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Foreword

The UI Research Exchange is published by the Unemployment Insurance Service, Division of Research and Policy. The Exchange provides a means of communication between researchers, both inside and outside government, and policymakers. The Exchange is designed to be an open forum for all UI researchers and program personnel. However, the views expressed in the Exchange do not necessarily reflect the official position or policy of the U.S. Department of Labor. Thank you to all contributors to this issue.

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Submitting to the Exchange

Individuals interested in submitting papers to the Exchange should follow these guidelines. The next issue(s) of the Exchange will address the topics of One-Stop Service Delivery Systems, especially with regard to the implementation of the Workforce Investment Act and Performance Accountability Measures, and the Contingent Workforce (leased employees, independent contractors, temporaries, etc.). Manuscripts are due by December 3 1, 1999. *Notzjkation of acceptance will be provided by February 28, 2000. Manuscripts not selectedfor publication will be returned to the authors.*

Submission Guidelines

- Manuscripts should be factual and analytical in tone and should, preferably, contain research on the topics of One-Stop Service Delivery Systems or the Contingent Workforce. Manuscripts should be submitted in a style suitable for publication in a journal and should include an abstract. There is no word count limit. *All manuscripts will undergo a peer review and no manuscript is maranteed publication.*

- Submit one, unbound manuscript with all appendices as well as an electronic file (3.5" diskette, IBM compatible) saved in WordPerfect, MSWord 6 or 7, or Rich Text Format (.RTF). Charts and graphs should be saved as WordPerfect Graphics (.WPG), Windows Metafile (.WMF), or Bitmap (.BMP) format.

- Please reserve use of tables for crucial data that would otherwise make text dense with numbers. A table should be an integral part of the text but should also be intelligible on its own. Figures (graphs, charts, drawings) should be clear and simple. We cannot print color Figures so please use pattern fills.

- Please include a short biography for all authors/contributors.

- Previously published manuscripts will be considered if author(s) provide or secure appropriate copyright license for reprinting by the Department of Labor and the UI Research Exchange.

- For seminars, conferences, meetings and training, please include exact dates and times, locations, title and purpose, who may or will attend, and appropriate contact or registration information.

Submissions may be sent to:

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Contributed Papers

Worker Profiling and Reemployment Services
Profiling Methods: Lessons Learned

Marisa L. Kelso
June 1998

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WORKER PROFILING AND REEMPLOYMENT SERVICES
Profiling Methods: Lessons Learned

I. INTRODUCTION

It has been five years since the Unemployment Compensation Amendments of 1993 spawned the Worker Profiling and Reemployment Services (WPRS) system. In that time, we have laid the program's foundation, designed its architecture, and provided guidance to those who forged its structure. We have'encountered many obstacles on the road to completion, but the resulting experiences have lead us to the discovery of useful insights about existing organizations; including their methodologies of choice, procedures and the trials of inter-agency cooperation. Since its inception, the "worker profiling program @as encouraged] States to use the Unemployment Insurance system to link permanently displaced workers to reemployment services early in their period of unemployment and facilitate their transition to new jobs"i The concept of "linking" and joining efforts to enhance the results of the program was in the foreground of the project, as early as President Clinton's statement on the day he signed the original bill into law. This paper continues along the initial theme of collaboration, emphasizing the symbiosis that takes place in a cooperative environment. Technical methodologies and inter-organizational linkages have taken many forms during the WPRS system implementation, but throughout each variation, a common thread remains: cooperation is the key to the success of both this program, and the future of our organizations.

This premise of cooperation has taken form in our practical application of the WPRS system. A pattern throughout the implementation process has been the recurring objective of states to draw on other states' experiences in establishing and refining WPRS systems. As a primary step toward providing a forum for cooperation, staff from 13 states with whom the US Department of Labor Technical Assistance Team (TAT) has had occasion to work or to contact were canvassed. Table A (appendix) lists these states and the model specifications they contributed. This is not meant to be an exhaustive survey of all the methods&at have been tested thus far or that may prove effective in the future. Rather, the discussion summarizes techniques used by states to identify data elements historically correlated with benefit exhaustion and to incorporate these elements into a chronicle of profiling development. Based on the experiences of the TAT, it provides a broad, nationwide perspective on the lessons learned throughout the state implementation process, focusing on successful strategies and hopefully providing a basis for a continued exchange of similar information. 1

'Statement by the President, Offke of the Press Secretary. March 4, 1993. <http:/www.whitehouse.gov>, Virtual Library.

II. PROFILING METHODS

A. Practical Overview

WPRS attempts to identify unemployment insurance (UI) claimants with a high potential for exhausting their benefits and provide them with re-employment services. These claimants represent a demand for services, with new and existing programs representing the supply. Prior to WPRS, the demand for and supply of re-employment services were not necessarily balanced. WPRS is a tool which facilitates both the identification of claimants and the allocation of services, such that those claimants most likely to exhaust receive highest priority in receiving available re-employment services. This work provides a sampling of state experiences thus far in designing identification methods for the WPRS initiative and should provide useII ideas for states as they continue to develop and refine their profiling mechanisms. It is important for readers to note that this work is informational only, and does not imply that inclusion of these new variables or approaches is necessary for a successful WPRS experience.

To make the necessary identifications, states may use either characteristic screens‘or a statistical model, whichever was specified by the state's cooperative agreement. Both methods seek to identify characteristics common to recent exhaustees and target current claimants who share these characteristics. Although neither method can target exhaustees with complete accuracy, both screens and models have been found considerably more accurate than less-systematic and less-scientific processes such as random selection. Most states have chosen to implement statistical models, since they offer both greater accuracy and greater procedural flexibility than do characteristic screens, and the Department of Labor has recommended that states adopt a statistical approach. A few states without sufficient historical data to develop a statistical model have chosen to implement screening methodologies and have taken steps to collect data necessary to develop a model in the future. Most of the concepts noted in this paper apply to statistical modeling since it is the more complex and widely used of the two. Many of the strategies and data elements mentioned could be incorporated into a screening methodology as well.

With either method, the target population of WPRS as specified in P.L. 103-l 52 is claimants who are "likely to exhaust." While the specific make-up of this population changes from state to state, the ultimate goal is to identify claimants whose job-search skills are no longer sufficient to obtain suitable employment in their particular labor market. Identifying these potential exhaustees, while theoretically straightforward, becomes complicated in the practical application of WPRS for a number of reasons. For example, the availability and integrity of historical data are issues in many states. Data from separate intakè systems must often be merged, causing additional problems. Dealing with this data issue has become a common stumbling block and will be addressed later in the section discussing potential avenues of cooperation between agencies. To further complicate matters, some readily available data elements depicting personal characteristics (e.g., ethnicity) have been determined to be discriminatory under Federal equal opportunity legislation and are thus prohibited. Finally, some key influences on benefit exhaustion, such as motivation and networking skills, are not quantifiable; these would affect

whether or not a claimant will exhaust his/her benefits but can neither be captured nor factored into a model. Given these complicating influences, the theoretically straightforward problem becomes more difficult to unravel. The experiences of many states attest to the substantial task of developing an identification mechanism for WPRS that can accurately predict which new claimants will become exhaustees.

(9 The Department of Labor Model

Rising to these challenges, states have moved forward with Profiling. Although predicting exhaustion is an inexact science, states have been able to develop models that considerably reduce prediction errors relative to less-rigorous methods. As mentioned, most have either directly adopted the model initially developed by DOL in 1993, or used it as a starting point in developing a state-specific strategy for identifying likely exhaustees.* The model consists of two initial screens--recall status and union hiring hall--and a set of variables derived from five data elements--education, job tenure, industry, occupation and local unemployment rate. Originally developed from a national data set, the DOL model was first adapted to state-level data in the test state of Maryland. The national and Maryland versions are compared in the following table:

* The DOL model was initially outlined in UI Information Bulletin 4-94 and Field Memorandum 35-94 and was updated in UI Information Bulletins 11-94 and 15-94. These and all WPRS-related issuances can be found in Unemployment Insurance Occasional Paper 94-4, "The Worker Profiling and Reemployment Services System: Legislation, Implementation Process and Research Findings."

Table 1. National and Maryland Model Comparisons

	NATIONAL MODEL	MARYLAND MODEL
EDUCATION	Categorical variables: -Less than HS diploma -HS diploma -Some college -College degree	Categorical variables -Less than HS diploma -HS diploma -Some college -Bachelors degree -Masters degree/PhD
JOB TENURE	Categorical variables: -0-3 years -3-5 years -6-9 years lO+ years	Continuous variable: -Years of job tenure
INDUSTRY	Employment change (%): -SIC Division level -State level	Employment change (%): -SIC Division level -SDA level
OCCUPATION	Binary variable, from employment change (Oh): -(= 1) if growing -(=O) if zero or declining -SOC one-digit level	Categorical variables -DOT one-digit level (nine categories)
UNEMPLOYMENT RATE	Unemployment Rate (%): -State level	Unemployment Rate (%): -SDA level

(ii) State Versions of the DOL Model

Both of the above variations of the DOL model served as starting points in the development of state WPRS identification mechanisms. The national analysis demonstrated on an aggregate level that the five data elements shown above were both logically and statistically correlated with UI benefit exhaustion. The Maryland test state project showed further that constructing a state-specific version of the DOL model would require an additional degree of testing and experimentation. Equally important, the Maryland project demonstrated that an operational state system could be readily developed from the model. ,This progression is what is meant by the phrase "using a state-specific version of the DOL model" which appears throughout many of the WPRS-related issuances. The same five data elements are included, but depending on an analysis of how (or if) these elements influence exhaustion in the given state, their treatment in the model may differ. As Table 1 shows, the national and Maryland models are different in the way each of the five data elements are treated in the model.

A number of states have followed the Maryland experience closely, using the same set or a very similar set of data elements to construct a simple state-level statistical model. This generally results in a methodology that, when applied to out-of-sample historical data (i.e., data not used to develop the model), is able to correctly identify a higher percentage of claimants as exhaustees compared to the alternatives of random selection and characteristic screening. The Department has contracted with Social Policy Research Associates (SPR) to provide a nationwide analysis and report to the Congress on follow-up and outcome issues3. However, for the purposes of this paper, models and data elements are most easily evaluated based upon their performance in analyzing historical data. Section C-(i) summarizes the findings of the states included in this study relative to the five data elements comprising the DOL model.

(iii) State Models Beyond the DOL Model

Alternative State models represent a variation on the basic form and concept of the DOL Model: developing a state-specific process of identifying and serving likely exhaustees. Incorporating some or all of the core DOL model elements into a statistical model allows states to identify a greater percentage of exhaustees than is possible with other approaches. However, since there exists considerable diversity among states, it is not surprising that several have found that alternative specifications are needed to effectively model their populations. And since SESA automated data processing systems often retain a great deal more information than just these five elements, several states have expanded upon the DOL model by testing new data elements and variables in an effort to increase predictive ability. States that have done so have used the DOL-model elements as a starting point, retaining those found to be helpful in identifying likely exhaustees and building upon them. Other extensions in addition to testing new variables include using alternative statistical methods, and, in the case of Kentucky, Washington and Alaska, developing multiple sub-state models.

The following two sections summarize states' experiences developing WPRS models using the DOL-model data elements as a f?ame of reference. Section B examines issues related to the dependent variable while section C focuses on the independent variables. Within each section, descriptions of data elements and related issues are followed by evaluations of the advantages and/or disadvantages of incorporating each element. These evaluations refIect both the experiences to date of the states included in this study and the assessment of members of the TAT. The intent is to provide worthwhile feedback and direction for states that continue to develop and refine identification methods as WPRS progresses. This feedback should supplement, not substitute for, state-specific analysis of historical data in developing the most practical and effective means of identifying likely exhaustees.

3The findings of these studies are published in the "Evaluation of Worker Profiling and Reemployment Services Systems: Interim Report", Unemployment Insurance Occasional Paper 96-l and "Evaluation of Worker Profiling and Reemployment Services Systems", Report to Congress, 1997.

B. The Dependent Variable

Since the inception of WPRS, benefit exhaustion has been the focal point of the identification component. P.L. 103-l 52 requires states to "identify which claimants will be likely to exhaust regular compensation.. . " Statistically, this suggests a binary outcome (i.e., only two possibilities); a claimant either exhausted regular unemployment insurance compensation or (s)he did not exhaust. Thus, the dependent variable in the DOL model was coded as "1" for exhaustees and as "0" for non-exhaustees. The output of the model is a predicted probability between zero and one that each claimant will exhaust benefits. Both the national and Maryland versions of the DOL model used logistic regression, the preferred statistical technique that accounts for the complexities introduced by a binary dependent variable.[4] The advantages of logistic regression were also illustrated during each of the three DOL-sponsored Profiling Methods Seminars led by Dr. Robert St. Louis and held during the past year in Scottsdale, Arizona.

States using the same specification for the dependent variable in their WPRS models have typically used data elements reflecting the amount each claimant was paid over a complete benefit year to discern exhaustion. Two frequently-used definitions are: claimants with an ending balance of zero, or claimants paid amounts equal to or in excess of the total amount of UI benefits for which they were eligible. As mentioned, a binary dependent variable is a special, constrained case which usually cannot be modeled using simple ordinary least squares (OLS) regression analysis; a method must be used that accounts for the constraint. Of those that do, logistic regression best balances computational simplicity with theoretical and empirical reasoning.

(0 Alternative Specifications of the Dependent Variable

Since WPRS is an operational system, its practical effects must be considered along with its theoretical justification. In this context, some questions have been raised regarding the utility of a binary dependent variable. A few states correctly pointed out that this approach discards information; a claimant who <u>almost</u> exhausted is not distinguished from a claimant who came nowhere near exhausting, although the near-exhaustee may experience a greater need for reemployment assistance. Also, since benefits in most states are subject to variable .potential duration, targeting likely exhaustees may result in some claimants with very low potential duration among those referred to re-employment services. As a result, some states have experimented with alternatives to a binary dependent variable representing exhaustion of regular unemployment compensation. These are discussed below:

<u>Number of weeks claimed</u> has been tested as a dependent variabfe using ordinary least squares (OLS) regression. This allows for distinctions between "near-exhaustees" and claimants who draw only a few weeks of benefits. However, constructing duration models is complicated by the dependent variable, which although continuous, is normally censored at 26 weeks.

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4 See "Applied Logistic Regression" by David W. Hosmer, Jr. and Stanley Lemeshow (1989) for an in-depth treatment of the topic.

The ratio of benefits drawn to benefit entitlement has been tested for the same reason as the number of weeks claimed, also using OLS. Experimentation with this dependent variable concluded that using it in a WPRS model incurred significantly more estimation difficulties and gained little with respect to predictive capability. Ultimately, this method was abandoned in favor of logistic regression using a binary dependent variable.

EVALUATION: In theory, it is true that using a binary dependent variable ignores the distinction between near-exhaustees and claimants who collected only a few weeks of benefits. The utility of continuous dependent variables is predicated on the need to include near-exhaustees among the group assigned high probability values and referred to reemployment services. However, in both the aforementioned instances a censored sample is imposed and therefore questions of bias in estimation are raised. The meaning of the term "censored sample" is that since there is a maximum value for the dependent variable (i.e., 26 weeks, maximum benefit available), claimants who "exhaust" their benefits may still be unemployed and might draw more benefits if they were available to them. Having a maximum value on the dependent variable "censors"possible outcomesfiom exceeding whatever value has been set. Thus,. it is typically impossible to obtain true outcomes in instances where claimants would claim (fallowed) a greater number of weeks than the benefit-week restriction. It therefore becomes necessary to apply a maximum likelihood estimation or a two-step procedure to provide unbiased parameter estimates when the continuous dependent variable is censored. (For more information on this topic, see Judge et al. (1985), pp. 780-785.) In general, since logistic regression is more straightforward and well-supported in economic literature, and since it focuses on the characteristics of claimants who exhaust benefits, it is the preferred method of targeting claimants for WPRS.

(ii) Adjusting the Coding Scheme of the Exhaustion Variable

Developing a logistic regression model with a binary dependent variable still leaves open a number of options for experimentation. Some states have found that in certain instances, altering the coding scheme of the dependent variable proves useful. It is important to note that the coding scheme for the dependent variable affects the entire structure and function of the model; characteristics prevalent among the claimants coded as "exhaustees" will yield high predicted probabilities for current claimants who share those same characteristics, and vice-versa. In the DOL model, claimants are coded as exhaustees if they drew 100 percent of their entitlement and are coded as non-exhaustees if they did not draw 100 percent. Some states (see Table 2) have found this definition of exhaustion too restrictive for their specific needs, and therefore have varied the definition of "exhaustion" in the following ways:

Expandinv the scope of the exhaustion variable by using a more general definition is yet another method of separating the characteristics of "near-exhaustees" from those of other non-exhaustees. For example, if at least 90 percent of benefits were depleted, claimant was coded as an exhaustee. This variation would cause the characteristics of both exhaustees **and** near-exhaustees to yield high probability scores for current claimants with the same characteristics. A related variation is to code claimants who exhaust a high percentage of benefits within a given

time frame as exhaustees (e.g., 80 percent within 6 months of their benefit year begin (BYB) date). This would also expand the definition to include both exhaustees and near-exhaustees, and would also shorten the lag time for discerning exhaustion outcomes. Finally, exhaustion has also been redefined to automatically include claimants collecting EUC, since they had, by definition, exhausted regular benefits.

Narrowinp the scope of the exhaustion variable by using a more restricted definition prevents the characteristics of certain exhaustees, who may not be considered in need of re-employment assistance, from yielding high probability scores. For example, some states have determined that claimants who take a full calendar year to exhaust 26 weeks of benefits are not truly in need of re-employment services; they may simply be collecting UI benefits between intervening spells of employment. To compensate, a time limit has been set (e.g., 8 months from BYB date) after which historic claimants would not be coded as exhaustees.

Weeks of potential duration has also been used as a criterion for narrowing the scope of the dependent variable. Variable duration complicates the use of exhaustion as the focal point of a model, because, for example, a claimant eligible for only 13 weeks of benefits has a higher probability of exhausting than a claimant eligible for a full 26 weeks of benefits, other things equal; yet, the 13 week claimant may not be determined to be in-need of reemployment assistance. To compensate, some states have chosen to set a minimum potential duration below which historical claimants cannot be coded as exhaustees. This is not a screen for current claimants and serves only to narrow the historical definition of exhaustion to claimants who actually collected UI for a significant length of time. On the other hand, some states have found that variable duration is not an issue because initial screens that exclude job-attached or seasonal claimants tend also to exclude those with low potential duration.

