State Differences in Unemployment Compensation Employer Taxes

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IN GENERAL OUTLINE, all State unemployment compensation taxes fall within the framework of the Federal Unemployment Tax Act. In every State the tax is levied on pay roll, excluding wages in excess of $3,000 a year. State differences in the groups subject to the tax are not extensive. In all but four States [1] employer taxes are the only source of revenue for financing the program. All but six States [2] vary rates according to employers' experience with unemployment or compensation. The range of State rates has tended more and more to be limited by the 2.7-percent maximum allowed as credit under the Federal act, as States have done away with "penalty rates" for employers with relatively high records of unemployment.

Because of these similarities, employer taxes levied by the States to finance unemployment compensation probably differ less from State to State than other State taxes earmarked for particular purposes. Disparities are constantly increasing, however. If experience-rating provisions were uniform, differences in rates actually paid by employers would arise from economic causes and differences in benefit levels. When one State has little unemployment while another has major employment dislocations, tax rates in the two States will differ, even if all provisions relating to contributions and benefits are the same. When two States have similar unemployment conditions and similar unemployment compensation laws but radically different wage levels, both income and outgo of their unemployment funds will differ; in a high-wage State the revenue per covered worker at a given tax rate will be greater and more workers will qualify for higher benefit amounts, with resulting higher benefit costs. When two States have similar employment conditions and similar wage levels but different benefit formulas, rates determined under similar experience-rating provisions will differ.

This study, however, is not concerned with economic differences but with differences in the State laws and consequent differences in the taxes paid by employers in similar circumstances. Before weighing the differences, it should be emphasized that, if taxes in any State are comparatively high because of the liberality of its benefit formula, economic and social advantages may have been created which far outweigh any competitive disadvantage ascribable to a higher tax.

It is essential that, over a period of years, there should be a close correlation between the total costs and total revenue of the unemployment compensation program. Most States have some over-all controls [3] for adjusting income to costs. In the main, however, the States provide for the correlation between revenue and expenditure on an individual employer basis through experience rating. Such methods of correlation differ radically. In the 45 States that now have experience rating, the provisions differ so greatly that, regardless of economic differences, there is no assurance that, in identical circumstances, employers in any two States will pay the same tax. The contribution paid by an employer in one State may be more than twice as much as he would pay if he had been operating under exactly the same conditions in another State with different tax provisions.

Latitude in Federal Requirements

Neither the Social Security Act of 1935 nor the Federal Unemployment Tax Act of 1939 provides a single uniform set of standards which must be met by the States if employers are to receive "additional credit" [4] for rate reductions granted under the experience-rating provisions of State laws. One set of standards was provided for rate reductions to a pooled fund; another applied to reserve accounts, and still another to guaranteed employment accounts.[5] Moreover, the standards for pooled-fund reductions were general rather than explicit and the standards for reserve-account reductions were explicit but not comprehensive.

The pooled-fund laws were adopted on the theory that the risk of unemployment should be spread among all employers and that workers should receive benefits regardless of the relationship between the contributions paid by the individual employer and the benefits paid his workers. Section 910(a)(1) of the Social Security Act of 1935 specified that a taxpayer could receive additional credit for a lowered rate of contribution to a pooled fund if the rates were based on "not less than 3 years of compensation experience." No other standards were outlined. The pooled-fund States were free to experiment with rate reduction as long as the basis of the reduced rates met this very general requirement. The amendments of 1939 gave still further leeway. The use of "compensation" as the basis for rate reduction was no longer necessary. A more general phrase—"experience with respect to unemployment or other factors bearing a direct relation to unemployment risk"—was substituted in section 1602(a)(1) of the Federal Unemployment Tax Act.

For reserve accounts, in contrast, the Federal standards for reduced rates were designed to ensure the accumulation, by each subject employer, of a reserve from which compensation would be paid to his workers when unemployed. These standards provide for the maintenance of the integrity of the account by limiting payments into and withdrawals from it and list certain conditions which an employer's account must meet before he is granted a rate reduction. The definition of reserve account in the Federal act limits withdrawals from the account of the individual employer to compensation payable on the basis of

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[1] Alabama, California, New Jersey, and Rhode Island have additional revenue from workers' contributions.

[2] Alaska, Mississippi, Montana, Rhode Island, Utah, Washington.

[3] See "Fund Protection Provisions in State Unemployment Compensation Laws," *Social Security Bulletin,* Vol. 8, No. 5 (May 1945), pp. 35–39.

[4] "Additional credit" is the credit permitted against the Federal unemployment tax for the difference between the amount of the contribution at the reduced rate and the amount that would have been required had the employer paid 2.7 percent of his pay roll, which is 90 percent of the 3-percent Federal tax.

[5] The guaranteed employment account section is inoperative, since no State has requested certification for additional credit permitted under such provisions.

services performed for him. Furthermore, all such compensation must be paid from the particular employer's account unless the account is exhausted. The definition of balance limits payments to the account to the employer's contribution. Without these definitions the balance required for rate reduction under the reserve-account standards would have little meaning.

In the 1935 act, section 910 (a) (3) provided that a taxpayer would be allowed additional credit against his Federal tax for a reduced rate to his reserve account only (1) if benefits had been payable from the account during the preceding year and (2) if the balance in the reserve met two tests: if it equaled or exceeded five times the largest amount of benefit payments in any 1 of the 3 calendar years preceding the date of computation *and* at the same time equaled 7½ percent of the last annual pay roll. The 1939 amendments to the reserve-account requirements, which were not effective until 1942, did not change the essential character of the standards. However, the 7½ percent of the last year's pay roll was changed to 2½ percent of the aggregate pay rolls for the last 3 years, and a requirement was added that contributions must have been payable to the account during those years.

Diversity in Types of Experience-Rating Systems

In the absence of either uniform or comprehensive Federal standards for additional credit, it was inevitable that the experience-rating provisions of State laws would vary and that the number of such variations would increase with each legislative year. The most significant of the variations grows out of differences in the formulas used for rate determination. At present there are five distinct systems, usually identified as reserve-ratio, benefit-ratio, benefit-wage, compensable-separation, and wage-base formulas.

In spite of essential differences, all systems have certain common characteristics. All formulas are devised to establish the relative experience of individual employers with unemployment or benefit costs. To this end, all have factors for measuring each employer's experience with unemployment or benefit expenditure and all compare this experience with a measure of exposure to establish the relative experience among employers.

The factor used to measure experience with unemployment is the heart of the rating system. It is the basic *variable* which makes it possible to establish the relative incidence of unemployment among the workers of different employers. Differences in such experience represent the major justification for differences in tax rates, whether the purpose is to provide an incentive for stabilization of employment or to allocate the costs of unemployment. As a guide to the relative risk of unemployment among employers, each individual employer's unemployment record is compared with his pay roll.

