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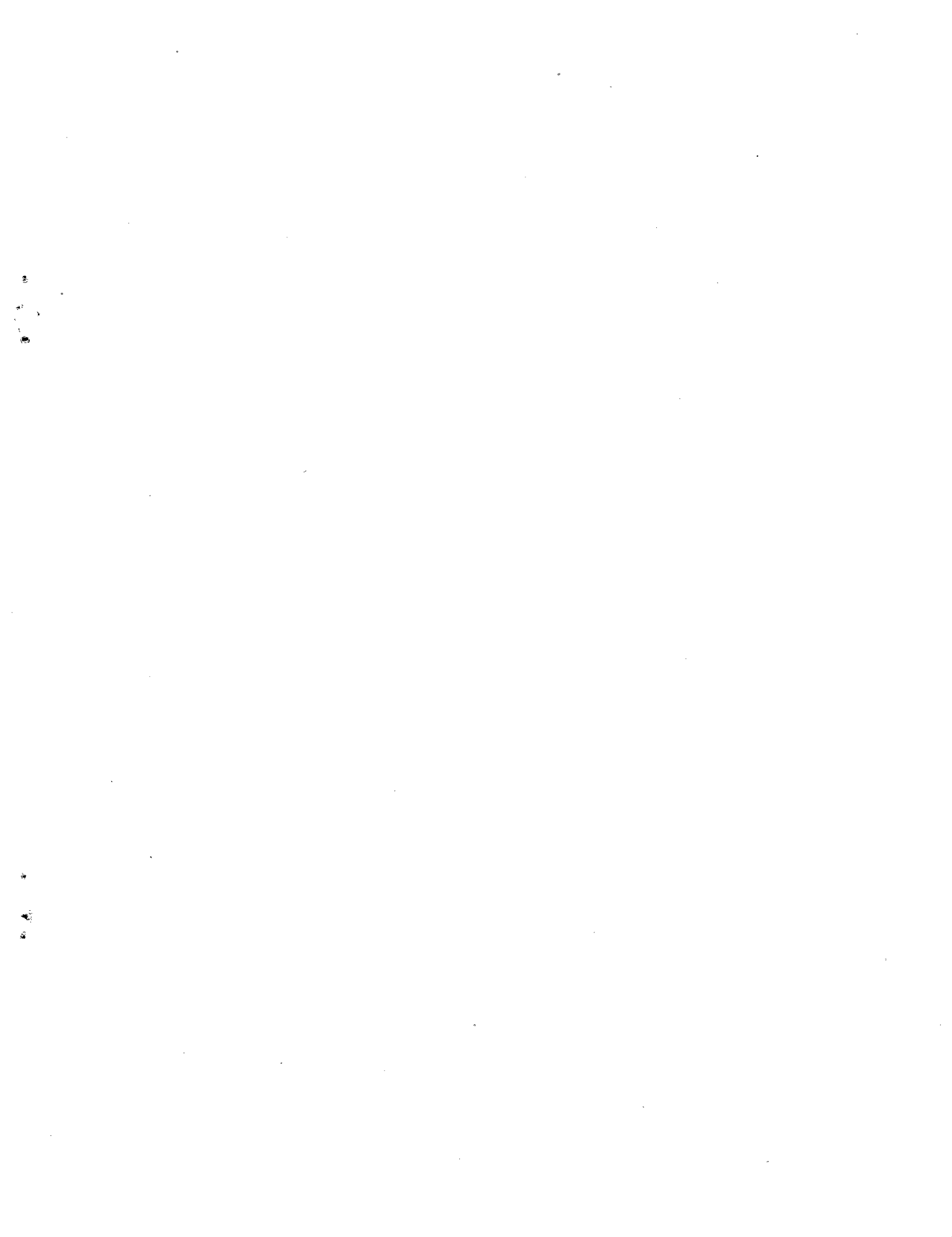
# Survey of Unemployment Insurance Financing Issues

New Jersey Department of Labor and Industry

JOHN J. HORN  
Acting Commissioner

April, 1977

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# Survey of Unemployment Insurance Financing Issues



New Jersey Department of Labor and Industry  
John J. Horn, Acting Commissioner

Office of Income Security  
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April, 1977

This report presents findings of a survey undertaken by Donald L. Diefenbach of the New Jersey Department of Labor and Industry. The survey was conducted as an information gathering and exchange project in preparation for a year of unemployment insurance studies at Princeton University.

The year of independent research is being sponsored by the Arthur J. Altmeyer Fellowship Program of the United States Department of Labor. The major report of the fellowship year, an Unemployment Insurance Taxation Policy Study, is scheduled for distribution at the end of this calendar year.

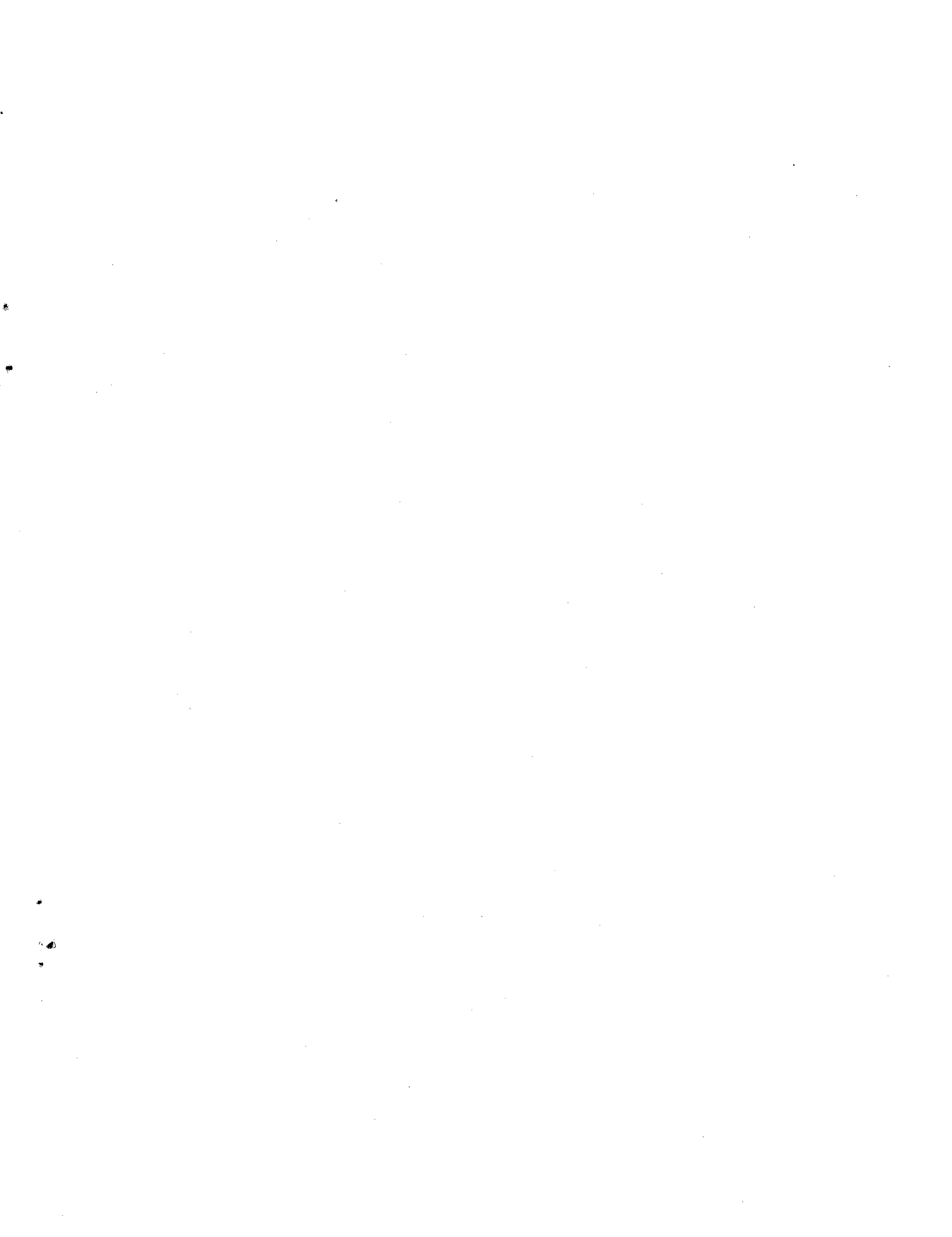


## **Preface**

In discussions with unemployment insurance administrators and technicians over the years, I have been pleased to discover that many individuals have novel ideas and observations about the program. Unfortunately, many lack a forum for expressing and promoting ideas which could benefit others in the field. This Survey of Unemployment Insurance Financing Issues provides such a forum. It was undertaken to focus attention upon the complexities of the unemployment insurance taxation problem. Names and addresses of all survey participants are included in this report to provide avenues for continuing information exchange on these and other issues.

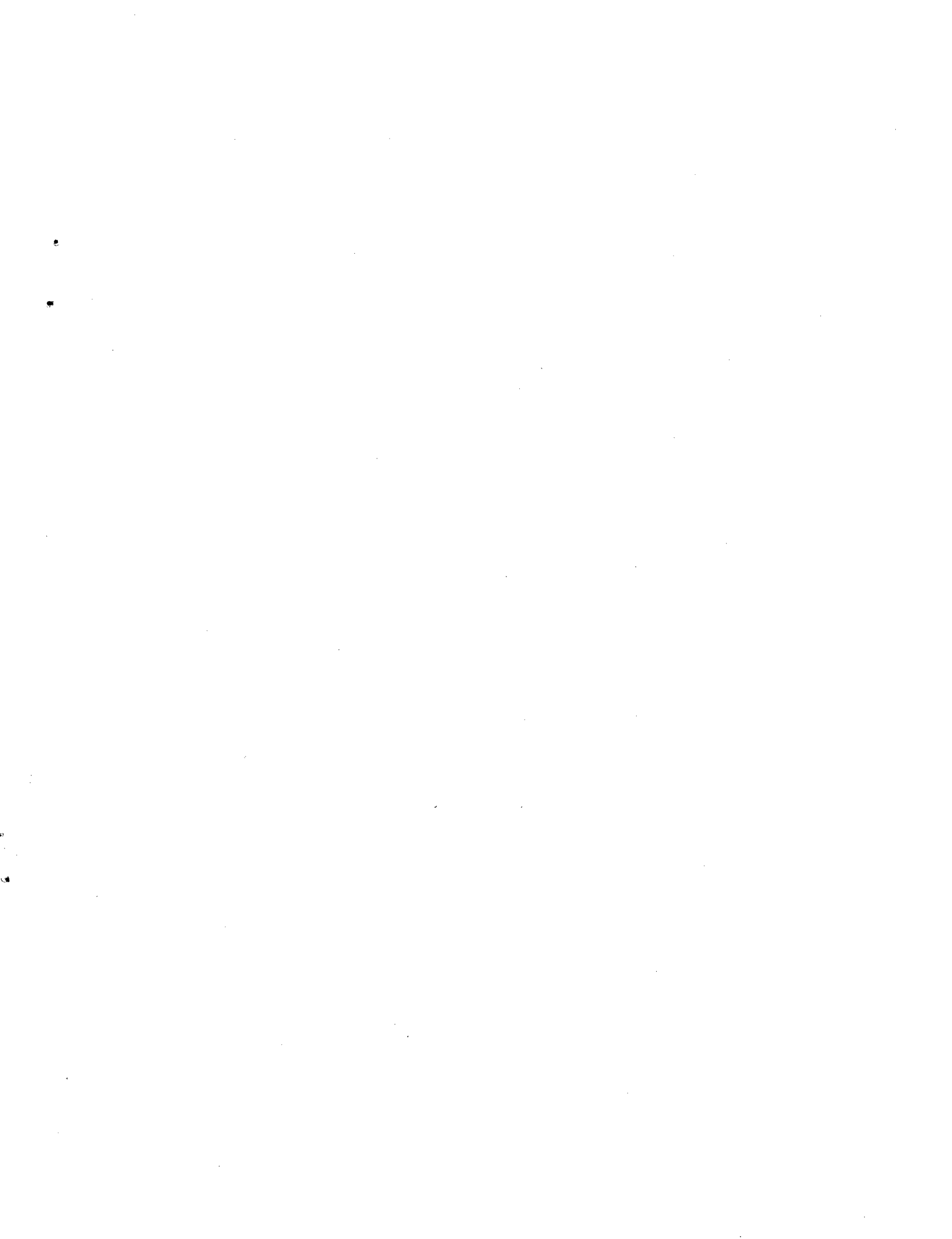
This survey summarizes views and theoretical speculations of individuals. It is not intended to represent official policy positions of any state or federal agency.

Donald L. Diefenbach



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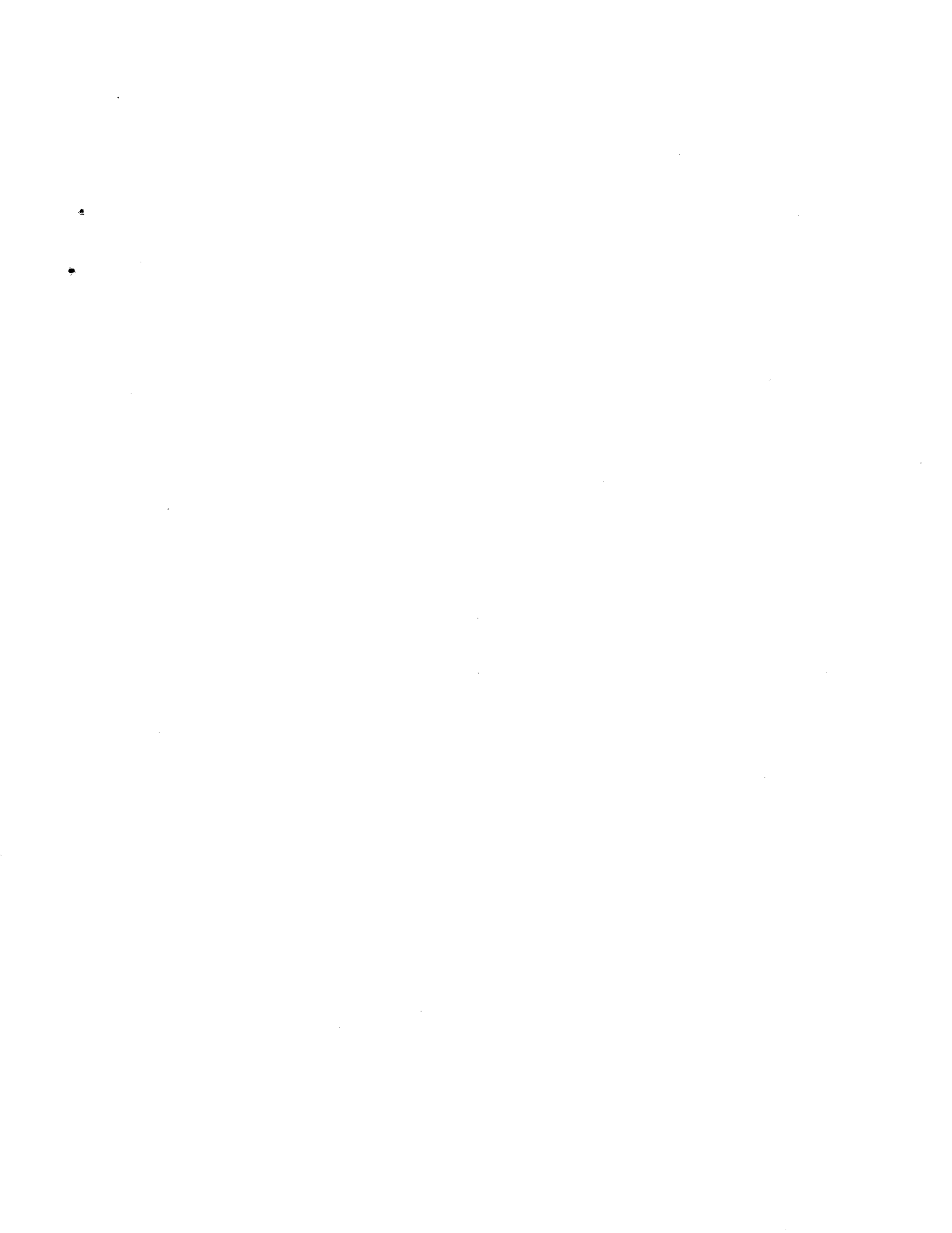
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# Introduction

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## Introduction

The problem of financing unemployment benefits is one which will no doubt occupy space on the agenda of many state legislatures during the next few years. As of March 1977, twenty-four states and jurisdictions had borrowed funds in order to continue paying benefits. This Survey of Unemployment Insurance Financing Issues should be of help in clarifying many of the major taxation-policy issues confronting legislators and program administrators today.