EVALUATION: Whether any of these techniques will be useful in a given state is a judgement best left to those familiar with that state's labor market trends. Expanding the definition of exhaustion would be most use&l for states with low exhaustion rates because with only a small number of exhaustees, it is diflcult to find characteristics that are widespread only among this scant few. By expanding the definition of exhaustion somewhat, more trends may become evident, making the model more reliable while still focusing on the long-term unemployed. Including claimants who drew at least 90 percent of their entitlement proved effective for at least one state with a low exhaustion rate. It is important to note, though, that a speciJic "cut-or rate may be viewed as an arbitrarily selected point, and an appropriate "cut-of level cannot remain fied throughout time. An appropriate level must rise during recessionary periods and fall during economic expansions. A care&l evaluation of data may reveal some helpful trends, and lend support to the definition of the dependent variable (expanded or narrowed).

Narrowing the definition of exhaustion using potential duration has been most useful for states that find that many short-duration-and perhaps seasonal--exhaustees pass all of the initial screens (e.g., recall, union hiring hall) yet are not truly in need of reemployment services. It ensures that the model focuses on exhaustees who are also long-term unemployed. Neither of the other narrowing criteria mentioned above (consecutive weeks, shortened time frame) have been tested conclusively as yet. However, it is important to note that such a technique would be

predicated on the survival rate--the rate at which claimants continue to collect UI on a week-to-week basis. It is necessary to examine the survival rate at the specified cut-off point, whether it be six months or some other; a reliable relationship between the selected criteria and actual exhaustion must be established within this framework in order for such an approach to be tenable.

C. Independent Variables

(i) DOL Model Core Variables

While a few alternative definitions of the dependent variable have been tested, most experimentation has involved the independent variables. In the DOL model, five data elements used to develop a set of independent variables were suggested to states developing their WPRS systems. Some states adopted only these five elements and created state-specific versions of the DOL model such as the Maryland model. Others used the five elements as a starting point for analyzing a wider range of data. This section first summarizes each of the five key variables--education, job tenure, industry, occupation, and local unemployment rate--as they were implemented in the DOL model and then reviews and evaluates the findings of states surveyed concerning the use of the same elements.

Education is measured with a series of binary indicator variables which indicate that an inverse relationship exists between years of education and exhaustion. In the test state project, this specification found education to be a reliable predictor of exhaustion. The break points for the series of binary variables were developed partially by inferences from economic theory regarding impacts of education levels and partly by evaluating the historical data with which the model was developed.

Years of education squared was not included in the Maryland model but has been used by at least two other states to capture the marginal impact of education on exhaustion. This variable assumes that the relationship between education and exhaustion is not strictly linear, and therefore the quadratic representation of education is used in conjunction with a variable depicting the education levels linearly.

EVALUATION: In most states, the same strong inverse relationship between education and exhaustion found in the DOL model was prevalent as well. However, there were a few notable exceptions where education was not a strong predictor. In at least two states, only the presence of a college degree had any significant impact on exhaustion, negative in both cases. Conversely, in another state, education was significantly correlated with exhaustion, but claimants with a college degree had the second-highest exhaustion probabilities (only those with less than a high school diploma were higher). Compared to possible alternatives (e.g., a continuous variable denoting years of education), the method of using binary indicators to model education is most appropriate. It emphasizes the importance ofparticular milestones--such as the attainment of a diploma or a degree-as opposed to individual years of schooling, which may have only marginal eflects. A continuous variable simplistically assumes a constant linear relation, presumably

negative, between years of education and exhaustion. However, including a quadratic term(s) along with a continuous variable relaxes the assumption of linearity and thus allows greater flexibility in determining educations impact. This may prove ***helpful*** *to states that have had* ***difficulty*** *incorporating education thus far, although it will likely not contribute much to the overall predictive power of the model.*
It is worth emphasizing that structural ***shifts*** *in the labor market over time may necessitate re-examination of educational impacts, since* ***different*** *classes of workers may experience "dislocation" as factors such as technology, trade, and military downsizing keep the domestic economy influx. Also, the relationship between education and exhaustion should be viewed as sensitive to both the types of industries that drive primary local labor markets and to the demographic composition of the* ***workforce****. In areas where skill levels and educational backgrounds are fairly homogenous, it follows that education will not be a very* ***effective*** *predictor of exhaustion.*

Job Tenure was used in the national model as series of binary indicators and in the Maryland model as a continuous metric. In retrospect, the continuous specification may in some ways overstate tenure's impact on exhaustion. This is because it assumes a constant impact--positive in the case of Maryland--over the distribution of values, meaning, for example, that the increase in exhaustion probability between 2 and 3 years of tenure is equal to the increase between 39 and 40 years. This is intuitively unlikely; a one-year change should exert more of a relative impact in the former case than in the latter. Thus, although a positive relationship exists, the unconstrained continuous variable may somewhat distort this relationship by assuming it is applicable to all values. A further concern is the integrity of tenure data, which can be suspect since claimants may have multiple base period employers or may have worked in one or more interim positions since being separated from their "real" occupation.

Years of iob tenure squared is used in the same fashion as quadratic term for education described previously. The theoretical assumptions associated with this specification suggest that the relation between tenure and exhaustion is not strictly linear and therefore inclusion of the quadratic variable is necessary to accurately capture tenure's impact.

EVALUATION: Several states have found that data on tenure are either ***unreliable or*** *unavailable historically; therefore, tenure's utility for WPRS may not* ***be fully*** *realizedfor some time, until accurate data is available. Those with* ***sufficient*** *data have tested tenure's effects using several* ***different*** *specifications and many have obtainedfavorable results. Some states use a single binary variable set at a* ***meaningful*** *cut-offpoint, others use a series of binary variables representing several intervals, and still others use tenure as a continuous variable. With respect to this, one* ***frequent difficulty*** *with using tenure in a linear, continuous form is that in doing so, one assumes a constant marginal impact on exhaustion with each additional year of tenure. This assumption is often challenged by a graphical analysis of the relationship; an approach which has been found to satisfactorily express the truest relationship between tenure and exhaustion is to include a quadratic expression of tenure. While this is a better empirical specification of the relationship, it is more* ***difficult*** *to explain in practical application. An alternative method to capture the impact of tenure in selection and referral is that of "capping" the tenure variable by*

assigning a maximum value (e.g., for all observations 20 years and over). As these differences suggest, both the strength and direction of tenure's impact on exhaustion cannot be generalized across states and frequently vary within states as well. From this standpoint, including tenure squared (or some other non-linear form) may be productive if analysis suggests a non-linear relationship; tenure undoubtedly measures job-specific e#ects that are worth incorporating into profiling methodologies, but the challenge is in correctly identifying these effects in a model. Plotting the relationship between tenure and the dependent variable and using the results as a basis for creating and testing different variable specifications is the best way to approach this problem.

Industry was captured in the Maryland model using the Standard Industrial Classification (SIC) code(s) denoting a claimant's base period employer(s). Where multiple employers exist, the code corresponding to the separating employer was used. Some other states have used criteria such as earnings or tenure to discern the "primary" employer where necessary. However, it should be noted that no matter which employer it reflects, the SIC code bv itself is not a meaningful variable and must be somehow transformed. In the test-state project, the SIC codes were. aggregated to the industry division level and used to develop industry employment change rates. In very small industries, the change rates were weighted to reflect a more accurate impact on the labor market.

EVALUATION: *Since either industry or occupation must be used under the WPRS system and capturing occupational effects is difficult (see next section), most states have included industry in some form. Like Maryland, some have done this by attaching either historic or projected employment change rates to the code. Employment changes are typically calculated from the ES-202, Current Employment Statistics (CES), or similar data sources. This approach has proven effective for both models and screens in a number of states. However, shortcomings such as data lags have rendered growth rates ineffective in others. As alternatives, some states have either attached historic UI exhaustion rates to SIC codes or simply created a series of categorical variables from the code without attaching any additional information. Regardless of the form in which industry is depicted, almost all states have partially collapsed the SIC codes from the four-digit level in which they are typically recorded. This is because cell size at the four-digit level is typically too small to reflect the labor market a claimant faces. Most states have modeled industry variations at the division level or two-digit level, either statewide or-within sub-state groupings. Given the fact that industry is widely available using a universal coding scheme, it is worthwhile for states to make every effort to include it meaningfully in their WPRS models.*

Occupation effects may be one factor that prevents industry from being a more powerful predictor. At the aggregate industry levels needed to achieve sufficient cell size, a wide range of skills and occupations exist within each. Measuring the relative demand for these occupations would undoubtedly aid the targeting of likely exhaustees. Unfortunately, occupational coding is a significant obstacle to both measuring such demand and to incorporating its effects into an operational system.

In the Maryland model, occupation was treated at the one-digit level and included as a series of binary variables. This had the effect of increasing the predicted probabilities of claimants in the relatively low-wage and high-exhaustion "clerical/sales" and "service" occupation groups.

EVALUATION: *The specific occupational coding problems states have encountered are too numerous to mention here. In general, most involve either incomplete data or multiple coding schemes. In many states not all UI claimants are assigned an occupational code, creating a problem of missing data. Also, claimants may be assigned codes using one coding scheme (typically DOT--Dictionary of Occupational Titles), while data on historic or projected growth rates are organized using another scheme (typically OES-Occupational Employment Statistics). Although a "crosswalk" between coding schemes may be used, the added layer of complexity lessens the precision of the data because of conflicts in definitions, etc. Finally, the assignment of multiple codes (e.g., most recent occupation, desired occupation, etc.) and the complexity of the coding schemes makes the reliability of assigned codes an almost universal concern. Few states at this point have been able to incorporate meaningful occupational effects into their WPRS systems. Since occupation would seem to have a great deal of intuitive value in forecasting long-term unemployment, the challenge for the future is in developing reliable methods for coding claimants' occupations and collecting data that accurately measure the relative labor-market demand for them.*

Unemelovment rate/sub-state variation refers to the unemployment rates and/or categorical variables used to control for regional variations in UI exhaustion. Even the smallest states exhibit a great deal of regional diversity; thus it should not be surprising that regional indicators are usually strong predictors of exhaustion. The Maryland model used the unemployment rate associated with each service delivery area (SDA).

EVALUATION: *Most states that include unemployment rates in their models use data from the Local Area Unemployment Statistics (LA US) program. Most often, recent measures of local unemployment rates are entered directly into the model; at least one state has experimented with additional trend measurements (e.g., percent change in unemployment rate). In states where unemployment and exhaustion are not as closely correlated, categorical variables are used as regional controls and/or as criteria for developing sub-state models. Regardless of the specijic format of sub-state indicators, their primary function is as control variables; they do not normally aid in selecting likely exhaustees within a local office. This is because typically, a large majority of claimants in a given local office are from the same region and face the same labor market. Thus, sub-state indicators are usually significant predictors that serve to separate region-specific effects on exhaustion from those of variables (e.g., personal characteristics) that are more useful in selecting between individual claimants within local offices. Further discussion of this topic is included in section C-(iv), "Developing Sub-State Models."*

(ii) Data Elements Beyond the DOL Model

While some states have used only the above five data elements and tailored them to their particular data and operations, others have used them as a starting point for more in-depth analyses. Such development and testing of additional variables is encouraged, provided either industry or occupation is included and all discriminatory variables are excluded. Several states have done a considerable amount of research, yielding the additional data elements listed in this

section. This is a partial list, reflective only of the particular states included in this study and does not contain full details regarding specific data sources, transformations, etc. Further information on these processes may be obtained by contacting the TAT at the National Office.

Weekly benefit amount (WBA) has been experimented with in a variety of ways, and is often used in transformations of some other independent variables described below. WBA has also been used as a continuous variable, censored at the maximum amount, that captures the relationship between a claimant's benefit entitlement and his/her probability of exhaustion. In some form or another, the weekly benefit amount was used by eight of the thirteen States whose experiences are reflected in this paper.

EVALUATION: This variable is consistently a building block for strong predictors across many states and regions, but has been used on its own as well. Using WBA alone in a model discards information since no distinctions can be made between claimants eligible for the maximum weekly entitlement. Nonetheless, a number of states have found a positive and significant correlation between WBA and exhaustion using both continuous and categorical variables. Despite the variety of ways WBA is being used, it seems its most meaningful expression is as part of a wage replacement ratio, in conjunction with a control for potential duration. (See discussion below.)

Wage replacement rate, the ratio of WBA to weekly base period wage, has generally been an effective data element for states that have tested it. Variables denoting wage replacement gain theoretical relevance by capturing the financial hardship involved in remaining unemployed and using UI benefits as a replacement for earnings. The larger the ratio, the less hardship exists for a claimant remaining unemployed; therefore this variable typically has a positive coefficient.

E VAL UA TION: Using the wage replacement rate has efficiently identified potential exhaustees in several states regardless of dominant industries or employment climates. This suggests that the replacement rate actually may capture a personal characteristic: it defines the "hardship" endured by remaining unemployed. The smaller the gap (a ratio value near one) between the weekly benefit amount and the weekly base period wage, the less of a fiscal incentive exists for a claimant to actively participate in a job search in the near term. However, at least one state found that although it accurately identifies exhaustees, it identifies primarily those with low potential duration who tend to have worked less during the base period and thus have a lower average weekly wage. This underscores the notion that, just because a variable is statistically significant, it does not necessarily follow that the variable is well-suitedfor inclusion in a WPRS system. Practical effects must be equally considered. With respect to this finding, it is logical to include a duration control in the model when using this variable or to test the WBA and/or wage variables separately in the model.

Base vear wage is used to proxy two income-related factors: job skill level and reservation wage. Job skills are difficult to measure, given claim-taking constraints, but to the extent that a labor market measures employee value through salary, a higher wage is likely to be associated with higher skills. The reservation wage proxied through this variable identifies the minimum wage required for a claimant to accept work.

EVALUATION: Given the relevance of the aforementioned income-related factors that base year wage proxies, it has been used successfully as a building block for the wage replacement rate and as both a continuous and categorical variable on its own. One state that included base year wage as a continuous variable deflated its coefficient by the ratio of current average annual earnings to average annual earnings during the sample period. This technique--a variation of which was also applied to WBA in the same model--controls for the rate of inflation and ensures that current claimants' probabilities will not be artificially high(low) because of an accelerating(decelerating) rate of inflation relative to the sample period. Another variation used by at least two other states is to include the natural logarithm of the wage to compensate for an income distribution that is intuitively right-skewed by claimants with extremely high earnings.

Potential duration of benefits has been used to control for claimants whose short duration of eligibility for UI benefits has essentially ensured exhaustion of their benefits. Claimants who have very short benefit duration have less time to complete their job search before their benefits run out and may be classified as exhaustees despite the fact that their personal characteristics may not be typical of the "dislocated worker" that WPRS is intended to serve.

EVALUATION: The relevance of controllingforpotential duration depends on whether or not short-duration exhaustees are deemed in need of re-employment services and whether short-duration claimants tend to pass the initial screens for recall, hiring hall, etc. To the extent both of these are major issues in a state it may be necessary to control for potential duration. In using such a control, a state agency is implicitly defining their ideal group to be served. Therefore the duration issue needs to be evaluated from both a statistical and a policy perspective.

The "separation" and "claim filed" dates have been used to develop a variable measuring the delay in filing for unemployment compensation. The delay is usually depicted as continuous in days or as a series binary indicators built from the continuous variable. The theory behind this variable is that claimants who do not expect to have re-employment difficulty may not immediately file for UI benefits. Then, when they are unable to find suitable employment and turn to UI as a source of relief, they are in need of assistance. This variable has been found to be extremely significant with a positive effect in many of the states that have tested it. Four of the thirteen states were impressed enough with preliminary results to include it in their-current model.

EVALUATION: While most states that have tested this variable discovered significant, positive effects, in at least one state it did not provide any appreciable predictive gains. In reviewing additional results, the delay variable appears to most effectively predict exhaustees in relatively urban labor markets. This is logical from the standpoint that workers who start their unemployment spells with the expectation they will find suitable work, but cannot readily place themselves end up in particular need of job search assistance (JSA) in today's highly competitive job market. In rural areas, the relationship between filing delay and exhaustion is not as strong, perhaps because workers'skill sets tend to be more transferable and because a delay in filing may be more reflective of difficulty accessing a UI field office than of a choice to execute a job search independent of UI benefits and JSA. While the mostly positive results yielded by the filing delay

variable make it ***a good variable with which to experiment,*** *it is worth noting these potential limitations.*

Ratio of high quarter wage to base year wage controls for claimants whose base year earnings were accumulated primarily in one quarter. The larger the ratio, the less time spent working and earning wages during the base period. This variable has been found significant with a strong positive effect.

EVALUATION: ***If*** *wage data are accessible, this is a worthwhile element to explore, since it is fairly easy to derive and seems to be applicable across a variety of labor markets. This ratio may capture wage replacement* ***effects,*** *since claimants with high ratios would not be accustomed to long-term earnings. It may also include intermittent workers with base period wages* ***sufficient*** *to* ***qualify*** *for* ***UI.*** *Finally, the ratio could reflect a lack of desirable personal characteristics such as employability and motivation and thus increase the probability of exhaustion.*

Number of base period employers controls for claimants who worked consistently during the base period, but for multiple employers. This element has been used as a binary variable indicating claimants with more than one base period employer, and as a continuous variable indicating the number of base period employers. Generally, it has shown a negative correlation between multiple employers and exhaustion probability. Five of our thirteen States have included this variable in their current model specification.

EVALUATION: There are many reasons for the statistical significance of this variable; one likely impetus is that claimants with multiple employers during a base period would have been between jobs at some point during their base period, making them familiar with the current dynamics of the ***job*** *search process. These claimants may also have been intermittent workers or may have found a* ***short-term job after*** *their initial dislocation. However, it is also important to note that while these claimants may have the job search experience to aid themselves in finding a job, they are not necessarily placing themselves in positions they are able or willing to maintain in the long run. Tracking of the base period employers is* ***useful*** *given its explanatory power, but should be used with caution as a result of its tendency to rank at the bottom of the list claimants without a demonstrated capacity to maintain a long-term job.*

Categorical rem-esentation of the month benefits began has been implemented with the intention of capturing the seasonality inherent in the month a claim is filed. Using a categorical variable representing each month of the year suggests that claimants filing in different months have different characteristics contributing to their probability of exhaustion.