Here, however, any similarity in the five systems ends. They differ in the construction of the formulas, in the factors used to measure experience and the methods of measurement, in the number of years over which the experience is recorded, in the presence or absence of other factors, and in the relative weight given the various factors in the final assignment of rates.

Reserve-Ratio Formula

The reserve ratio was the first of the experience-rating formulas. It is now used in 22 pooled-fund States[6] and 5 reserve-account States.[7] South Dakota, a reserve-account State, and Vermont combine the reserve ratio with the benefit-ratio system.[8] Benefits paid to the individual worker are used in the pooled-fund States as the measure of employers' experience with unemployment and in the reserve-account States to establish the liability of each employer's account for the benefits paid to his unemployed workers. Regardless of the type of fund, the formulas are the same. The system is essentially simple cost accounting, designed to keep the income from each employer at a point which will meet the cost of benefits paid to his workers and at the same time ensure a certain reserve for emergencies. On each employer's account are entered the amount of his pay roll, his contributions, and the benefits paid to his workers. The benefits are subtracted from the contributions and the resulting balance is divided by the pay roll to determine the size of the balance in terms of the potential liability for benefits inherent in wage payments; a balance of $10,000 may be adequate for an employer with a $100,000 annual pay roll and low for an employer with a $400,000 pay roll. Rates are assigned according to a schedule of rates for specified ranges of reserve ratios. The higher the ratio, the lower the rate. The formula is designed to make sure that no employer will be granted a rate reduction unless over the years he contributes more to the fund than his workers draw in benefits.

Benefit-Ratio Formula

The benefit-ratio formula also uses benefits as the measure of experience but eliminates contributions from the formula. It is used without modification in 5 States[9] and in modified form in 3 States.[10] It provides for a direct comparison between benefits and pay roll, using the ratio of benefits to pay roll as the index for rate variation. If an employer's pay roll was $100,000 and his workers received $2,000 in benefits, his index would be 2 percent.

The theory is that, if each employer pays a rate which is the equivalent of or slightly higher than his ratio, the system will be adequately financed. This principle is illustrated in the following schedule in the Michigan law.[11]

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[6] Arizona, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine, Missouri, New Hampshire, New Jersey, New Mexico, North Dakota, Ohio, Oregon, South Carolina, Tennessee, West Virginia.

[7] Indiana, Kentucky, Nebraska, North Carolina, Wisconsin. Indiana and Wisconsin adopted amendments, effective in 1946, which repeal the reserve-account provisions and establish pooled funds.

[8] The reserve ratio in South Dakota is used (1) to determine whether an employer qualifies for rate reduction on the basis of his benefit ratio and (2) to determine eligibility for (a) the initial reduction to 2 percent and (b) a zero rate. Regardless of his benefit ratio no employer is required to contribute in South Dakota if his reserve ratio is equal to or in excess of 10 percent. In Vermont the reserve ratio is used to determine eligibility for rate reduction and as a basis for the assignment of the initial reduction to 2.4 percent.

[9] Florida, Maryland, Minnesota, Nevada, Wyoming.

[10] Michigan, Vermont, and South Dakota limit rate reductions to employers meeting certain reserve requirements. In contrast to South Dakota and Vermont, however, Michigan assigns rates to employers who meet the reserve requirements on the basis of the benefit-ratio formula only.

[11] The standard rate in Michigan is 3 rather than 2.7 percent. A 1945 amendment adds a reserve requirement which is prerequisite to any rate reduction for

If the employer's benefit ratio is:	*His rate will be: (in percent)*
Less than 1.0 percent	1.0
1.0 and less than 1.3	1.3
1.3 and less than 1.6	1.6
1.6 and less than 1.9	1.9
1.9 and less than 2.2	2.2
2.2 and less than 2.5	2.5
2.5 and less than 2.8	2.8
2.8 and less than 3.1	3.1
3.1 and less than 3.4	3.4
3.4 and less than 3.7	3.7
3.7 or more	4.0

Unlike the reserve ratio, the benefit ratio is geared to short-term rather than long-term experience. The balance carried forward each year under the reserve-ratio plan is ordinarily the difference between the employer's total contributions and the total benefits received by his workers since the law became effective. Under the pure benefit-ratio plan, only the benefits paid in the most recent 3 years are used in the determination.[12] Under the reserve-ratio system the employer must accumulate and maintain a specified reserve before his rate is reduced. Under the benefit-ratio system he must keep currently abreast of his obligations.

The major difference in the reserve-ratio and benefit-ratio systems lies, however, in the effect of changing pay roll upon rates. Under the reserve-ratio system an increasing pay roll tends to increase rates and a declining pay roll, to decrease rates. Under the benefit-ratio and all other systems, the pull of an increasing pay roll is in the opposite direction, that is, an increasing pay roll may in and of itself reduce rates. In other words, in relation to pay roll, a reserve must be high before rates can be reduced, while benefits must be low to justify rate reduction.

Benefit-Wage Formula

The benefit-wage formula, in use in 8 States,[13] is radically different. Unlike the reserve-ratio and benefit-ratio systems, it makes no attempt to measure all compensated unemployment. The relative experience of employers is measured by the separations of workers which result in benefit payments, but the duration of their unemployment is not a factor. Only one separation per worker per benefit year is recorded. The separations, weighted with the wages earned by the worker with each employer in his base period, are recorded on each employer's experience-rating record as "benefit wages."

The index which is used to establish the relative experience of employers is the ratio of the employer's benefit wages to his total wages. If employer A has a $100,000 pay roll and employer B has a $75,000 pay roll, and each pays $25,000 to workers who later become unemployed and receive compensation, the risk of unemployment in B's establishment is deemed the greater. A's experience factor would be $\frac{25,000}{100,000}$ or 25 percent; B's, $\frac{25,000}{75,000}$ or 33.3 percent. As in the benefit-ratio formula, experience used in the rate determination is limited to 3 years. A rise in the pay roll tends to lower the index and the rate. In this case, however, the tendency to lower the index may be somewhat offset because a rising pay roll may mean higher base-period wages for individual workers. In consequence, the amount of benefit-wage charges for each worker who later becomes unemployed may be higher than it would have been following a period of low wage levels.

The formula is designed to assess variable rates which will replenish the fund by raising the equivalent of the amount paid out for benefits. The total amount to be raised is distributed among employers in accordance with their benefit-wage ratios, i. e., the employer with a high ratio pays more per dollar of pay roll than the employer with a low ratio. The first step is to determine the percentage relationship between total benefit payments and total benefit wages in the State during 3 years. For example, if benefits were $2 million and total benefit wages $25 million, the ratio would be $\frac{2,000,000}{25,000,000}$ or 8 percent. This ratio is known as the "State experience factor"; it means that, on the average, the compensated workers received 8 cents in benefits for every dollar of benefit wages and that 8 cents in taxes for every dollar of benefit wages is needed to replenish the fund.