Chapter I, The Benefit Financing Problem, is an excerpt from the 1976-77 Arthur J. Altmeyer Fellowship report which is scheduled for distribution at the end of this calendar year. This chapter describes the financing dilemma, includes a brief historical review of the problem and outlines the framework for analysis which will be utilized in the final report.

Chapter II, Taxation Policy Issues, presents a concise outline of major financing issues which will be addressed in the final fellowship report.

Chapters III and IV present results of a brainstorming type of exercise. Chapter III, Survey List, consists of a list of thirty-three problems, ideas and issues in the benefit financing field which was distributed to unemployment insurance administrators in the fifty states. Each administrator was asked to circulate the list among individuals with responsibilities in unemployment insurance financing and to solicit ideas to be added to the list.


Chapter IV, Survey Responses, includes all survey responses received through December 1976.

The Appendix of the report includes statistical summaries which illustrate historical dimensions of the program and variations in state programs as they exist today.

In summary, the accent of the report is upon information exchange. Another important purpose of the report is to present a concise outline of major unemployment insurance taxation policy issues. A third objective is the presentation of a simplistic definition of the benefit financing problem. The benefit financing problem is defined as a three-fold dilemma of SOLVENCY, FUND ADEQUACY and TAX STRUCTURE ADEQUACY.

Looking to the future, it is strongly advised that in evaluating options and formulating legislative strategies, individual states approach these tasks in a comprehensive manner, considering more than just the short run solvency problem. Other fundamental taxation issues of fund adequacy and tax structure adequacy are crucial to restoring fiscal integrity to this controversial social insurance program.





# The Benefit Financing Problem



## **The Benefit Financing Problem \***

### **THE AMERICAN SYSTEM OF TAXATION**

Forty-five of the one hundred and sixty nations of the world operate unemployment compensation programs.<sup>1</sup> These social insurance programs have emerged from the industrialization process. As more people move from agrarian social systems to industrial work environments, economic risks and hardships become more severe. The typical pattern of development is as follows:

- (1) programs paying very low benefits are introduced during the intermediate stages of industrialization,
- (2) as national wealth and standards of living improve, benefits are liberalized, and
- (3) the revenue base which supports the program is expanded commensurately with benefit liberalizations.

The American experience with unemployment insurance has been atypical. During the first forty years of the U.S. program, 1936-1975, benefits have expanded while the revenue base has shrunk from its original level -- 3.0 percent of total wages. Initially the system was structured

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\* This chapter is an excerpt from the 1976-77 Arthur J. Altmeyer Fellowship report.

around the basic assumption that long term costs would approximate 3.0 percent of total wages. Ironically, we find the system in a financial quagmire today even though historic costs have been less than one half of the originally projected 3.0 percent cost level.

The American system of unemployment insurance is unique in another regard. Most countries of the world finance their programs through some combination of worker payroll taxes, employer payroll taxes and general revenues. Only three countries -- Brazil, Italy and the United States -- rely exclusively or primarily upon employer payroll taxes to finance the program.<sup>2</sup> In addition to these anomalies, the United States is the only country which varies the employer payroll tax as an inducement for employers to adopt employment stabilization policies. This system of "experience rating" is different in each of the fifty states. As a result, the American system for financing unemployment benefits is very elaborate. The basic concept, however, can be briefly summarized as follows:

DUAL TAXATION The federal-state unemployment insurance program is financed through a dual taxation system; employers covered by the program

pay two separate unemployment taxes -- one to the federal government and one to a state government.

#### FEDERAL TAX

A federal payroll tax of 0.7 percent is levied on the first \$4200 of annual wages paid to each covered worker. Federal tax receipts are earmarked for administration, for financing extended benefits and for accumulating a special reserve from which states may borrow if their taxation systems prove inadequate.<sup>3</sup>

#### STATE TAX

A state payroll tax ranging from 0.0 to 6.6 percent is levied on the first \$4200 to \$10,000 of annual wages paid to each covered worker. Tax rates and wage bases vary by state. (See appendix for details.) State tax receipts are earmarked exclusively for the payment of unemployment benefits.<sup>4</sup>

Many broad trends have converged to create an unemployment insurance benefit financing problem in this country: the revenue base has declined, benefits have increased, unemployment rates have

held at relatively high levels. As a result, many states have run out of funds to pay benefits. A thorough examination of the American system for financing unemployment benefits is overdue.

\*  
This report will review the benefit financing problem, identify major taxation issues, enumerate policy options and offer specific recommendations appropriate to the times and to American traditions in financing this social insurance program.

#### STATEMENT OF THE PROBLEM

In order to establish a general analytical framework to be used throughout the report, the benefit financing problem is defined as a threefold dilemma of SOLVENCY, FUND ADEQUACY and TAX STRUCTURE ADEQUACY. In brief, the priority financing task of many of the states is to get out of debt. Once attaining solvency, the state will be faced with the problem of building an adequate fund reserve to aid in combating future economic recession. In addition to attaining an adequate fund, the taxation system should be soundly structured so that it is able to meet reasonably expected future benefit obligations.

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\* Refers to final report to be issued at the end of 1977. This by-product report, Survey of Unemployment Insurance Financing Issues, includes only a review of the benefit financing problem and a listing of major taxation issues.

SOLVENCY... The federal-state unemployment insurance system is beset with financial problems. Twenty-four states have completely exhausted fund reserves and have been forced to borrow large sums of money in order to continue paying benefits to the unemployed. The list of indebted states includes Connecticut, Washington, Vermont, New Jersey, Rhode Island, Massachusetts, Michigan, Puerto Rico, Minnesota, Maine, Pennsylvania, Delaware, The District of Columbia, Alabama, Illinois, Arkansas, Hawaii, Nevada, Oregon, Maryland, Montana, New York, Florida<sup>5</sup> and Ohio.

Cumulative state loans exceed \$4 billion.<sup>6</sup> In addition to these state debts, covered employers throughout the country collectively share another huge debt. More than \$8 billion was borrowed from the U.S. Treasury in order to continue paying extended duration benefits during the past recession.<sup>7</sup>

FUND ADEQUACY... Fund adequacy standards vary widely among the states. In 1958, the Benefit Financing Committee of the Interstate Conference of Employment Security Agencies recommended a fund adequacy guideline which has been widely used as an evaluation measure over the past twenty years. This

non-compulsory fund adequacy guideline specifies that states should have between one-and-a-half and three years of recessionary level benefits stored in the fund. In 1958, 44 states had adequate reserves when measured by this guideline. Prior to the 1971 recession, 32 had adequate reserves. Today, after five years of unusually high unemployment, only 2 states meet this reserve criterion.

TAX STRUCTURE ADEQUACY... Tax structure adequacy refers to the revenue producing ability of the unemployment insurance tax system to meet reasonably expected future benefit obligations. This financing objective, the most crucial of the three, is often overlooked because it is the most difficult to quantify and evaluate. For instance, both the "solvency" and "fund adequacy" objectives can be evaluated in terms of widely recognized statistical criteria. At any given time, states may be grouped as being solvent or insolvent. In addition, states may be ranked according to degree of fund adequacy. However, there is no popular statistical measure for evaluating the relative health of a state's overall tax structure. This report<sup>\*</sup> attempts to fill that void by introducing a method for measuring and ranking "tax structure adequacy"

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\* Refers to final report to be issued at the end of 1977.

among the states. In addition, the report<sup>\*</sup> includes a discussion of "key elements of tax structure adequacy" which may be useful in guiding states in evaluating and improving individual state systems.

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### HISTORICAL PERSPECTIVE

The following historical summary describes the early development of the program, how the benefit financing problem came to be and how it relates to the broader public concern of unemployment compensation reform.

Unemployment insurance concepts and practices were introduced and developed in Europe prior to American experimentations.<sup>8</sup> Generally, voluntary efforts paved philosophical and technical avenues to compulsory programs. The first institutional agent in the evolution of unemployment insurance was the trade union. Sporadic efforts throughout the nineteenth century were along craft lines. Initial governmental efforts also encouraged voluntary methods. In the last decade of the nineteenth century Switzerland, Germany, France and Belgium

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\* Refers to final report to be issued at the end of 1977.

\*\* See Haber and Murray (1966), Unemployment Insurance in The American Economy, for a comprehensive discussion of the history of the program.

introduced voluntary municipal plans and subsidies to private funds.<sup>9</sup> These efforts were followed by voluntary employer plans and employer-union agreements. The limitations of voluntary methods become more pronounced as diverse experiments continued. High failure rates, adverse risks and limited coverage were interrelated problems which gave impetus to compulsory approaches. The first broad compulsory program was established in Great Britain in 1911.

The first U.S. legislative effort was in the state of Massachusetts in 1916. Federal interest surfaced in the same year. The United States Commission on Industrial Relations recommended study of unemployment insurance plans in its annual report. In February 1916, H.R. 159 was introduced which proposed a national unemployment insurance commission.<sup>10</sup> The commission was not established but debate was seriously begun. Even so, no legislation was passed until 1932 despite endorsements by more than a dozen blue ribbon commissions and legislative efforts spanning a decade and a half.<sup>11</sup> In 1933, 68 bills were introduced in 25 states.<sup>12</sup> None passed. This record, against the backdrop of the deepening recession, became a mandate for federal action. It took the

tragedy of the Great Depression to mobilize enough resources to implement the American Social Security system.<sup>13</sup> Unemployment rates of the early 1930's exceeded 20% and affected all occupational groups. Social and economic forces were complex and pervasive. It was finally recognized that unemployment and laziness were not synonyms after all.<sup>14</sup>

The newly constructed federal-state system gave ultimate purse string power to the federal government but at the same time reserved many discretionary powers and responsibilities for the states. Among these responsibilities was the obligation for the states to provide actuarially solvent systems of benefits and taxation. The commitment to solvency was underscored by the conservative restraint which was exercised during the first three years of the program. Even though the unemployment rate approximated 17% in 1936, 14% in 1937, and 19% in 1938, very few benefits were disbursed during this phase-in period.<sup>15</sup> In contrast, taxes were levied during this entire three year period to establish reserve funds upon which actuarially solvent state systems of unemployment compensation could be structured.

Throughout the 1940's, war, new technology and reconstruction generated unprecedented job opportunities and demands for labor. Unemployment rates were low. Unemployment taxes were reduced. Unemployment increased during the 1950's. Two major recessions -- 1954 and 1958 -- were to give the unemployment compensation system its first stern test. More benefits were paid out from 1954 through 1958 than in the first fifteen years of the program. Even so, most states were able to meet benefit commitments without borrowing. Three states -- Alaska, Michigan and Pennsylvania -- received emergency advances.

During and immediately following the 1958 recession, there was a focus upon fund adequacy guidelines and the need for tax legislation to assure accumulation and maintenance of adequate unemployment insurance funds. The dialogue did not, however, result in substantive state actions to reinforce deteriorating revenue systems. Rather, a majority of states took comfort in the fact that the fail-safe loan system actually did work and opted to hold the line on tax legislation. As a result, many state reserve positions continued to deteriorate

even with the extraordinarily low unemployment rates which accompanied the VietNam War effort. In 1969 the U.S. unemployment rate was a mere 3.5%. The economy was booming. A recession was just around the corner.

The Great Recession of the 1970's jolted the unemployment insurance system like a great earthquake -- testing the foundations of the institution; revealing its faults. Perennial criticism of the system took on a new poignancy. A respected body of literature has emerged detailing search for work behavior and theories of work disincentives inherent within the system. Important questions loom:

To what extent does unemployment compensation cause unemployment?

What are the benefits of the system?

What are the costs?

How can the system of benefits be restructured to better serve both unemployed individuals and the larger society?

These crucial questions are part of a heated debate,

the outcome of which will hopefully result in serious program improvements. Central to the benefit policy debate are the issues of (1) abuse of the system and (2) the future role of extended duration benefits. This benefit policy debate carries implications for the subject of this report -- the taxation policy debate.

Should benefits continue for durations in excess of 39 weeks? If so, who should pay for them?

Should eligibility and disqualification standards be made more stringent? If so, how might they affect tax rates?

How would a national benefit standard affect costs and tax rates among the various states?

Will soundings for benefit review and reform be used as reasons in themselves for continued delay of state tax legislation? Will genuine benefit reform enhance the prospect of genuine tax reform?

Whatever course evolves, whether minor adjustments to the ongoing benefit and taxation systems or fundamental structural change, two conclusions are inescapable: the time is ripe for unemployment compensation reform; the need is pressing.

## THE FRAMEWORK FOR ANALYSIS

The plan of this report<sup>\*</sup> is to focus upon taxation issues. However, it is emphasized at the outset that the unemployment insurance taxation system is not of independent concern. Rather, it is a supporting subsystem within the broad framework of the program. The taxation system is subsidiary to the benefit system in the sense that the level of taxation is a response to the demand for benefits.

In order to accurately evaluate the status of the tax structure, basic information regarding historic benefit payments and benefit trends is required. In addition, a thorough evaluation of the Benefit Financing Problem requires the formulation of a set of reasonable economic and legislative assumptions about the future. Chapter II<sup>\*</sup>, ECONOMIC FORECASTS, LEGISLATIVE DEVELOPMENTS AND RISING UNEMPLOYMENT BENEFITS, will define these parameters. After establishing a broad economic and legislative framework, the next three chapters will

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<sup>\*</sup> Refers to final report to be issued at the end of 1977.

delve into the specific problems of solvency, fund adequacy and tax structure adequacy.

\*  
Chapter III, THE FUND SOLVENCY PROBLEM, summarizes the experience of the borrowing states, describes the provisions for repaying trust fund loans and offers recommendations for improving the loan and loan repayment systems.

\*  
Chapter IV, FUND ADEQUACY STANDARDS, will evaluate the prevailing fund adequacy guideline, outline alternative measures of adequacy and identify implicit fund standards adopted by each of the states.

\*  
Chapter V, TOWARD A CONCEPT OF "TAX STRUCTURE ADEQUACY", describes the current tax system, criticizes it and offers guidelines for states to utilize in evaluating and redesigning individual state systems.

\* \*  
Finally, Chapters VI and VII, SOURCES OF REVENUES and DISTRIBUTION OF THE TAX BURDEN, focus upon the tools of the financing trade -- the money, who pays it, and how.

