History of Employment Security Program in NC State

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The Employment Security Program is generally considered as having begun in North Carolina with the passage of the Social Security Act which was approved on August 14, 1935. It goes back further than this, further even than the passage of the Wagner-Peyser Act of June 6, 1933; for, wherever there is a free public employment office there is the ground work for potential employment security.

As early as 1919 free public employment offices were in operation in this state. The salary of personnel was provided by federal funds, with other expenses paid jointly by city and county. Offices operated as branches of the U.S. Employment Service in Asheville, Charlotte, and Wilmington were placed under the State Department of Labor on October 1, 1919, with M.L. Shipman as Federal Director, but still financed by federal funds. However, the State's first official participation began in 1921 with the enactment of a law creating an Employment Service as a North Carolin Institution. Two of these five offices survived the post war lethargy which brought the collapse of the U.S. Employment Service except in a few large industrial centers. It will be of interest, therefore, to trace the development of the Employment Service in this state as a preface to the whole Social Security Program.

Since the first public employment office was opened in this country in 1860, repeated efforts had been made prior to 1933 to establish such a Service, but apparently none of them contemplated a coordinated national system.

GENERAL BACKGROUND

The movement gained impetus and a broadened objective with the organization in Boston in 1913 of the American Association of Public Employment Offices. Still the necessary incentive had not been produced, nor was it far-reaching enough, to crystalize public sentiment into an effective force.

Further progress was made when our entry into World War I created an emergency, out of which the United States Employment Service was organized in 1918 as part of the United States Department of Labor. It should be noted that this emergency was exactly opposite in nature from that which existed in 1933. In 1918 it was chiefly a question of finding workers to fill available jobs. In 1919, 10,701,447 jobs were listed in the public employment offices, but only 6,166,000 people could be found to register. Out of this number 4,267,000 had sufficient qualification to secure placement, though, with employers desperate for workers, qualification requirements were much less exacting than today.

Since this pressure for a free employment service came from a minority group, the employers, it naturally receded with the disappearance of the employers' problem, so that in 1919 instead of a federal appropriation of $4,600,000 asked for development of the Service, a grant of $400,000 was made to wind it up.

A few statesmen, and many citizens actively engaged in the Service, had caught a vision of its importance, however, and refused to accept defeat for the movement. Such a statesman was Senator Wagner, of New York, who provided the first legislation looking to a permanent system of free employment offices; and, while his Act was vetoed twice, it finally passed and was approved on June 6, 1933, as the Wagner-Peyser Act. It called for a complete reorganization of the United States Employment Service, and financial as well as administrative participation by the states in a nation-wide system.

NORTH CAROLINA STARTED WITH THE GUN

North Carolina was one of the few states that early recognized the value and importance to both labor and industry of a free employment service system. In 1921 the General Assembly passed an Act creating a free employment service under the Department of Labor with an appropriation of $10,000, matched by an equal amount of federal funds, for maintenance. Because of the small fund available the service was limited in scope and areas served. In addition to the offices in Asheville, Charlotte, and Wilmington, offices were established at Greensboro and Winston-Salem.

At that time the Department of Labor, then known as the Department of Labor and Printing, was devoted largely to the issuance of State publications and supervision of State printing. Little administrative attention was given to the development of this new agency for service represented by its public employment offices. However, in 1931 the Printing Department was divorced from the Department of Labor. It was reorganized and vitalized with the election as Commissioner of Labor of (then) Major A.L. Fletcher, who was pledged to make the Department an agency of service to labor and to industry.
In the meantime, through lack of interest and financial support all of the public employment offices previously established in the State with the exception of Asheville and Charlotte, had folded up. The existing depression presented a gloomy outlook for State appropriation for further support of an employment service, yet the need for it was more urgent than ever before.

In the provisions of Title II of the National Industrial and Recovery Act approved on June 16, 1933, the Commissioner of Labor recognized the opportunity to build the superstructure of a really permanent employment service State-wide in scope, and professional in the character of its service.

The Wagner-Peyser Act had been passed ten days before the approval of the National Industrial Recovery Act and, while it revived the United States Employment Service, established it on a permanent basis, and made ample provision for the participation of states in the development of State Services, financial conditions throughout the country made it virtually impossible for the States to take advantage of its generous provisions.