EVALUATION: In states where monthly seasonality is not dramatic enough to be statistically significant, similar variables have been created which use quarterly ***identifiers*** *to record* ***seasonality.*** *The propriety of this variable is to be considered with respect to the intended treatment of seasonal workers. Assuming that seasonal workers do not meet the definition of the "dislocated worker," use of a* ***seasonality*** *control is effective and useful. When a seasonal indicator is used as a variable in a statistical model, it leaves open the possibility that seasonal*

*claimants could still end up being selectedfor referral to re-employment services. States in which this possibility presents a problem could consider using seasonal criteria as an initial screen rather than using an indicator variable. Another alternative might be to estimate the model using this variable to capture its **effects**, and then simply zero the associated **coefficient** when using the model to **profile** live claimants.*

(iii) Addressing Sub-state Labor Markets

In some states, dominant labor markets complicate the task of developing a reliable statewide model. For example, claimants living in urban areas, or working in large industries may exhaust benefits at different rates and in radically different patterns than claimants in the rest of the state. A statewide model that does not make some provision for such factors may be driven primarily by the dominant labor market. A model that identifies all of the claimants in urban areas as likely exhaustees simply because they come from high unemployment areas does nothing to identify exhaustion patterns in the rural parts of the state. The next two sections explain how to deal with dominant sub-state labor markets, both by controlling for them within a statewide model and by developing separate sub-state models.

Controlling for dominant labor markets: Controlling for dominant labor markets using binary variables creates a coefficient in the model for claimants from each labor market in question. If they exhaust at a higher (lower) rate than other claimants, the coefficient will be positive (negative). This helps to remove omitted variable bias that may otherwise have been exerted on the model's remaining coefficients and makes the model's predictions more reliable.

*EVALUATION: It may be appropriate to **identify** dominant labor markets, as explained above, but markets should be selected with theory andpractice in mind. It is necessary to exhibit caution when developing a model to assure that practitioners do not over-model the data; selection and identification of dominant labor markets should be both theoretically and statistically significant. The intent is simply to single out particular industries, occupations, or areas that, based on experience, are well-known to exhibit very **different** patterns and levels of exhaustion that cannot be explained by any of the other variables in the model.*

(iv) Developing Sub-state Models

When labor markets are vastly independent of one another and uniquely driven, some states have found that simple binary controls may still not allow them to target exhaustees as accurately as possible. When such structural change characterizes the labor markets within a state, sub-state models can be used to ensure that the independent variables' effects on exhaustion are measured as precisely as possible. A statistical F-test or Chi-square test can be used to test for structural change

within a statewide data set.' At least two sub-state modeling approaches have been successfully implemented thus far: regional models and industry models.

Regional models have been used where geography is considered the source of structural change within a state. For example, states that are primarily rural with one or two urban centers, large states, and states with several region-specific industries may be well served by regional models. An important caveat exists against using separate models for small, contiguous regions where considerable cross-commuting takes place. In this instance, otherwise similar claimants filing in the same local office can be profiled by different models and could receive sharply different probability scores based only on small differences in their area of residence. This is because separate data sets are used to develop the respective regional models and as such, they operate on different scales. The predicted probability values may not be comparable across models, meaning that claimants from different regions (and therefore profiled by different models) could not have their scores logically compared. Considerable overlap within local offices suggests that perhaps the regional boundaries are too narrow and may either need to be widened or expanded to the state level. States that have chosen regional models have typically created between four and ten models, each representing a logically defined group of counties or parishes (e.g., SDAs, MSAs).

Industry models involve the same logic as regional models, but have been used by, to our knowledge only the state of West Virginia. West Virginia model builders found the impacts of the independent variables on exhaustion varied more by industry than by geography. The key industries may not necessarily be regionally based, or other aspects of the state labor market may make regional models untenable. This approach is based primarily at the SIC division level, perhaps with sub-models for a few large two-digit groups (e.g., within the manufacturing division). Within division-level models, additional industry-based variation can still be incorporated at the two- or three-digit level using binary variables, employment change rates, or exhaustion rates.

*EVALUATION: It is important to re-enforce the concept that labor markets should be examined for structural **differences**, changes or temporary shifts. For example, **if job** tenure were positively correlated with exhaustion in one region and negatively correlated in another, its value would be diminished in a state-level model. Or perhaps education only exerts **influence** on the exhaustion outcomes of workers in the manufacturing sector. In such cases, including an unemployment rate or a binary indicator as a control would account for **different** levels or rates of exhaustion, but would not account for the structural **differences** in tenure's or education's impact on exhaustion. Whether the **differences** lie in regional or industrial markets, it is important that the degree of structural **difference** is examined **carefully** and balanced against the practical impacts of using **different** models to assign probability scores.*

[5] See Pindyck and Rubinfeld (1991).

III. POLICY IMPLICATIONS OF PROFILING METHODS

Choosing an appropriate methodology is a key factor in the successful implementation of WPRS. Since the statistical model or characteristic screens will largely control which claimants are targeted for re-employment services, policy issues inevitably will arise even in areas that may seem strictly technical. **The** first issue is **the** need to **update models.** Models represent the historical period on which they were estimated. While initially useful and relevant to the process, an exceedingly old model becomes increasingly unrealistic and less useful over time. The second main issue is the necessity to balance a useful model **with the constraint of parsimony.** At some point in the model development, a maximum marginal benefit is reached. At that point, any additional variables added to the model "cost" more, in effort or computation, than the benefit they add to the overall process. The third issue is **the interpretation** of the model results. The meaning of the probability scores assigned by a statistical model tends to be a major focal point of the model output. The model provides a ranking mechanism by which claimants are selected for referral. It is important to remember that **these** scores **are only relative rankings,** and do not represent an absolute probability of exhaustion that could be used to compare claimants in different states. In other words, a .60 ranking in one state is not equivalent to a .60 ranking in all others. This issue has arisen with increasing frequency as the economy has improved and exhaustion rates have fallen, perhaps leaving available resources for re-employment services unallocated. If a claimant with a ranking of .49 is the highest on the probability list in a local office during a week, then that claimant has been identified by the methodology as "most in need of services", regardless of score. This scenario has led to inquiries as to whether there exists a score below which claimants, because their exhaustion probability is so low, would no longer benefit from re-employment services and should not be required to attend. A recent determination at the National Office level is that state selection and use of such a "threshold" is permissible, subject to Regional Office agreement that it has been implemented in a logical and productive fashion. Therefore, it is acceptable to use a threshold mechanism to prevent system flooding or referral of claimants who would no longer benefit from required services.

Another issue, encountered mostly by states using models with a small number of categorical variables, is **probability clustering.** Clustering occurs mainly when there are a small number of possible combinations among the independent variables in a statistical model, and therefore an equally small number of possible probability scores that could be assigned by the model. In this situation, it is important to have a mechanism in place that will randomly select the appropriate number of claimants to meet the service capacity guideline. A random selection mechanism is equally important when using a characteristic screening process, as the final selection pool will not be ranked in order of need for services; claimants are only identified as having passed the screening criteria. In both instances, the presence of a random selection mechanism is important from a legal standpoint. A common and simple random selection mechanism in place in several states uses the last four digits of the social security number. It should be added that with a statistical model, rather than just settling for probability clustering and random selection, the clustering can be alleviated by adding or re-specifying independent variables such that the number of possible combinations increases. Provided this is not done haphazardly, it will produce a stronger and more reliable model.

Through the different stages of the implementation process, the TAT worked most intensively with the model developers in State offices. While common themes are likely to run throughout the system as a whole, some themes common to the model development segment are worth highlighting: First and foremost, WPRS is best viewed **as** a tool for **both identification and allocation.** It identifies those workers most in need of re-employment services and allocates the available supply of services accordingly. With respect to this, profiling, from the standpoint of identifying measurable factors that are accurate in predicting UI exhaustion, presents a difficult task. The methods with which we must work--whether characteristic screens or a statistical model--are imperfect ones, constrained by a number of empirical and political factors. However, both methods provide for more accurate forecasting of potential benefit exhaustees than is possible with less rigorous methods. Statistical modeling, because it weighs several factors simultaneously, is the most accurate identification method.

Secondly, it is also imperative to note that WPRS is much more than a theoretical forecasting exercise. It is a **practical application** of a system designed to identify, serve and track claimants on an ongoing basis. In order to maximize the system's potential, it must be viewed as a whole by those working each part. Since the identification portion essentially drives the system, considerable forethought should be given to how it will affect the other parts of the system in an operational setting. For example, variables used to identify claimants as "likely to exhaust" must be legal and easily accessible, not just statistically significant. The benefits gained from the profiling approach should be commensurate with its data collection and automation costs; a trade-off exists between additional predictive ability and operational simplicity which generally favors a simple approach rather than an overly complex one. Finally, the group of claimants who tend to be identified as "likely to exhaust" should--assuming that benefit exhaustion is an accurate outcome measure--be consistent with the goals of WPRS. In short, profiling models should not be developed based solely on theoretical and statistical considerations. In fact, from a broad, system-wide perspective, the greatest value of a model is generally not found in any cryptic statistic, but rather in its application as a flexible allocation tool for matching the flow of claimants likely to exhaust with the available supply of re-employment services.

Lastly, the entire process of model development is a **dynamic one.** Currently, those claimants whose characteristics suggest they have the highest probabilitiesof exhausting UI are the first referred to re-employment services. Presumably, these services will reduce their likelihood of exhaustion such that, in the future, the same characteristics may not be found correlated with exhaustion. The estimation of **profiling equations will need to evolve** over time to avoid the omitted variable bias that could be otherwise introduced by the impact of re-employment services on exhaustion outcomes. This is likely to require controls for both the receipt of re-employment services and for the types of services completed. Thus, the focus of profiling-related research is likely to shift, and future DOL-sponsored Profiling Methods Seminars will address these relevant issues.

V. CONTINUING CONCERNS :
Maintaining Dynamic Processes and the Need for Persistent Evaluation & Redesign

Often, when a program is brought about through an institution of a law, its implementation becomes a question of meeting legal requirements and satisfying terms agreed upon by parties involved. These circumstances seem to encourage those involved to set their goals to satisfying the basic criteria. As a result, the program then becomes fixed at the point where it has demonstrated legality. Although this level of development meets conformity requirements, it frequently falls short of the goals set by "the spirit of the law". The explicit language of the law, written to address as many facets as possible, cannot possibly speak to future dynamics of the environment in which it must function.

On the heels of the 90's recession, Public Law 103-l 52 recognized a need to identify and refer dislocated workers to job search assistance services. Since that time the American economy has been growing and changing dramatically. Some partners in the WPRS System have interpreted this growth and change as a sign that the mechanism, designed to efficiently allocate resources in difficult times, was no longer a priority. When in fact, the changes our economy has experienced emphasize the need for maintenance of our systems as a whole. The composition of industries, the types of skills and the kinds of workers have all changed over the years. In contrast, the structure in which the WPRS system must function is one that is reluctant to evolve. This reticence is likely a combination of the complexity of the inter-related systems and the fiscal constraints within which partners must work. In the past, difficulties surrounding bureaucratic evolution were sufficient to curb any urges to do so. However, the late 90's are very different times; we are currently facing a ". . .new economy [which] is increasingly driven by creativity, innovation, and technology...'%. These forces promote change at a breakneck pace, and systems that remain inflexible will become obsolete. Those who are tasked with managing the WPRS system must accept this change and recognize its impact. The evolution of the job market should logically incite a reciprocal evolution of the Worker Profiling and Reemployment Services System, and the Unemployment Insurance System as a whole[7]. Therefore, recognition of the changes in the labor market is a key to capturing information about how the system should evolve to be effective in a dynamic environment. In an economy experiencing growth, those who have difficulty finding work must truly be those who are in dire need of job search assistance. Building flexibility into the systems that serve these people will allow for optimal service provision to them, and therefore succeed at the task set forth by Public Law 103-l 52. Attention to maintaining a system which functions in a dynamic environment cannot be over emphasized. Varying points along the business cycle will bring different volumes of claimants with different types of needs. It is imperative that the Profiling model and its service provision system be ready for the next phase of the cycle; this readiness is simply achieved by updating the selection criteria (updating models

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'President Clinton, Comments on Unemployment Report and Job Training, March 6, 1998

[7]For more information about the evolution of the Unemployment Insurance System, see "Unemployment Insurance: A Dialogue"

& coefficients) to reflect current economic environments and aligning available services with demands for environmentally current services and programs.

It may be clear that evaluation and redesign are in order, but often, multi-partner systems tend to fall prey to the problem that no one is willing to take ownership and/or responsibility for their part or the system as a whole. Once all partners have committed to the importance of the renovation and their roles in the process, the changes to the System can be managed effectively. Without complete agreement and cooperation from all those involved, the System risks becoming more fragmented and less efficient than its previous form. This underscores the importance of each partner's role in the system adjustment. Information collection, data modeling, referral processes, and services provided all must interface with the labor community in its evolved state. Each segment of an interactive system has impact on, and receives input from, all other parts. One module that has not been updated can undermine the efficiency and effectiveness of the system as a whole.

In every process there are obstacles. Many of the issues that impair a system's ability to function at its maximum potential are surmountable. Things that are perceived as obstacles are often merely trails that have never been blazed. In an age of technological innovation-and creativity, our systems have the potential to rise to the occasion and provide the population with an approach to job search assistance that exceeds all past expectations. Finding solutions to these extremely difficult tasks will be especially rewarding, particularly to those who have truly embraced their role in the process. The best strategies to develop plans for improvement are cooperative ones; not only inter-agency cooperation, but collaborative efforts across states as well can help provide the perspectives necessary to achieve the goal of the WPRS System. It seems clear from experiences in the last five years that WPRS cannot be a static system; it must ebb and flow with the tides of the labor force. As a result, issues at hand will change over time and new questions will arise continuously. Again, this reinforces the need for flexibility in modem systems. As individual systems are modified, States at different points of development will benefit from continued exchange of information. In addition to the phone/fax/on-site technical assistance that continues to be available through the TAT, three major vehicles for information dispersion are Profiling Methods Seminars, the Information Technology Support Center (ITSC) web-site and additional research exchange documents. A number of states have completed formal documentation of their profiling methodologies and may be willing to have their product published. Development of a complete database of all states' methodologies-has been frequently requested by some State partners. This is a suggestion that is currently under review at the National Office.

Through the variety of experiences encountered by the TA team, one main point remains abundantly clear: no single approach can best reflect the dynamics of all states. Each state's labor market is unique; so too are data and operational environments across states. State-specific testing and experimentation are the keys to building a model that is effective at distinguishing exhaustees from non-exhaustees. Lessons learned from other states can serve as effective guides for research, but not as effective substitutes for state-specific experimentation. Cooperative efforts will ease the demands for "groundwork" necessary for implementation, evaluation and revision, thereby allowing partners to focus on the fine points of building an enduring WPRS System.

APPENDIX: LESSONS LEARNED REFERENCE TABLE A

	AK	WA	CT	ID	MI	MO	NV
Alternative dependent variable		90% exhaust, With minimum 20 wks potential duration		Number of weeks claimed			
Weekly benefit amount	Ratio with weekly base wage	Continuous linear form		Levels in linear form		Binary indicator for WBA > $144	Levels in linear form
Base wage	Used in wage replacement ratio	Used in wage replacement ratio				Ratio with WBA, grouped into quartiles	
Benefit begin date	Categorical variables for quarter filed	Categorical variables for quarter filed	Binary Variable	Categorical variables indicating month filed			
Potential benefit duration		Linear continuous form		Categorical groupings			Number of quarters worked in last seven
Time between work end and claim filed dates		Continuous in days				Binary indicator for > 46 days	
Quadratic forms			Tenure				
Sub-state labor market classification	categorical variables for local offices	Three sub state models			Classification for occupation type (people, things, data) SDA identifiers		

	AK	WA	CT	ID	MI	MO	NV
Growth/ Decline Indicator	Industry		% change at industry levels; occupational codes	Industry exhaustion rates Growth and decline rates by industry			Vector of annual industry changes at 3-digit level
Number of base period employers	average number of employers per quarter while working			Continuous number of employers		Binary indicator for more than one base period employer	Ratio of quarters worked for one employer over total quarters worked
Interactions	industry * duration of benefits		Tenure with education LMA with tenure LMA (or MSA) with Industry LMA (or MSA) with Industry concentration Industry concentration with industry CT TUR with Town TUR Town TUR with change in TUR				
Previous claims	# of claims filed and exhausted within 2 years of current claim (continuous var. for exhausts, dummy for 0 exhausts)						
Ratio of high quarter wage over total base period wages					Grouped in quartiles		

	NJ	CA	SC	SD	TN	WV
Alternative dependent variable		90% exhaustion in 6 months after 1st payment				
Weekly benefit amount			Linear continuous		WBA/BPW grouped into quartiles, represented with categorical variables	Range divided into quartiles + MBA
Base wage					See above	
Benefit begin date			Categorical variable representing year filed Categorical variable representing month filed			binary indicator for January
Potential benefit duration	used as control variable only		Number of weeks OR binary variable where weeks > 17			
Time between work end and claim filed dates			Linear, continuous representation in days		Categorical variables grouped by # of days delay	
Quadratic forms						
Sub-state labor market classification		Categorical variables representing 12 regional areas	Categorical variables representing counties			Separate industry models, exhaustion rates at two-digit level
Growth/ Decline Indicator	% change in industry over 2 year period for LMA at division level				Statewide (at two digit level) binary variable for growth <= 2.5%	

	NJ	CA	SC	SD	TN	WV
Number of Base Period Employers					Binary indicator for more than one base period employer	
Interactions		Education level . industry division	Duration > 17 weeks * wage replacement rate	County unemployment rate * local office CUR . industry change CUR * occupation		Education . job tenure . WBA range levels
Previous claims						
Ratio of high quarter wage over total base period wages						

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Unemployment Insurance Tax Equity in Washington

Wayne Vroman
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Editor's Note: This study was contracted by the Washington Employment Security Department, Unemployment Insurance Division. Questions about this study should be directed to Mr. Robert Wagner at 360-902-9303.