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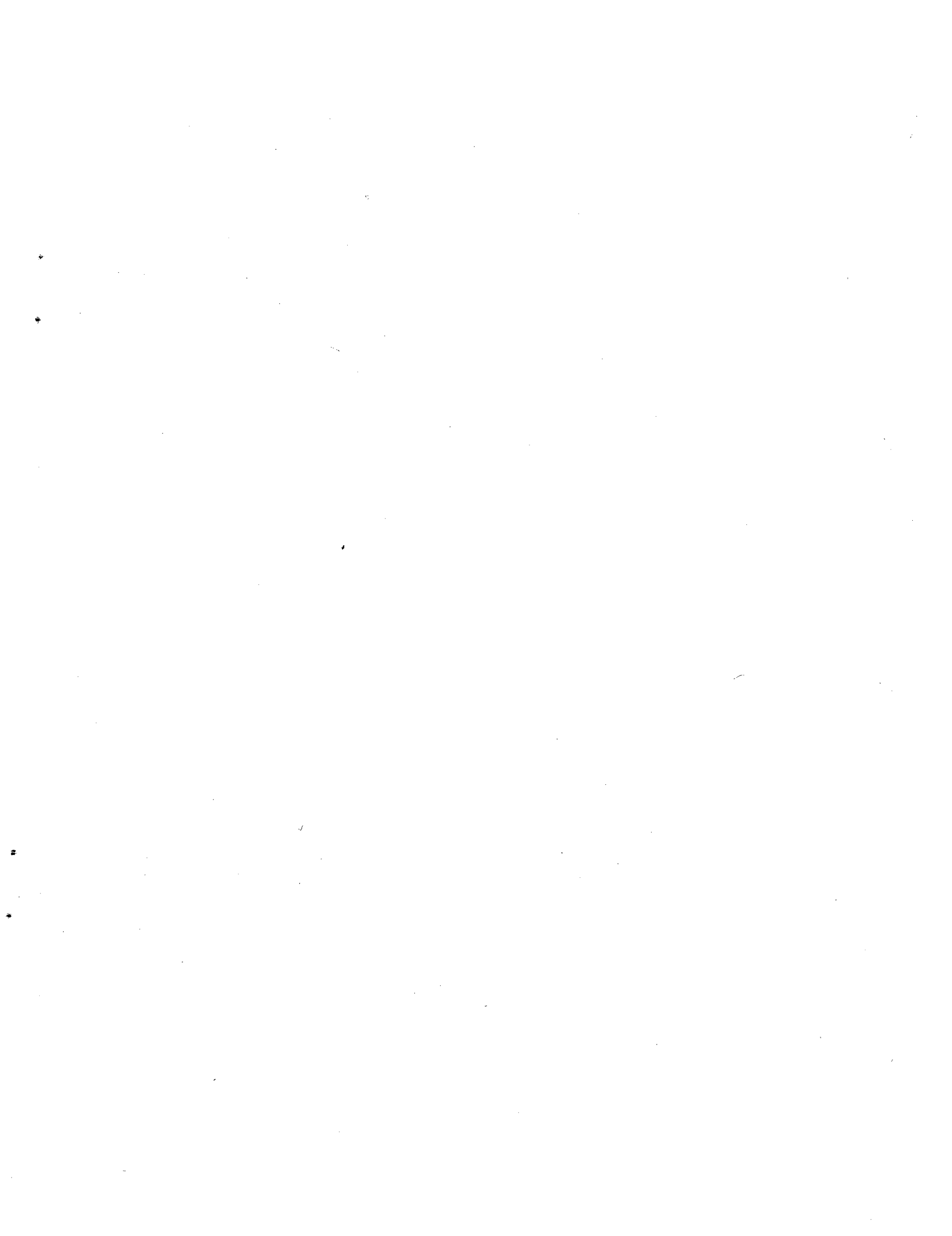
\* Refers to final report to be issued at the end of 1977.

## NOTES

1. Social Security Programs Throughout The World. U.S. Department of Health, Education and Welfare, HEW Publication No.(SAA) 76-11805, 1975. The following countries provide some form of unemployment compensation benefits: Albania, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Columbia, Cyprus, Denmark, Ecuador, Egypt, Finland, France, East Germany, West Germany, Ghana, Greece, Hungary, Iceland, India, Iran, Ireland, Israel, Italy, Japan, Libya, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, Tanzania, Turkey, United Kingdom, United States, Uruguay and Yugoslavia. Seven of these countries -- Albania, Argentina, Columbia, India, Iran, Tanzania and Turkey -- operate limited programs in which benefits are distributed in the form of lump sum severance payments for certain categories of jobs.
2. Three states -- Alaska, Alabama and New Jersey -- levy a worker payroll tax to help finance their programs. Two countries -- Hungary and Luxembourg -- use only governmental sources of revenues.
3. The federal tax rate is normally 0.5%. Effective 1/1/77 the tax was temporarily increased to 0.7% and will remain at this level until the deficit in the Federal Extended Unemployment Compensation Account is eliminated....Effective 1/1/78 the federal wage base will increase to \$6000....A broad range of administrative operations are supported by this tax; federal and state administrative organizations for directing and operating both unemployment insurance and employment service programs are funded through the federal tax.... Extended benefits financed through this tax include 50% of the cost of weeks 26 through 39 and 100% of the cost of weeks 40 through 65.

4. Under current experience rating provisions in Colorado, Kansas, South Dakota and West Virginia, the most favorably rated employers receive 0.0% tax rates....Michigan levies the highest rate, 6.6%....Alaska maintains the highest taxable wage base, \$10,000....All state tax collections are earmarked for benefit payments (total cost of weeks 1 through 26 and 50% of the cost of weeks 27 through 39). State tax receipts must be deposited in the Federal Unemployment Trust Fund. Separate accounts are maintained for each state. Monies are held and invested by the U.S. Treasury. Interest is credited quarterly to state accounts in proportion to state holdings. Funds are requisitioned by the states as required to cover unemployment benefit claims.
5. Florida borrowed \$10 million in April 1976 but repaid the entire amount shortly thereafter; again borrowed in March 1977.
6. These advances from the Federal Unemployment Account and the U.S. Treasury were used to finance the state portion of the program -- the first 26 weeks of benefits plus fifty percent of the cost of weeks 27 through 39.
7. These advances from the U.S. Treasury were used to finance the federal portion of the program -- fifty percent of the cost of weeks 27 through 39 plus one hundred percent of weeks 40 through 65. The Federal Supplemental Benefit Program which provides for extended duration payments beyond 39 weeks will expire 4/1/77 in the absence of emergency legislation to continue the program.
8. Unemployment Insurance Schemes, (Geneva: International Labour Office, Studies and Reports -- New Series, No. 42, 1955). The first known unemployment insurance plan was initiated in Basle, Switzerland in 1789. A municipal fund was established for lacemakers, but operated for only a few years. p. 11.
9. Ibid., pp. 13-16. In 1901 the town of Ghent, Belgium introduced a municipal subsidy for private unemployment funds. Private funds were given an annual partial reimbursement with few strings attached. Insuring agents (primarily trade unions) "handled all aspects of the administration of benefits, including verification of the genuineness of unemployment." The Ghent System gained popularity and was introduced in many other countries.

10. William Haber and Merrill G. Murray, Unemployment Insurance in The American Economy. (Homewood: Richard D. Irwin, 1966). Samuel Gompers, President of the American Federation of Labor opposed the commission and announced his position as opposing compulsory unemployment insurance and favoring voluntary unemployment insurance. "This remained his position and the official position of the American Federation of Labor until 1932". p. 70.
11. The Wisconsin Unemployment Compensation Act was approved January 29, 1932.
12. Haber and Murray, p. 69.
13. Two titles of the law pertained to unemployment insurance. Title III provided for federal grants to the states for administration of state unemployment compensation laws. Title IX created a federal excise tax of 1 percent during 1936, 2 percent during 1937 and 3 percent during 1938 and thereafter, to be levied upon covered employers. As an "incentive" for states to establish unemployment compensation programs, 90 percent of the tax could be offset (collected directly by the states) upon implementation of an unemployment insurance law which met minimum federal standards. All of the states had passed laws by July 1, 1937.
14. Daniel Nelson, Unemployment Insurance: The American Experience, 1915-1935. (Madison: The University of Wisconsin Press, 1969). The theme was echoed in 1908. "The growth of cities, factories and a market economy had changed everything. 'Industrial progress has put hundreds of thousands of wage-earners at the mercy of other men, who in turn are at the mercy of the great rhythms of business prosperity and adversity.'" But, "more than twenty years passed before substantial numbers of Americans were entirely convinced that this change had indeed taken place." p. 3.
15. Only Wisconsin paid benefits during 1936 and 1937. Only 26 states paid benefits during 1938. All states had initiated benefit payment programs by July 1939. Puerto Rico first paid benefits in January 1961.





# Taxation Policy Issues





## **Taxation Policy Issues** \*

### **ECONOMIC QUESTIONS**

1. What is the economic outlook regarding future unemployment rates? What basic unemployment rate assumption should be utilized for long range unemployment insurance financial planning?
2. What are the major economic implications of the unemployment compensation system?
3. What modifications in program design and operation could be undertaken to improve the positive countercyclical effects of the unemployment compensation system?

### **LEGISLATIVE QUESTIONS**

4. What legislative strategy should be employed to resolve the unemployment insurance financing problem?
5. Do recent legislative developments and trends signal a permanent upward shift in the cost of the program?

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\* This chapter outlines major issues which will be investigated by the 1976-77 Arthur J. Altmeyer Fellowship report.

6. What is the outlook regarding future benefit cost rates?<sup>\*</sup>  
What cost rate assumption should be utilized for long range unemployment insurance financial planning?

#### **SOLVENCY ISSUES**

7. Should all or a portion of outstanding state loans be forgiven?
8. Should future loans to states be interest-free or interest bearing?
9. Should the scheduled loan repayment system of annually increasing rates continue in effect or should the schedule be modified to grant tax relief to the indebted states?

#### **FUND ADEQUACY ISSUES**

10. Given the objective of a fully funded reserve system, is the prevailing 1.5 high cost reserve standard appropriate<sup>\*\*</sup> or should this popular voluntary standard be revised?

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\* Benefit cost rate is a statistical measure which relates program costs to aggregate wages covered by the program: benefits/total wages or benefits/taxable wages.

\*\* A state reserve fund is considered adequate if it has 1.5 years of recessionary level benefits stored for benefit contingencies. The "reserve multiple" is calculated by dividing the current fund reserve ratio (fund/total wages) by the highest consecutive 12 month benefit cost rate since 1958 (recessionary benefits/total wages).

11. Is the high incidence of insolvency attributable to a failure of selected states to remedy deteriorating revenue systems, or is it more related to economic aberrations and differentials in state unemployment rates?
12. Should deficit financing be adopted as an integral part of unemployment insurance financing policy or should state systems be amended so as to reduce the risk of insolvency in the future?

#### TAX STRUCTURE ADEQUACY ISSUES

13. Should the federal government develop and promulgate standards for tax structure adequacy which would complement the voluntary standards for fund adequacy?
14. Should tax structure adequacy standards be voluntary or compulsory?

#### EQUITY ISSUES: SOURCES OF REVENUES

15. Should a worker tax be imposed as a means of broadening the revenue base of the program?

16. Should general revenues be used to finance a portion of future program costs?

**EQUITY ISSUES: DISTRIBUTION OF THE TAX BURDEN**

17. Should the federal wage base continue at a fixed level, adjusted irregularly at random political intervals, or should this wage base be made flexible and adjusted annually in line with overall wage inflation?
18. What are the major effects of experience rating? Should the degree of experience rating be reduced or increased?
19. Should there be a minimum tax or should favorably experienced employers in some states continue to receive "zero" tax rate assignments?
20. What is a reasonable upper limit for the maximum employer tax rate?
21. Should a pooled financing system be introduced among the states to deal with excess benefit costs incurred during abnormally high periods of unemployment?

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## Survey List

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## Survey List \*

1. How does unemployment insurance fit into the overall system of income maintenance? Should the income maintenance system be better defined, integrated?
2. How have unemployment insurance (UI) costs increased relative to overall increases in fringe benefits and cost of living?
3. What approaches do other countries take to the task of financing unemployment benefits? Should general revenues play an expanded role in the U.S. system of financing UI benefits?
4. Should the philosophical theme underlying the program be shifted? Why? If so, more toward insurance or more toward welfare? How?
5. The unemployment insurance program insures against the risk of involuntary unemployment. Generally, individuals employed in seasonal industries are exposed to a higher than average risk of unemployment. Such workers receive a proportionately greater share of unemployment benefits than do workers employed in non-seasonal industries. Consistent with insurance principles, employer contribution rates are experience rated to reflect varied degrees of risk as evidenced by previous experience with unemployment. Employers generating the greatest rates of unemployment are taxed at

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\* List of problems, ideas and issues in the unemployment insurance financing field which was distributed to program administrators in each of the fifty states.

the maximum rate. In some instances, the employer's drain upon the fund far exceeds contributions. To the extent that these excess costs reflect involuntary unemployment due to normal economic risks, such excess costs are justifiably borne by other employers. The extent to which such excess costs are systematically used to supplement the employer's payroll, i.e., to hold workforce intact until next production cycle, it is questionable whether such excess costs ought to be borne by other employers. The concept of limited liability will limit the degree to which the UI fund will finance extraordinary levels of unemployment as follows:

- (1) First, high cost employers will be required to pay the maximum tax rate.
- (2) Secondly, the UI fund will assume limited additional liability up to some multiple of the maximum tax rate or the average annual benefit cost rate, i.e., two times maximum tax rate or three times average annual benefit cost rate.
- (3) Benefit costs beyond such limited liability will be financed dollar for dollar on a reimbursement basis by employers who systematically generate extraordinarily high levels of unemployment. From an economic point of view, these costs are more appropriately production

costs and ought to be reflected in the final costs of particular goods and services, rather than be subsidized by other employers through the unemployment insurance system.

6. To what extent does unemployment insurance cause unemployment?

To what extent is this induced unemployment functional by allowing individuals to extend the search for a job commensurate with experience and skills and by keeping individuals in the labor market who might otherwise drop out? To what extent is induced unemployment dysfunctional in terms of lost production and wasted public resources? To what extent do unemployment insurance benefits generate demand? What is the overall impact in terms of creating jobs and lessening economic recession?

7. How can seasonally induced unemployment be reduced?

- (1) Diversification
- (2) Tax Incentives
- (3) Study of seasonal industries with case study analysis of firms most successful in avoiding seasonal layoffs.

8. What are the basic decisions involved in designing a UI tax system?

- (1) Long term unemployment rate.
- (2) Cyclical variations of unemployment rate.
- (3) Long term cost rate.

- (4) Cyclical variations of cost rate.
- (5) Distribution of costs among employers, workers, government.
- (6) Distribution of employer cost among employer community.
- (7) Taxable wage base.
- (8) Method of experience rating.
- (9) Degree of experience rating.
- (10) Maximum rate.
- (11) Minimum rate.
- (12) Number of employer rate categories.
- (13) Size of employer rate categories.
- (14) Number of years in rating base.
- (15) Number of fund reserve intervals.
- (16) Limits of fund reserve intervals.
- (17) Fund reserve standard.
- (18) Average rates required to gear fund toward reserve standard.

9. Should employer experience rating be expanded or reduced?

What percentage of employers are managerially sensitive to the potential for reduced or increased tax rates? Should experience rating be eliminated? Uniform tax could be collected by Social Security Administration.