The final step in determining individual employers' rates involves multiplying the employer's experience factor by the State experience factor. If the State experience factor is 8 percent and an employer's benefit-wage ratio is 10 percent, his rate will be 10 percent of 8 or 0.8 percent. An employer with a ratio of 30 percent would have three times that rate or 2.4 percent. The multiplication is facilitated by a table which assigns rates which are the same as, or slightly more than, the product of the employer's benefit-wage ratio and the State factor. The range of the rates is limited by a minimum and a maximum. The minimum and the rounding upward of some rates tend to increase the amount which would be raised if the plan were effected without the table. Under ordinary conditions, however, this increase may be more than offset by the reduction in revenue from employers who would have paid higher rates if it had not been for the limit set by the maximum. As a result, the yield may fall short of replenishment.

Compensable-Separation Formula

Like the States with benefit-wage formulas, Connecticut uses compensable separations as a measure of the employer's experience with unemployment and limits the measure for each employer to one separation per worker per benefit year. The system differs, however, in every other respect. The separation of the worker is weighted by his weekly benefit amount. If there is no previous entry for that worker for the current benefit year, the weekly benefit amount is entered on the experience-rating record of each employer who gave the worker employment during at least 4 different calendar weeks in the 56 days preceding the beginning of the worker's compensable period.

The aggregate pay roll for 3 years is then divided by the sum of the entries over the 3 years to establish an index. Rates are assigned on the basis of an array of pay rolls in the order of the indexes.[14]

Wage-Base Formula

The wage-base plan recently adopted in New York differs from all other plans in every essential feature. First of all, rate classification is in-

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the years 1945 and 1946: the contributions paid by the employer since Jan. 1, 1939, must exceed the benefits paid his workers by 5 percent of the preceding year's pay roll.

[12] See page 11 for the Nevada and South Dakota exceptions to this general practice.

[13] Alabama, Delaware, Illinois, Massachusetts, Oklahoma, Pennsylvania, Texas, Virginia.

[14] The array used approximates a 2.1-percent yield if the fund is 2 percent or more of pay rolls for the preceding 3 years, and 2.4 percent if the fund is 1¼–2 percent. If the fund falls below 1¼ percent of the 3-year pay roll, no reduced rates are permitted.

dependent of the unemployment compensation payments to individual workers; neither benefits nor any benefit derivatives are used to measure unemployment. An employer's experience with unemployment is measured by three factors—pay-roll declines from year to year and from quarter to quarter and the number of years in which he has contributed to the fund. Varying weights are assigned each factor under a point system. Year-to-year experience carries the greatest weight, on the theory that over a period of time the greatest drains on the fund result from declines in general business activity. If an employer's pay roll shows no decrease from year to year or only a slight decrease over a 3-year period, he is assigned 12 points out of a possible 23.

Second in importance are the quarterly pay-roll declines, which are included to reflect seasonal or irregular unemployment. If the employer's pay roll decreases only slightly or not at all from quarter to quarter, he is assigned 6 points. The third factor is used because of the unemployment which may result from the high business mortality which often characterizes new business; employers therefore are given additional points if they have paid contributions over a period of years.

Another distinctive feature of the New York plan is that the amount of the over-all reduction in revenue due to rate reduction is known in advance. Credit certificates against the tax for ensuing years are issued to employers who qualify for a rate reduction. The total value of the certificates is equivalent to the amount of the "surplus" in the fund. A surplus exists only if, on July 1 of any year, the balance in the unemployment fund is at least 10 percent more than four times the contributions in the preceding year; only 60 percent of such contributions may be distributed. The amount of each employer's credit depends on the sum of the points assigned on the basis of his experience with the three factors in relation to other employers' experience.

Other Differences Which Influence Rates

State differences that cut across systems or that are found in laws of the same general type greatly lessen any probability that employers in States with the same type of experience rating will have the same or even similar rates. Some of these differences can be traced to special provisions which supplement or modify the experience-rating formulas, such as fund requirements, "war-risk" provisions in 12 States,[15] and changes from time to time in the experience-rating provisions themselves. Others result from differences in the composition of factors which are used in a formula. For example, when benefits are used to measure experience, all benefits will be included in one State; in another, there are either limitations on amounts charged or omissions from charging. Differences in the level of benefits, in contributions and pay roll as factors in the formulas, in charging methods, in rate schedules, and in effective dates are all reflected in final rates.

Benefits as a Factor

Diversities in benefit formulas and in benefit decisions make for diversity in rates, whether benefits are used to measure unemployment or to determine the amount needed to replenish the fund. For example, a worker with given wage credits in State X draws $200 in benefits for 10 compensable weeks. In State Y, a man who had the same wages and is unemployed for the same length of time receives $150. Such differences in benefits are reflected in the rates of the employers. If State X provides benefits for a uniform duration of 18 weeks, and State Y for 16 weeks, and the same number of workers exhaust their benefits, the charges against employers' accounts will be greater in State X than in State Y.

These examples are too simple to be realistic. Whether under given experience-rating provisions and given experience an employer in State X will have a higher rate than an employer in State Y will depend not only on benefit amounts and duration, but also on the length of the waiting period, the character of the base period, the disqualification provisions, the character of State determinations on eligibility and disqualification under those provisions, and the wage level in the State and in any given establishment. These and other elements of the benefit formulas are component parts of the employer's final rate. All have a direct effect under the reserve-ratio and benefit-ratio formulas. The weekly benefit amount, the qualifying-wage and disqualification requirements, and the type of decisions under these requirements have a direct bearing on rates in the compensable-separation and benefit-wage States. The effect of the benefit formula on total benefit expenditures has special influence on the rates of individual employers under the benefit-wage and wage-base formulas; the amount to be raised for the fund under benefit-wage formulas may be greater in States with more liberal benefits, while the amount of the surplus available for distribution as credit under wage-base plans decreases with increasing liberality in benefits.

Other differences result because of the diversity in the extent to which benefit-wage States provide for the replenishment of benefit expenditure. Three States[16] have a definition of the "amount to be raised for the fund" which includes all recent benefit payments. Five States[17] subtract from the amount of benefits paid certain items of revenue, such as interest and penalties, on the theory that these items have offset that much of the benefit costs.

Nor are the compensable separations used to measure employers' experience with unemployment the same under all benefit-wage formulas. In Massachusetts, Oklahoma, and Virginia, compensable separations are recorded for every worker who draws benefits, no matter how small. In Alabama, Illinois, Pennsylvania, and Texas, unemployment of short duration is not counted. No record is made in Alabama until the second week of compensation; in Texas until the worker has received the equivalent of

[15] Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Minnesota, Missouri, Ohio, Oklahoma, Wisconsin. Most of these provisions are limited to the war years. The Georgia and Kansas provisions, not adopted until 1945, were retroactively effective as of Jan. 1, 1945. The Missouri provision became inoperative on June 30, 1945. The Wisconsin provision will expire Dec. 31, 1945; however, a new amendment effective in 1947 imposes an additional tax of 0.5 percent whenever an employer's pay roll is 20 percent more than the pay roll for the preceding year. For a fuller discussion of these provisions see, Friedman, Gladys R., "War-Risk Contribution Provisions in State Unemployment Compensation Laws," *Social Security Bulletin*, Vol. 7, No. 5 (May 1944), pp. 2–8.