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Introduction

Washington state faces a number of issues in setting tax rates for employers covered by its Unemployment Insurance (UI) program. A-project has been initiated to provide more information -on the state's UI tax system. This project is examining data on employer tax rates for the rate years 1985 to.1999 to develop a comprehensive picture of recent experiences. The project utilizes personnel from the Washington State Employment Security Department (ESD) and the services of an outside contractor, the Urban Institute, to examine Washington State data and comparative data from the UI programs of other states. This project, the Unemployment Insurance Tax Evaluation Study, is also known by the acronym UnITE.

Among the issues to be addressed by the project; the following four are paramount. 1. What persistent patterns are. present in net subsidies to employers by industry and firm size? To address this question, data on UI taxes and benefit payments are examined for several individual years. 2. It is widely perceived that tax rates are quite variable from one year to the next, particularly for small employers. The project will document the extent of tax rate variability with particular attention to differences by firm size. 3. What role does turnover of subject employers play in the ineffective assignment of benefit charges? 4. Would a reserve ratio system of experience rating have clear advantages over the present benefit ratio system in assigning benefit charges and/or providing increased stability of employer tax rates? While the preceding list is not offered as exhaustive of all the problems associated with setting UI tax rates in Washington, it does highlight the central concerns of the study.

I. Experience Rating in Unemployment Insurance

To initiate the analysis of UI tax equity in Washington, one must discuss experience rating. In the United States, charges

associated with the payment of UI benefits are assigned to employers through experience rating. Employers who initiate comparatively more job separations that lead to benefit payments pay higher UI taxes than those that initiate fewer separations.

The UI programs in the U.S. use two primary methods for measuring employer experiences. Stock-based experience rating systems take account of all past taxes and benefits and their cumulative net difference as reflected in individual employer trust fund account balances. The account balance on a specific computation date (often June 30th and measured as a percent of taxable or total covered wages, i.e., as a reserve ratio) partially determines the tax rate to be paid during the next tax year. Reserve ratio experience rating is used in 33 UI programs.

Flow-based experience rating uses a measure benefit payments (either benefits or a close proxy such as benefit wages, i.e., the base period wages of claimants) over a specified period as the indicator of experience. The most common flow-based system uses three year benefit ratios, i.e., benefit payments relative to taxable or total covered wages over the past three years, as a main determinant of individual employer tax rates- There are 20 flow-based experience rating systems.[1]

Since 1985 Washington State has utilized benefit ratio experience rating. Tax rates for a given year are set using four year benefit ratios for the period ending on June 30th of the preceding year. The benefit ratios are measured as the ratio of

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[1] Seventeen states use benefit ratios while two (Delaware and Oklahoma) use benefit wage ratios and one (Alaska) uses payroll declines as flow-based measures of experience. The payroll decline system uses the decrease in covered payrolls as a proxy for the covered wages of workers on layoff. Benefit ratios are measured for four year periods in three states and for five year periods in three states. Included among the seventeen benefit ratio states are Michigan and Pennsylvania which use both benefit ratios and reserve ratios to set employer tax rates. Thus the counts of stock-based versus flow-based systems could be either 33-20 or 35-18 depending upon the classification of Michigan and Pennsylvania.

benefits to taxable wages with taxable wages also measured for the four years ending on June 30th of the preceding year.

Both types of experience rating systems utilize tax schedules that specify a minimum, a maximum and a set of intermediate tax rates that link employer experience -indicators to their tax payments. Moving across the experience distribution, employers with successively more favorable experience indicators (higher reserve ratios, lower benefit ratios) are taxed at successively lower rates until the minimum tax rate is reached. Most state UI tax statutes have several tax rate schedules, not a single schedule, as potentially applicable in a given year. Successively higher tax rate schedules are activated as the aggregate trust fund balance declines to successively lower levels. Thus, employer tax rates increase following an economic downturn both because individual employers show worse experience (lower reserve ratios, higher benefit ratios) and because higher tax rate schedules are activated.

All states constrain potential employer UI tax liabilities by specifying minimum and maximum tax rates for a given year. The presence of minimums and maximums also limits the degree of experience rating. Full experience rating would be present if one extra one dollar of benefit payments eventually caused the employer's UI tax to increase by one dollar.[2] The actual response UI tax systems typically is less than a dollar per dollar response. Later paragraphs examine the issue of measuring the degree of experience rating in some detail.

In practice, the differences between stock-based and flow-based experience rating systems are smaller than suggested by the preceding description. Most of the flow-based systems have several tax schedules, and the trust fund balance on the

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[2] The concepts of full experience rating and perfect experience rating are discussed below. For present purposes it is sufficient to think of full experience rating as one dollar of added benefits causes one dollar of subsequent UI taxes.

computation date determines which schedule is used during the next tax year. Thus flow-based experience systems utilize a stock measure (the state's trust fund balance on the computation date, perhaps expressed as a reserve ratio) as well as a flow measures of experience in determining the next year's tax rates for individual employers.

The actual operation of experience rating in the U.S. is most accurately described as partial experience rating because a large share of benefit charges are not effectively assigned back to the employers where the job separations occurred. In other words, the costs of a large share of UI benefit payments are socialized, i-e., all employers pay collectively for benefit payments not assigned to individual active employers. Three types of benefit payments fall outside the scope of experience rating: noncharged benefits, ineffectively charged benefits and benefits charged to inactive employer accounts. Each of the three will be briefly described.

Noncharged benefits originate from payments to former workers in cases where the employer did not cause the job termination or where the state has decided not to assign the benefit charges to the separating employer. For example, suppose a worker quits work to take what is believed to be a better job but then is laid off or the new job is eliminated. Following the second job separation suppose the person files a successful claim for benefits. A substantial fraction of the worker's base period work history would have arisen with the prior employer (where the worker had quit). However, because the prior employer did not initiate the earlier job termination, there would be no charging to that employer's account. Noncharges become the general responsibility of the state's UI tax system, not of specific employers. Individual states have widely varying policies and practices regarding noncharging, and noncharges are of differing importance across the states.

Ineffectively charged benefits arise when the tax payments

associated with the employer's experience measure (either a reserve ratio or a benefit ratio) does not generate revenues equal to the benefit charges assigned to the employer's account. The employer's account may be taxed at the maximum tax rate, but benefit charges may be substantially larger. Although an ineffective charge for the current year could be recovered in a later year, in practice many ineffective charges are never recovered. Certain employers taxed at the maximum rate incur benefit charges far in excess of their tax payments.[3] Raising maximum tax rate reduces the volume of ineffective charges. In contrast to noncharges, ineffective charges are assigned to individual employer accounts, but taxes are insufficient because employers are already taxed at the maximum tax rate.

A separate category of ineffective charges are charges to inactive employer accounts. Although the employer is no longer active, benefits continue to be paid to former employees. Inactive employers may pay some taxes in the current year and may also initially have a reserve balance (in reserve ratio states) to defray some of these charges, but often these amounts are much smaller than the associated benefit charges. These excess charges become the liability of active employers.

The sum of noncharges, ineffective charges and charges against inactive accounts represents a substantial fraction of total UI benefits in most states. Since 1988 the UI Service of the U.S. Department of Labor has required states to report benefit payment summaries that separately identify these three types of charges and their combined sum measured as a fraction of

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[3] The computations leading to ineffective charges differ in stock-based and flow-based experience rating systems. They are simpler in flow-based systems because of their shorter memory. Because stock-based systems can retain information on ineffective charges for longer periods, there is more potential for recovery from the employer at a later date. However, allowing employers to "write off" ineffective charges when computed reserve ratios reach very large negative levels, limits the ability to recover ineffective charges in reserve ratio states.

total benefit payments. A summary statistic based on these reports is termed the Experience Rating Index (ERI). The ERI is computed as a ratio whose numerator is total benefits less each of the three types of ineffectively assigned-charges and whose denominator is simply total benefits. By construction, the ERI is a proportion that can range from zero to unity with higher values indicating a higher degree of experience rating. It is the most widely utilized measure for studying changes in experience rating through time and for making comparisons across states.

Appendix A summarizes the ERIs as reported by the states for the ten tax rate years 1988 to 1997. Table Al of this appendix displays annual ERIs and ten year averages by state. The averages shown at the bottom of Table Al indicate that nationwide some 62-63 percent of total benefit charges were effectively assigned to employers during these ten years.

Tables A2, A3 and A4 of Appendix A then respectively show annual data on ineffective charges, charges against inactive accounts and noncharged benefits (each expressed as a proportion of total benefits) by state for the same ten years. Each of the Appendix A tables highlights data from Washington along with national averages. Visual examination of these tables permits easy comparison between Washington and the national average across all states. The appendix also discusses some shortcomings of the ERI and offers other observations about the patterns observed for the ten years.

II. Experience Rating in Washington

As noted, Washington utilizes benefit ratio experience rating and sets UI tax rates using four year benefit ratios. Since 1994 it has had seven schedules of tax rates in its UI statute. The relevant schedule to be used in the next year is determined by the state's reserve ratio (the trust fund balance

as a percent of total wages) as of June 30th.

One interesting feature of Washington's experience rating system is the reliance on array allocation to set tax rates. Employers eligible for experience rating are arrayed from low to high based on their four year benefit ratio. The employers are then divided into 20 rate classes each representing 5 percent of taxable wages. All employers in a given rate class have the same tax rate. The schedule in effect in 1998 (Schedule A, the second lowest schedule) had a minimum tax rate of 0.48 percent and a maximum rate of 5.40 percent. Employers not qualified for experience rating are taxed according to the average benefit cost rates in their respective industries.

The reporting document used to measure the degree of experience rating, the ETA 204 report, has relevant data from Washington spanning the rate years 1985 through 1998. As shown in Appendix A, Washington can be compared to other states for the ten rate years 1988-1997.

Compared to the national average ERI, Washington's ERI has been systematically lower, especially during rate years 1993 to 1997. Chart 1 provides a visual representation of Washington's ERI relative to the national average.[4] Note that Chart 1 displays two ERIs for Washington, the ERI derived from the ETA 204 reports (the rectangles) and a Revised ERI (the triangles). The two are identical for the first eight and the final two years of the 1985-1998 period. During rate years 1993-1996 they differ, and the Revised ERI is the higher of the two. Note, however, that the revised ERI falls substantially below the national average during 1993-1996.

The low ERIs in Washington have one implication that is most important. To the extent that benefit charges are not effectively assigned to the employers with the job separations, it increases

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[4] The national ERI shown in Chart 1 is the simple average of the state ERIs as shown in brackets at the bottom of Table Al in Appendix A.

the scale of the cross subsidies among employers.. Some pay much higher taxes than the benefit from their employees while others have benefit charges that.exceed their tax payments. This subject is explored more thoroughly in Sections III and IV which examine the patterns of cross subsidies by industry and firm size.

When data on noncharged benefits in the ETA 204 reports were compared with the noncharged benefit totals from ESD charging records, major differences were encountered for rate years 1993-1996. Discussions with ESD officials pinpointed-the cause for the discrepancies. Benefits to be financed by federal monies were included within the noncharged benefit totals of the ETA 204 reports. These charges were associated with federally financed Emergency Unemployment Compensation (EUC) program and the federally financed half of the Federal-State Extended Benefits (EB) program. As can be seen from Chart 1 the treatment of these noncharges has a measurable effect on the ERI measured for Washington during 1993-1996.

Table 1 shows the time series of data from Washington used to construct the ERI for the rate years 1985 to 1998. In the revised data at the bottom of the table EUC benefits and the federal share of EB payments have been removed from both total benefits and from the noncharged benefits for the years 1993-1996.[5] The changes substantially alter the ERIs and the noncharged benefit proportions for these four years.

Table 1 also displays ten year averages (1988-1997) of ERIs in Washington in both the original ETA 204 data and in the revised data. In the original data, the average ERI was 0.543 compared to the national average (Table Al of Appendix A) 0.623. Only eight of the 50 UI programs had lower ten year averages. In the revised data of Table 1 Washington's average ERI was 0.571 for 1988-1997. This higher average placed fifteen state ERIs

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[5] The changes reduced total benefits and noncharged benefits each by $98 million, $271 million, $47 million and $18 million for rate years 1993 through 1996 respectively.

below Washington's. Thus the revisions (corrections) moved Washington's ten year average ERI up by 2.7 percentage points and raised its rank among 50 UI programs by seven places.

Even in the revised data, however, strong contrasts between experience rating in Washington and national average remain. The ERI in Washington was still substantially lower than the national average during the 1993-1997 period. Washington's average in the revised data of Table 1 was 0.533 while the national average (Table A1 in Appendix A) was 0.614.

As discussed in Appendix A Washington also departs from the national average in the relative importance of ineffective charges, charges against inactive accounts and noncharged benefits. Ineffective charges are comparatively low in Washington while charges against inactive accounts and noncharges are both above-average.[6] In the revised data at the bottom of Table 1, the combined sum of ineffective charges and charges against inactive accounts are roughly as large as noncharged benefits. In the U.S. overall, ineffective charges are the largest single category of socialized benefits. The patterns for Washington discussed in Appendix A and shown in Table 1 are not changed by the revisions made in the ETA 204 data for 1993-1996.'

Chart 2 complements Table 1 in giving a visual summary of experience rating in Washington during 1985-1998. Note there is a decline in the revised ERI so that the average for the first four years is more than ten percentage points higher than for the last

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[6] For each of the three types of socialized benefit charges Washington's rank among the 50 programs was noted in the ten year averages displayed in Appendix A and repeated in the top half of Table 1. When the 50 states were ranked from top to bottom (highest average ranked first) Washington's ranks were as follows: second in its noncharged benefits proportion (only Maryland was higher), tenth in charges against inactive accounts and forty-first in the ineffective charge proportion.

[7] In the revised data, Washington ranked seventh in the-noncharged benefit proportion, eighth in charges against inactive accounts and forty-first in its ineffective charge proportion.

four years, 0.640 during 1985-1988 versus 0.533 during 1995-1998 or a decline of 0.107. Note also in Chart 2 that for every year starting in rate year 198.7 noncharged benefits are the largest of the three categories of socialized benefit charges. Finally, the long run trend towards an increasing share of noncharged benefits is obvious in both this chart as well as in Table 1.

To summarize the data discussed to this point, three concluding comments can be made. 1. The degree of experience rating in Washington measurably lower than the national average. 2, The contrast between. Washington and the national average was larger during 1993-1997 than during 1988-1992. 3. When the causes for ineffective assignment of benefit charges are explored Washington is found to have a very high volume of both noncharged benefits and charges against inactive accounts.

To improve the assignment of benefit charges in Washington it is clear that reducing the volume of both noncharged benefits and charges against inactive accounts need to be addressed. The latter arise from the rate of turnover of subject accounts, a topic to be explored further in section VII. Noncharging of benefits will be discussed in the following paragraphs.

Washington employers obtain relief from charges in several different ways. The information system of benefit charging unit in ESD recognizes 38 distinct categories of noncharged benefits. Over the twelve rate years 1987 to 1998 eighteen different categories of noncharges totaled $1 million or more in at least one year. Table 2 and Chart 3 provide a summary of noncharging during this period.

The three left hand columns in Table 2 show total UI benefits (revised data) and noncharged benefit totals from the revised ETA 204 and from the ESD benefit charging unit. The latter totals are supported by detail from the 38 separate categories of noncharges. Five explicit categories of noncharges are singled out in Table 2: marginal labor force attachment (MLFA), voluntary quits (total and the sub categories of request

for relief of charges and automatic relief), misconduct, the state share of Extended Benefits (EB) and overpayments. There is a composite grouping of five categories that were noncharges in the past which are now charged. Finally, there is a small All Other category.

Some explanatory comments are appropriate. MLFA is a unique feature of the charging system in Washington. Employers are automatically relieved of charges in certain situations involving irregular earnings patterns. If benefit payments for a certain calendar quarter exceed the higher of the worker's earnings for that quarter during the preceding two years, partial relief of benefit charges is provided. The value of the noncharge is the difference between total benefits for the quarter and the higher of the two quarterly earnings amounts, i.e., earnings for the same quarter in the two preceding years. It should be stressed that MLFA is an automatic noncharging feature in Washington which does not depend upon the reason for the separation. Layoffs are as eligible for noncharging as quits. This contrasts with many noncharging situations where the employer is relieved of charges when the separation was beyond the employer's control.* Table 2 shows that MLFA noncharges are substantial, averaging $42.8 million during 1995-1998.

Voluntary quits constitute the largest single category of noncharges. During 1995-1998 the annual average was $57.5 million of which almost 80 percent were situations where employers requested relief from charges. Requests typically occur when a base period employer is notified of a potential charge but is able *to* demonstrate that the earlier base period separation was a quit that was not chargeable. Automatic relief is provided when there was a prior claim that was denied, but the person then

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[8] In nearly all job separation situations quits are likely to be noncharged (except when the employer caused the quit) whereas layoffs and other employer-initiated separations are more likely to be charged.

requalified and experienced a compensable separation. Requests for relief from charges grew rapidly between 1988 and 1991.

During recent years Washington has changed the charging status for five categories of benefits that previously were noncharged. The largest of these former noncharges were Timber Retraining Benefits (TRB) which reached their maximum, almost $41 million, during rate year 1996. Eligible workers could receive up to 104 weeks of benefits under this program which has geographic (county) eligibility triggers, but unrestricted eligibility as to the industry of the former job. These benefit payments to persons in approved training are to be experienced rated in the future. Two other payments represented large noncharged amounts during single years of the mid 1990s but no longer have statutory authorization: Commissioner Approved Training (1996) and Supplemental Additional Benefits (1995), a state-financed extension of regular benefit eligibility. Finally, UI benefit payments to those who leave work due to an injury and later become unemployed (because the job with the former employer is no longer available) and claims where eligibility was achieved only after considering out-of-state earnings both became charged benefits during 1995-1996. The annual sum for these five categories averaged $44.5 million during 1995-1998 but will be practically zero in future years. Note also that between 1987 and 1994 their combined sum grew but never exceeded $14 million.

Compared to the preceding three categories of noncharges, noncharges for misconduct and benefit overpayments have always been much smaller with respective averages of $9.6 million and $12.3 million during 1995-1998. Note how both are comparatively stable from one year to the next. In contrast, EB noncharges are the most volatile in Table 2. They were present only during, 1995 and 1996 of these twelve years.