10. To what extent does experience rating allocation of costs meet or frustrate economic utility objectives and patterns of demand and consumption? What interindustry and interfirm subsidies are taking place?
11. The effectiveness of experience rating can be improved by reducing the number of years in the rating base in states which currently use "all years of experience".
12. Should workers be taxed? What is the revenue potential? What are the social and political pro and con arguments?
13. What would be the effect on interstate employer tax differentials and competition of a standardized worker tax imposed in all of the states? Such a tax would aggravate employer tax differentials:

	Employer Tax Before	Worker Tax	Employer Tax After
Low Cost State	1.0	0.5	0.5
High Cost State	4.0	0.5	3.5

High cost state was four times more costly before; seven times more costly after.

14. What would average employer, worker and government contribution be in a tri-partite financing arrangement? Average cost rate from 1965 through 1974 was 0.56%. Equal contributions of 0.7% from workers, employers and government should be adequate to

finance system in the future.

10 year U.S. cost rate	(to) <sup>*</sup> .....	0.84%
One-third U.S. cost rate	(to).....	0.28%
10 year U.S. cost rate	(tx) <sup>**</sup> .....	1.68%
One-third U.S. cost rate	(tx).....	0.56%

15. Should the worker tax be experience rated? To what extent could the unemployment rate be reduced by tax incentives through varying systems of worker experience rating?
16. Introduce system of worker experience rating which would be structured upon concept of Employment Insurance--system with payoff for individuals who have steady employment and/or who avoid utilizing unemployment benefits. Basic worker tax of 5.0% would be applicable to individuals who have drawn certain amount of benefits over specified period of time. Individuals who have not drawn high amounts of UI would be forgiven 5.0% tax, and in addition, would be given 5.0% income tax credit on earnings up to wage base cutoff--a 10% net gain for many workers. (5.0% tax could be collected by internal revenue, social security or state employment security agencies.)
17. Introduce system of worker experience rating which would generate large initial revenues and thereafter provide system for more equitable allocation of UI costs by degree of insured risk. Basic worker tax of 2.8% would be effective for three years

\* Benefit Payments ÷ Total Wages

\*\* Benefit Payments ÷ Taxable Wages

yielding \$25 billion nationwide. This income would be utilized as a cornerstone upon which to build a solid UI revenue system for the future. After three years experience, vary worker contribution rates as follows:

0.0% for workers who have received 13 or fewer weeks of UI during past 3 years;

2.8% for workers who have received more than 13 weeks of UI during past 3 years.

18. What assumptions are most reasonable concerning future unemployment rates? Higher or lower than past 35 years?
19. Develop portable training course which experienced state research technicians can use to train new staff.
20. Tax structure evaluation technique...Calculate unemployment rates which can be financed at each column of the tax structure.
21. What is the range of theoretical options for eliminating outstanding UI loans?
  - (1) Pay immediately
  - (2) Forgiveness
  - (3) Pay at FUTA\* scheduled rates
  - (4) Pay level FUTA rates
  - (5) Delay until some arbitrary time or reserve criteria is met.

---

\* Federal Unemployment Tax Act.

Proposal: Repay loans at level 0.5% FUTA rate until loan is depleted.

Proposal: Repay loans at 0.3% FUTA rate with minimum 0.3% incremental increase to state tax schedule required during year following any year in which state had to borrow money. State reserves could be accumulated; excess funds need not be applied to loan; loan depleted at 0.3% over long term.

22. What are the economic implications of programmed deficit financing to increase the countercyclical impact of UI in the future? Cumulative loans represent countercyclical deficit financing by default.
23. Loan disincentive effects...Interest-free loans have generated at least two financial responsibility disincentive effects:
  - (1) Because loans were interest-free, the option of borrowing was made a desirable alternative compared to the more responsible options of tax increase or selective benefit decrease.
  - (2) Scheduled FUTA rate increases to repay loans act as pressure militating against responsible tax legislation.
24. A fixed wage base will frustrate the financial balance of an otherwise stable system. Given an inflationary economy, it guarantees

annual tax reductions (relative to payments on total wages) and future legislative battles to raise the wage base. A periodically adjusted fixed wage base and fiscal stress serve to check benefit liberality.

Proposal: Enact flexible FUTA base of 100% average annual wage rounded to next lowest \$1000. (\$9000 in 1976)

25. To what extent is widespread borrowing contributing to a "federalization by default"? What are advantages, disadvantages of federalization? Which employers would benefit most, least?
26. Methods to generate predetermined revenue yields...array systems of assigning certain percentage of wages to each rate category; adding across-the-board factor to average rate assignment to generate desired average yield.
27. Do private companies who are vigilant in policing chargebacks and disqualification opportunities discriminately eliminate claimants or do they generally contribute to better overall administration in accordance with laws and rules? Do they possess expertise which could be applied in government administration of the program?
28. What are the effects of non-charging, the effects of crediting interest to employer accounts?

29. The concept of fund adequacy is a highly subjective one.

Proposal: Define fund standard, "ideal fund", as zero.

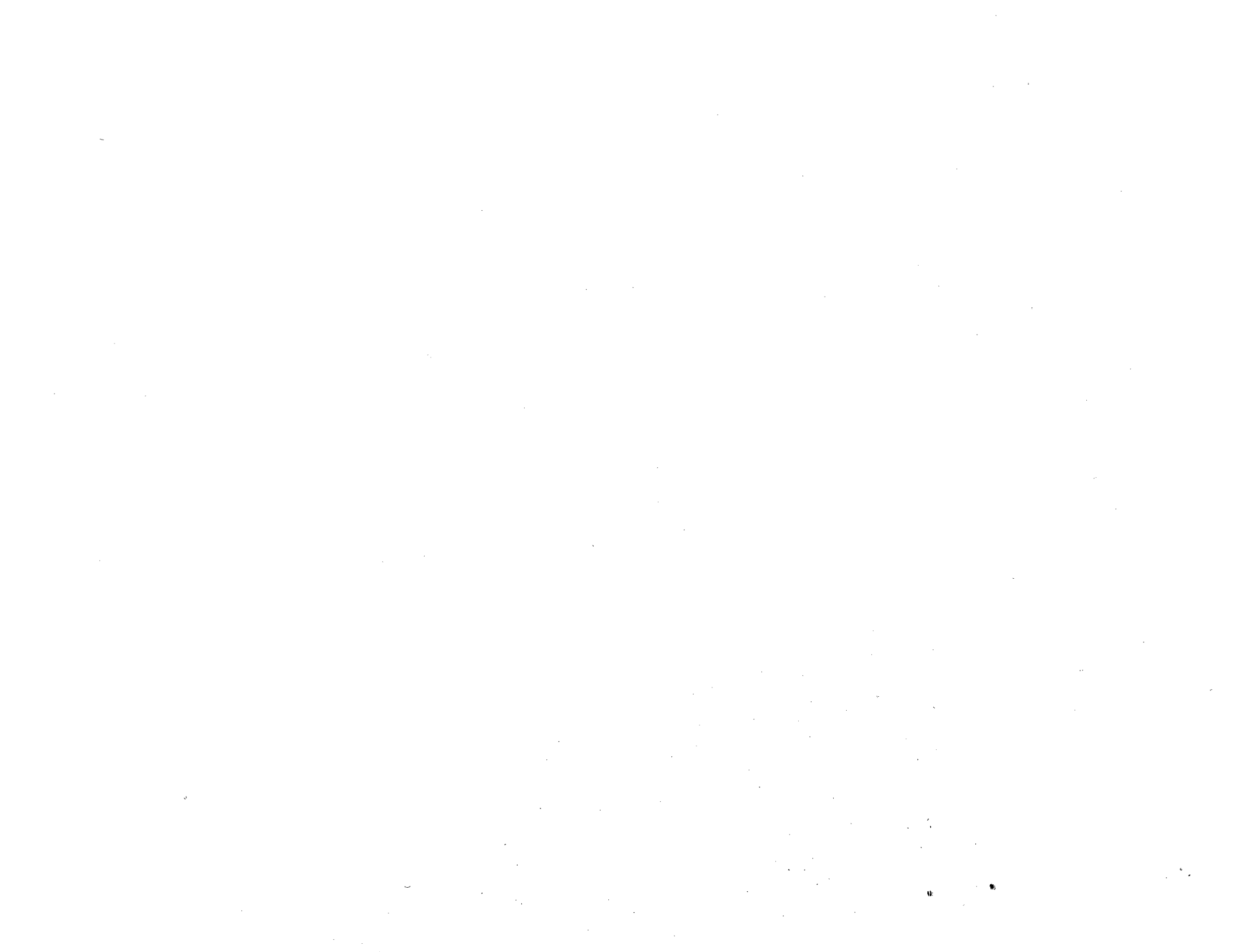
The objective under this standard would be to pay off debts and accumulate reserves during expansion and to deplete reserves and borrow during recessionary periods. The wider the range of tax rates, the wider the countercyclical impact, i.e., reduce tax rates during recessions increase tax rates during expansions. Relate rate variations to UI rates, not to fund reserves. Adjust schedule of rates to reserve projections and experience over economic cycle.

30. What are the alternatives to the fund reserve multiple concept for establishing a fund standard?

- (1) Flat amount
- (2) Percentage of wages
- (3) Percentage of insurance in force
- (4) Variable reserve multiple based on average variation in cost rather than on one-time extreme variation in cost.
- (5) Variable reserve adequacy standard based upon combination of fund amount and responsiveness of tax system
- (6) Variable reserve adequacy standard based on relationship of average cost rate and high cost rate.

31. What is the rationale of a socialized tax? What are the guidelines for determining philosophical limits of such a tax?
32. Who pays greater share of program costs? The deficit reserve employer who pays the maximum rate; or the positive reserve employer who pays the minimum rate? Who is most benefited? Who is most burdened? Worst employer pays lowest amount relative to benefits paid to former workers and highest amount relative to payroll. Best employer pays lowest amount relative to payroll and highest amount relative to benefits charged to former workers. Who pays greater share of program costs?
33. What are philosophical arguments for and against cost equalization and reinsurance?

Proposal: States finance all costs up to one-and-a-half times each states' 10 year average cost rate. State receives reimbursement from general revenues for annual costs in excess of one-and-a-half times 10 year average cost rate.





## Survey Responses





\*

## Survey Responses

### PROGRAM STRUCTURE

#### 34. SOCIAL INSURANCE

Unemployment insurance is a social insurance program, and just as employers are required to pay "social costs" so may workers be entitled to receive "social benefits". For example, dependency benefits violate no "principle" of social insurance, and could well be an alternative to Dr. Feldstein's suggestion that UI benefits be subject to income tax. \*\*

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New Jersey Department of Labor and Industry  
Labor and Industry Building, Room 1010  
John Fitch Plaza  
Trenton, New Jersey 08625

#### 35. ROLE OF UI

Item 1...the original proposals on negative income taxation, if implemented, might be able to do away with UI

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\* Includes all survey responses received through December 1976.

\*\* Dr. Martin S. Feldstein, Professor of Economics, Harvard University.

altogether. Secondly, there is much merit, according to Feldstein, to making UI payments taxable--this idea needs further research and development. (Second idea applies to item 4 as well.)

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John Fitch Plaza  
Trenton, New Jersey 08625

36. UI VERSUS WELFARE

The people who have received both U.I. and Welfare could better comment on a contrast between the two. There was a Wall Street Journal article last spring contrasting the demeanor and atmosphere of a Philadelphia U.I. vs. a Welfare Office. Welfare seems to offend a person's dignity to a degree that can be tolerated only if there is no other recourse. More and more, in view of the prime salaries of some of our more recent claimants, any such stigma associated with the receipt of U.I. is fading.

U.I. is in the same league as Blue Cross,  
Life Insurance, and Retirement Benefits, while  
Welfare is like the lottery, a tax rebate or an  
inheritance insofar as certitude and pride of accom-  
plishment.

John Clark, II  
Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

37. PSYCHOLOGICAL IMPACT OF WELFARE

Item 4...What impact would the social stigma  
that is attached to the receipt of welfare have on  
the unemployed worker and his or her family?

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

## ADMINISTRATIVE ORGANIZATION

### 38. FEDERAL-STATE RELATIONSHIP

The Federal-State basis of the Unemployment Insurance Program has a number of valuable advantages:

- (a) It imposes administrative checks and balances which contribute positively to the effectiveness of the system.
- (b) It provides strong grass-root incentives for maintaining the integrity of the program.
- (c) It wields a significant stabilizing influence on a system which is highly sensitive to public feelings and attitudes.
- (d) It is a way of experimenting with and testing new ideas without committing the entire program.

These advantages exact a cost-- and the states must be ever vigilant to justify that cost and to maintain the requisite solidarity, collective understanding, and essential initiative to preserve the system.

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39. PERSONNEL POOL

Provide a pool of junior level people who have some indoctrination into the UI system and have shown promise in the benefit financing field.

Many promising people abandon their learning in UI in order to apply their talents in other Government agencies or outside of the Government due to lack of opportunity in previous agency, personnel conflicts, greater financial gain by leaving or various other reasons.

On the other hand, the national office and State research directors have spent a great deal of time recruiting and developing these technicians only to lose them when they could start making a significant contribution.

Keeping qualified people within the system should improve quality and provide greater opportunities.

A state could lose a qualified person at one point and as circumstances in that State change, be able to

gain the individual back again with even greater applicable skills.

James H. Manning  
Room 7418, Patrick Henry Bldg.  
601 D Street, N.W.  
Washington, D.C. 20213

40. FUTA COLLECTIONS

Consideration should be given to combining the state UI tax program with FUTA and giving the states responsibility for administering the combined program. This would be an effective system procedurally and on the basis of cost reduction, as well. It would also decrease substantially the confusion (and attendant problems) associated with employers paying two unemployment tax bills through different channels.

Edward P. Lucas  
Virginia Employment Commission  
P. O. Box 1358  
Richmond, Virginia 23211

41. PROGRAM INTEGRATION

Why is it necessary to administer so many UC programs (State UI, UCFE, UCX, FSB, SUA, TC). Wouldn't one program suffice with the Federal government reimbursing the state as any other reimbursing employer? Wouldn't such a concept result in less administrative costs?

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Oregon Department of Human Resources  
Employment Division  
Research and Statistics  
875 Union Street, N.E.  
Salem, Oregon 97310

42. BUDGETING RESTRICTIONS

What effects do economies imposed by the Federal government on benefit payment control and employer tax compliance functions have on state trust funds? Would limited use of state taxes to augment the austere Federal funding of these functions be cost effective in terms of state trust fund management?

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\* UCFE;Unemployment Compensation for Federal Employees, UCX;Unemployment Compensation forEX-servicemen, FSB; Federal Supplemental Benefits, SUA;Special Unemployment Assistance, TC;Temporary Compensation.

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Oregon Department of Human Resources  
Employment Division  
Research and Statistics  
875 Union Street, N.E.  
Salem, Oregon 97310

43. POLITICAL CONSTRAINTS

Item 8...While you've identified the appropriate variables, I don't think you place sufficient emphasis on the political/labor/business milieu under which these plans are set up.

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New Jersey Department of Labor and Industry  
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John Fitch Plaza  
Trenton, New Jersey 08625

**METHODOLOGY**

44. BENEFIT FINANCING MANUAL

Many states do not have the capacity to do primary research in the area of benefit financing and cost. The

best that they can effectively handle is to utilize already developed procedures to make their estimates. In many instances this means no research will get done, or that many hours will have to be needlessly spent trying to find these developed methodologies. This idea is to publish a benefit financing and cost manual. This manual would identify benefit financing and cost components. It would list under each component the various analytical procedures and/or estimating procedures that have been developed in order of preference by the national office. Also, this compilation should outline several methodologies for doing complete UI benefit financing studies. This manual could be updated continuously as new information is discovered.