[16] Illinois, Massachusetts, Pennsylvania.

[17] Alabama, Delaware, Oklahoma, Texas, Virginia.

2 weeks' benefits; and in Illinois and Pennsylvania until he has received the equivalent of 3 weeks' benefits. The employer whose workers have short periods of compensable unemployment has no charges in these States, while under the same conditions in other benefit-wage States, employers are given the full charge. Delaware has another type of limitation; if, within the benefit year, an employer rehires a worker after benefit wages have been charged to his account because of that worker's unemployment, he is given credit on his experience-rating record. The maximum credit of 75 percent is given if the worker has drawn no more than 25 percent of his benefits. The credit diminishes with the increase in benefits drawn.

Contributions as a Factor

Twenty-one reserve-ratio States [18] credit all contributions, while other States [19] credit only a portion of contributions to the employer's experience-rating account. For example, Indiana credited employers with only five-sixths of their contributions in the early years. North Carolina originally had a pooled fund, and no contributions were credited to the reserve accounts until 1938, when only 50 percent was credited; 75 percent was credited for 1939 and 1940, and 90 percent thereafter. The first contributions credited in Louisiana were those paid for the quarter beginning October 1, 1941.

Voluntary contributions permitted under the laws of 12 States [20] make for other differences. In the long run a voluntary contribution means a deduction from, rather than an addition to, the credit side of an employer's ledger. The purpose of a voluntary contribution is to so increase the balance in the employer's reserve account that the resulting reduction in rate will more than offset the amount of the voluntary contribution. Minnesota is the only State without a reserve-ratio formula which permits voluntary contributions. There rates are determined on the basis of a benefit ratio, and contributions are not used in the formula. However, an employer is permitted to pay the equivalent of the amount his workers received in benefits whenever the benefits for a 3-year period are less than $300. When he makes a voluntary payment, its equivalent in benefit charges is canceled; it is, in effect, a cash payment for benefits.

Pay Roll as a Factor

The pay rolls used as a measure of exposure also differ. The pay roll may be for calendar years or for some other 12-month period. It may be the taxable pay roll, excluding wages in excess of $3,000 a year, or the total pay roll.

In Tennessee and South Dakota the reserve ratio is compared with the pay roll for the most recent calendar year. To reduce the effect of erratic pay-roll fluctuations, however, most States use an average for several years, rather than 1 year's pay roll. Under 18 reserve-ratio laws the balance in each employer's account is compared with the average or aggregate pay roll for the 3 most recent years preceding the date of computation.[21] In the interest of more conservative rate reduction, other reserve-ratio laws provide for the use of a relatively high pay roll. In six States [22] the balance is compared with the average for the 3 or the 5 most recent years, whichever is higher. Wisconsin uses the highest of three possibilities: the most recent pay roll, the average for the 3 most recent years, or 60 percent of the largest pay roll for any 1 of the 3 years. Under a Nebraska rule the last year's pay roll is used if it is higher than the average for the 3 most recent years. The reserve ratio in Vermont, a prerequisite to any rate reduction, is 2½ percent of the sum of the pay rolls for 3 years or 7½ percent of the last year's pay roll, whichever is higher.

The results of these differences may be marked. Assume, for example, an employer with a balance of $50,000 in his reserve account and the following pay rolls in the 5 years preceding the computation date, December 31, 1944:

1944	$800,000
1943	700,000
1942	600,000
1941	900,000
1940	700,000

His reserve ratio would vary in accordance with the pay roll used in determining the reserve index, as follows:

Most recent pay roll	6.25 percent
Average pay roll for most recent 3 years	7.14 percent
Average pay roll for 3 or 5 most recent years, whichever is higher	6.75 percent

Had the fluctuations in the pay roll been more erratic than those in the example, the diversities in the reserve ratios would, of course, have been even more striking.

Under benefit-wage, benefit-ratio, and compensable-separation plans, the aggregate of 3 years' experience is compared with the aggregate pay roll for 3 years except in Nevada and South Dakota. In South Dakota the total benefits paid in the last 2 years are compared with the pay roll for the preceding year. Nevada compares 6 years of benefits and 8 years of pay roll. In New York the preceding year's taxable pay roll is used to determine the percentage decline (if any) in an employer's annual pay roll, and the total pay roll is used to determine the percentage of quarterly pay-roll declines.

Differences in Charging Methods

Various methods are used to identify the employer who will be charged with the benefits (or other factors used to measure unemployment) when a worker becomes unemployed and draws benefits. Except in the case of very temporary or partial unemployment, compensated unemployment occurs after a worker-employer relationship has been broken, and it may be difficult to decide which of a worker's former employers should be charged with his benefits. Inevitably the solutions have varied from State to State. Such differences in charging methods obviously affect employers' rates.

Charges in proportion to base-period wages.—On the theory that liability for benefits inheres in wage payments, the largest number of

[18] Arizona, Arkansas, California, Colorado, Georgia, Hawaii, Iowa, Kansas, Maine, Missouri, Nebraska, New Jersey, New Hampshire, New Mexico, North Dakota, Ohio, Oregon, South Carolina, Tennessee, West Virginia, Wisconsin.

[19] District of Columbia, Idaho, Indiana, Kentucky, Louisiana, North Carolina.

[20] Colorado, Indiana, Iowa, Kentucky, Minnesota, Missouri, Nebraska, North Carolina, Ohio, South Carolina, South Dakota, Wisconsin.

[21] Arizona, California, District of Columbia, Georgia, Hawaii, Idaho, Kansas, Louisiana, Maine, Missouri, New Mexico, North Dakota, Ohio, Oregon, and West Virginia use the average for 3 years. Indiana, Kentucky, and North Carolina use the sum of the 3 years' pay rolls.

[22] Arkansas, Colorado, Iowa, New Jersey, New Hampshire, South Carolina.

States (27) [23] charge benefits or benefit wages against all base-period employers in proportion to the wages earned by the beneficiary with each employer. In the reserve-ratio and benefit-ratio States, proportionate base-period charging means that, if a claimant who received $240 in benefits had earned $1,500 with the ABC company and $500 with the XYZ company in his base period, the charges against the ABC company would be $180 and against the XYZ company, $60.