NATIONAL REEMPLOYMENT SERVICE

The Special Board for Public Works provided for in Title II of the National Recovery Act recognized this handicap, and the inability of the United States Employment Service to provide a nation-wide organization adequate and ready on such short notice to carry out the provisions of Title II with respect to the employment of labor under the $3,300,000,000 construction program. This program provided for the employment of local labor as opposed to imported or migratory labor; for minimum hours and wages, and gave certain preferences to veterans. Therefore, on June 22, 1933 this Special Board issued regulations under which the National Reemployment Service was promulgated as an emergency agency of the United States Employment Service to function under the terms of the National Recovery Act, the rules and regulations of the Public Works Administration and the Emergency Relief Appropriation Act.

Financed entirely by Federal Emergency funds, this new agency threatened the individual states with no additional burden except the provision of local quarters; yet it provided the opportunity for creating and training an organization second to none in service to the State.

Whatever history may record concerning the merits of the National Recovery Act, it must attribute to the provisions of this Act the achievement of what had appeared to be a hopeless task, the creation of a nation-wide system of free State Employment Services; for had not the Federal Government assumed full financial and administrative responsibility for the ground work, it is more than likely that years would have elapsed before the individual states came to agreement on the need, the scope and nature of such a tremendous organization.

WAYNICK DIRECTOR IN STATE

On August 4, 1933 the first employment office in North Carolina under this new agency was opened in the City of Raleigh by direction of former Senator Capus M. Waynick, who was appointed by the Commissioner of Labor as State Director of the Employment Service.

Organized and operated under high pressure, the Service, with the leadership of its keen-minded director, developed rapidly into an efficient organization despite its handicaps and lack of administrative precedent. Within five months 102 offices had been established with a personnel in excess of 400. 152,629 persons were registered, and 54,357 placements made before the Service had been completely organized. It must not be assumed that these were all emergency placements for, during December, 1934, when 38,304 placements were made, 4220 placements were made in private employment.

When the General Assembly met in January 1935 its members for the most part had personal knowledge of the true functions of a free employment service as demonstrated in their respective communities by its service to private industry and the unemployed.

Its first Director had resigned on November 15, 1934, at what seemed an inopportune time for the Commissioner of Labor who looked forward to the establishment of the Service as a permanent State institution. However, its record under federal administration provided him with ample material for presenting its claim for State support to the forthcoming Legislature. After a number of telephone conversations with Mrs. Francis Perkins, Secretary of the United States Department of Labor, which had presented a tentative draft creating the Employment Service as a separate agency, but which the Commissioner insisted should be created as a Division of the State Department of Labor, he prepared and presented to the General Assembly an Act accepting the provisions of the Wagner-Peyser Act, whereby the State would not only take possession of the organization, premises, and equipment provided at federal expenses, but would receive continued financial support from federal funds equal to that provided by the State.
THE STATE ARRIVES

The Act was passed without change and with little opposition, and was ratified March 19, 1935, creating the North Carolina State Employment Service which, up to that time, had been known as the nation Reemployment Service. Resigning his interim appointment on July 1, 1935, the Commissioner of Labor appointed Mrs. May Thompson Evans State Director of the Service which, according to agreement with the United States Employment Service, and the terms of the State Act, was to be operated as a division of the State Department of Labor.

The Commissioner breathed a sigh of relief. His goal - a free State Employment Service - had been reached at much less cost to the State and with greater dispatch than had ever been hoped for. Up to that time it had registered 409,338 applicants and made 196,484 placements, 65,187 of them in private industry.

The State Service was officially affiliated with the United States Employment Service under the terms of the Wagner-Peyser Act on September 1, 1935, and under the direction of Mrs. Evans, went on to new aims and achievements. Recession in emergency projects activity made it possible to concentrate more definitely on a long range program designed particularly to serve the private employer and the applicant through a better knowledge of job requirements and professionalization of personnel.

A more compact organization was secured by reducing the 32 original districts to 15 and the number of branch offices from 70 to 15, with 16 outpost offices. The latter group was maintained chiefly to serve emergency agencies in project activity, and such offices were closed, reopened or transferred to meet local needs.

PERSONNEL TRAINING STARTED

Office equipment previously furnished by local or relief agencies, and which had been of the most meager and ill adapted sort, was replaced by standard equipment purchased largely with special federal funds available under the reapportionment terms of the Wagner-Peyser Act.

In addition to the State appropriation of $75,000 per year, local communities appropriated $18,630.97 during the first year of affiliation for rent and current expenses. More suitable quarters were provided for the larger offices, including the State Administrative Office, and the training of personnel began to receive attention which, because of emergency conditions, had not previously been possible.