Ron Manasa  
Florida Department of Commerce  
Office of Research and Statistics  
Caldwell Building  
Tallahassee, Florida 32304

45. Economic Assumptions

The basic decision in designing a U.I. tax system

is to be aware of and account for 95% of the eventualities. One is not dealing here with a manned trip to the moon where a 100% redundancy is appropriate. Other than for making a report look more voluminous and impressive, ten year economic predictions effecting U.I. costs are not worth an iota, one should plan for the short term and even then he will only get limiting values.

John Clark, II  
Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

46. EXHAUSTION RATE

The exhaustion rate--because it cumulates both recurrence and duration, and thereby tends to discount frictional or transitional unemployment--could be a more sensitive key to severity of unemployment than the simple unemployment rate. Sophisticated use of such a measure

would require complementary analysis of:

- (a) The rate of change of the exhaustion rate, to plot its acceleration or deceleration; and
- (b) the elasticity of the exhaustion rate, to gain greater understanding -- from objective documentation -- of the degree to which practical programmatic actions can be expected to reduce the exhaustion rate in specific labor market conditions.

Herman S. Solomon  
New York State Department of Labor  
State Campus Building #12  
Research and Statistics - Room 452  
Albany, New York 12240

47. SURVIVAL RATE

How valid is the survival rate? How much of an invariant is it? In particular, how well does it predict how long people will draw benefits who can draw maximum benefit amount for the maximum duration?

Steve Kadolph  
Research and Statistics Department  
Iowa Department of Job Service  
1000 E. Grand Avenue  
Des Moines, Iowa 50319

48. UNEMPLOYMENT INSURANCE AND THE UNEMPLOYMENT RATE

Item 6 has been researched in economic literature. I'm not sure whether its a problem of causality or simultaneity. This is ripe for further investigation.

Donald M. Scarry  
New Jersey Department of Labor and Industry  
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49. AVERAGE WEEKLY WAGE

Many states use an Average Weekly Wage (AWW) of covered employment to determine flexible maximum benefit amounts. Also, the adequacy of weekly benefit amounts is often measured in terms of a state's average weekly earnings.

My concern pertains to the difference between the AWW computed by dividing total wages by average employment and that of total wages divided by total employment. The first formula uses the number of jobs while the latter is an AWW of actual workers. In Alaska, where there is a high degree of seasonality, the two formulas produce a disparity of \$200 in the two weekly wage amounts.

I would like to know how these two methods of calculating the Average Weekly Wage compare in other states, and what are the implications on the state's Unemployment Insurance systems of using either method.

Michael Taylor  
Research and Analysis  
Alaska Department of Labor  
P.O. Box 3-7000  
Juneau, Alaska 99802

## WORKER TAX

### 50. WORKER TAX

The unemployment compensation tax system is drowning in a sea of abuse and negligence. Abusive in that the ease and popularity of the ever rising benefit schedules mitigate against the necessary fiscal deliberation by all involved parties--employees, employers, and legislators. Negligent in the complete disregard of the increasingly obvious, unbearable tax burden directed to the single funding source, employers. The anticipated \$10 billion nationwide deficit resulting from states' borrowings is clear manifestation that supplemental fiscal resources must first of all include the employe population so that all future contemplated increases in benefit levels will be tempered by the realization that such increases will be proportionally borne by the recipients. Additional funding should also involve legislative jurisdictions, state and federal, adding to the ultimate responsibility of decision, fiscal involvement in the administration.

James E. D'Amelio  
Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

51. WORKER TAX

The worker should not be taxed as this brings about a very different concept of "rights to fringe benefits" which could increase administration costs, political controversy, etc., without solving our real problem of enforcing sound financing of the current program.

Clayton O. Kaigler  
Arizona Department of Economic Security  
P.O. Box 6123  
Phoenix, Arizona 85005

52. WORKER TAX

Worker should assume bigger burden in financing unemployment benefits. However, I think that experience rating for workers is not practicable. It would throw an additional burden on employer in computing and collecting diverse rates of worker contributions. However, how about having each worker's contribution rate equal that of the employer. This way, a worker employed by seasonal employer would automatically pay a higher premium which would be justified on the grounds that he would more likely collect unemployment benefits.

Stanley Zoltanski  
New Jersey Department of Labor and Industry  
Labor and Industry Building, Room 614  
John Fitch Plaza  
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53. WORKER TAX

Item 12...If a percentage of funding is derived from a tax which is levied on the worker, what would a claimant's right be if he or she is laid off for a reason that is now disqualifying?

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
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54. WORKER TAX

Item 12...Definitely, without such taxing they get too little say in the system; it belongs then only to employers.

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## EXPERIENCE RATING

### 55. WORKER EXPERIENCE RATING

If the Pennsylvania Chamber of Commerce is any indicator for the rest of the county, experience rating is sacred. A uniform tax would also lessen the employer's motivation in the area of fraud control. As was recently divulged at the National Governor's Conference in Hershey, the populous, via a Lou Harris Poll, expressed more confidence in their State Governments than the Federal Government. Anyone contemplating that U.I. be collected by the Social Security Administration should keep this in mind. The imposition of an employe tax would result in less take-home for the individual, more headaches for the Agency and less expense for the employer. So guess who is going to push this concept?

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Bureau of Employment Security  
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56. WORKER EXPERIENCE RATING

Item 15...What would be the projected cost of maintaining such an individual system?

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57. EXPERIENCE RATING INCENTIVES

Does the experience rating system cause a competitive advantage among states in regards to industrial location/relocation? Does experience rating cause firms to alter their hiring and layoff patterns, especially those in seasonal industries?

Robert Butler  
Nevada Employment Security Department  
500 East Third Street  
Carson City, Nevada 89713

58. INTERSTATE COMPETITION

What effect do unemployment insurance tax rates have on employer decisions to locate in a particular state?

Fred Williams  
1520 W. Capitol Street  
Jackson, Mississippi 39205

59. EXPERIENCE RATING FACTORS

One employer will earn deficit experience and a "penalty" tax rate while another employer in the same industry will be eligible for a tax rate no higher than the average for all covered employers in the State.

Special research on this point could determine whether there are significant factors other than those currently used that should be considered in State tax provisions.

Ovid H. Stephenson  
1977 Ridgewood Drive, NE  
Atlanta, Georgia 30307

60. EXPERIENCE RATING RECORD

Item 9...Experience rating should either be completely done away with or should be carried, by the firm, from state to state.

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Trenton, New Jersey 08625

**TAX BURDEN**

61. EMPLOYER TAX RELIEF

With the proliferation of extended duration benefit programs, at what point should the employer be relieved of the cost burden?

D. R. Steward  
Oregon Department of Human Resources  
Employment Division  
Research and Statistics  
875 Union Street, N.E.  
Salem, Oregon 97310

62. GENERAL REVENUES

Employers should not be held financially responsible for benefits paid beyond 39 weeks. Federal legislation extending duration beyond that point incurs costs which should be totally underwritten by general revenues. Persistent long-term unemployment is a national economic/social problem. A payroll tax assessed against employers appears to be an inappropriate financing mechanism in such recessionary periods. In fact, the additional drain on employers' resources could aggravate an already serious economic situation. To that degree, the direct payroll tax is self-defeating.

W. M. Welfley  
Virginia Employment Commission  
P.O. Box 1358  
Richmond, Virginia 23211

63. IMPACT OF HIGHER EMPLOYER TAX

Item 5...Consideration must be given to the impact of increasing employer responsibility on various industries,

i.e., industry survival, cost of production, and potential impact on the total economic picture.

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

64. EMPLOYER RESPONSIBILITY

Item 5...When speaking of employer responsibility, is it really possible or advantageous to speak in terms of a fragmented economy?

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

**FUNDING TECHNIQUES**

65. QUARTERLY ADJUSTMENT OF TAX RATES

New Hampshire has a unique system for adjusting tax

rates on a quarterly basis. The fund level in one-quarter determines the tax schedule applied on wages in the next quarter that must be paid in the third quarter.

The effectiveness of this system for maintaining solvency was proven in the 1974-1975 recession. The fixed dollar amounts now used for measuring fund adequacy are too inflexible to rapid changes in wages in benefit schedules.

To demonstrate the use of an alternative system, a high cost multiple for the State was estimated on a quarterly basis and applied to data for the recession period. The result was a fund level at the close of the critical first quarter of 1976 that was 15 percent higher than actual experience - without use of the higher schedules that actually went into effect.

Richard Frye  
New Hampshire Department of Employment Security  
32 South Main Street  
Concord, New Hampshire 03301

66. LONG RANGE FINANCING

The design of a U.I. tax system is very basically contingent upon economic forecasts; the financial position from which the system is to be implemented; and the general program philosophy of the state legislature regarding base, rate and reserve fund.

Cost rates and unemployment rate must be based upon sound expert economic projections - after which the various philosophical, statistical and procedural parts of the system should be devised, developed and integrated.

A question closely related is whether "long range benefit financing" is really feasible for many of the states who have deficit balances. Perhaps direct, current financing is the only reasonable course for many states - with no interest for deficit financing a continually enticing alternative.

Clayton O. Kaigler  
Arizona Department of Economic Security  
P.O. Box 6123  
Phoenix, Arizona 85005

67. "PAY AS YOU GO"

Adopt "pay as you go" system, combining the "array system" proposed by Haldi Associates.\* Employer contributions for a calendar year should equal the benefit payments made the last fiscal year excluding extended benefits. Worker Contributions would not be included, but would be kept in a separate fund within the fund, and used only under two circumstances:

- (1) To cover any deficit between amount of benefits and contributions above. (But conversely, surplus would be credited to this special fund.)
- (2) To pay extended benefits i.e., benefits beyond 26 weeks.

Stanley M. Zoltanski  
New Jersey Department of Labor and Industry  
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Trenton, New Jersey 08625

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\* Haldi Associates, Economic and Management Consultants of New York, recently prepared a Benefit Financing Study for the State of New Jersey.

68. FLEXIBLE WAGE BASE

Should the taxable wage base in a state be flexible? If so, should it be directly related to the amount at risk, i.e., those wages used to establish maximum benefit amounts? To what extent would this subvert the experience rating system? If this concept is adopted by a substantial number of states, what would be the effect, if any, on the FUTA taxable wage base?

Joe M. Wooddall  
Georgia Department of Labor  
254 Washington Street, SW  
Atlanta, Georgia 30334

69. FLEXIBLE WAGE BASE

Item 24...In addition to setting the taxable wage base on the average income, what would be the effect of a flexible tax base set up as a percentage of the prior years total wages? What percentage of total wages would be considered adequate?

Lucy Keenan  
Department of Research and Statistics  
Nebraska Department of Labor  
550 South Sixteenth Street  
Box 94600, State House Station  
Lincoln, Nebraska 68509

## FUND ADEQUACY

### 70. FUND ADEQUACY

As long as the Federal/State relationship endures, the concept of fund adequacy will vary pursuant to the outlook of a State's Labor Department hierarchy and the pressure exerted on its legislative solons. Basically, if all in this endeavor are guided by consistency in dealing with employers and the public, and a laissez-faire attitude to extremes, we can evoke confidence and a spirit of cooperation amongst our constituents.

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

71. IMPACT OF LARGE RESERVE FUND

Item 17...Presupposing a credit balance of this magnitude:

- (1) Should the interest rate on such an amount be tied to the interest rate paid for investment in Federal government securities?
- (2) Should consideration be given to maintaining a diversified investment portfolio?
- (3) What would be the economic impact of maintaining this size of fund? Would this much money be removed from the public and private sectors of the economy?

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

72. REVENUE SOURCES

The prudent individual purchases insurance to

guard against catastrophic loss. In States such as Pennsylvania, the last two years constitute such a holocaust. Conformity with established insurance principles would auger general revenues being used to protect employers from the effects of such extrema. Cost reinsurance will provide the same protection and is preferable to rugged individualism but seems somewhat contrived. The aficionados of U.I. Benefit Financing would deem the enactment of a flexible FUTA base as the single most important event since the passage of Wagner-Peyser.

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

73. UI LOANS

What effect will forgiveness of outstanding loans to approximately 30 states eventually have on the tax

rates for employers in the other 20 states that remain solvent and do not need to borrow?

Fred Williams  
1520 W. Capitol Street  
Jackson, Mississippi 39205

## **COST EQUALIZATION AND REINSURANCE**

### **74. COST EQUALIZATION**

A proposal has been made to give federal financial aid to states with high unemployment rates. This would be in the form of reimbursement to the state's unemployment insurance reserve fund. Would this use of funds result in the necessity for an increase in the tax rate for employers in all states?

Fred Williams  
1520 W. Capitol Street  
Jackson, Mississippi 39205

75. REINSURANCE

Cost equalization and reinsurance are philosophically different. The example in item 33 is reinsurance.

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New Jersey Department of Labor and Industry  
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Trenton, New Jersey 08625

76. NON-COMPULSORY STANDARDS

With regard to cost equalization and reinsurance, could the various states agree on benefit standards if such standards were not mandated but only used as a measuring device with some states continuing below as well as above the agreed to standards? Could an equitable cost equalization formula also be developed to reimburse states for all or a portion of benefits (as adjusted by agreed to standards) exceeding an amount reflecting a four-year moving cost rate (say 2.5%) for total payrolls?

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Oregon Department of Human Resources  
Employment Division  
Research and Statistics  
875 Union Street, N.E.  
Salem, Oregon 97310

## SEASONAL UNEMPLOYMENT

### 77. ATTRACT NEW BUSINESS

Encourage the establishment of new businesses which would provide complementary employment in areas of heavy seasonal unemployment. Provide incentives for employers to diversify and expand their businesses to provide year-round employment.

Walter B. Bowne  
New Jersey Department of Labor and Industry  
Labor and Industry Building, Room 1010  
John Fitch Plaza  
Trenton, New Jersey 08625

78. REDUCTION OF SEASONAL UNEMPLOYMENT

Item 7...What would be the overall economic impact of such a reduction, i.e., inflation, loss of industries, imports, exports, etc.?

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Pennsylvania Department of Labor and Industry  
Bureau of Employment Security  
Labor and Industry Building  
Harrisburg, Pennsylvania 17121

79. SEASONAL CONTRACTS

Teachers, professional athletes, etc. should not be eligible for benefits during vacation or off-season periods if they are under contract to return to work with an employer.

Frances Edwards  
Virginia Employment Commission  
P. O. Box 1358  
Richmond, Virginia 23211

## ELIGIBILITY AND BENEFITS

### 80. LABOR MARKET ATTACHMENT

What tests will best measure claimant labor market attachment for benefit eligibility and thus employer tax liability that will screen in workers with minimal skills and a continuing but intermittent labor market attachment and screen out those who have high "earnings" as corporate officials, from residuals, etc., but not a true labor market attachment?

Tom Hannah  
California Employment Development Department  
UI Division (MIC 40)  
800 Capitol Mall  
Sacramento, California 95814

### 81. WEEKLY BENEFIT AMOUNT

All retirement income, except perhaps social security, should be considered as deductible wages when determining the weekly benefit amount, if any, that a claimant should receive.

Frances Edwards  
Virginia Employment Commission  
P. O. Box 1358  
Richmond, Virginia 23211

82. BENEFIT FORMULA

The problem of benefit financing must be looked at both from the aspects of cash inflow (contributions) and cash outflow (benefits). Since the level of the UI fund is partially dependent upon the magnitude and duration of benefit payments, perhaps the payment scheme itself should be carefully analyzed for optimality.