As noted, the amount of noncharging in Washington is very high. Even with the ending of the five former noncharges identified above, the remaining categories averaged more than

$140 million per year during 1995-1998. Given their large size within the remaining categories of noncharges, the MLFA and voluntary quit noncharges would seem to be productive types to examine in attempting to increase the effective degree of charging in Washington. Sections III and IV provide information on the locus of these noncharges in recent years. In contrast, changing the treatment of misconduct noncharges would not yield nearly as much even if a change could be implemented.

The bottom panel in Table 2 shows the various categories of noncharges as a proportion of (revised) total benefits. The only category showing persistent growth relative to total benefits is misconduct, but, as noted, this is a small category of noncharges. Both MLFA arid voluntary quits, while large in the late 1990s represented equally large or even larger proportions in the early 1990s.

Chart 3 reinforces all the preceding observations. The chart vividly illustrates the volatility of both EB noncharges and combined sum of the five former noncharges that are now charged. These two kinds of noncharged benefits accounted for more than 11 percent of total benefits in 1995 but only 2.5 percent in 1998. Thus, by avoiding a recession and maintaining its recent restrictions on noncharging, Washington can expect smaller noncharges in the future than in the recent past, particularly compared to its experiences of 1995, 1996 and 1997.

III. Benefits and Taxes in Rate Year 1997

As noted in the.introduction, one purpose of this project is to document the patterns of tax payments and benefit outlays by' industry and firm size. Data from several individual years have been examined to note the stability and/or variability of patterns. The full time span for the analysis is the fifteen rate years from 1985 to 1999. This section focuses on rate year 1997.

For each rate year, the universe of Washington employers can be divided into three groups. Most numerous and quantitatively most important in terms of benefit payments and taxes are employers qualified for experience rating. However, because of the high turnover rate of employers, there are very large numbers who do not qualify for experience rating as well as large numbers who become inactive each year. In recent years, the combined sum of the number not qualified for experience rating plus the number who become inactive roughly matches the number Qualified for experience rating. Table 3 shows the following counts in rate year 1997: 98,202 qualified employers, 66,255 not qualified employers and 32,061 inactive employers.

For each of the three groups Table 3 also shows information on employer size. While the standard measure of size is number of employees, the ESD data are known to have large errors in the employee counts. The size measure utilized in this report is taxable wages. Five size classes are defined as follows: A – taxable wages under $50,000, B – $50,000 to $249,999, C – $250,000 to $999,000, D – $1,000,000 to $9,999,999 and E – $10,000,000 and above. To make the size categories comparable for different years, the class boundaries ($50,000, $250,000, $1,000,000 and $10,000,000) for earlier years were deflated by the year's Consumer Price Index (CPI) for Seattle measured as a ratio to Seattle's CPI in 1997. Of the 196,518 employers identified for 1997, 134,501 or 68.4 percent of the total fell into size class A while only 4593 or 2.3 percent fell into size classes D and E combined.

It is important to emphasize the variation in the size of covered employers in Washington. Across all active and inactive employers in rate year 1997, the 134,501 employers in group A represented 68.4 percent of all employers but only 4.5 percent of taxable wages. In contrast, the 4,593 employers in groups D and E represented 2.3 percent of all employers but 61.8 percent of taxable wages. Taxable wages for employers in group A averaged

benefits and net subsidies (benefits less taxes) each expressed as a percentage of taxable payrolls. Throughout the discussion-, the term positive net subsidy will designate situations where total benefits (including noncharged benefits.) exceed taxes paid by employers in a given size-industry cell.

Note in Table 3 that the bulk of taxable wages are paid by employers qualified for experience rating, $25,988 million out of $32,034 million or 81.1 percent of the total. The shares of taxes and benefits attributable to these same employers in 1997 were respectively 80.2 percent ($548.6 million out of $683.8 million) and 83.4 percent ($646.6 million out of $775.1 million). Because of their overwhelming importance in the overall picture of UI taxes and benefits in Washington, this section and the following section will mainly emphasize the experiences of qualified employers.

For employers not qualified for experience rating, Table 3 shows that total taxes exceeded total benefits by $14.7 million ($56.6 million versus $41.9 million) in 1997. For all five size classes net subsidies were negative and exceeded -0.60 percent for all groups except group A. In contrast, inactive employers were recipients of a small net subsidy of $8.1 million ($78.6 million in taxes versus $86.7 million in benefits)- However, a pronounced pattern by firm size is also observable. The smallest employers (size class A) received a very large net subsidy of $11.5 million or 10.25 percent (tax rate of 3.34 percent versus a benefit rate of 13.59 percent). Associated with the cessation of operations of these employers were benefit payments that far exceed their UI taxes. Note further in Table 3 that the excess of taxes over benefit payments for the smallest size class of employers not qualified for experience rating was very small (only $0.7 million). Thus turnover among small employers causes a net drain on trust fund reserves for the overall UI program in Washington. For rate year 1997, the net difference between benefits and taxes for small employers who were not effectively

experience rated was $10.8 million (a net subsidy of $11.5 million among small inactive employers coupled with $-0.7 million among small employers not qualified for experience rating).

Net subsidies to small employers qualified for. experience rating are also observed in Table 3. Total benefits of $48.2 million exceeded total taxes ($18.3 million) by $29.9 million, and the net subsidy rate was 3.04 percent of taxable wages- Thus when all three employer types (qualified, not qualified and inactive) are examined in the bottom panel of Table 3, a very large net subsidy to small employers is observed. Total benefits exceeded taxes by $40.6 million in 1997 for a net subsidy rate of 2.86 percent. The largest factor in the net'subsidy was the ievel of ineffective charges. Charged benefits exceeded total taxes by $40.6 million in 1997. In many instances the employers were paying the maximum rate of 5.4 percent, but charged benefits far exceeded the associated tax payments.

The tabulations for rate year 1997 identified situations where taxes exceeded total benefits and vice versa. Overall, only about one fourth of experience rated employers had total benefits that exceeded their tax payments.[12] A similar percentage obtained for employers in the smallest size class. Thus ineffective charges were not unusually frequent among small employers, but when they occurred they were proportionately larger than among larger employers.

If Washington wanted to reduce the size of this net subsidy, there is one obvious policy recommendation. Comparing the relative sizes of ineffective charges with noncharges for the smallest employers, it is clear that the net subsidy arises mainly from ineffective charges. The method for reducing this

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[12] This observation is based on tabulations not shown directly in the tables. There were 98,202 experience rated employers and 24,405 or 25 percent where total benefits exceeded total UI taxes. An size class A there were 51,355 qualified - employers and 11,595 or 23 percent where total benefits exceeded total taxes.

subsidy would be to increase the maximum tax rate above its present level of 5.4 percent.[13]

Among employers qualified for experience rating there are clear'pattems of average tax rates and average benefit rates by size in Table 3. The average tax rate follows a concave pattern being lowest for the smallest and largest size categories (1.87 percent and 1.80 percent respectively) and highest for the middle size category (group C at 2.37 percent). The benefit ratio, in contrast, declines steadily as you move from the smallest to the largest employers. The benefit rate for group A is 4.91 percent compared to 1.52 percent for group E. Thus, the size of the net subsidy declined sharply with firm size in 1997 and was negative for the largest employer group. Note also that the totals for ineffective charges and noncharges were about the same in the Table 3, $148-4 million and $150.7 million respectively.

Studies of experience rating in UI programs traditionally focus on the pattens of taxes and benefit payments by industry.[14] Table 4 provides summary detail for rate year 1997 for qualified employers classified into ten broad industry groups. Appendix B displays similar information for two digit industries in 1997.

Although Table 4 displays ten broad industry groups, note that mining and government are very small, each accounting for less than $100 million in taxable wages in 1997.[15] Across the

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[13] Although Washington has seven tax rate schedules, the maximum rate on all seven schedules is 5.4 percent. Section VI focuses the present tax rate schedules.

[14] Four studies are: Becker(1972), Munts and Asher(1980), Anderson and Meyer(1993) and Vroman(1996). All four examine experience rating in several states. Several studies of individual states have also been conducted.

[15] While certain units of government have elected to be experience rated (and are included in Table 4), the vast majority cover benefit charges on a reimbursable basis (paying all charges at the end of the year). Reimbursable governmental employers had taxable wages of about $6 billion in rate year 1997.

other eight broad industries, note that services and manufacturing have the largest amount of taxable wages while retail trade ranks third. Of the remaining five, four have taxable wages between $1.9 billion and $2.3 billion. Agriculture, forestry and fisheries is the smallest with taxable wages of $912 million in rate year 1997.

Four broad industries could be characterized as high benefit industries, with benefit payment rates that exceed of 4 percent of taxable wages. However, two are the small industries just identified, leaving agriculture, forestry and fisheries (AF&F) and construction as the two broad industries with above-average benefit payout rates in Washington in 1997. Note that average tax rates in these two broad industries were the highest at 3.37 percent for AF&F and 3.90 percent for construction. Despite high average tax rates, however, benefit payments in both industries exceeded tax payments by nearly 3.0 percent of taxable wages.

The same two industries also dominate in the size of the absolute net subsidies, $26.8 million for AF&F and $56.5 million for construction. The only other industry experiencing a large net subsidy in rate year 1997 was services with a total net subsidy of $18.4 million. Because the services industry is so large, however, the rate of net subsidy was only 0.30 percent, or about one tenth of the subsidy rates for AF&F and construction. For the remaining five large industries, total taxes and total benefits were closely balanced in rate year 1997.

As noted, two digit detail like that shown in Table 4 appears in Appendix B, Table BQ97. Large net subsidies were found in three broad industry groupings, manufacturing, construction and AF&F. Of two digit industries where taxable wages exceeded $20 million, there were.only ten where the net subsidy exceeded 1.0 percent of taxable payroll. Four were in AF&F, three in construction and three in manufacturing. Combined the ten received a total net subsidy of $105.7 million or more than fhe statewide total shown in Table 4. Of all two digit industries,

fishing (SIC 09) realized the largest net subsidy, 17.2 percent of taxable wages. Roughly $8.0 million of Timber Retraining Benefits (TRB) were paid to workers in the fishing industry.

Ineffective charges and noncharged benefits display clear contrasts by broad industry. The largest amount. of ineffective charges wasaccrued in construction. The largest volume of noncharges was concentrated in services, manufacturing and retail trade. Voluntary quit noncharges were especially large in retail trade and services. The category "All Other" noncharges which had TRB as its largest component in 1997 (recall section II) was especially prevalent in AF&F, manufacturing and services.

The bottom right columns in Table 4 reinforce the preceding observations by displaying the share of benefits that were ineffective charges and noncharges for each broad industry. Ineffective charges in construction represented more than 40 percent of all benefits. Non-charges were 29-33 percent of total benefits in AR&F, retail trade and services. Overall, the two types of ineffectively assigned benefits accounted for 46.3 percent of total benefits. For every industry except transportation and utilities, the combined sum of the two equaled at least 40 percent of total benefits for the year.

Construction and AF&F were two broad industries where the sum of ineffective charges and noncharges exceeded half of all benefit payments in 1997. However, the mix of charges in these two industries was quite different. Ineffective charges dominated in construction while the two broad categories were about equally important in AF&F.

Even for the broad industries shown in Table 4, it is clear from the final column in the bottom panel that potential changes in experience rating would affect industries differently depending on the type of change that is instituted. Reducing the scope of ineffective benefit charges would have especially large effects in construction (where ineffective charges are.78 percent of ineffective charges plus noncharges among qualified

employers). At the opposite extreme, reducing ineffective charges would have the smallest effect in retail trade where they account for only 26 percent of the combined sum. Retail trade, however, would be heavily impacted by a change that reduced the scope of noncharging, particularly for voluntary quits.

The pattern of net subsidies by broad industry shown in Table 4 mirrors the findings of other studies of experience rating. Anderson and Meyer(1993), for example, studied the patterns of total taxes and total benefits for the UI programs of 22 states using data spanning the years 1980 to 1991. For eighteen states they were able to examine patterns in the broad AF&F industry and found that benefits exceeded taxes in all but three states. In construction where they had data from all 22 states, benefits exceeded taxes in every state. Summing across all states they found the ratio of benefits to taxes averaged 1.71 in AF&F and 1.65 in construction.

Compared to the Anderson and Meyer findings, the results presented in Table 4 are not surprising. The ratio of total benefits to total taxes for all employers was 1.87 in AF&F and 1.75 in construction. Thus the Washington results from rate year 1997 are quite consistent when compared to the averages for 22 states that span a twelve year period.[16]

IV. Benefits and Taxes in Other Years

The present project assembled data files for the fifteen consecutive rate years from 1985 to 1999. In early January 1999, tabulations were completed for all fifteen years. Thus the data span the entire recent period when Washington has relied on benefit ratio experience rating.

One problem with the data from the earliest years needs to

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[16] Additional discussion of interindustry subsidies in UI programs is found in section IV of Vroman(1996).

be mentioned. Because of high turnover in subject employers in Washington, information on employer accounts that became inactive in the late 1980s has been lost. Prior to 1990 information was lost when an account became inactive because the same employer -identification number (EIN) was subsequently assigned to a new account. This situation changed in 1990 when the state altered the way EINs were assigned to allow for an increased potential number of EINs.

The size of the information losses can be estimated from by comparing data from the surviving employer accounts with data from ETA 204 reports assembled in the late 1980s. As would be expected, the loss of information was largest for the earliest year, and it was larger for small employers than for large employers. Thus, the surviving employer data from 1985 account for 72 percent of qualified employers, 80 percent of their taxable wages and 77 percent of charged benefits.[17] The corresponding percentages were 86, 87 and 79 percent respectively for rate year 1987 and 94, 96 and 92 percent for rate year 1989. Given the large concentration of small employers in tax rate class 1, it is not surprising that attrition was largest among employers in this rate class.

The preceding analysis of 1997 data also emphasized employer size. This emphasis was retained in all other years. Since dollar amounts were used to classify employers into one of five mutually exclusive size categories, it was necessary to adjust the size categories for inflation. The adjustment utilized the Consumer Price Index (CPI) for Seattle to deflate the size category boundaries in years before 1997. Thus for 1985, the break points corresponding to $50,000, $250,000, $1,000,000 and $10,000,000 were respectively $32,450, $162,250, $649,000 and $6,490,000.

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[17] All comparisons were made between information shown in ETA 204 reports and sums obtained from the surviving micro data. Comparisons could be made for qualified and not qualified employers but not for inactive employers.

Much of the data to be summarized in this section were drawn from the eleven rate years from 1989 to 1999. Over these years total taxes paid by qualified, i.e., experience rated, employers totaled $5304 million in the micro data while total benefits (including noncharged benefits) totaled $5308 million. In other words, total taxes and total benefits were almost exactly balanced for these eleven years. Given this balance, the reader can directly view the summary in Panel A for qualified employers and assess the size of the'net subsidies that flowed-across industries and between employers of differing. sizes.[18]

Recall from Table 3 that employers not qualified for experience rating in rate year 1997 paid more taxes than total benefits received by their workers. In contrast, inactive employers had benefit payments that exceeded their taxes. These broad patterns were repeated in data spanning the eleven years 1989 to 1999.

Table 5 summarizes taxes and benefit payments for the eleven years with employers classified into the same three rating groups (qualified, not qualified and inactive) and ten broad industries appearing previously in Tables 3 and 4. There are four panels in Table 5, one for each of the three rating groups and a total for all active and inactive employers combined. Most entries are totals for taxable wages, taxes and benefits. Note that the employer counts are averages for the eleven years and that average tax rates, benefit rates and net subsidy rates appear as percentages in the right hand columns. As with Table 4, mining and government are included as two of the broad industry groupings, but are'not discussed due to their small size. For each year and each employer type, a summary table with two digit and broad industry detail has been assembled, but these tables will not be emphasized here.

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[18] Note the taxes and benefits from all eleven years are treated equally. Differences in the timing of taxes and benefits over the 1989-1999 period are not considered in this analysis.

The pattern of net subsidies by type of employer repeats patterns noted for.1997 in Table 3. While qualified employers paid almost exactly the same amount taxes as the benefits received by their employees, employers not qualified for experience rating provided net subsidies while inactive employers were recipients of net subsidies. The respective net subsidy amounts for the three employer groups over these eleven years were $3.7 million, -$268.2 million and $197.0 million.

Industry patterns are also similar to those noted for 1997. Among employers not qualified for experience rating, those in all industries but governmental entities provided net subsidies while inactive employers in all industries except retail trade received net subsidies. The size of the interindustry net subsidization during these eleven years among qualified employers was large. Construction and AF&F respectively received net subsidies of $350.7 million and $152.1 million. On balance, qualified employers in all six of the other "large" industries experienced negative net subsidies during 1989-1999. These subsidy amounts ranged from $52.1 million in services to $129.5 million in retail trade. When the subsidies are expressed as percentage rates, the positive rates were 1.91 percent and 1.85 percent in construction and AF&F respectively. For the other six broad industries, the negative net subsidy rates ranged from -0.10 percent in services to -0.45 percent in finance. Note also that four broad industry groupings had average rates of negative net subsidies ranging between -0.30 percent and -0.45 percent.

For these eleven years, total taxes paid by all qualified employers in Washington were $5304 million while the net subsidy received by two broad industries (construction and AF&F) totaled $503 million or 9.5 percent of total tax payments. Workers in these two broad industries received $1487 million in benefits while their employers paid $984 million in taxes. The difference was made up with taxes paid by employers in other industries.

Summary data for qualified employers in all fifteen rate

years are displayed in Table 6. This table mainly shows detail for two digit industries, but some annual detail is also shown. The left hand half of Table 6 arrays 69 two digit industries in order of their average net subsidy (benefits less taxes expressed as a percent of taxable wages for each year and then-averaged across the fifteen years). The industries in this top-to-bottom ranking have been divided into three groups of 23 with each industry identified in the top and bottom groups. The two digit SIC codes for all industries are also shown.[19]

In many ways the data in Table 6 strongly reinforce earlier observations based on the data in Table 5. Of the 69 two digit industries, positive net subsidies are concentrated in construction and AF&F. Only thirteen industries received positive net subsidies while 56 had negative net subsidies. Fewer than 20 percent of the industries received positive net subsidies while over 80 percent experienced negative net subsidies.

Included within the thirteen were the three two digit construction industries (SIC 15, 16 and 17) and four of five industries from AF&F (SIC 1, 7, 8 and 9). Fishing realized the largest average net subsidy, 6.90 percent, while the three construction industries realized average net subsidies of from 1.13 percent to 3.53 percent. The pattern for broad industries observed in Table 5 is repeated in Table 6 in the two digit industries. Note that finance had the three industries with the largest negative net subsidies, -1.10 percent to -1.14 percent (SIC 60, 62 and 63). Retail trade and manufacturing also had several industries in the bottom group of 23 industries.