In the benefit-wage States which set no limit on charges, it would mean a charge of $1,500 in benefit wages to the ABC company's experience-rating record and $500 to the XYZ company's record. Limits on the amount which can be charged any one employer would reduce the benefit-wage charges against the ABC company to $1,366 in Pennsylvania and $960 in Virginia. The charges against the XYZ company would be $500 in each instance. Limits on the amount of quarterly benefit wages that may be charged would make for still further differences in Oklahoma, where the amount of the charge would vary with the pattern of employment. If the claimant earned his $500 with the XYZ company in 1 quarter, the employer would be charged with only $360; if the $500 had been equally divided in 2 quarters, however, the whole $500 would be charged.

On the assumption that most claimants have only one base-period employer and because the procedure is administratively simpler, Maryland charges the principal base-period employer, i. e., the employer who paid the claimant the greatest amount in wages. Here the ABC company would be charged with the full $240.

Charging employers in inverse chronological order.—Eight other States [24] limit charges to base-period employers but combine the theory of wage liability with that of employer responsibility for unemployment. The charging is in inverse chronological order of employment; responsibility for the unemployment is assumed to lessen with time, and the more remote the employment from the spell of unemployment, the less the probability of an employer's being charged. A maximum limit is placed on the amount that may be charged any one employer. When the limit is reached, the previous employer next in line is charged. The limit may be fixed at a specified amount, as a fraction of the wages paid by the employer in the base period or in the quarter, or as a combination of the two. For example, under the Arkansas law no employer may be charged more than a third of the wages he paid the worker during the base period up to $390 and not more than $130 per calendar quarter of employment.

The amount of the charge may depend on the pattern of employment as well as the wages paid. If, in the Arkansas example, the ABC company employed the claimant during the first 3 quarters while the XYZ company employed him in the fourth quarter only, the charges would be made first against the XYZ company but would be limited to $130. As a result, the charges against the ABC company would be greater than they would have been if the claimant's employment with the XYZ company had been divided among the quarters. If the XYZ company had given the worker limited employment in the third quarter, paying him $30 in that quarter and $470 in the fourth quarter, its charges would have been $140 and the ABC company's charges, $100.

Missouri charges in the inverse chronological order of employment but does not limit the charges to base-period employers; the last employer is the first to be charged, and charges are limited to 25 percent of the wages earned with an employer and to $90 for a quarter of employment. The Wisconsin method of charging is similar, beginning with the last employer. The amount of the charges against any one employer is limited by the extent of the worker's employment with that employer; that is, the number of "credit weeks" the worker had earned with that employer determines the amount of the charge.

Charging the most recent employer.—Four States [25] place all the emphasis on the employer's responsibility for the unemployment and charge only the most recent subject employer. In Maine, New Hampshire, and South Carolina the most recent subject employer preceding the separation, whether or not he is a base-period employer, receives the full charge. In New Hampshire the most recent employer would not be charged if he had given merely casual employment, i. e., if he paid a worker less than the equivalent of his weekly benefit amount plus $2. Emphasis in Connecticut is also on the separating

Table 1.—*Benefit charges to two hypothetical employers under experience-rating provisions in selected reserve-ratio and benefit-wage-ratio States, two employment patterns*

State	First employment pattern [1]		Second employment pattern [2]	
	ABC company	XYZ company	ABC company	XYZ company
	Benefits charged			
Reserve-ratio plan:				
Arkansas	$73.34	$166.66	$110.00	$130.00
California	180.00	60.00	180.00	60.00
Idaho	0	240.00	0	240.00
Indiana	115.00	125.00	115.00	125.00
Maryland	240.00	0	240.00	0
Ohio	40.00	200.00	110.00	130.00
Oregon	156.67	83.33	156.67	83.33
	Benefit wages charged			
Benefit-wage-ratio plan:				
Alabama	$1,500.00	$500.00	$1,500.00	$500.00
Pennsylvania	1,366.00	500.00	1,366.00	500.00
Oklahoma	720.00	500.00	1,080.00	360.00
Virginia	960.00	500.00	960.00	500.00

[1] Claimant received $1,500 in wages from the ABC company, equally distributed in first and second quarter of his base period. He also received $500 from the XYZ company, equally distributed in the last 2 quarters. He received $240 in benefits.

[2] Claimant received $1,500 from the ABC company for employment during the first 3 quarters of his base period and $500 for employment in the fourth quarter with the XYZ company. He received $240 in benefits.

[23] Alabama, Arizona, California, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, West Virginia, Wyoming.

[24] Arkansas, Colorado, Indiana, Iowa, Nebraska, Ohio, Oregon, South Dakota.

[25] Idaho, Maine, New Hampshire, South Carolina; Maine's provision for charging the most recent employer became effective April 1, 1945.

employer, but the last employer is not always subject to charge and more than one employer may be charged. Idaho and Vermont charge the most recent employer in the base period, because of administrative simplicity; as a rule the most recent employer in the base period and the most recent employer are one and the same.

If we assume that the XYZ company continued the claimant's employment until the separation which resulted in the benefit payments, the entire $240 would have been charged to that company in each of these States. If, however, after being laid off by the XYZ company, the claimant had 2 or 3 weeks' employment during the lag quarter before he claimed benefits, the XYZ company would have escaped all charges in each State except Idaho and Vermont. In those States it would still be subject to the full $240 charge.

Charges made on the basis of the first two patterns of employment, in accordance with the charging provisions of selected State laws, are shown in table 1.

Four States have special provisions for identifying the employer to be charged in the case of benefits paid to seasonal workers; [26] in general, seasonal employers are charged only with benefits paid for unemployment occurring during the season, and nonseasonal employers, with benefits paid for unemployment at other times.

Noncharging

In many States there has been a tendency to recognize that responsibility for at least certain types of unemployment is social rather than individual and that the costs of such benefits should be borne jointly by all contributors. This has resulted in "noncharging" provisions, which add to the disparities in individual employers' rates among the States. The most common omission is very logical; if benefits are paid on the basis of an early determination in an appealed case and the determination is finally reversed, no charge to the individual employer's account is made.[27] Second in frequency are the omissions for charges for reimbursements in cases of benefits paid under a reciprocal arrangement authorizing the combination of the individual's wage credits in two or more States.[28] Illinois does not charge any benefits paid as a result of combining a claimant's wage credits with wage credits in another State.

Another logical omission is the benefits paid, on the basis of frozen wage credits, to men who have been in military service.[29] Obviously their unemployment cannot be traced to any of their prewar employers.

A few States [30] omit charges for benefits paid following a period of disqualification for voluntary quit, misconduct, or refusal of suitable work or for benefits paid following a disqualifying act for which no disqualification was imposed because the claimant had good personal cause for leaving voluntarily or refusing suitable work. Minnesota also omits charges for benefits paid following a labor-dispute disqualification; New Hampshire omits charges if an employee who has left voluntarily works for a nonsubject employer and earns more than $2 in excess of his weekly benefit amount before he has a compensable week of unemployment.