The stated role of Unemployment Compensation is that of income maintenance during times of involuntary unemployment. However, the compensation itself need not be restricted to serving this one function. There is the possibility of altering the benefit payment scheme to provide the individual with economic incentives to search for and secure employment beyond what is being provided presently in the way of eligibility incentives.

The largest portion of the cost of being unemployed is the difference between the prior weekly wage and the amount of weekly unemployment compensation received. The greater the difference, the larger the monetary incentive to search for work. But, because the weekly benefit amount is constant, the costs of unemployment do not change throughout the benefit period, and in fact, the incentives to search for work may actually decrease because of discouragement over the lack of success in the job search and/or adjustments in lifestyle to the new level of income provided by the benefit payments.

An alternative to the level benefit payment scheme would be a string of unemployment compensation payments which decreased in amount per week over the span of the benefit period. The actual maximum benefit amount payable under this scheme would be identical to the amount payable under the level payment scheme. The difference, of course, is that the decreasing payment scheme would provide larger

payments in the early stages of unemployment and smaller payments as the individual progressed through the benefit period.

The theory behind such a scheme is that as the number of weeks of unemployment increased, the cost of unemployment to the individual would increase. In like manner, the incentive to search for work would increase and not decline or remain as with present payment schemes.

The individual is not being denied any benefits under this new scheme, but rather the method of payment has been altered to make it more compatible with his search for work.

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83. BENEFIT ADEQUACY

What criteria, better than a percent of gross

weekly wages, can be used to establish an appropriate wage loss replacement, considering both the increase in payroll deductions and fringe benefits?

Tom Hannah  
California Employment Development Department  
UI Division (MIC 40)  
800 Capitol Mall  
Sacramento, California 95814

84. BENEFIT ADEQUACY

What is an "adequate" unemployment weekly benefit amount? Should this amount vary as a function of the needs of the claimant - i.e. number of dependents, cost-of-living of area, etc.?

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Research and Statistics Department  
Iowa Department of Job Service  
1000 E. Grand Avenue  
Des Moines, Iowa 50319

85. PARTIAL BENEFITS

What is an equitable formula for partial unemployment benefits? How much should the total benefit be reduced in order to not completely discourage some part-time employment?

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Iowa Department of Job Service  
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86. FEDERAL STANDARDS

Although adequate UC benefits in terms of both WBA and duration are desirable, the need for federal benefit standards is questionable within the existing Federal-State system. A federal standard for maximum WBA for example, would encourage restrictive actions relative to eligibility and qualifying requirements, which would call for other "corrective" standards. We could look forward to having the benefit side of the

program dominated by federal mandates. Inevitably, the tax structure to finance benefits would come under the same umbrella, and we would then have a federalized system for all practical purposes. A thorough cost-benefit study should be made to determine whether or not such an eventuality would be justified.

W. M. Welfley  
Virginia Employment Commission  
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Richmond, Virginia 23211

87. SPECIAL CLAIMANT SERVICES

Would identifying, screening, and providing unemployment counseling to potential UI exhaustees have a positive impact, i.e., benefit cost reduction, on a state UI fund? At what point in a claim series would benefit payment reduction be maximized? Would such a program be cost effective?

Robert Butler  
Nevada Employment Security Department  
500 East Third Street  
Carson City, Nevada 89713

88. WAGE REPLACEMENT RATE

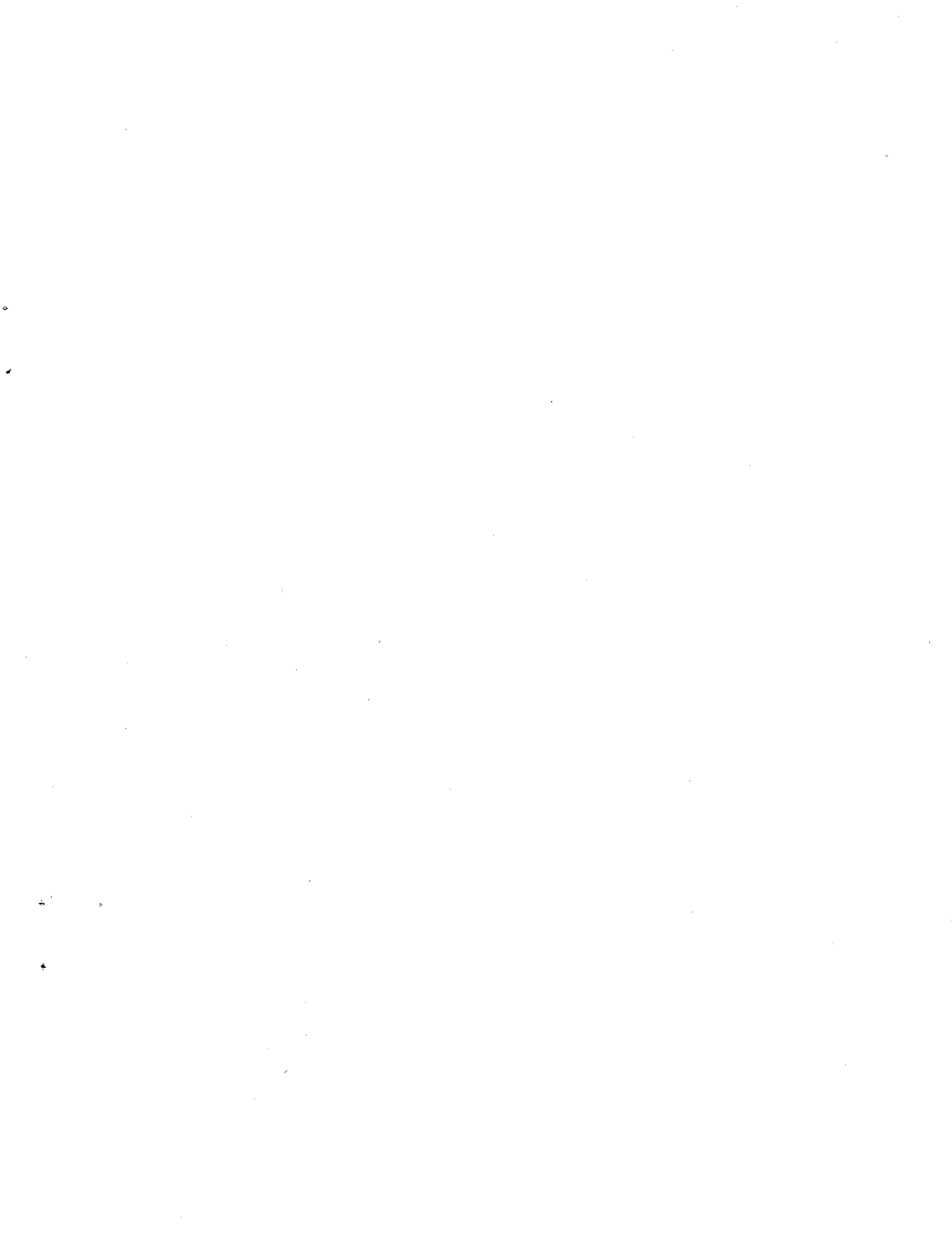
A basic problem in most states is that the philosophy of 50% wage loss compensated is denied by a low maximum W.B.A.

Clayton O. Kaigler  
Arizona Department of Economic Security  
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Phoenix, Arizona 85005

89. DURATION AND THE UNEMPLOYMENT RATE

The question of creating unemployment because of the unemployment insurance program duration overlooks the fact that basic economic levels and employment demands determine "genuine" levels of unemployment - and that artificially lowering the rate by preventing long-term unemployed either from receiving U.I. benefits or from remaining in the labor market is not a viable solution.

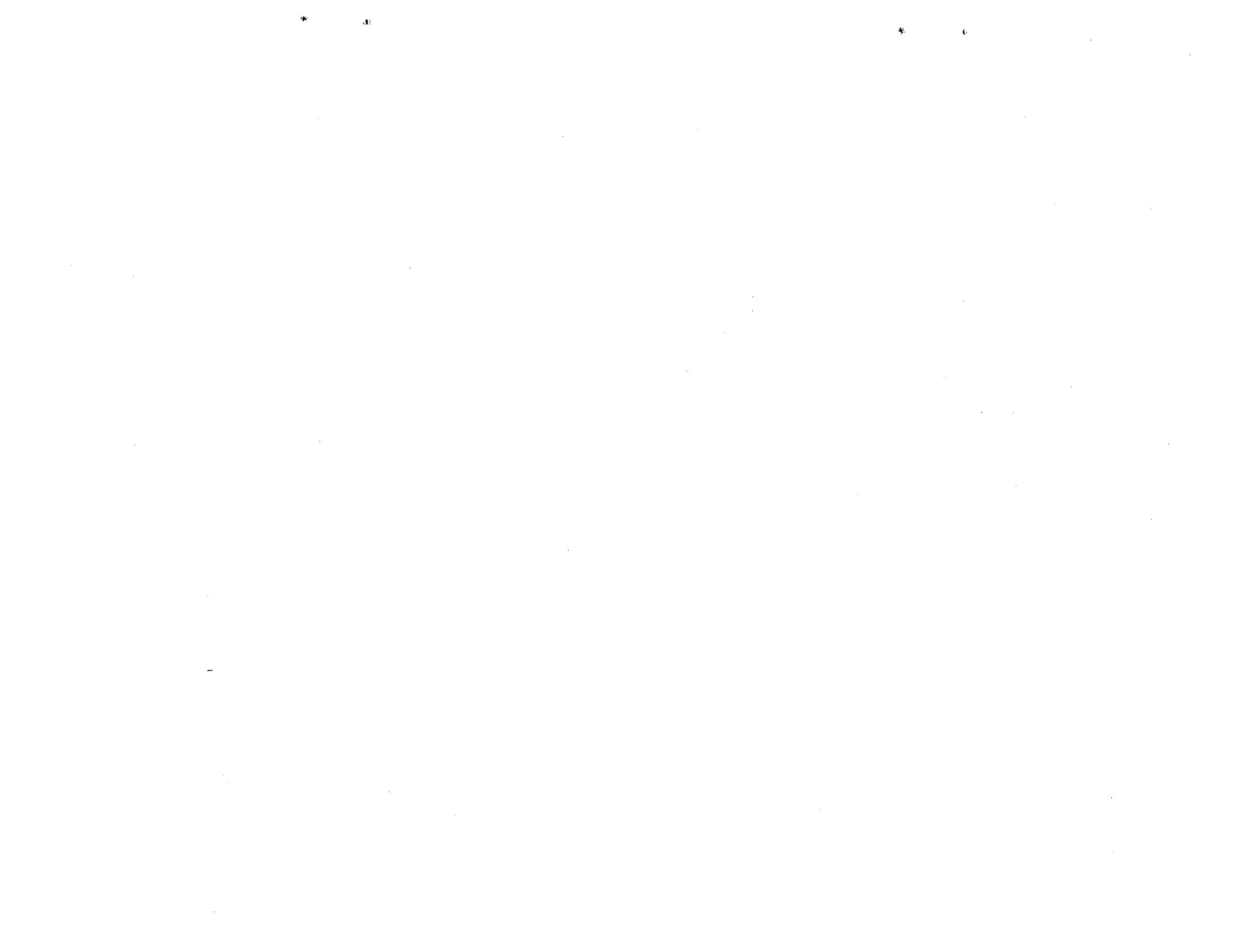
Clayton O. Kaigler  
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P.O. Box 6123  
Phoenix, Arizona 85005





# Appendix





APPENDIX A.  
HISTORICAL STATISTICS  
1939-1975

YEAR (1)	U.S. TOTAL UNEMPLOYMENT RATE (2)	FIRST PAYMENTS <sup>1/</sup> (millions) (3)	BENEFITS <sup>1/ 2/</sup> (billions) (4)	UNEMPLOYMENT TRUST FUND <sup>1/</sup> (billions) (5)
1939	17.2%	3/	3/	\$2
1940	14.6	5	\$1	2
1941	9.9	3	3/	3
1942	4.7	3	3/	4
1943	1.9	1	3/	5
1944	1.2	1	3/	6
1945	1.9	3	3/	7
1946	3.9	5	1	7
1947	3.9	4	1	7
1948	3.8	4	1	8
1949	5.9	7	2	7
1950	5.3	5	1	7
1951	3.3	4	1	8
1952	3.0	4	1	8
1953	2.9	4	1	9
1954	5.5	7	2	8
1955	4.4	5	1	8
1956	4.1	5	1	9
1957	4.3	6	2	9
1958	6.8	8	4	7
1959	5.5	6	3	7
1960	5.5	7	3	7
1961	6.7	7	3	6
1962	5.5	6	3	6
1963	5.7	6	3	7
1964	5.2	5	3	7
1965	4.5	5	2	8
1966	3.8	4	2	10
1967	3.8	5	2	11
1968	3.6	4	2	12
1969	3.5	4	2	13
1970	4.9	6	4	12
1971	5.9	7	5	10
1972	5.6	6	4	9
1973	4.9	5	4	11
1974	5.6	8	6	11 4/
1975	8.5	11	13 5/	5 4/

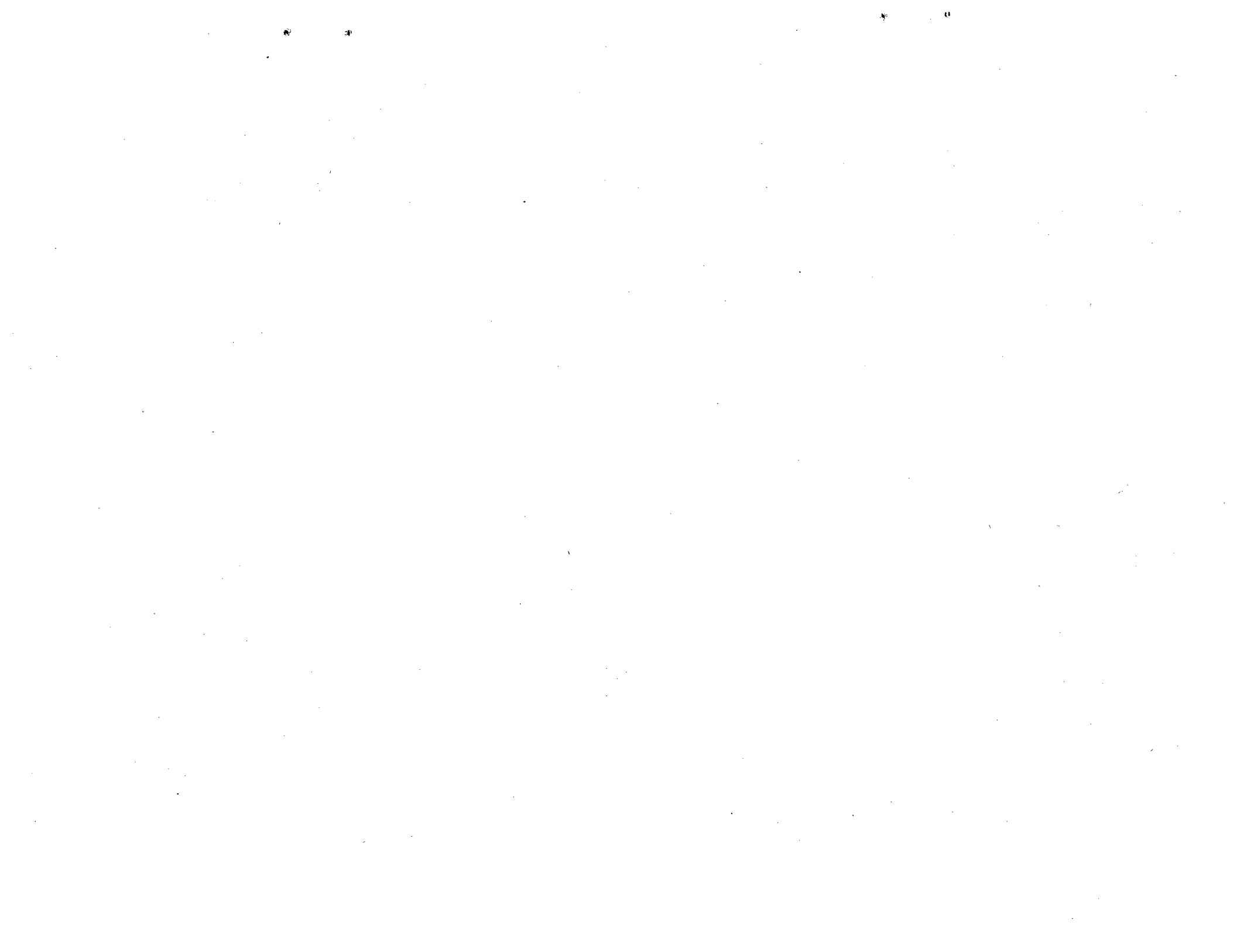
1/ Handbook of Unemployment Insurance Financial Data, 1938-1970, plus annual supplements through 1975. U.S. Department of Labor.