Panel B summarizes the average net subsidies by showing counts of industries in the three groups. -The concentration in the middle and bottom groups of 23 is clear for manufacturing,

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[19] Note that two digit industries from mining (SIC 10-14) and public administration (SIC 90-96) have been excluded due to their small size. Also, five very small included industries (1997 taxable wages below $20 million) are identified with asterisks.

wholesale trade, retail trade and finance.

Positive net subsidies are a persistent feature for certain industries. While every one of the 69 two digit industries received a positive net subsidy in at least one year, three had positive subsidies in all 15 years and four had-them in 13 years (Panel C). Only thirteen of the 69 realized positive net subsidies in eight or more years. In contrast, 45 industries received positive net subsidies in only 1, 2, 3 or 4 years. The vast majority of industries were net subsidizers in most years.

Panel D provides a time series summary of average tax rates, average benefit rates and average net subsidy rates for rated employers. All entries are simple averages across the 69 two digit industries. The state operated with high tax rates between 1985 and 1988 and then with low tax rates in all later years. This subject will be examined in more detail in Section VI.

Chart 4 provides a vivid summary of the average net subsidies across the 69 two digit industries. The average net subsidies from Table 6 are shown in a top-to-bottom display. Most industries are net subsidizers. But as one moves from right to the left along the relationship (to industries receiving positive net subsidies) the relationship curves upward sharply. The net subsidies realized by most industries averaged less than one percent of taxable wages. Eight had positive average net subsidies larger than +1.00 percent while nine had negative average net subsidies below -1.00 percent. On average, most industries paid more UI taxes than the benefits received by their workers. However, a few, most notably fishing (SIC 9), did realize large positive net subsidies. Construction and AF&F accounted for a very large share of the positive net subsidies.

Table 7 summarizes taxes and benefits by firm size in data covering the eleven rate years from 1989 to 1999, i.e., the same years as Table 5. Detail is shown for three types of employers (qualified, not qualified and inactive in Panels A, B and C) along with totals for all employers (Panel D).

There is a consistent pattern in these data of the largest positive net subsidies going to the smallest employers. Among qualified employers (Panel A) the pattern is most apparent as the net difference between total taxes and total benefits is close to zero. The two smallest size categories (A and B) realized positive net subsidies totaling $374.4 million while the two largest size categories (D and E) had negative net subsidies totaling $413.8 million. The largest contrasts in the net subsidy rates were observed between the very smallest employers (+2.21 percent) and the very largest employers (-0.45 percent)..

Among employers not qualified for experience rating all five size classes paid more taxes than the benefits received by their employees. This held even for size class A, although its rate of net subsidization was the lowest of the five. Of all the rates of subsidization shown in Table 7, the largest was realized by the inactive employers in the smallest size class. (+5.27 percent).

For all three experience rating groups and in the aggregate, the highest benefit payout rates were experienced by the smallest employers. When the reason for ineffective assignment of charges is studied, it is apparent that ineffective charges are particularly large for the smallest employers. If benefit costs were to be assigned more effectively it would seem that higher tax rates for small employers would be needed.

V. Small Employers and Tax Rate Variability

Small employers and their advocates often discuss the problem of tax rate variability in Washington's UI program and in the programs of several other states. The benefit charges from a single claim can cause a small employer's rate to increase substantially and then remain high for several consecutive years. The worst case scenario in Washington would be for a small employer to move from rate class 1 (the lowest rate, 0.48 percent

in 1998) to rate class 20 (the highest rate, 5.4 percent).

The present project has followed several approaches to assemble relevant information on this issue. 1. Tabulations of micro data from Washington have been undertaken for 1997 and other years with attention to the situation of employers in size group A (less than $50,000 of taxable payroll). 2. Time series data have been examined for Washington and for Georgia and Ohio. 3. An analysis of employers in the bottom and top tax rate classes across 50 UI programs for rate year 1997 has also been undertaken. With a scope of 50 states,. patterns for benefit ratio experience rating systems can be compared with patterns for reserve ratio systems. 'All the analyses point to a common finding: small employers are heavily concentrated in the bottom and top tax rate categories.

The project will also assemble data on tax rate variability by tracing historical patterns for individual Washington employers classified by size. This will provide direct evidence on the year to year variability of tax rates for employers of differing sizes. The historic analysis of individual employers will document variability within the benefit ratio experience rating system utilized in Washington since 1985. A later analysis will also trace tax rate variability within a simulated reserve ratio system to be developed using historic data on employer benefit charges in Washington. That analysis will provide comparative data on tax rate variability (stability) under the two main types of experience rating systems.

Tax rate variability in UI programs can be studied in two different ways. The first is to trace the patterns of tax rates over time, noting the variance of tax rates and/or the size of year to year changes. Since tax rate schedules change frequently in many UI programs, this time series approach is improved by noting which tax rate class an employer falls into for each of a succession of years. In Washington where array allocation is used to set individual employer tax rates, the best time series

approach is to note which rate class applies over a succession of years for a given employer. This approach will be followed at a later stage of the current project.

The second approach is to note the size characteristics of employers located in the bottom and top tax rate classes. All UI programs constrain tax rates between a minimum and a maximum tax rate. If small employers experience substantially more tax rate variation than larger employers, one would expect to observe very high concentrations of small employers in the bottom-and top tax rate classes. In Washington, we have direct evidence from micro data.for the five employer size groups. For all states, evidence can be obtained from data on the average size of firms in the bottom and top tax rate classes relative to the overall average size of firms. The latter measures will be emphasized here using average taxable wages per employer as a proxy for firm size.

Direct evidence on employer size in rate year 1997 is compelling. Recall from Table 3 there were 98,202 qualified employers in Washington for the year and 51,355 in size group A. Overall, small employers represented 52.3 percent of all experience rated employers. There were 32,457 employers in rate class 1 in 1997 and 25,964 were small, i.e., size group A. The corresponding numbersfor rate class 20 were 10,244 employers and 6877 from size group A. Thus, at the lowest and highest tax rate classes small employers represented 79.9 percent and 67.1 percent of all employers respectively but 52.3 percent overall.

Other patterns for rate year 1997 are also worth noting. Small employers constituted a large share of all employers in rate class 6, 48.1 percent. Presumably this at least partially reflects employer buydowns of tax rates permitted by Washington's UI tax law.[20] For all other classes between rate class 2 and rate class 17 small employers represented between 23 and 35 percent of

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[20] Employers slated to experience a very large change in their tax rate class can limit the change through a voluntary tax contribution.

all employers. In the upper tax rate classes, small employers become increasingly important share. of all employers. For rate classes 16 through 19 in.1997 the small employer percentages were 29.6; 35.2, 42.3, and 50.2 respectively. Thus an increasing representation of small employers was observed-as you approached the very top rate class.

For nonrated employers, those in size class A form an even more important component of the total. In rate year 1997 they constituted 85'percent of all employers not qualified for experience rating and 83 percent of all inactive employers. For all employers combined in 1997 (qualified, not qualified and inactive), employers in size class A constituted 68 percent of the statewide total, i.e., 134,501 of 196,518.[21]

The micro data developed in the project documented these patterns in other years as well. Small employers consistently exhibited heavy concentrations in rate classes 1 and 20. In rate year 1999, for example, size group A constituted 51 percent of all qualified employers but 76 percent of employers in rate class 1 and 64 percent of employers in rate class 20.[22]

Another approach to the issue of tax rate variability among small employers can be followed using data from ETA 204 reports. While the information from these reports is not as direct as the counts from Washington as just described, these data can be examined in cross section for all states and through time for individual states. The ETA 204 reports display distributions of employers, total wages, taxable wages, total benefit charges and ineffective charges for individual tax rate categories in each state. Employer size can be approximated by noting average taxable wages per employer. Thus, for example,. in Washington in rate year 1997, average taxable wages across all qualified

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[21] Note the employer counts in Table 3.

[22] Note the counts in Table 7 which show-average counts by size for the eleven years 1989 to 1999.

employers was $264,638. For employers in rate classes 1 and 20 the corresponding averages were $40,059 and $126,220. Using ratios to the overall average as indices of size, the average size of employers in rate class 1 was 0.15 and in rate class 20 it was 0.48. This type of information conveys the identical message as above: small employers are disproportionately concentrated in rate classes 1 and 20.

The concentration of small employers in the lowest and highest rate classes has been present in all years since 1985 when Washington reinstituted experience rating. Chart 5 illustrates this situation in the four rate years 1985, 1989 1993 and '1997. In each year, the chart displays average relative firm size for each of the twenty tax rate classes, i.e., average taxable wages per employer in the rate class divided by the overall average for all qualified employers. The chart shows that the average size of employers in rate classes 1, 18, 19 and 20 was consistently below the statewide average.

It is widely appreciated that Washington has employers that are ‘very large." To limit the vertical scale in Chart 5, situations where the relative ratio for a size class exceeded 2.5 were arbitrarily limited to 2.5. For rate classes 3 through 14 every relative size measure exceeds 1.0. Bigger employers are concentrated in the.center of the rate class distribution while small employers are concentrated at the tails. Especially notable is the small average size of employers in rate class 1. All four relative measures fall between 0.15 and 0.17.

The concentration of small employers in bottom and top tax rate categories is a general phenomenon in UI programs. Charts 6 and 7 respectively display the same types of relative size measures in Georgia and Ohio, again for rate years 1985, 1989, 1993 and 1997. Georgia has used a tax schedule with 45 rate classes throughout this period. Chart 6 shows its five bottom tax rates have consistently had a concentration of small employers as have its firms taxed in the highest rate categories. For both the

lowest rates and highest rates, the average sizes shown in Chart 6 are larger than their counterparts from Washington.

Ohio has utilized the same type of rate schedule since 1985 but with a larger number of rate classes in recent years.[23] For the four years displayed in Chart 7, the rate classes have been assembled into 10 groups. Small size is consistently observed for employers in the lowest and highest rate groupings in Chart 7.

Georgia and Ohio both set tax rates for qualified employers using reserve ratio experience rating. Under this alternative system of experience rating, large concentrations of small employers occur in the bottom and top tax rate classes,

The preceding observations are reinforced in Chart 8 which shows time series for the each of the three states for rate years between 1985 and 1998. All 42 data points for the lowest tax rate class show the employers to be very small. The average for Washington is 0.16 of the overall average whereas for Georgia it is 0.21 and 0.30 for Ohio. All 42 observation for the top rate classes indicate these employers are also smaller than average. The respective fourteen year averages are 0.52, 0.50 and 0.66 for Washington, Georgia and Ohio. Only one of these observations exceeds 0.80 (Georgia in 1990).

The only noticeable trends in these data are the increasing size for the lowest rated employers and decreasing size for the highest rated employers in Georgia. Georgia changed its treatment of the eligibility period for experience rating in the early 1990s when it began to enforce a three year requirement, Previously employers were often experience rated after one year of experience. There appears to have been a differential effect on small employers who became a larger part of the top rated category. The relative size measure in Chart 8 averaged 0.64

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[23] There were 30 rate classes in 1985, 31 in 1989, 38 in 1993 and 40 in 1997. The main changes have been an increased elaboration of rate classes for employers with the worst experience indicators.

between 1985 and 1991 but only 0.36 between 1992 and 1998. A much smaller change was registered after 1991 in the relative size, measure for those in the lowest rate category. However, the change was in the expected direction, i.e., larger-average size, an indication of more mature firms in the bottom rate group.

The main impression given by Chart 8 is that of comparative stability in the average relative size of employers found in the bottom and top tax rate categories. The one large persistent change that occurred between 1985 and 1998 was in Georgia, and that seems to be related to a change in the length of the eligibility period needed to become experience rated.

Tables 8 and 9 utilize ETA 204 data to examine average firm size across fifty different UI programs in 1997.[24] Firms in the lowest rate category are included in Table 8 and those in the top rate category are in Table 9. For both tables, the firms in a given state all paid the same tax rate. Thus, for example, the Washington data in Table 8 combine information on rate classes 1 and 2 where the UI tax rate was 0.36 percent in 1997. Both tables identify the type of experience rating used in'each state, i.e., 31 reserve ratio (RR) states, 15 benefit ratio (BR) states, two combined benefit ratio-reserve ratio (BR-RR) states and two benefit wage ratio (BWR) states. The tables arrange the states in a two level sort ordering: first – the type of experience rating and second – the relative size of employers in the lowest (highest) tax rate class.

Primary interest centers on the shares of accounts in the top and bottom rate classes and the average relative size of employers in those classes, again using average taxable wages and measured relative to the statewide average. The bottom rows display summaries: averages across all 50 programs, for the 31 reserve ratio programs and for the 15 benefit ratio programs.

Four features stand out in Table 8. (1) The share of

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[24] The District of Columbia and 49 states (all-but Alaska).

employers in the lowest tax rate class is systematically higher in benefit ratio states than in reserve ratio states. The averages at the bottom of the table are 0.292 for reserve ratio states but 0.605 for benefit ratio states. Washington's share of 0.401 (rate classes 1 and 2 combined) is the lowest among the fifteen benefit ratio states. (2) Nearly all of the relative size measures for the lowest rate class fall below the statewide average. Only two states (South Carolina and Maine) have averages that exceed 1.0, and only seven have averages above 0.70. A heavy concentration of small employers in the lowest tax rate class is a ubiquitous feature of experience rating in the U.S.. (3) The employers in the lowest rate class are systematically smaller in benefit ratio states than in reserve ratio states- Their respective overall relative size averages in Table 8 are 0.33 and 0.48. While these overall averages indicate that small employers dominate in both types of systems, their average relative size in benefit ratio states was only about two thirds of their size in reserve ratio states. (4) Washington employers in the lowest rate class are not unusually small when compared to other benefit ratio states. Five of the fifteen states had lower averages.

The data in Table 9 are not nearly as dramatic- The share of accounts in the top tax rate class averages 0.057 for reserve ratio states and 0.062 for benefit ratio states. For nearly all states the average size of firms in the top rate class is below the statewide average. Only three states (Louisiana, Illinois and Delaware) had relative size measures larger than 1.0. The overall relative size averages for reserve ratio states and benefit ratio states are similar, with respective averages of 0.56 and 0.64. Clearly relative size for top tax rate firms is much larger than for bottom tax rate firms. In the top rated firms, average size exceeds 0.70 in 12 states and two states have measures equal to 0.70. Finally, average size for top tax rate firms in Washington is quite small relative to other benefit ratio states. Its relative ratio of 0.47 tied it for fourth from the bottom along

with Wyoming and was about three quarters of the average relative size for all benefit ratio states (0.64).

Summary

Several data analyses have been conducted that pertain to tax rate variability for small employers. Micro data and time series data for Washington have been examined along with time series data from Georgia and Ohio. Data for 50 UI programs were also examined for rate year 1997.

Three main conclusions can be drawn. (1) Small employers experience much more tax rate variability than larger employers. There is a heavy concentration of small employers in the bottom and top tax rate categories (especially the bottom categories) of nearly all states (2) Small employers experience more tax rate variability under benefit ratio experience rating than under reserve ratio experience rating. However, associated-with this greater variability is a greater concentration of small employers in the lowest tax rate class. In most years, a larger number of small employers would pay the lowest possible UI taxes using benefit ratios than under reserve ratio experience rating. On average, this might be preferred by the small employer community. (3) The concentration of Washington's small employers in the bottom and.top tax rate categories is not unique. In fact, it is present in nearly all states, and some part of the concentration in the bottom rate class appears to be associated with the use of benefit ratio experience rating.

VI. Tax Rates and Benefit Ratios by Rate Class

Washington has seven tax rate schedules which range from F, the highest, to AA, the lowest. Each has twenty tax rates, with the lowest rate ranging from 2.48 percent (schedule F) to 0.48 percent (schedule AA). The top rate is 5.4 percent on all seyen schedules. Because Washington uses array allocations with 5

percent of taxable wages falling into each of the 20 rate classes, the average tax rate is known once the tax rate schedule has been selected. Tax rates for individual employers are set using benefit ratios (benefit charges as percent of taxable wages, each measured over a four year period).

The seven schedules generate a wide range of effective tax rates, from 4.021 percent on schedule F to 2.046 percent on schedule AA. Since 1985 the state has operated with essentially two tax rate regimes, high tax rate schedules between 1985 and 1988 and low tax rate schedules between 1989 and 1999 (B, A or AA).[25] Tax schedules C and D have never been used since 1985.

Chart 10 gives a visual summary of the seven schedules operative since 1998. For each schedule the rate progression is nearly linear over most of the range from rate class 1 to rate class 20. However, the average tax rate increment between adjacent rate classes is smaller on the higher tax schedules. Chart 8 shows that the increments between classes 19 and 20 have the largest variation (1.32 percent in schedule AA versus 0.02 percent for schedule F).

The basic progression of tax rates as depicted in Chart 10 has operated since 1985. Schedule AA was added in 1994 but the rates in the other schedules have not been substantially revised. For all seven schedules, the predominant impression given by Chart 10 is that adjacent rates increase linearly on all schedules with exceptions at the very top and bottom tax rates.

The progression of benefit ratios, however, differs noticeably from the progression of tax rates. Chart 11 displays benefit ratios for the twenty rate classes in four rate years, 1985, 1989, 1993 and 1997. Benefit ratios for rate classes 1 through 14 increase gradually and then the increments become noticeably larger for the top rate classes. Especially noticeable is the benefit ratio in the top rate class. The lowest ratio for

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[25] For the ten years 1990-1999 only two rate schedules have been used, A and AA.

these four years was 8.6 percent (1989) while the highest benefit ratio was 13.7 percent. For a given year, benefit ratios exhibit a much wider range of variation than tax rates in Washington.

Comparing tax rates and benefit ratios by rate class since 1985, one major conclusion emerges: most employer tax rates have exceeded their benefit ratios and the differences are substantial. Table 10 helps to illustrate this point. It shows tax rates, benefit ratios and the difference between the two for the odd numbered years between 1985 and 1997. To save on space in the table, the tax rates and benefit ratios for the even numbered rate classes 2 through 16 are not shown. However, the differences between tax rates and benefit ratios are displayed for all twenty rate classes in the bottom panel. Also shown in the right-hand column of Table 10 are fourteen year averages of the variables.