During the first fiscal year of operation as a State Service 174,682 applicants registered and were classified occupationally under a new and scientific system of occupational classification. During the same year 137,157 placements were made, 32,291, or 23.5% of them being in private industry. This represented the prewar peak in the number of placements. That year also provided an all time record in the number of registrations for work. In November 1936 the active file contained more than 111,000 applications. At this time 128 persons were employed in the Service, not including personnel in affiliated agencies such as Bureau of Labor for the Deaf, Placement Service for Persons with Defective Sight, Bureau of Vocational Rehabilitation and Veterans' Placement Service. During this first year which was characterized by developments of a material nature, $270,980.14 was expended, $83,466.86 of which was State and local funds, and $187,513.28 federal funds.

INCREASED OPPORTUNITIES - RESPONSIBILITIES

When, in response to popular demand, a Special Session of the Legislature convened in December 1936 and passed the Unemployment Compensation Act, the whole picture and purpose of the Employment Service was given a new meaning.

Recognized from the beginning as the spearhead of attack upon the problem of unemployment, the Service was now to become the instrument of immediate relief for the unemployed, for whom work could not be found.

The Act creating the Unemployment Compensation Commission which was ratified on December 16, 1936, provided for the payment of unemployment compensation through public employment offices. Its representatives must determine the suitability of work made available to applicants, and upon the certification of the Service their eligibility for benefits is initially established or denied. Because of the close coordination that must henceforth exist between the Employment Service and the Unemployment Compensation Commission in the administration of the Act, a new alignment of the organization was
seen to be necessary. Though still operating under the general regulations of the United States Employment Service, the direction of the Service was, for administrative convenience, transferred from the Department of Labor to the Unemployment Compensation Commission, of which it is now a Division.

With this transfer of supervision, the resignation of the Director and another interim appointment, pending the result of merit examinations, and with the necessity of immediately expanding a Service that had been contracted to secure greater professionalization, the Service was confronted with many new problems as well as new responsibilities. It must meet the need for expansion and professionalization at one and the same time. Larger quarters had to be obtained, and extension service provided in every county in the State. Supervision had to be transferred from the Administrative Office to the field. Personnel must be trained not only in Employment Service procedure but in carrying out the provisions of the Unemployment Compensation Act.

Added to these problems was that of new personnel taken on as a result of merit examinations, many of whom, though high in rating, lacked the actual experience to enable them to fit into the new program with immediate effectiveness. The administrative staff was organized on a functional basis. To simplify supervision and secure better contact, the 15 districts were reduced to 10 and the direct reporting offices increased from 15 to 35 with 9 Negro offices in addition. Four Field Supervisors maintained the contact between administrative and field offices, while two Staff Supervisors assumed responsibility for statistical and fiscal procedures.

Notwithstanding these revolutionary changes and the complex problems presented by them, the Service did not wander from its aim and function to develop a private placement service that made it the accepted clearing house between industry and labor. Its achievement is a matter of record. So valuable had become its experience that the Service was commandeered by the President on January 1, 1942, for the duration of the war for the purpose of channelling man-power for the prosecution of the war.

UNEMPLOYMENT COMPENSATION STARTS

The Unemployment Compensation Act (tentative draft) submitted to the State as a result of favorable congressional action on the Social Security Act aroused little enthusiasm in the State. The people generally knew little of its provisions, and the employers of the State had not been sold on the broad principles which underlay it, as had been the case in accepting the Employment Service as a North Carolina institution. However, they had only the choice of accepting the national draft Act, without modification, or of contributing by taxation to the support of a national system from which they and their employees would receive no benefit.

Consequently, the Act was passed at a special session of the Legislature on December 16, 1936, and took effect on passage with respect to employment and wages in 1936. The first unemployment benefits became payable in January 1938. The incident attending the payment of the first claim was considered so noteworthy that a picture of the claimant receiving a check from Chairman Powell was taken, which developed an interesting situation. The photograph was distributed to the daily papers as a matter of news. The picture of the beneficiary was immediately recognized by prison authorities as that of an escaped criminal and he was promptly returned to prison. The check, presented by Chairman Powell in the photograph was a blank and the actual check never reached the claimant.

SPECIAL COMMITTEE MAKES STUDY

In 1933, two years before the passage of the Social Security Act, one of the first steps taken by Col. A.L. Fletcher, Commissioner of Labor, was to make a study of a law providing for unemployment compensation which Ohio had passed, but which had not then become effective. As a result, a bill providing for unemployment compensation in North Carolina was introduced by Senator W.O. Burgin in the 1933 Legislature. A special Commission was appointed to make a two-year study of the subject, of which the Commissioner of Labor was a member, with Dr. H.D. Wolf, Chapel Hill, as executive secretary. Again, in the Legislature of 1935 a bill was introduced by Gov. R. Gregg Cherry, then a member of the House, which was designed to make it possible for North Carolina to take advantage of the National Act. The bill was enacted into law, and provided that the Governor and Council of State might set up machinery for the administration of an unemployment compensation fund either naming a new commission or board, or establishing it in an agency already setup in the State.