2/ Regular UI benefits plus state share of extended benefits.

3/ Less than 0.5

4/ Net reserves (gross minus outstanding loans) were 10 billion in 1974 and 3 billion in 1975.

5/ Total U.S. unemployment benefits during 1975, including extended programs, UC fed employees and ucx servicemen, totalled 18 billion.



APPENDIX B.

U.S. DEPARTMENT OF LABOR

1976

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance Service

Significant Provisions of State Unemployment Insurance Laws, January 3, 1977

PREPARED FOR READY REFERENCE. CONSULT THE STATE LAW AND STATE EMPLOYMENT SECURITY AGENCY FOR AUTHORITATIVE INFORMATION

State	BENEFITS									COVERAGE Size of firm (1 worker in specified time and/or size of payroll) <sup>16</sup>	TAXES			
	Qualifying wage or employment (number x wba or as indicated) <sup>1</sup>	Waiting week <sup>2</sup>	Computation of wba (fraction of hqw or as indicated) <sup>1,3</sup>	Wba for total unemployment <sup>4</sup>		Earnings disregarded <sup>5</sup>	Duration in 52-week period		Benefit weeks for total unemployment <sup>7</sup>		1976 Tax rates (percent of wages) <sup>9</sup>	Min.	Max.	
				Min.	Max.		Proportion of base-period wages <sup>6</sup>	Min. <sup>8</sup>						Max.
Ala.	1-1/2 x hqw; not less than \$522	0	1/26	\$15	\$90	\$6	1/3	11+	26	20 weeks	<sup>9</sup> 0.5	<sup>9</sup> 4.0		
Alaska	\$750; \$100 outside HQ	1	2.3-1.1% of annual wages, + \$10 per dep. up to \$30	18-23	90-120	Greater of \$10 or 1/2 basic wba	<sup>6</sup> 34-31%	14	28	Any time	<sup>9</sup> 2.3	<sup>9</sup> 4.8		
Ariz.	1-1/2 x hqw; \$375 in HQ	1	1/25	15	85	\$15	1/3	12+	26	20 weeks	0.1	2.9		
Ark.	30; wages in 2 quarters	1	1/26 up to 66-2/3% of State aww	15	100	2/5	1/3	10	26	10 days	0.5	4.4		
Calif.	\$750	1	1/24-1/31	30	104	\$18	1/2	<sup>7</sup> 12+-15	<sup>7</sup> 26	Over \$100 in any quarter	<sup>9</sup> 1.4	<sup>9</sup> 4.9		
Colo.	30	1	60% of 1/13 of claimant's hqw up to 60% of State aww	25	116	1/4 wba	1/3	7+-10	26	20 weeks	0	3.6		
Conn.	40	0	1/26, up to 60% of State aww + \$5 per dep. up to 1/2 wba	15-20	116-174	1/3 wages	3/4	<sup>7</sup> 26	<sup>7</sup> 26	20 weeks	<sup>9</sup> 1.6	<sup>9</sup> 4.5		
Del.	36	0	1/26, up to 60% of State aww <sup>14/</sup>	20	125	Greater of \$10 or 30% of wba	1/2	17	26	20 weeks	1.6	4.5		
D.C.	1-1/2 x hqw; not less than \$450; \$300 in 1 quarter	1	1/23 up to 66-2/3% of State aww + \$1 per dep. up to \$3	13-14	<sup>4</sup> 148	2/5 wba	1/2	17+	34	Any time	2.7	2.7		
Fla.	20 weeks employment at average of \$20 or more	1	1/2 claimant's aww	10	82	\$5	1/2 weeks employment	10	26	20 weeks	0.7	4.5		
Ga.	1-1/2 x hqw	<sup>2</sup> 1	1/25+\$1.00	27	90	\$8	1/4	9	26	20 weeks	<sup>9</sup> 0.05	<sup>9</sup> 4.03		
Hawaii	30; 14 weeks employment	<sup>10</sup> 1	1/25 up to 66-2/3% of State aww	5	120	2	Uniform	<sup>7</sup> 26	<sup>7</sup> 26	Any time <sup>17</sup>	<sup>9</sup> 3.0	<sup>9</sup> 3.0		

State	BENEFITS									COVERAGE Size of firm (1 worker in specified time and/or size of payroll) <sup>16</sup>	TAXES		
	Qualifying wage or employment (number x wba or as indicated) <sup>1</sup>	Waiting week <sup>2</sup>	Computation of wba (fraction of hqw or as indicated) <sup>3</sup>	Wba for total unemployment <sup>4</sup>		Earnings disregarded <sup>5</sup>	Duration in 52-week period				1976 Tax rates (percent of wages) <sup>9</sup>	Min.	Max.
				Min.	Max.		Proportion of base-period wages <sup>6</sup>	Benefit weeks for total unemployment <sup>7</sup>					
								Min. <sup>8</sup>	Max.				
Idaho	1-1/4 x hqw; not less than \$520.01; \$416.01 in 1 quarter; wages in 2 quarters	1	1/26 up to 60% of State aww.	\$17	\$99	1/2 wba	Weighted schedule of bpw in relation to hqw	10	26	20 weeks or \$300 in any quarter	<sup>9</sup> 0.5	<sup>9</sup> 3.6	
Ill.	\$1,000; \$275 outside HQ	<sup>10</sup> 1	<sup>1</sup> claimant aww up to 50% of State aww <sup>13</sup>	15	110-135	\$7	Uniform	26	26	20 weeks	0.1	4.0	
Ind.	1-1/4 x hqw; not less than \$500; \$300 in last 2 quarters	1	1/25 up to \$69 <sup>3</sup>	35	69-115	20% of wba from other than BP employer	1/4	4+	26	20 weeks	0.3	3.3	
Iowa	\$600; \$400 in 1 quarter and \$200 in another	0	1/20 up to 66-2/3% of State aww	20	116	\$15 + 1/2 wages	1/2	10	39	20 weeks	<sup>9</sup> 0.7	<sup>9</sup> 4.7	
Kans.	30; wages in 2 quarters	1	1/25 up to 60% of State aww	25	101	\$8	1/3	10	26	20 weeks	0	3.6	
Ky.	1-3/8 x hqw; 8 x wba in last 2 quarters; \$250 in 1 quarter	0	1/23 up to 50% of State aww	12	87	1/5 wages	1/3	15	26	20 weeks	0.4	4.2	
La.	30	<sup>10</sup> 1	1/20-1/25	10	120	1/2 wba	2/5	12	28	20 weeks	0.7	3.3	
Maine	\$900; \$250 in each of 2 quarters	0	1/22 up to 52% of State aww + \$5 per dep. to 1/2 wba	12-17	79-119	\$10	1/2-1/3	11+-25	26	20 weeks	2.4	5.0	
Md.	1-1/2 x hqw; \$192.01 in 1 quarter; wages in 2 quarters	0	1/24 + \$3 per dep. up to \$12	10-13	<sup>4</sup> 89	\$10	Uniform	26	26	Any time	2.8	3.6	
Mass.	30	1	1/21-1/26 up to 57.5% of State aww, + \$6 per dep. up to 1/2 wba <sup>3</sup>	14-20	108-162	40% not less than \$10 nor more than \$30	36%	9+-30	30	13 weeks	3.9	5.1	
Mich.	14 weeks employment at \$25.01 or more	0	60% of claimant's aww up to \$97 with variable max. for claimants with dep. <sup>3</sup>	<sup>4</sup> 16-18	97-136	Up to 1/2 wba <sup>5</sup>	3/4 weeks employment	11	26	20 weeks or \$1,000 in CY	<sup>9</sup> 0.8	<sup>9</sup> 6.6	
Minn.	18 weeks employment at \$30 or more	<sup>10</sup> 1	<u>13/</u>	18	113	\$25	7/10 weeks employment	13	26	20 weeks <sup>17</sup>	<sup>9</sup> 0.9	<sup>9</sup> 6.0	
Miss.	36; \$160 in 1 quarter; wages in 2 quarters	1	1/26	10	80	\$5	1/3	12	26	20 weeks	1.3	2.7	

State	BENEFITS									COVERAGE Size of firm (1 worker in specified time and/or size of payroll) <sup>16</sup>	TAXES			
	Qualifying wage or employment (number x wba or as indicated) <sup>1</sup>	Waiting week <sup>2</sup>	Computation of wba (fraction of hqw or as indicated) <sup>3</sup>	Wba for total unemployment <sup>4</sup>		Earnings disregarded <sup>5</sup>	Duration in 52-week period		Benefit weeks for total unemployment <sup>7</sup>		1976 Tax rates (percent of wages) <sup>9</sup>	Min.	Max.	
				Min.	Max.		Proportion of base-period wages <sup>6</sup>	Min. <sup>8</sup>						Max.
Mo.	30 x wba; \$300 in 1 quarter; wages in 2 quarters	<sup>10</sup> 1	1/20	\$15	\$85	\$10	1/3	8-13+	26	20 weeks	<sup>9</sup> 0.5	<sup>9</sup> 3.2		
Mont.	13 x wba outside HQ	<sup>2</sup> 1	1/26 up to 60% of State aww	12	97	(2)	(6)	13	26	Over \$500 in current or preceding year	<sup>9</sup> 1.5	<sup>9</sup> 3.1		
Neb.	\$600; \$200 in each of 2 quarters	1	1/19-1/23	12	80	Up to 1/2 wba	1/3	17	26	20 weeks	0.1	3.7		
Nev.	1-1/2 x hqw	0	1/25, up to 50% of State aww	16	94	1/4 wages	1/3	11	26	\$225 in any quarter	<sup>9</sup> 1.1	<sup>9</sup> 3.5		
N.H.	\$600; \$100 in each of 2 quarters	0	2.3-1.2% of annual wages	14	95	1/5 wba	Uniform	26	26	20 weeks	2.4	4.15		
N.J.	20 weeks employment at \$30 or more; or \$2,200	<sup>10</sup> 1	66-2/3% of claimant's aww up to 50% of State aww	20	104	Greater of \$5 or 1/5 wba	3/4 weeks employment	15	26	\$1,000 in any year	<sup>9</sup> 1.2	<sup>9</sup> 6.2		
N.Mex.	1-1/4 x hqw	1	1/26; not less than 10% nor more than 50% of State aww	17	83	1/5 wba	3/5	18+	30	20 weeks or \$450 in any quarter	0.6	3.6		
N.Y.	20 weeks employment at average of \$30 or more <sup>11</sup>	<sup>2,12</sup> 1	67-50% of claimant's aww	20	95	(12)	Uniform	26	26	\$300 in any quarter	1.5	5.2		
N.C.	1-1/2 x hqw; not less than \$565.50; \$150 in 1 quarter	0 (through 2-15-77)	1/26 up to 66-2/3% of State aww	15	105	1/2 wba	1/3 bpw	13	26	20 weeks	0.3	4.7		
N.Dak.	40; wages in 2 quarters	1	1/26 up to 67% of State aww	15	107	1/2 wba	(6)	18	26	20 weeks	0.9	4.2		
Ohio	20 weeks employment at \$20 or more	<sup>10</sup> 1	1/2 claimant's aww + d.a. of \$1-\$55 based on claimant's aww and number of dep. <u>3/18/</u>	10-16	102-161	1/5 wba	20 x wba + wba for each credit week in excess of 20	20	26	20 weeks	0.6	4.3		
Okla.	1-1/2 x hqw; not less than \$500 in BP; \$4,200	1	1/26 up to 55% of State aww	16	93	\$7	1/3	10+	26	20 weeks	1.2	2.7		
Oreg.	18 weeks employment at average of \$20 or more; not less than \$700	1	1.25% of bpw up to 55% of State aww	28	102	1/3 wba	1/3	9	26	18 weeks or \$225 in any quarter	<sup>9</sup> 2.6	<sup>9</sup> 4.0		

State	BENEFITS								COVERAGE Size of firm (1 worker in specified time and/or size of payroll) <sup>6</sup>	TAXES			
	Qualifying wage or employment (number x wba or as indicated) <sup>1</sup>	Waiting week <sup>2</sup>	Computation of wba (fraction of hqw or as indicated) <sup>3</sup>	Wba for total unemployment <sup>4</sup>		Earnings disregarded <sup>5</sup>	Duration in 52-week period			1976 Tax rates (percent of wages) <sup>9</sup>	Min.	Max.	
				Min.	Max.		Proportion of base-period wages <sup>6</sup>	Benefit weeks for total unemployment <sup>7</sup>					
								Min. <sup>8</sup>					Max.
Pa.	32 + -36; \$120 in HQ; at least 20% of bpw outside HQ	0	1/20-1/25 up to 66-2/3% of State aww + \$5 for 1 dep; \$3 for 2d	\$13-18	\$133+41	Greater of \$6 or 40% wba	Uniform	30	30	Any time	1.0	4.0	
P.R.	21 + -30; not less than \$150; \$50 in 1 quarter; wages in 2 quarters	1	1/15-1/26; up to 60% of State aww	7	60	wba	Uniform	<sup>7</sup> 20	<sup>7</sup> 20	Any time	2.95	3.45	
R.I.	20 weeks employment at \$46 or more; or \$2,760	<sup>2</sup> 1	55% of claimant's aww up to 60% of State aww, + \$5 per dep. up to \$20	26-31	100-120	\$5	3/5 weeks employment	12	26	Any time	<sup>9</sup> 3.2	<sup>9</sup> 5.0	
S.C.	1-1/2 x hqw; not less than \$300; \$180 in 1 quarter	1	1/26 up to 66-2/3% of State aww	10	103	1/4 wba	1/3	10	26	20 weeks	1.3	4.1	
S.Dak.	\$400 in HQ; 10 x wba outside HQ	1	1/22 up to 62% of State aww	19	89	1/2 wages up to 1/2 wba	1/3	10+	26	20 weeks	0	2.7	
Tenn.	36; \$338.01 in 1 quarter	1	1/26	14	85	\$20	1/3	12	26	20 weeks	0.4	4.0	
Tex.	1-1/2 x hqw; not less than \$500 or 2/3 FICA tax base	<sup>10</sup> 1	1/25	15	63	Greater of \$5 or 1/4 wba	27%	9	26	20 weeks	0.1	4.0	
Utah	19 weeks employment at \$20 or more; not less than \$700	1	1/26 up to 65% of State aww	10	110	Lesser of \$12 or 1/2 wba from other than regular employer	Weighted schedule of bpw in relation to hqw	10-22	36	\$140 in CQ in current or preceding CY	<sup>9</sup> 1.3	<sup>9</sup> 2.8	
Vt.	20 weeks employment at \$30 or more	1	1/2 claimant's aww for highest 20 weeks up to 60% of State aww	15	96	\$15 + \$3 for each dep. up to \$15	Uniform	26	26	20 weeks	1.0	5.0	
Va.	36; wages in 2 quarters	<sup>10</sup> 1	1/25	20	103	Greater of 1/3 wba or \$10	1/3	12	26	20 weeks	0.55	2.7	
Wash.	\$1,550 <sup>15</sup> /	1	1/25 of hqw up to 50% of State aww	17	102	\$5 + 1/4 wages	1/3	8+-23+	30	Any time	<sup>9</sup> 3.0	<sup>9</sup> 3.0	
W.Va.	\$700	<sup>2</sup> 1	1.9-0.8% of annual wages up to 66-2/3% of State aww	14	128	\$25	Uniform	26	26	20 weeks	0	3.3	