There are various miscellaneous noncharging provisions. Indiana makes a special case for administrative errors; if an employer notifies the employment office that he will rehire a worker and the office fails to notify the worker, any benefits subsequently paid to that worker in his benefit year are not charged to that employer. New Hampshire does not charge benefits paid to a woman for unemployment following childbirth; and Michigan does not charge when extended benefits are paid a worker who is taking vocational training. Missouri omits charges for benefits paid to probationary employees—that is, workers who have not been employed by the employer more than 3 weeks, or for more than a month if paid on a monthly basis. Delaware adopted a somewhat similar exemption for benefits paid a handicapped worker if he becomes unemployed within a 90-day probationary period. Benefits paid as dependents' allowances are not charged in Connecticut.

Table 2.—*Number of differentials found in the schedules for rate reduction, 44 States*

State	Number of differentials
Alabama	6
Arizona	4
Arkansas	3
California	5
Colorado	4
Connecticut	13
Delaware	7
District of Columbia	6
Florida	5
Georgia	6
Hawaii	7
Idaho	4
Illinois	8
Indiana	4
Iowa	4
Kansas	5
Kentucky	3
Louisiana	7
Maine	6
Maryland	7
Massachusetts	6
Michigan	12
Minnesota	7
Missouri	5
Nebraska	6
Nevada	9
New Hampshire	9
New Jersey	4
New Mexico	4
North Carolina	8
North Dakota	7
Ohio	13
Oklahoma	6
Oregon	5
Pennsylvania	5
South Carolina	6
South Dakota	6
Tennessee	9
Texas	6
Vermont	4
Virginia	5
West Virginia	9
Wisconsin	6
Wyoming	7

Rates and Rate Schedules

Rates assigned on the basis of identical experience indexes differ even though the range between minimum and maximum rates in all schedules is narrow. Twenty-seven States [31]

[26] Colorado, Minnesota, Missouri, North Carolina. Ohio recently adopted a special seasonal provision for benefits paid to maritime workers employed on the Great Lakes.

[27] Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kentucky, Maine, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Tennessee, Virginia, West Virginia, Wisconsin, Wyoming.

[28] Alabama, Colorado, Delaware, Georgia, Iowa, Michigan, Nebraska, New Jersey, Ohio, South Carolina, Tennessee, Virginia, Wyoming.

[29] Georgia, Indiana, Maine, Minnesota, Nevada, Pennsylvania.

[30] Maine, Minnesota, New Hampshire, West Virginia.

[31] Alabama, Arkansas, California, Connecticut, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Nebraska, New Hampshire, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Dakota, Texas, Vermont, Virginia, West Virginia. Effective Jan. 1, 1946, Oregon will also have a 2.7-percent maximum rate.

impose no taxes in excess of 2.7 percent. Nevada has the highest rate, 4.5 percent. At best, over a long period, the allocation of costs on the basis of such a narrow spread in rates will correspond only roughly to the wide differences in unemployment experience among employers. Some States provide two or more schedules; those which permit more liberal rate reduction are used when the fund is high; the more restrictive ones, when the fund is low. Two States have only 3 rate differentials; at the other extreme, 2 have 13 (table 2).

The fact that some 50 different numerical rates are listed in the schedules in 44 States, gives some indication of their diversity; alternative schedules add to this number. The reserve-ratio schedules have little in common; only 3 States (Colorado, Iowa, and New Jersey) have identical schedules. No two benefit-ratio schedules are alike. The benefit-wage schedules have more in common; the rates differ only in minimums and maximums set. All 8 benefit-wage States have rates of 1.0 1.5, and 2.5 percent. All but Pennsylvania and Virginia add an 0.5-percent rate. Two States—Delaware and Illinois—have rates above 2.7 percent. The Alabama schedule is unique in that the contribution rates of workers as well as employers are varied; the schedule is so constructed that the sum of the two rates is the product of the employer's experience factor and the State factor.

Table 3.—*Reserve ratio prerequisite to rate reduction and rate assigned on basis of ratio, 28 reserve-ratio States, 1945*

State	Reserve ratio (percent) prerequisite to rate reduction	Rate (percent) assigned on basis of ratio
Kentucky [1]	10.0	1.8
New Hampshire	8.0	2.5
Oregon	8.0	2.0
California	7.5	2.5
Nebraska [2]	7.5	2.5
North Carolina [1]	7.5	2.5
Tennessee	7.5	2.4
Arizona	7.5	2.0
Arkansas	7.5	2.0
Colorado	7.5	1.8
Iowa	7.5	1.8
Kansas	7.5	1.8
Missouri	7.5	1.8
New Jersey	7.5	1.8
New Mexico	7.5	1.8
Indiana [1]	7.5	1.7
Wisconsin	7.5	1.0
South Dakota [3]	7.5	(3)
North Dakota	7.0	2.4
Georgia	7.0	2.25
South Carolina	6.5	2.25
Idaho	5.5	2.3
West Virginia	5.5	2.4
Maine	5.0	2.4
Hawaii	4.0	2.25
Louisiana	3.5	2.4
Ohio	3.0	2.5
District of Columbia	1.0	2.0

[1] For purposes of this table, ratios for Indiana, Kentucky, and North Carolina, which are expressed as percentages of aggregate pay roll for 3 years, have been translated to percentages of a 3-year average.

[2] Nebraska uses a "modified reserve ratio" for all rates of less than 2.5 percent; the modified ratio is the ratio of the balance in the employer's reserve account less the highest amount of benefits in any of the preceding 3 years to a 3-year average pay roll or the most recent annual pay roll, whichever is higher.

[3] The rate assigned in South Dakota on the basis of a 7.5-percent reserve ratio may be modified by an employer's benefit ratio. See footnote 8, p. 8.

Differences in reserves prerequisite to rate reduction.—In the reserve-ratio States, the differences in reserves needed to qualify for a rate and the differences in the rates themselves are striking. For example, the reserve needed to qualify for any rate reduction is 10 percent of pay roll in Kentucky and 3 percent in the neighboring State of Ohio. The similarity in 15 States which require a 7.5-percent reserve is offset by the fact that rates assigned on the basis of the reserve range from 1.0 percent to 2.5 percent. An array of 28 reserve-ratio States in the order of the reserve ratios required for any rate reduction illustrates these differences (table 3).

Differences in benefit ratios.—The benefit ratios which cannot be exceeded if an employer is to be granted a reduced rate under benefit-ratio formulas are:

State	Benefit ratio (percent) must not exceed—	Rate (percent) assigned on basis of ratio
Florida	2.19	2.2
Maryland	1.99	2.4
Michigan [1]	2.79	2.8
Nevada	2.025	2.4
South Dakota	1.50	1.5
Vermont	1.00	2.0
Wyoming	2.50	2.5

[1] Standard rate in Michigan is 3.0 percent.