This Act was expected to meet the requirements to be set up in the Social Security Act for this State's participation in the employment security program.

State officials including Attorney General A.A. F. Seawell and A.L. Fletcher, Commissioner of Labor, appeared before representatives of the Social Security Board during the year 1936 in an effort to have the law approved as sufficient. However, such approval was not secured.

Meanwhile, several recommendations for changes in Title III of the Social Security Act which dealt with unemployment compensation were submitted by the Commissioner of Labor through Senator Bailey and were incorporated in the National Act as finally passed.
It was necessary for the Legislature to enact a State Law before the end of 1936 in order to escape the loss of all of the 3 percent tax enacted by the Federal Government under Title III of the National Act. Therefore, when the special session convened in December 1936 little time was available for a careful study of the Bureau draft of the bill which was introduced by several representatives, including Mr. Cherry, then Speaker of the House, and it was accepted with little choice or argument, but upon the insistence of Governor-elect Clyde R. Hoey, the Commission was established as a separate agency instead of a Division of the Department of Labor as had been the case with the N.C. State Employment Service. Since, under the provisions of the National Act the administration of the Unemployment Compensation program is virtually inseparable from the local employment service program, a provision was included in the Unemployment Compensation Law transferring the Employment Service to the newly created agency with the Commissioner of labor as an ex-officio member of the Commission, of which Charles G. Powell, Secretary to Governor Ehringhaus until he was given an interim appointment as Secretary of State, was made Chairman, with Mrs. J.B. Spilman the third member.

Under this new alignment it was some time before the Employment Service Division and the Unemployment Compensation Division were welded into the close working organization that existed when the outbreak of the war caused an involuntary separation of the two agencies.

Upon the creation of the Unemployment Compensation Commission, E.W. Price, formerly with the Industrial Commission, was made its first Director. It was then located in the Griffin Building on Fayetteville Street. The Employment Service was quartered in the Raleigh Building on West Hargett Street.

Soon after the absorption of the Employment Service by the Commission, Mrs. May Thompson Evans resigned as Director of the Employment Service Division and was succeeded by R. Mayne Albright, who was granted leave in 1942 to enter military service, and was succeeded by Mrs. Gertrude K. Clinton, Assistant State Director.

REORGANIZATION OF THE COMMISSION

The Legislature of 1941, apparently dissatisfied with the Commission as set up, called for its reorganization, and passed an Act which was ratified on March 15, 1941, changing it to a seven-member Commission. Col. A. L. Fletcher, who had resigned as Commissioner of labor to accept a position with the U.S. Department of Labor in the administration of the Fair Labor Standards Act, was appointed by Governor Broughton as its new chairman. The other six members were, Dr. Harry D. Wolf of Chapel Hill, Mrs. Frank L. Fuller of Durham, Cecil E. Cowan, of Morganton, R. Dave Hall of Belmont, C.A. Fink of Spencer, and T. Clarence Stone of Stoneville. The new Commission assumed office July 1, 1941.

The Benefit Formula was liberalized in the Legislature of 1941 by increasing the minimum weekly benefit amount from $1.50 to $3.00, with corresponding increases for amounts up to the maximum of $15.00. The waiting period required before payments could begin was also reduced from two weeks to one week. Employers also were relieved of the payment of taxes on wages paid to an individual in one year in excess of $3,000. The Legislature of 1945 again liberalized the benefit formula by increasing the minimum weekly benefit amount from $3.00 to $4.00, and the maximum from $15.00 to $20.00, with corresponding increases for intervening amounts. It also increased the duration of benefits for veterans from 16 weeks to 20 weeks, but took no action with respect to the duration for unemployment compensation claimants.

PERSONNEL CHANGES

Mr. Price resigned as Director soon after the reorganization and Dr. W.R. Curtis, who had a major role in the organization and establishment of the Commission’s administrative policies and technical formulas, and who, until then, had been Director of the Bureau of Research and Statistics, was made Director of the Unemployment Compensation Division.

The outbreak of war brought several other changes in the administrative staff of the Commission. Chairman Fletcher was called to Washington in 1942 to aid with the Selective Service System. Dr.W.R. Curtis, Director of the U.C. Division, was appointed Acting Chairman, and R. Fuller Martin, then in charge of Business Management, was appointed Director of the U.C. Division. Dr. Curtis later joined the Navy and was succeeded as Acting Chairman by Ralph M. Moody, chief council.