State	BENEFITS									COVERAGE Size of firm (1. worker in specified time and/or size of payroll) <sup>6</sup>	TAXES	
	Qualifying wage or employment (number > wba or as indicated) <sup>1</sup>	Waiting week <sup>2</sup>	Computation of wba (fraction of hqw or as indicated) <sup>1,3</sup>	Wba for total unemployment <sup>4</sup>		Earnings disregarded <sup>5</sup>	Duration in 52-week period		Benefit weeks for total unemployment <sup>7</sup>		1976 Tax rates (percent of wages) <sup>9</sup>	
				Min.	Max.		Proportion of base-period wages <sup>6</sup>	Min. <sup>8</sup>			Max.	Min.
Wisc.	17 weeks employment; average of \$44.01 or more with 1 employer	10 <sup>1</sup>	50% of claimant's aww up to 66-2/3% of State aww	\$23	\$126	Up to 1/2 wba <sup>5</sup>	8/10 weeks employment	1-13+	34	20 weeks	9 <sup>0.5</sup>	9 <sup>5.2</sup>
Wyo.	20 weeks employment with 20 hours in each week + \$800 in bpw	1	1/25 up to 50% of State aww	10	95	\$10	3/10	11-24	26	\$500 in current or preceding CY	1.16	3.86

<sup>1</sup> Weekly benefit amount abbreviated in columns and footnotes as wba; base period, BP; base-period wages, bpw; high quarter, HQ; high-quarter wages, hqw; average weekly wage, aww; benefit year, BY; calendar quarter, CQ; calendar year, CY; dependent, dep.; dependents allowances, da.; minimum, min.; maximum, max.

<sup>2</sup> Unless otherwise noted, waiting period same for total or partial unemployment. N.Y., 2-4 weeks; W.Va., no waiting period required for partial unemployment. No partial benefits paid in Mont. but earnings not exceeding twice the wba and work in excess of 12 hours in any 1 week disregarded for total unemployment. Waiting period may be suspended if Governor declares State of emergency following disaster, N.Y., R.I. In Ga. no waiting week if claimant unemployed not through own fault.

<sup>3</sup> When States use weighted high-quarter, annual-wage, or average weekly-wage formula, approximate fractions or percentages figured at midpoint of lowest and highest normal wage brackets. When da provided, fraction applies to basic wba. In States noted variable amounts above max. basic benefits limited to claimants with specified number of dep. and earnings in excess of amounts applicable to max. basic wba. In Ind. da. paid only to claimants with earnings in excess of that needed to qualify for basic wba and who have 1-4 depts. In Mich. and Ohio claimants may be eligible for augmented amount at all benefit levels but benefit amounts above basic max. available only to claimants in dependency classes whose aww are higher than that required for max. basic benefit. In Mass. for claimant with aww in excess of \$66 wba computed at 1/52 of 2 highest quarters of earnings or 1/26 of highest quarter if claimant had no more than 2 quarters work.

<sup>4</sup> When 2 amounts given, higher includes da. Higher for min. wba includes max. allowance for one dep.; Mich. for 1 dep. child or 2 dep. other than a child. In D.C. and Md., same max. with or without dep.

<sup>5</sup> In computing wba for partial unemployment, in States noted full wba paid if earnings are less than 1/2 wba; 1/2 wba if earnings are 1/2 wba but less than wba.

<sup>6</sup> With exception of Mont. and N.Dak., States noted have weighted schedule with percent of benefits based on bottom of lowest and highest wage brackets. In Mont., duration is 13, 20, and 26 weeks, depending on quarters of employment; in N.Dak., 18, 22, and 26 weeks, depending on amount of BP earnings.

<sup>7</sup> Benefits extended under State program when unemployment in State reaches specified levels: Calif., Hawaii, by 50%; Conn. by 13 weeks. In P.R. benefits extended by 32 weeks in certain industries, occupations or establishments when special unemployment situation exists. Benefits also may be extended during periods of high unemployment by 50%, up to 13 weeks, under Federal-State Extended Compensation Program and up to 26 additional weeks under the Federal Supplemental Benefits program.

<sup>8</sup> For claimants with min. qualifying wages and min. wba. When two amounts shown, range of duration applies to claimants with min. qualifying wages in BP; longer duration applies with min. wba; shorter duration applies with max. possible concentration of wages in HQ; therefore highest wba possible for such BP earnings. Wis. determines entitlement separately for each employer. Lower end of range applies to claimants with only 1 week of work at qualifying wage; upper end to claimants with 17 weeks or more of such wages.

<sup>9</sup> Represents min.-max. rates assigned employers in CY, 1976 Ala., Alaska, N.J., require employee taxes. Contributions required on wages up to \$4,200 in all States except Mo., \$4,500; Ala., Mont., R.I., \$4,800; Mich., \$5,400; N.J., \$5,800; Ariz., Ark., Conn., Ga., Iowa, Wis., \$6,000; Minn., Nev., \$6,500; Calif., \$7,000; Wash., \$7,800; Oreg., \$8,000; Idaho, \$8,400; Utah, \$8,800; Hawaii, \$9,300; Alaska, \$10,000; P.R., all wages.

<sup>10</sup> Waiting period compensable if claimant entitled to 12 consecutive weeks of benefits immediately following, Hawaii; unemployed at least 6 weeks and not disqualified, La.; after 9 consecutive weeks benefits paid, Mo.; when benefits are payable for third week following waiting period, N.J.; after benefits paid 4 weeks, Tex., Va.; after any 4 weeks in BY, Minn.; after 3d week unemployment, Ill.; after 3d week of total unemployment, Ohio; after 1 week, Wis.

<sup>11</sup> Or 15 weeks in last year and 40 weeks in last 2 years of aww of \$30 or more, N.Y.

<sup>12</sup> For N.Y., waiting period is 4 effective days accumulated in 1-4 weeks; partial benefits 1/4 wba for each 1 to 3 effective days. Effective days: fourth and each subsequent day of total unemployment in week for which not more than \$95 is paid.

<sup>13</sup> To 60% State aww if claimant has nonworking spouse; 66-2/3% if he had dep. child, Ill.; 60% of first \$85, 40% of next \$85, 50% of balance up to \$105, Minn.

<sup>14</sup> July 1, 1977, 63%; July 1, 1978, 66-2/3%, Del.

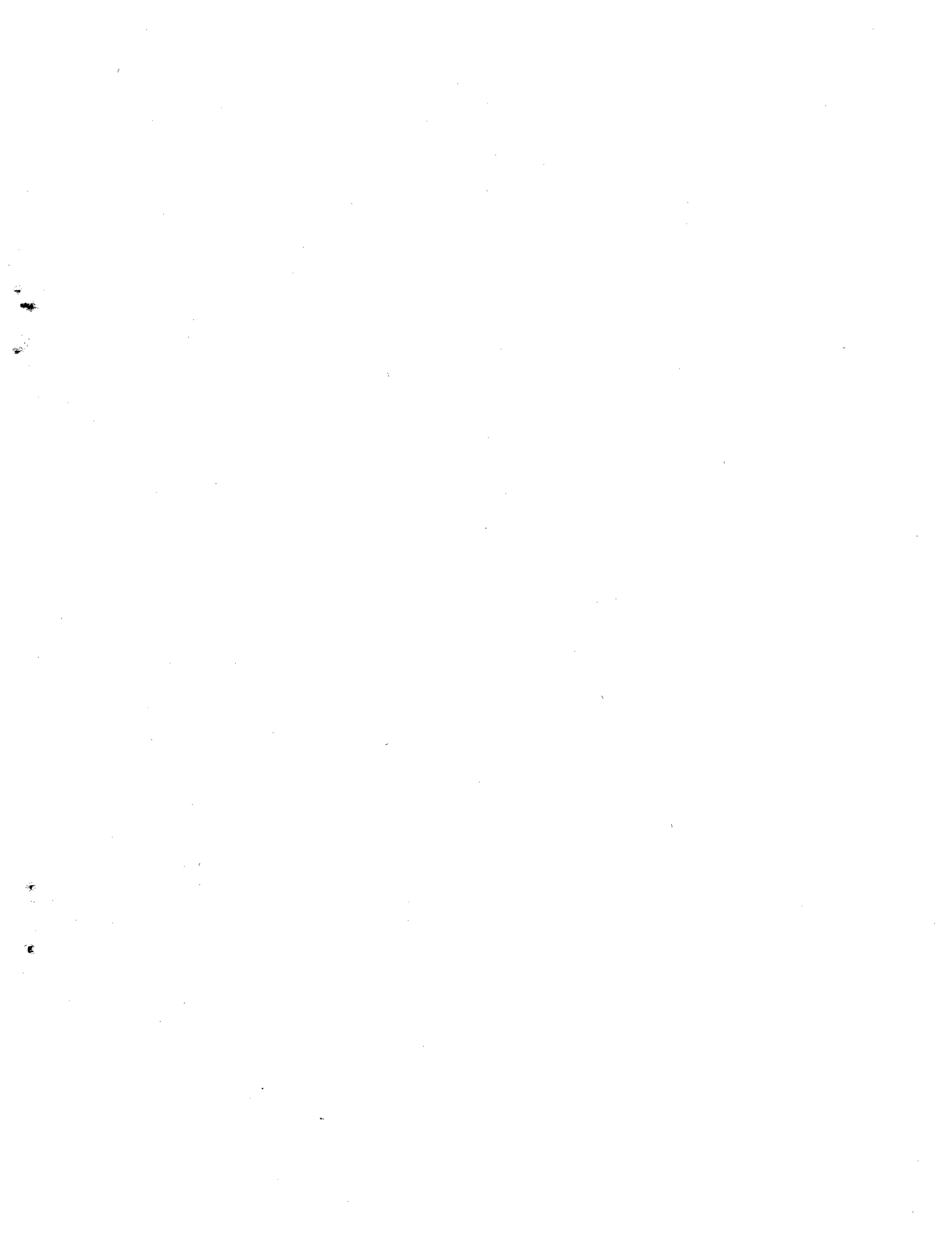
<sup>15</sup> In addition to total wages of \$1,550, claimant also must have either (1) 16 weeks of employment with wages of 15% of average wage or (2) 600 hours of employment.

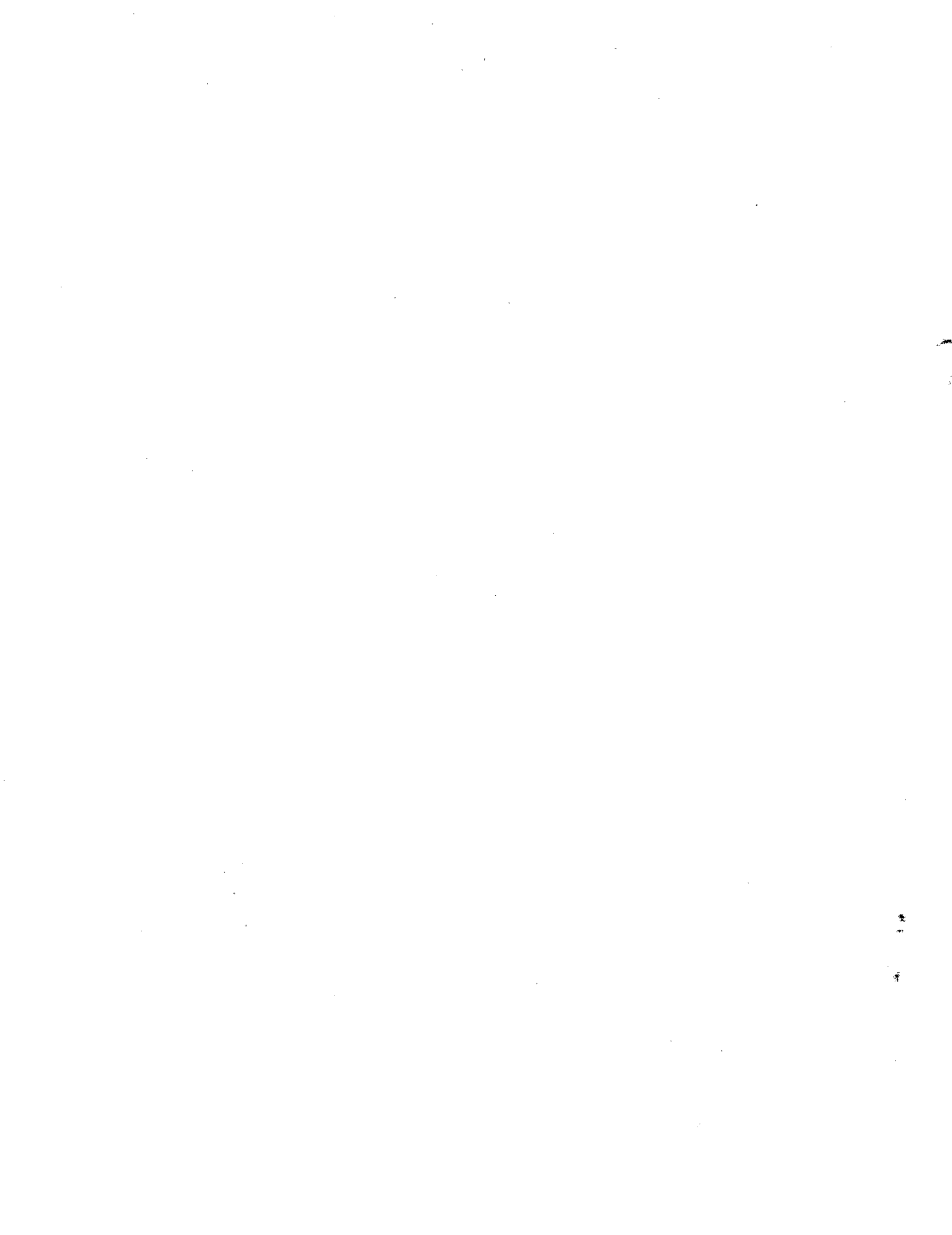
<sup>16</sup> \$1,500 in any CQ in current or preceding CY unless otherwise specified.

<sup>17</sup> Also covers employers of 20 or more agricultural workers in 20 weeks, Hawaii; covers 4 agricultural workers in 20 weeks, Minn.

<sup>18</sup> Max. amount adjusted annually by same percentage increase as occurs in State aww.

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