For every rate class between 1 and 17, the average tax rate exceeded the average benefit ratio by 0.96 percent or more. The largest average differences were found in rate classes 13 and 14, each 1.69 percent. Thus when taxes are compared to charged benefits for rated employers, most paid systematically more than their benefit charges. Only two rate classes, numbers 19 and 20, had average benefit ratios that exceeded their tax rates. For rate class 20, the excess of benefit ratios over tax rates averaged 5.21 percent over these 14 years.

For the vast majority of Washington employers, average taxes exceeded average benefits in every year between 1985 and 1998. In rate classes 1 through 17, the tax rate exceeded the benefit ratio in every one of the 238 observations for these 14 years. For rate class 18, the tax rate was the higher of the two in all but two years (1985 and 1986). For rate class 19 the benefit ratio was the higher of the two in eleven years, and it was the higher of the two in all fourteen years for employers in rate class 20. In fact, the lowest benefit ratio for rate class 20 was 7.27 percent in 1991, 1.87 percent above the maximum tax rate.

Chart 12 summarizes the comparison of tax rates and benefit

ratios by rate class. Fourteen year averages for each rate class are displayed along with the overall averages for these years. Employers in rate class 1 paid taxes at an average rate of about 1.0 percent while their benefit ratio averages almost zero. A differential of 1 percent or more persists through rate class 17. In effect, taxes paid by the employers in rate classes 1 through 17 have been going to three uses, 1) building the trust fund, 2) covering noncharged benefits and 3) financing the ineffective charges accrued mainly by employers in rate class 20.

Given the differing shapes of the benefit ratios and tax rates across the rate classes in Washington, it would seem that a change in the progression of tax rates could be considered. This topic is examined in Section VIII.

VII. Employer Turnover and Inactive Accounts

Employers covered by the UI program in Washington exhibit an unusually high degree of turnover. High turnover is shown in ETA 581 data which measure new employers, successor employers and inactive employers on a quarterly basis. High turnover is also indicated in data from ETA 204 reports that show counts of employers eligible and ineligible for experience rating. Both sources were examined in data spanning the three year period 1995-1997. In both, Washington ranked near the top of all states in its rate of employer turnover.

Data from the ETA 581 reports record the stock of employers at the end of each calendar quarter and the quarterly flows of new employers, successor employers and inactivations of employer accounts. For the three calendar years 1995-1997 the annual rate of formation among new employers averaged 0.141 nationwide. The formation rate for successor employers averaged 0.028 and the inactivation rate averaged 0.143.

Compared to these national averages, the respective averages

in Washington were 0.199, 0.032 and 0.202. Across 50 UI programs (excluding Alaska, Puerto Rico and the Virgin Islands but including the District of Columbia), Washington ranked third in its new employer formation rate. Higher rates occurred only in Nevada and Utah. Its successorship rate was close to-the national average (28th of SO), but its inactivation rate was the highest among all 50 programs.

Turnover among subject employers is higher in the West than in other reg'ions of the U.S.. However, even including a control for Washington's western location, a regression still substantially underpredicted both the new employer formation--rate and the employer inactivation rate.

Two puzzles emerge from the ETA 581 data. The first is the high turnover rate of employers as indicated both by the new employer formation rate and the inactivation rate. The second is the low rate of successorship in Washington. High turnover of subject employers would be expected in a dynamic state economy, but the comparatively low rate of successorship would not be expected given the high new employer formation rate.[26]

The ETA 204 data show employers qualified and not qualified for experience rating. The largest component of the nor-qualified group is employers not eligible for experience rating. State-level ETA 204 data covering rate years 1995 to 1997 also have been examined for the same 50 programs as in the ETA 581 data. The three year average of the ineligible employer proportion was 0.197 nationwide. In Washington, however, the analogous proportion was nearly twice the national average, at 0.386. Only Nevada had a higher proportion.

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[26] High turnover in the ETA 581 data is confirmed in a regression showing a statistically significant association between the new employer formation rate (or the sum of the new employer formation rate plus the successorship rate) and the inactivation rate. The regression explained 58 percent of the interstate variation in the inactivation rate. Some states have much higher employer turnover rates than others, and this is manifested in both high birth rates and high death rates.

Again, a regression analysis was conducted to determine if Washington's high rate of ineligible employers could be explained. Four explanatory factors were considered: time needed to qualify for experience rating, the new employer formation rate, a dummy variable for the West region and-state employment growth. The latter proved to be unimportant in all the regressions. However, significant effects of region, years to experience rating and the new employer formation rate were found. Almost 80 percent of the interstate variation in the ineligible proportion was explained with the West dummy and an interaction between the other two variables.[27] All three variables had expected effects. The proportion ineligible for experience rating was higher in the West, higher in states where employer turnover was higher and higher when more years were required to become eligible for experience rating.

Even controlling for the three significant factors in the regressions, the ineligible proportion in Washington was unusually high. The regression predicted the ineligible proportion to be 0.312 in Washington compared to the actual average of 0.386. Thus Washington again presents a puzzle in the high fraction of its employers not eligible for experience rating even after controlling for factors known to be significant determinants of this proportion.

Chart 13 provides a visual display of the regression just described. The chart shows actual and predicted proportions ineligible for experience rating in 50 jurisdictions. The first 38 are in the East while the last 12 are in the West. Within each broad region the states are then arrayed according to the interaction between years to experience rating and the new employer formation rate. Actual proportions are the black squares while the predicted proportions are the grey diamonds.

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[27] The regression utilized the product of the yeafs to experience rating and the new employer formation rate as the explanatory variable rather than each entering separately.

Washington is the 45th observation in Chart 13. Its predicted value, 0.312, is 0.074 less than its actual proportion of 0.386. The state has one of the largest errors (actual less predicted proportion) of all the states.

All the preceding merely reinforces the statements of the initial paragraph of this section: employer turnover is unusually high in Washington. Thus the combined number of unrated employers plus inactive employers equals the number of experience rated employers. (Both totals were about 98,000 in rate year 1997, Table 3.)[28] The remaining paragraphs of this section discuss some implications for UI taxes and benefit charges and some unanswered questions that merit further exploration.

A good starting point is to note the consequences for the trust fund of charges against inactive accounts. If turnover is unnecessarily high, the size of the associated charges is important to document. Ultimately these charges must be financed by active employers.

Data from ETA 204 reports in Table 1 indicated that charges against inactive accounts for rate year 1997 totaled $91.5 million. The total shown in Table 3, based on project tabulations, was similar at $86.7 million. However, Table 3 also shows that inactive employers paid taxes of $78.6 million in rate year 1997 and that ineffective charges totaled $34.4 million. Thus the ETA 204 data give an exaggerated impression of the net cost to other employers arising from benefit charges against inactive accounts. Inactive employers pay substantial taxes in the same year that they become inactive.

The preceding data refer to all inactivations in a year. To date, this project has not addressed the difficult problem of trying to estimate the share of charges that arise from "excess" employer turnover. It seems likely that no more than half of the

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[28] The employer counts in Tables 5 and 7 also show that qualified employers represented about half of all employers for the eleven rate years 1989 to 1999.

benefit charges arising from inactivations are associated with deliberate "gaming" by employers trying to avoid experience rated charges through churning, i.e., inactivating one business and creating a new business eligible for the new employer tax rate.

From the ETA 581 data, recall that the rate of forming successor employers in Washington is roughly average while the new employer formation rate is very high. In certain situations, ESD allows employers to choose their status: new employer (and pay the industry average new employer rate) or successor employer (and pay the predecessor rate). From limited discussions with ESD staff and UI staff in other states,' it appears there is more employer choice in Washington than in many other states.

Wisconsin seems to exercise more oversight over transfer of businesses and successorship than Washington. The UI law defines related parties and presumes successorship in cases where transfers involve spouses, children or other close relatives or where the leadership of the successor business is substantially the same vis-a-vis a preceding business. There is also active monitoring of turnover at given addresses and of bankruptcies.

Before making recommendations for possible changes some basic data need to be assembled. 1. A first priority is to identify the cause (or causes) for the high business turnover in Washington. 2. Because successorship seems low relative to business turnover, it might be productive to examine a sample of ‘new employers" to determine what aspects of continuity with a preceding firm they exhibit. Here it would be important to note several aspects of continuity, e.g., persons in leadership positions, industrial activity and the address. Cross matching new employers with inactive employers could reveal interesting turnover patterns. 3. The involvement of other revenue and licensing entities in Washington should be obtained so that a more comprehensive picture of employer turnover can be obtained.

For several years Washington has had a Unified Business Identifier (UBI) program whereby new businesses fill out a single

application form and are issued a common business identifier number. Five state regulatory and revenue agencies participate-in the UBI program: Department of Licensing, Department of Revenue, Department of Labor and Industries, the Employment Security Department and the Corporations Division of the Office of the Secretary of State. The five share a common data base. There are 50 locations within the state where businesses can be registered and licensed. It would be prudent to involve the other administrative entities in a study of employer turnover.

Given the gaps in current knowledge about employer turnover in Washington, it seems that new research should be undertaken before suggesting changes that could reduce the volume of charges against inactive UI accounts. Following such a study, regulatory and/or statutory changes for the UI program could then be proposed. The other interested revenue and licensing agencies should be encouraged to participate to ensure that a broad perspective is present in the design and conduct of the study.

VIII. Conclusions, Policy Recommendations and Remaining Questions

This project has examined several questions and issues related to UI tax equity in Washington. While the research is still ongoing, it is appropriate to provide some recommendations based on the analysis completed to date. Further discussion of related issues is reserved for later paragraphs. Also, after the analysis of reserve ratio experience rating has been completed, additional recommendations may be made.

Four Recommendations

1. Eliminate MLFA noncharged benefits.

2. Explore ways to reduce the scale of noncharging associated

with voluntary quits. Some alternatives are examined below in the discussion of noncharging.

3. Reduce the volume of ineffective charges by increasing the maximum tax rate. This may be done in the context of a broad revision of the structure of tax rates across all 20 rate classes or as simply an increase in the maximum rate on some or all of Washington's seven tax rate schedules.

4. Undertake an analysis to improve understanding of the high rate of employer turnover in Washington. This should be done in conjunction with other administrative agencies that have responsibility for revenues and business licensing. A successful investigation may then provide a basis for changing UI statutes and/or ESD administrative procedures for dealing with new‘ employers and successor employers. This, in turn, could lead to reduced charges against inactive accounts.

The remaining paragraphs elaborate on the preceding recommendations and review other important issues for which recommendations have not been developed to date. The approach to be taken is sequential with individual topics treated separately. Note also that certain topics will not be covered. To some extent, this reflects unfinished work to be completed later in the project. or following the project's termination. The contractor has worked closely with ESD throughout this effort, and follow-up activities at ESD will take place after the contractual phase of the project has been completed.

This report is the third project report with Sections I-IV and VI-VIII taken mainly from the earlier reports of October and November 1998. Because some work is not yet complete, several issues are not addressed here. A listing may prove instructive:
1. Total tax rates on small employers (including the federal part of the UI tax, the so called FUTA tax) have not yet been

calculated and compared with total tax rates for large employers.
2. Tax rate variability for. small employers, again in comparison with large employers, has not been directly examined by following tax rates paid by individual employers for a succession of years.
3. The long run balance between taxes and benefits for individual employers has not been examined.
4. The implications of reserve ratio experience rating have not been explored. The simulation model to examine reserve ratios is still under development.
5. The interface between noncharges and ineffective charges has only been partially examined. If, for example, MLFA noncharges are totally eliminated, there will be some increase in ineffective charges for employers at or near the maximum tax rate. This interface needs to be explored to estimate the overall gain in the effective assignment of charges due to a change in one area, such as elimination of MLFA noncharges.[29]

Charges Asainst Inactive Accounts

These charges are high in Washington when compared to other states. In rate years 1995-1998 they averaged $88 million per year in data used to compute the Experience Rating Index or ERI (Table 1). However, after the taxes paid by these employers are recognized, the excess of benefit payments over taxes is more like $30-40 million per year. Thus, the problem is less serious than suggested by the ERI data on inactive account charges.

Underlying the high volume of charges against inactive accounts is an unusually high rate of turnover among Washington employers. At this point in time we do not know how much of this turnover reflects the normal functioning of Washington's labor market and how much reflects "gaming" by employers looking to

[29] Some estimates have been made by Mr. Robert Wagner of ESD. One calculation suggested that for each dollar reduction in MLFA noncharges there would be a $0.30 increase in ineffective charges. More calculations of this type will be made after specific legislative proposals have been offered. .

secure lower UI (and possibly workers' compensation) tax rates- Research to answer these and related questions is needed. Washington is in a good position to undertake such research given its Unified Business Identifier (UBI) program. A coordinated effort to study employer turnover is advisable, It also may be productive to study how UI programs in several other states address questions of substantial continuity and successorship.

Noncharsed Benefits

The two consistently large categories of noncharged benefits are noncharges for MLFA and voluntary quits. The MLFA nencharge applies regardless of the reason for the separation. Most MLFA situations undoubtedly involve employer-initiated terminations, i.e., layoffs. A blanket noncharge like MLFA in situations that predominantly are layoffs is rare in UI programs. It should be ended as soon as possible.

This recommendation can be supported as a stand-alone recommendation. The change is desirable regardless of other changes to be instituted. After implementation, noncharged benefits would decline by about $50 million per year.

Noncharges for voluntary quits (VQ) averaged $57.5 million during rate years 1995-1998. Two suggestions for reducing these noncharges can be made. The first would specify that only a fixed share of VQ benefits could be noncharged, e.g., half. The remaining share would be assigned to the employer even though the separation was initiated by the worker in almost all cases. In industries like retail trade, this change would lead to substantially increased total benefit charges. Strong opposition could be anticipated unless some other change (modifying the tax rate schedules) were also instituted.

A second approach to VQ (and possibly other) noncharges would be to develop an explicit formula for charging "socialized costs, " the sum of noncharges, ineffective charges and charges against closed accounts. Some states calculate the sum of these

charges and then assign them back to employers on the basis of their experience rated tax rate. The idea here is that industries with high levels of charged benefits also generate large socialized charges. To date, the project has not explored this approach for assigning noncharged costs. Given the data base developed in the project, however, such an analysis is feasible.

Compared to the recommendation about MLFA, any change in the treatment of VQ noncharges seems likely to be more controversial. The practice in nearly all states is that VQ benefits- are not charged when the employer played no role in causing the separation. Washington is comparatively liberal in paying UI benefits for quits. Employer opposition to charging some share of these benefits might be aroused even though employers are already paying for VQ noncharges but not through a direct connection to a specific claim.

Ineffective Charges

Ineffective charges arise when tax revenues fall short of the benefit charges assigned to individual employers. Three methods for measuring ineffective charges can be noted. 1) The comparison can be made across all employers in a tax rate class with ineffective charges assigned only in those rate classes where total charged benefits exceed total UI taxes. This method is followed in ETA 204 reports. 2) The comparison can be made for individual employers in a single rate year. Ineffective charges are estimated whenever total benefit charges exceed total taxes paid in that year. This method has been used in the micro data tabulations created for this project. 3) The comparison can be made over a very long period, say a decade, by summing total charged benefits and total taxes. Ineffective charges arise when total benefits exceed total taxes over the full period. For employers who remain continuously active, this method can be followed in the current project, but it has not been done to date. For rate year 1997, the method 1 (ETA 204) estimate was

$95.9 million (Table 1) while the method 2 estimate was $148.4 million (the total for qualified employers in Table 3).

One efficient way to reduce ineffective charges is to increase the maximum rate paid by employers in rate class 20. Using the ETA 204 method for measuring ineffective charges, total ineffective charges for the fourteen rate years 1985-1998 averaged $60.7 million. Of this, an average of $46-3 million (76 percent) was generated by employers in rate class 20. By successive increments to the tax rate in rate class 20 (to 6.0, 7.0, 8.0 and 9.0 percent), total ineffective charges for that class decreased successively from $46.3 million. to $40.8, $31.5, $22.9 and $15.1 million. If the maximum tax rate had been 9.0 percent instead of 5.4 percent in every year, this single change in the rate schedules would have halved ineffective charges ($15.4 million rate class 20 plus $14.4 million in lower rate classes for a total of $29.8 million).

Since Washington uses array allocation to set employer rates, the macro revenue effect of raising the maximum tax rate can also be estimated. The percentage increments to total revenues would be 3.6 percent, 5.8 percent and 8.0 percent respectively for increases in the maximum tax rate to 7.0, 8.0 and 9.0 percent from the current 5.4 percent.

A second approach to reducing ineffective charges is a revenue neutral approach. Since tax rates are set by array allocation, a revenue neutral change will result whenever the increase in the top rate (say, 2.6 percent to 8.0 percent in rate class 20) is matched by reductions across lower rate classes that sum to the same total but with opposite sign (say, -2.6 percent).

Given the discussion of Section VI (and the associated Table 10 and Charts 10, 11 and 12), the direction of change for the structure of tax rates seems clear. The rate schedules should become more bowed, or less linear, to more closely match the progression of benefit ratios as shown in Chart 11. Such a change could be structured to produce both winners and losers under the

revised tax rate schedules. Reduced rates for rate classes 11-15 would seem especially appropriate given the excess of average tax rates over average benefit ratios during 1985-1998, all falling into the 1.59-1.69 percent range in Table 10. Many 'possibilities exist which could also entail higher tax rates in rate classes 18 and 19 as well as rate class 20.

For employers slated to pay higher tax rates under this approach, the fact of reductions in Workers' Compensation (WC) taxes should be kept in mind. The impact of UI rate schedule restructuring for these employers would be to reduce the size of the total payroll tax reduction occasioned by the WC premium. rebate made in late 1998 and the (small) WC rate reduction scheduled for 1999. An analysis of the impact on the combined UI-WC rate would be informative and helpful in considering modifications of the UI tax rate schedules.

States have wide leeway in setting rates above the required minimum maximum rate of 5.4 percent. If revised rate schedules caused cost increases that were deemed unacceptable for those at the maximum rate, the state could exercise discretion in charging these employers. It is possible that some splitting of added costs between the affected employers and ESD might be arranged, i.e., an explicit sharing of taxes in excess of the 5.4 percent rate for at least some groups of employers. The state share of this arrangement could come from general revenues or from the interest earnings of a state reserve fund.[30]

Small Employer Tax Rate Variability

The analysis of Section V showed that high tax rate variability is experienced by small employers in almost all states. This was inferred by the concentration of small employers in the top and bottom tax rate categories. This concentration was observed for reserve ratio as well as benefit ratio states.

