

'Lag-Quarter' Racket Costly to Employers

By Ross Graham

Ed. Note: This is the sixth of a series of ten special articles. Of all the rackets that are milking the California unemployment insurance reserves fund, one that is particularly reprehensible even though it can be legal, is the "lag-quarter" racket.

It is estimated that this racket costs the honestly-unemployed about \$25,000,000 to \$30,000,000 a year from the reserve fund, that is supposed to protect them when they are out of work through no fault of their own.

RESERVES FADING

With the reserve fund estimated to diminish about \$23,000,000 this year, the importance of ending the lag-quarter racket easily can be seen.

Here is how it is worked:

A person has been steadily employed for 18 months at a salary of \$50 a week. On December 30th he is laid off. Under these circumstances, it should be noted, he is entitled to unemployment insurance because he is out of work through no fault of his own.

On January 2nd he files a claim for benefits.

In this case the individual's base earning period is the first 12 months out of the last 18 months. In the first 12 months he has total earnings of \$2,800. In the last 6 months his total earnings were \$1,300.

RECEIVES BENEFITS

He was the first 12 months earnings as basis for his first unemployment benefit payments and gets maximum benefits of \$650, or \$25 a week for 26 weeks. (The law provides benefits may be up to one-half his base earnings, but not more than \$650.)

This person remains unemployed for the 26 weeks and draws the maximum of \$650 in unemployment insurance benefits.

Now, for the next six months the person must find some other means of support if he is to be a full-fledged "lag-quarterer."

FILES NEW CLAIM

But on the following January 2nd, the first anniversary of his first claim, still being unemployed, he files a second claim.

Again his unemployment insurance award is based on the first 12 months out of the last 18 months, it includes the last 6 months that he was steadily employed, before he started his year of loafing on unemployment insurance.

For this last 6 months, remember he still has \$1300 in wage credits, which being twice \$650, entitles him to the maximum unemployment insurance benefits of \$650 again, at the rate of \$25 a week for 26 weeks.

YEAR'S VACATION

So the individual gets to loaf on unemployment insurance for the first and last six months of an 18-month period.

And he can do it legally,

under the wording of the present act.

This racket, however, is very unfair to the honest workman. By honest workman, is meant the workman who gets out of work and lives on his savings while looking for another job, instead of rushing to the unemployment office to file a claim for unemployment insurance.

If this honest workman does not find a job and exhausts his savings, it usually is too late for him to file for unemployment insurance. The time limit has passed.

HONEST WORKER BROKE

So, the honest worker finds himself broke while his legally-honest but morally-dishonest fellow worker takes advantage of the lag-quarter to draw benefits while loafing. Correction of this loophole in the law certainly is a "must" and the method of doing it will be explained in later installments.

While this series to some extent has exposed chiseling and frauds on the unemployment insurance reserve fund in California, it should not be assumed it is intended as a series of "expose" stories.

The motive is much more serious than that.

WOULD BREAK COMPANIES

It recently was stated in a newspaper story that if an atom bomb fell on a major American city and the private insurance companies had to pay for the damage, every insurance company with extensive coverage in that city would go broke.

The state unemployment insurance fund is in exactly the same situation as the private insurance companies, except that the "atom bomb" in its case would be widespread unemployment.

The ratio of payments (or premiums) into the unemployment insurance fund is like the ratio of premium payments on a private insurance policy—very small compared with the amount of the principal.

If every private insurance policy became due the same day, every insurance company would go broke.

But actually payment of policies is spread over long periods of time and the insurance companies, not being troubled with "rackets," can make provisions for having sufficient money on hand to pay off.

ON SAME BASIS

The state unemployment insurance reserve fund should be, and it is desired that it be, handled on the same basis.

But when rackets in a single year take money out of the unemployment insurance fund to an amount that would balance the diminishing fund, or even permit it to show again, it is plain that there are serious faults in the act that must be corrected to preserve the fund for the inevitable emergency that is bound to come.

Some of these faults will be described in the next installment.

SUPERVISORS TO ACT ON FREEWAY PLANNING

Study of a ten-year program for freeway construction in the Los Angeles metropolitan area to cost an estimated \$788,975,000 is now before the Board of Supervisors and a vote on its approval, in principle, will come before the Board on February 13, it was made known by Supervisor Raymond V. Darby.

The tentative program provides for construction and acquisition of rights of way during the next ten years of 402 miles of high speed highway. Plans for financing the huge development are under study by the Metropolitan Transportation Engineering Board, an unofficial organization composed of administrators, officials and engineers of the various cities of the county and the state within the Los Angeles Metropolitan area, Darby said.

Progress in construction of needed freeways during past years has been too slow due to insufficiency of funds. It has not kept pace with the rapidly growing Los Angeles Metropolitan area and, for this reason, the engineering board was organized. Its purpose is to prepare not only the ten-year program, but to propose financial methods for its accomplishment.

Plans are for governmental bodies of cities in the county, to give approval to the program in principle and submit it to the State Legislature for consideration along with other highway needs of the state.

Because costs will be prohibitive ten years hence, the plan is to design exact routing of freeways and purchase rights of way now. The proposed program incorporates as many miles as possible into the system. This is done by proposing certain sections of freeways for rights of way acquisition only, certain sections for stage construction and some sections

for complete freeway development.

In a summary of the freeway situation it is reported that there are now 90 miles of freeways completed or under construction and 32 miles programmed. Freeways proposed in the ten-year program for full construction provide 132 additional miles, those proposed for stage construction only — 69 miles, and those proposed for rights of way acquisition only — 79 miles.

Should the plan be carried out to its ultimate conclusion years hence, the metropolitan Los Angeles area would be crisscrossed with these rapid transit highways, Supervisor Darby stated.

Industrial Relations Courses Announced

Two new industrial relations courses, Foremanship Training and Employee Relations, both to be taught by Mr. Nathan J. King, supervisor of employee relations for the Union Oil Company, will be offered at Harbor Junior College during the spring semester.

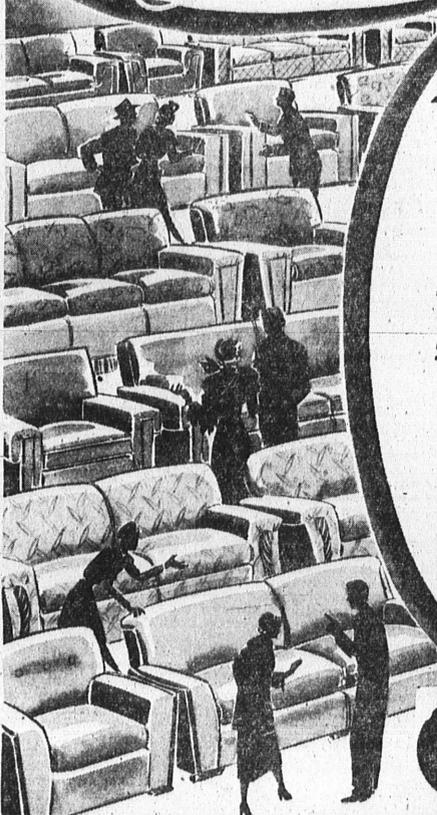
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