General diversity in rates.—Concrete examples may be used to illustrate general diversity in schedules. Employers with reserve ratios of 7½ percent would be assigned rates varying from 0.1 to 2.7; those with ratios of 10.5, rates ranging from 0 to 2.0 (table 4).

Benefit-ratio formulas show similar disparities in the rates assigned for any given ratio; employers with flat benefit ratios of 1 and 2 percent would receive the following rates in these States:

Table 4.—*Rates assigned employers with reserve ratios of 7.5 and 10.5 percent, 28 States*

State	Rate (percent) on basis of ratio—	
	7.5 percent	10.5 percent
Arizona	2.0	1.0
Arkansas	2.0	1.0
California	2.5	1.5
Colorado	1.8	.9
District of Columbia	.1	.1
Georgia	2.25	1.5
Hawaii	1.35	0
Idaho	2.3	1.9
Indiana	1.7	.135
Iowa	1.8	.9
Kansas	1.8	.9
Kentucky	2.7	1.8
Louisiana	.9	.9
Maine	2.1	1.8
Missouri	1.8	.9
Nebraska	2.5	.5
New Hampshire	2.7	2.0
New Jersey	1.8	.9
New Mexico	1.8	.9
North Carolina	2.5	1.39
North Dakota	2.4	1.0
Ohio	1.7	1.1
Oregon	2.7	1.5
South Carolina	1.8	.9
South Dakota	(1)	(1)
Tennessee	2.4	1.2
West Virginia	1.8	.9
Wisconsin	1.0	0

[1] See footnote 8, p. 8.

State	Rate (percent) if benefit ratio is—	
	1 percent	2 percent
Florida	1.7	2.2
Maryland	1.5	2.7
Michigan	1.3	2.2
Nevada	2.0	2.4
South Dakota	1.0	2.0
Vermont	2.0	2.4
Wyoming	1.5	2.5

As already indicated, differences among rates assigned under benefit-wage laws to employers with the same experience index are less striking. If the State factor is 10 and the employer's benefit-wage ratio is 15, his rate will be 1.5 percent under all the benefit-wage laws. Such differences as exist are due largely to differences in maximum and minimum rates. If the State factor is 10 and the employer's benefit-wage ratio is 50, he will pay 3.6 percent in Illinois, 3 percent in Delaware, and 2.7 percent in the other States.

Miscellaneous differences.—In addition to the major differences analyzed above, any valid comparison of rates under the various State laws has to take into consideration such seemingly minor variations as are found

in the effective dates of benefit payments, the effective dates of the experience-rating provisions, computation dates, policies on the transfer of experience to successors, and so on.

If all other elements were the same, an employer in West Virginia might have a higher rate for 1945 than an employer in New Jersey, merely because benefits were first payable in West Virginia in 1938 and in New Jersey in 1939, or these employers might pay at different rates in 1945 because experience rating was effective on January 1, 1941, in West Virginia and not until 1942 in New Jersey. This would mean that the New Jersey employer paid at the standard 2.7-percent rate in 1940 and 1941 while his fellow employer in West Virginia may have been paying at a somewhat lower rate.

The continued effect of these initial dates upon rates is greatest in reserve-ratio States, which carry forward all past experience in a running account. The effect will be less with the passage of time, but the experience-rating system is still young and the effect must be reckoned with in all reserve-ratio States for some time to come. Employers in States which began benefit payments in January 1938 have had a greater volume of benefits charged to their accounts than employers in States which did not begin payments until 1939. In some instances, employers in States which began experience rating in 1941 may have had the seeming advantage of lower rates in the earlier years offset by the fact that the employers in a State which did not have effective experience rating until 1942 had higher reserve ratios and much lower rates in 1943. In other instances the earlier rate reduction may be pure gain to the individual employer.

Table 5.—*Average yearly rates for a hypothetical employer with specified pay roll and unemployment experience and percentage reduction below 2.7-percent rate during experience-rating years, 33 States*

State	Average rate (percent)		Reduction (percent) below 2.7 rates
	10 years 1936[1]–45	Experience-rating years	
Arizona	2.22	2.17	19.63
Arkansas	2.07	1.79	33.70
California	2.39	2.62	29.63
Colorado	2.07	1.80	33.33
District of Columbia	1.96	.83	69.26
Florida	2.05	1.76	34.81
Georgia	2.10	1.87	30.74
Hawaii	1.88	1.60	40.74
Idaho	2.43	2.70	0
Indiana	2.23	2.37	12.22
Iowa	2.07	1.80	33.33
Kansas	2.07	1.98	26.67
Kentucky	2.16	2.16	20.00
Louisiana [2]	2.43	2.70	0
Maine	2.28	2.20	18.52
Maryland	2.32	2.35	12.97
Michigan	2.36	2.17	19.63
Missouri	2.07	1.80	33.33
Nebraska	1.93	1.86	31.11
Nevada	2.39	2.35	12.97
New Hampshire	2.32	2.44	9.63
New Jersey	2.07	1.80	33.33
New Mexico	1.89	1.35	50.00
North Carolina	2.43	2.70	0
North Dakota	2.02	1.69	37.41
Ohio	1.95	1.50	44.44
Oregon	2.22	2.28	15.55
South Carolina	2.02	1.69	37.41
South Dakota	2.22	2.35	12.96
Tennessee	2.26	1.87	30.74
Vermont	2.37	2.58	4.44
West Virginia	2.07	1.98	26.67
Wisconsin [3]	2.19	2.27	15.92

[1] The 3-percent Federal unemployment tax did not become effective until 1938. In 1936 the Federal tax was 1 percent, with maximum credit offset of 0.9 percent; in 1937 the tax was 2 percent and the maximum credit 1.8 percent.
[2] Experience rating effective only during last quarter of 1945.
[3] Average for 11½ years.

Effect of Some of These Differences

A composite picture of the effect of these many differences in experience-rating provisions is hard to present. The possible permutations and combinations of the many variables make analysis difficult. Nonetheless, an insight into the possible effect of just a few differences may be had from the following simplified examples of rate determinations under reserve-ratio and benefit-ratio laws. The determinations were made for hypothetical employers with identical pay rolls and identical experience with employees who become unemployed and have their benefits charged to their employer's accounts. Determinations cover the years in which State systems have been in operation, including 1945. The employer in each State is assumed to have had a $100,000 yearly taxable pay roll which was constant from year to year. Ten persons were laid off each year and, in those years in which benefits were payable under the law, drew benefits for 10 weeks at the States' maximum weekly benefit amount.

