138.90
Rent—Premises	7,969.45
Rent—Equipment	164.00
Repairs and Alterations	4,577.01
Other Expense	1,595.66
Equipment	64,974.67
	<hr/>
	\$227,611.09

Respectfully submitted,

MAINE UNEMPLOYMENT COMPENSATION COMMISSION

Clifford A. Somerville, *Chairman*
Chas. E. Fortin, *Commissioner*
Myron E. Bennett, *Commissioner*

January 31, 1938