Curtis was released by the Navy and resumed as Acting Chairman on April 30, 1943, which position he held until June 30, 1944 when Col.Fletcher, released from military service, took over as Chairman.

Col. Fletcher, reappointed for the second term as Chairman by Governor Cherry in 1945, resigned on April 30, 1946, to accept aposition with the Veterans Administration, and R. Fuller Martin was made Acting Chairman, pending the appointment by the Governor of an successor to Col. Fletcher.

Col. Henry E. Kendall, recently released from military service, was appointed as Chairman, and succeeded Martin on July 1, 1946, Martin returning to the position of Director of the U.C. Division.

Lieutenant Colonel
Henry E. Kendall, of Shelby and Raleigh,
appointed by Governor R. Gregg Cherry as a ESC member and Chairman. The U.C.C.
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EMPLOYMENT SERVICE RETURNS

The Employment Service, upon transfer to the War Manpower Commission, was considerably expanded to meet war needs. While no record was kept of the total number of individual registrations for work during the war period because of the fast moving picture and labor scarcity, its effectiveness in its new role is revealed in the fact that during the years 1942 to 1945, inclusive, it made 995,071 placements, the peak being 1943 with 273,423 placements reported.

It was returned to the State administration on November 15, 1946, with 78 offices, a personnel of 431 and with E.C. McCracken as Director. At that time the U.C. Division had a personnel of 575, making a total of 1006 for the two agencies. The Business Management Departments of both Divisions were combined as one, and the Statistical staffs of the two Divisions were consolidated under the Bureau of Research and Statistics to serve both agencies.

In January 1937 the total working force of both Divisions was 240, U.C. Division 25, E.S. Division 215. By January 1938 the total had reached 686, U.C. Division 356, E.S. Division 330. January 1939 brought the total up to 830, U.C. Division 552, E.S. Division 278.

As the two programs became more completely integrated, and industry began to recover from the 1938 recession, it was possible to reduce the number of employees. In January 1940 it had been reduced to 660, U.C. 372, and E.S. 288.

Increased activity in defense construction with a heavy labor turnover brought the number up to 676 in January 1941, U.C. 341, E.S.335.

The present expanded personnel to 1006 is a result largely of the responsibilities assumed by the two Divisions in the administration of the G.I. Bill of Rights, for the benefit of returning veterans. However, the number of employers covered by the U.C. Law has increased from approximately 7000 in 1938 to nearly 13,000 at present; and the number of workers covered has increased from about 400,000 in 1938 to approximately 550,00 in 1946.

The statistics concerning the operation of the Commission may be found in its printed reports, and are not detailed here. A conclusion easily reached from a casual examination of them is that the program has done much through employer contributions to relieve distressing circumstances which would have resulted from involuntary unemployment, by the payment of more than $30 million to U.C. claimants and more than $40 million to veterans; that, through the activities of its Employment Service Division, it has done much to stimulate an interest in occupational training, in promoting wholesome labor-management relations, and in evaluating the labor demand and supply in the State.

A PROBLEM-AND A CHALLENGE

Finally, it will be recognized by all sound thinking men that Employment Security means (1) a job for every qualified worker, (2) an adequate provision for the proper occupational training of those who have no specific occupational qualification, and (3) the prompt payment of a stand-by weekly sum when jobs are not available.

There still remains that indeterminate portion of the population who, because of the limited coverage provisions of the Law, are not now protected when unemployed; or, who, because of old age, insufficient education, training, or because of physical handicaps, are unemployable.

Heretofore, they have comprised an appreciable proportion of the number of active applicants for work. Whatever industry may do to stabilize employment, it will have a minimum effect in reducing unemployment so long as our birth rate adds 75,000 persons annually to the population, 80 percent of whom never finish high school, have no definite occupation, have not been taught to think out problems for themselves, and who have not experienced the urge to qualify themselves for some definite place in the industrial life of the State.

There is an inexorable tide of human progress, whether we like it or not, and it is steadily pushing the question of full and fair employment to the top of the agenda of public policy. The remedy for this unfortunate situation is a challenge, not only to the personnel of this agency, but to every social and educational organization in the State.

Agency was created as the Unemployment Compensation Commission by the General Assembly in a special session on December 16, 1936. The name was changed by law to Employment Security Commission effective April 1, 1947. Originally established as a three-member body, it was changed to a seven-member commission effective July 1, 1941.