The determinations are obviously artificial. The chief economic influences upon rates have been eliminated from the tests; there are none of the usual fluctuations from year to year in pay rolls or in the number of compensable weeks of unemployment for which charges are made against the

Table 6.—*Total contributions paid, 1936–45, by hypothetical employer with specified pay roll and unemployment experience, total benefits and difference between contributions and benefits on December 31, 1945, 33 States*

State	Total contributions	Total benefits	Contributions minus benefits
Arizona	$22,200	$12,000	$10,200
Arkansas	20,675	10,500	10,175
California	23,900	14,308	9,592
Colorado	20,700	10,500	10,200
District of Columbia	19,600	14,150	5,450
Florida	20,550	10,500	10,050
Georgia	21,000	11,925	9,075
Hawaii	18,788	13,042	5,746
Idaho	24,300	13,025	11,275
Indiana	22,300	12,733	9,567
Iowa	20,700	11,400	9,300
Kansas	20,700	12,075	8,625
Kentucky	21,600	10,850	10,750
Louisiana	24,300	14,250	10,050
Maine	22,800	13,275	9,525
Maryland	23,250	13,750	9,500
Michigan	23,600	13,533	10,067
Missouri	20,700	11,850	8,850
Nebraska	19,300	10,625	8,675
Nevada	23,950	10,650	13,300
New Hampshire	23,250	13,000	10,250
New Jersey	20,700	12,125	8,575
New Mexico	18,900	9,125	9,775
North Carolina	24,300	12,375	11,925
North Dakota	20,250	10,750	9,500
Ohio	19,500	11,050	8,450
Oregon	22,200	12,150	10,050
South Carolina	20,250	11,500	8,750
South Dakota	22,200	10,500	11,700
Tennessee	22,650	12,000	10,650
Vermont	23,700	12,375	11,325
West Virginia	20,700	12,975	7,725
Wisconsin [1]	25,200	15,900	9,300

[1] Covers period from July 1, 1934, to Dec. 31, 1945. For the purpose of this comparison, 5 weeks of benefits were charged during the last half of 1936 and 10 weeks of 1937 even though the Wisconsin maximum duration for individuals who received the maximum weekly benefit amount was less than 10 weeks during those years. No other State paid benefits before 1938.

account. The assumption of a static pay roll wipes out the effect of the major difference between the benefit-ratio and reserve-ratio laws.

Moreover, the many legal variables which have not been taken into consideration might have canceled out the effect of some of those which have been considered, or have made for greater disparities in the results. The determinations in the samples illustrate only what would happen under the State laws if the variables were limited. The disparity in the results reflects a combination of (1) differences in maximum weekly benefit amounts, including changes in those amounts; (2) differences in rate schedules including changes; and (3) differences in the dates on which contributions were first payable, benefits paid, and rates determined under the experience-rating provisions of the laws.

The average rate of contribution for

these hypothetical employers over the entire period ranged from 1.88 percent in Hawaii to 2.43 in Idaho, Louisiana, and North Carolina. The average rate for the experience-rating years ranged from 0.83 percent in the District of Columbia to 2.70 percent in Idaho, Louisiana, and North Carolina. In the District of Columbia the average rate during the experience-rating years was 69 percent less than the standard 2.7-percent rate. In Idaho, Louisiana, and North Carolina the hypothetical employer had no reduction (table 5).

The cumulative effect of these few variables over the years is evident when the total hypothetical contributions and benefits are compared. The total contributions of the hypothetical employer ranged from $18,788 in Hawaii to $25,200 in Wisconsin, a difference of $6,412. Total benefits ranged from $9,125 in New Mexico to $15,900 in Wisconsin, a difference of 74 percent. The cumulative effect is even more evident when the total benefits are subtracted from the total contributions. Here the range is from $5,450 in the District of Columbia to $13,300 in Nevada, a spread of 144 percent (table 6).

It should be emphasized that these computations merely illustrate the effect of a few major and minor differences in those laws when applied to a simplified situation such as that described in the example. The results might have differed radically if one additional element which varies from State to State had been included in the determinations. For instance, if waiting period had been one of the variables in the illustration, differences in the length of the periods would have made for substantial differences in the amount of benefits charged. Additional assumptions would mean added differences in results.

The very multiplicity of the elements involved in rate determinations and their manifold differences in the State unemployment compensation laws make any but an illustrative comparison of rates impossible. However, the statement made at the beginning of this analysis stands; there is no assurance that, in identical circumstances, employers will be assigned the same unemployment compensation tax rate in any 2 of the 45 experience-rating States.

(Continued from page 2)

providing sufficient money to enable them to participate in school activities and have suitable clothes and other school necessities. When funds for aid to dependent children are insufficient for these purposes, the Bureau suggested, the State agency can still take the initiative in securing supplementation from general assistance sufficient so that the child may continue his education without undue strain on his family and his community relationships.

In its letter to State unemployment compensation agencies, the Bureau of Employment Security pointed out that the cut-backs in war industries will mean the laying-off of many of the 1½ million youngsters who dropped out of school to take wartime jobs. A number of them will want to continue working, but their prospects of immediate reemployment will be slight. If return to school results in denial of benefits, this group of workers may spend their time in idleness in order to draw benefits rather than reembark on their school careers until they can find jobs.

What the State agencies can do to further this drive differs from State to State. The laws of a few States prevent payment of benefits to students, but in most States the agencies are permitted wide discretion in determining availability for work. In those States, benefits may be paid to some students without straining accepted interpretations and principles.

The Bureau emphasized that it had no thought of implying that young people who do not want to work be considered available for work. It suggested, however, that young persons who are out of work should not be considered unavailable for jobs solely by reason of school registration or attendance. As a precedent, the Bureau cited the operation of defense training courses during the war; in many States a worker who took such a course and declared his willingness to take suitable work when it was offered was deemed available for work until he actually refused a job. On this principle, the child workers who return to school might, until suitable work has been offered and refused, receive unemployment compensation.

A secondary method of furthering the campaign suggested by the Bureau relates to part-time work. A number of State agencies have held during the war that a worker who cannot take a full-time job is unavailable for work regardless of the amount of part-time work he is able to accept. Before the war, however, many of these agencies held that workers available only for a part-time job were, nevertheless, "available" within the meaning of the law. Many children who have been working will want part-time jobs after school, and payment of benefits to them will encourage their return to school. Only if they refuse suitable part-time work without good cause should they be disqualified.

Jobs for the Physically Handicapped

A Nation-wide drive to find jobs for physically handicapped persons began October 8 under the sponsorship of the U. S. Employment Service. The drive was initiated by a joint resolution of Congress, which stipulates that the first week in October of each year shall be designated as "National Employ the Physically Handicapped Week." A proclamation by President Truman, setting the week of October 8–13 for the drive, urged the cooperation of all governors, mayors, Federal officials and agencies, and industrial, labor, and educational leaders.

The USES and Veterans' Employment Service personnel in local offices throughout the Nation will hold employer institutes to inform industry and management representatives of proper methods of employing handicapped workers, Robert C. Goodwin, Director of the USES, announced. Employer visiting also will be intensified during the week, with emphasis on the employment of qualified disabled veterans and other handicapped persons.