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[30] For one discussion of state reserve funds, including uses of their interest earnings, see Chapter 5 in Vroman (1998).

From cross-state data for rate year 1997, it appeared that tax rate variation for small employers is larger in benefit ratio systems than in reserve ratio systems. An analysis of tax rate variation under reserve ratio experience rating is planned for the present project, but the simulation model is still being developed. We expect these simulations to show lower tax rate variability for small employers under reserve ratio experience rating compared to the present benefit ratio system. However, the simulations may also show that small employers pay a higher average rate under reserve ratios. The same simulations will also speak to the volume of ineffective charges incurred by Small employers under reserve ratio experience rating.

A key factor contributing to tax rate variability for small employers is the method of experience rating used in UI programs. There is no pooling of experiences with other small employers as in Workers' Compensation (WC) or Health Insurance (HI). The concept of credibility, i.e., the effect of your own loss experiences on your contribution rates, is not utilized to set tax rates in UI as it is in both WC and HI. Small employer contribution rates in WC and HI are set largely on the basis of the average experience of "similar" employers. Individual small employers are not credible in these programs. In contrast, tax rates in UI are set .on the basis of each employer's own experiences regardless of employer size.

At present, the project has made no recommendations that speak to the question of tax rate variability for small employers. Even after completing the simulation analysis of reserve ratio experience rating, suggestions fcr reducing variability may not be obvious. It may be that high tax rate variability is a "fact of life" that small employers must accept as a condition of doing business.

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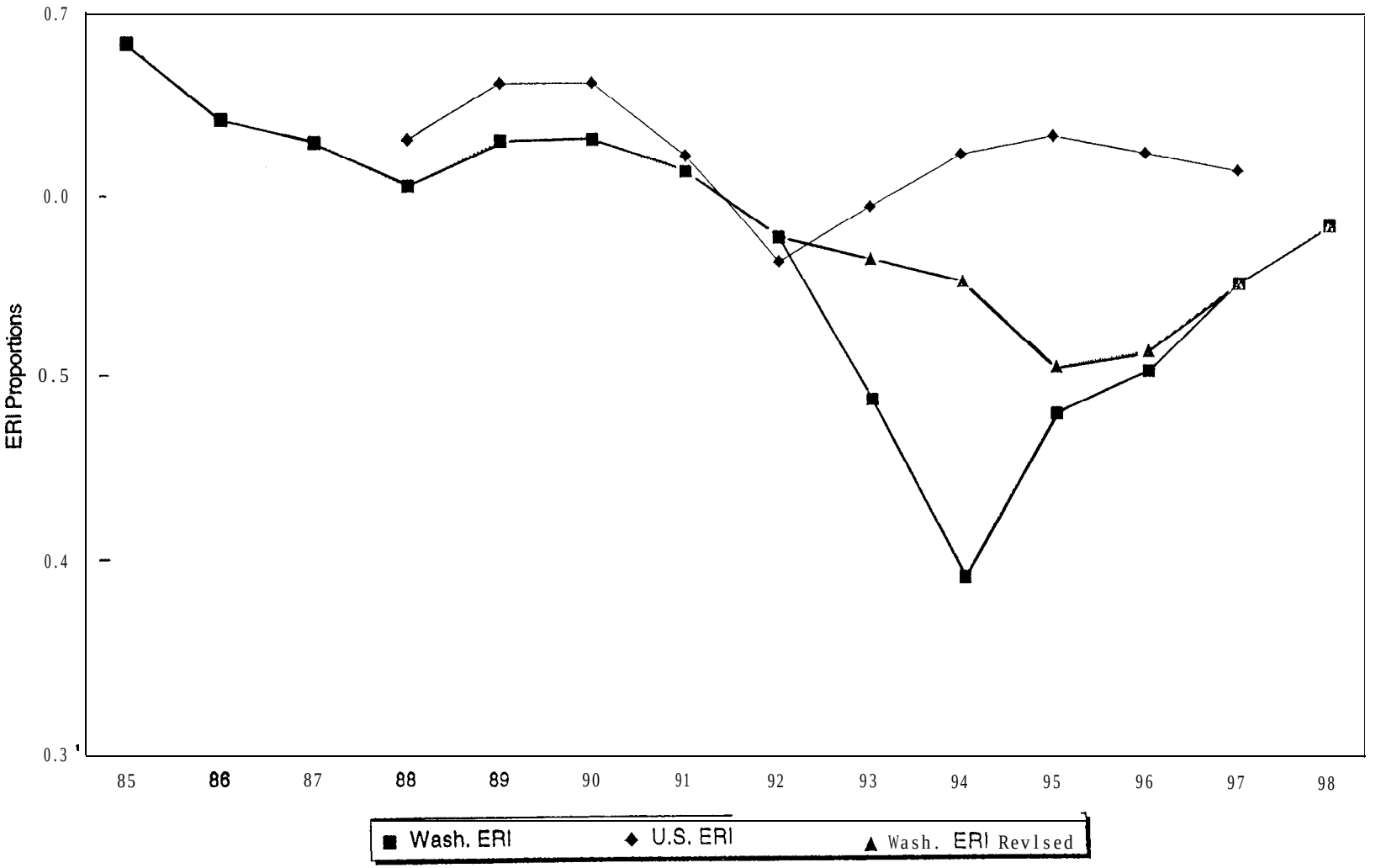
Washington State and U.S. ERIs

Chart 1. Rate Years 1985 to 1998



Source: ETA 204 Reports. U.S. average and Wash. ERI Revised calculated at the Urban Institute

Table 1. Washington's ERI and Ineffectively Assigned Charges, Rate Years 1985 to 1998

Rate Year	Total Benefits Taxable Employers	Ineffective Charges	Charges Against Inactive Accounts	Non-charged Benefits	Washington ERI	Ineffective Charge Proportion	Inactive Charge Proportion	Non-charge Proportion
	Data as reported on ETA 204 reports							
1985	389.3	66.9	42.0	14.3	0.683	0.172	0.108	0.037
1986	382.2	55.9	43.3	37.7	0.642	0.146	0.113	0.099
1987	381.2	41.3	45.2	55.0	0.629	0.108	0.119	0.144
1988	360.0	42.2	49.2	51.3	0.604	0.117	0.137	0.142
1989	345.7	22.9	47.2	58.1	0.629	0.066	0.136	0.168
1990	350.2	18.5	45.5	65.8	0.629	0.053	0.130	0.188
1991	354.7	17.4	39.0	81.5	0.611	0.049	0.110	0.230
1992	495.8	45.8	53.4	112.4	0.573	0.092	0.108	0.227
1993	701.9	71.3	68.4	223.3	0.483	0.102	0.097	0.318
1994	922.1	90.3	83.1'	391.9	0.387	0.098	0.090	0.425
1995	897.6	126.7	85.6	259.6	0.474	0.141	0.095	0.289
1996	837.8	95.7	89.8	235.2	0.498	0.114	0.107	0.281
1997	798.7	95.9	91.5	175.0	0.546	0.120	0.115	0.219
1998	721.4	57.6	84.2	162.7	0.578	0.080	0.117	0.226
Avg. 95-98	813.7	94.0	87.8	208.1	0.524	0.114	0.108	0.254
88-97	606.4	62.7	65.3	165.4	0.543	0.095	0.113	0.249
	Revised data							
1985	389.3	66.9	42.0	14.3	0.683	0.172	0.108	0.037
1986	382.2	55.9	43.3	37.7	0.642	0.146	0.113	0.099
1987	381.2	41.3	45.2	55.0	0.629	0.108	0.119	0.144
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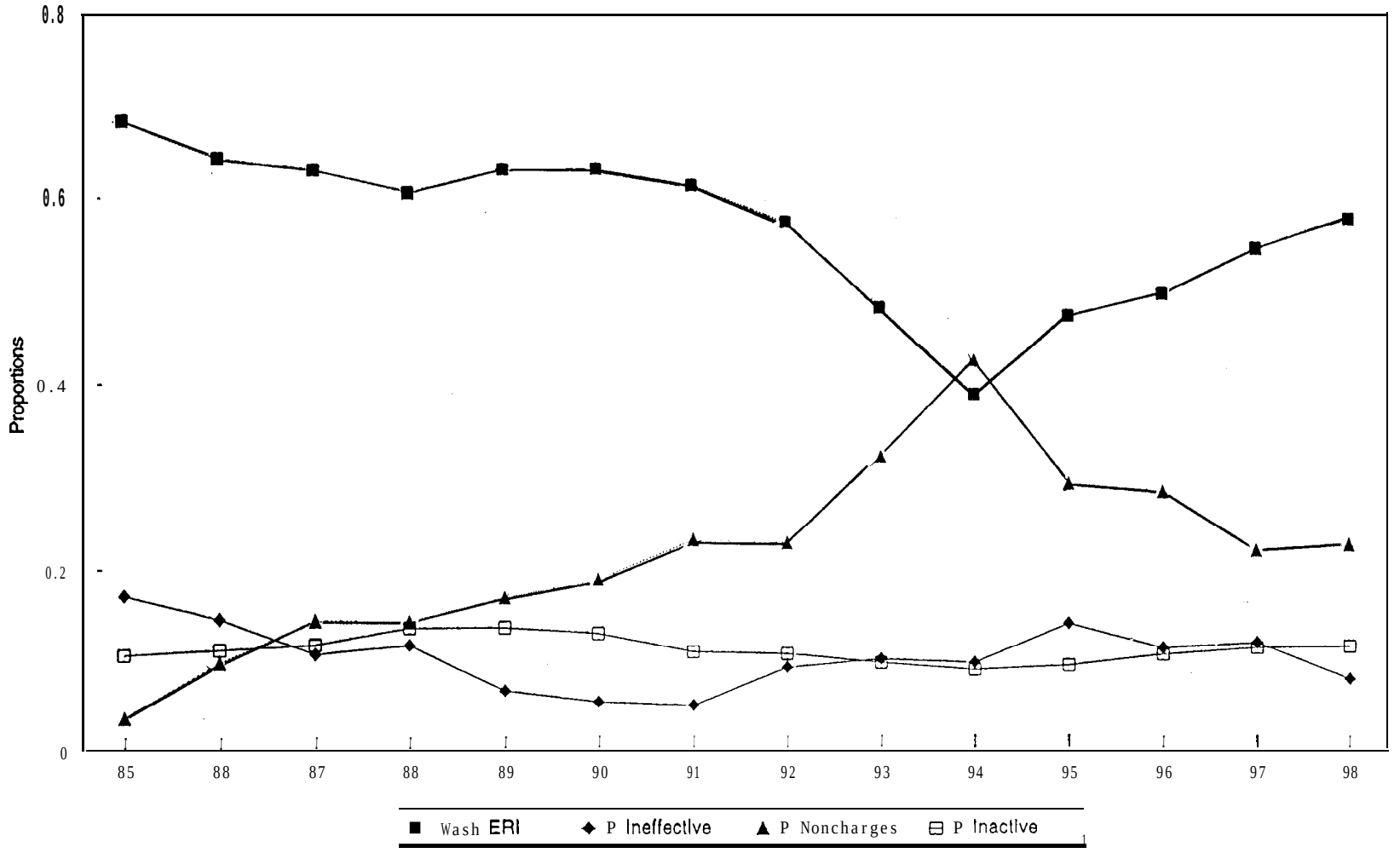
1992	495.8	45.8	53.4	112.4	0.573	0.092	0.108	0.227
1993	603.9	71.3	68.4	125.3	0.561	0.118	0.113	0.208
1994	651 .1	90.3	83.1	120.9	0.548	0.139	0.128	0.186
1995	850.6	126.7	85.6	212.6	0.501	0.149	0.101	0.250
1996	819.8	95.7	89.8	217.2	0.509	0.117	0.110	0.265
1997	798.1	95.9	91.5	175.0	0.546	0.120	0.115	0.219
1998	721.4	57.6	8 4 2	162.7	0.578	0.080	0.117	0.226
Avg. 95-98	797.5	94.0	87.8	191.9	0.533	0.116	0.110	0.240
88-97	563.0	62.7	65.3	122.0	0.571	0.102	0.119	0.208

Source: ETA 204 Reports. Revisions of data made at the Urban Institute. Data in millions.

Washington State ERI and Components

Chart 2. Rate Years 1985 lo 1998



Source: ETA 204 Reports.

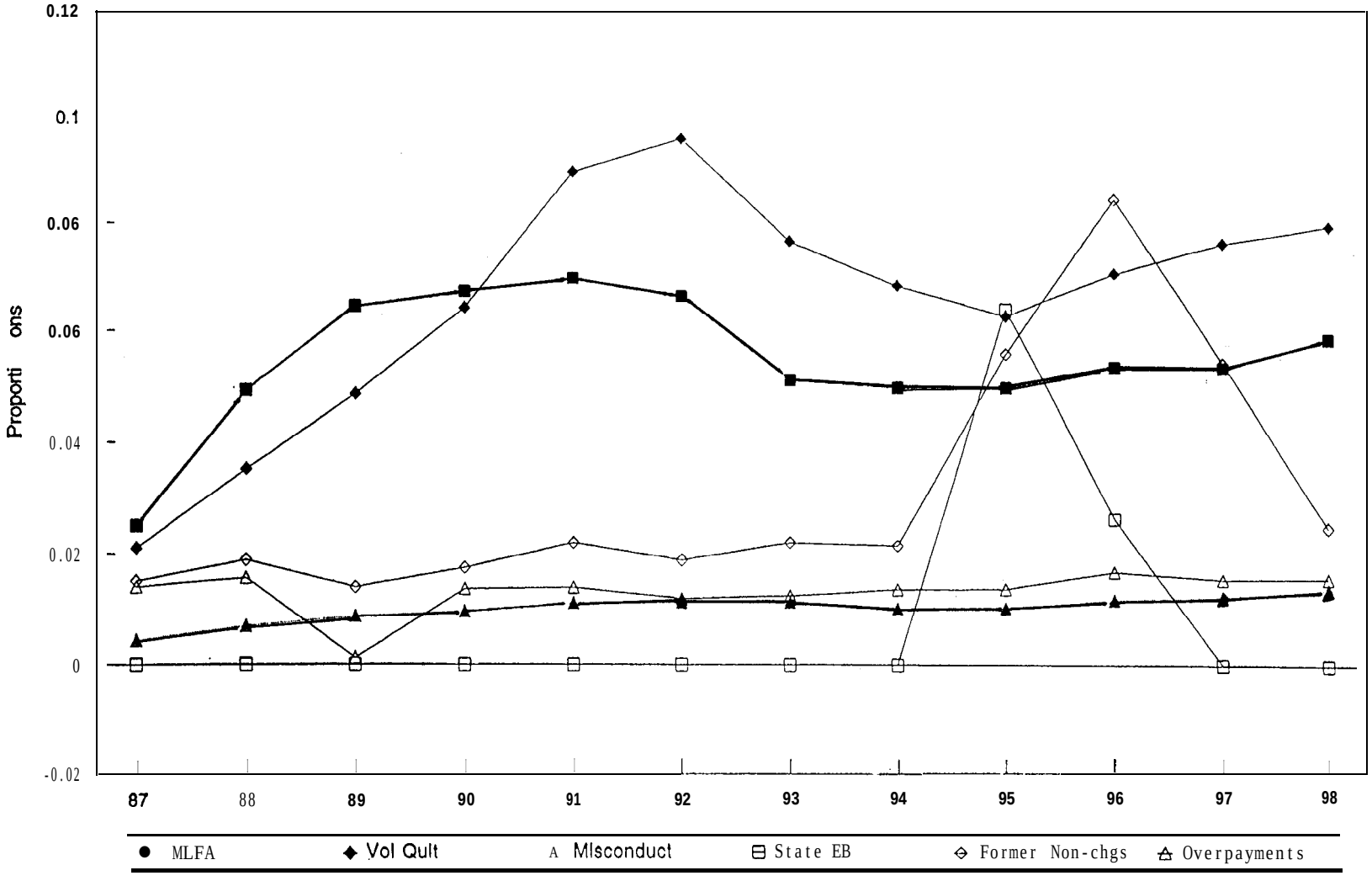
Table 2. Noncharged Benefits, Totals and Detailed Categories, Rate Years 1985 to 1998

Rate Year	Total Benefits: ETA 204 Revised	Non-charged Benefits: ETA204 Revised	Non-charged Benefits: ESD Tab Revised	Difference in Two Estimates	MLFA	Voluntary Quit: Total	Voluntary Quit: Request for Relief of Charges	Voluntary Quit: Automatic Noncharge	Misconduct	Former Noncharges Now Charged	State Share of EB	Overpayments	All Other Noncharges
1985	389.3	14.3											
1988	382.2	37.7											
1987	381.2	'55.0	31.1	23.9	9.5	8.0	0.0	8.0	1.6	5.7	0.0	5.3	0.8
1988	380.0	51.3	46.9	4.4	17.7	12.7	2.7	10.0	2.5	6.8	0.0	5.7	1.5
1989	345.7	58.1	40.3	8.8	22.3	16.8	11.4	5.4	3.0	4.8	0.0	0.4	2.0
1000	350.2	85.8	61.7	4.1	23.5	22.5	16.6	5.9	3.4	6.1	0.0	4.8	1.5
109.1	364.7	81.6	75.1	6.4	24.7	31.8	25.4	6.4	- 3.9	7.8	0.0	4.9	1.9
1992	405.8	112.4	103.7	8.7	32.9	47.5	38.6	9.0	5.6	9.4	0.0	5.9	2.3
1003	603.0	125.3	106.8	18.5	30.9	46.3	35.9	10.4	6.8	13.3	0.0	7.5	2.0
1004	651.1	120:9	108.4	12.5	32.4	44.5	32.7	11.9	6.7	14.0	0.0	8.9	1.9
1995	850.8	212.6	219.4	-6.8	42.3	53.4	40.0	13.4	8.8	47.5	54.4	11.7	1.4
1996	819.8	217.2	219.1	-1.0	43.9	58.0	45.7	12.3	9.7	69.4	21.7	13.8	2.5
1097	708.1	175.0	171.0	4.0	42.6	61.0	48.6	12.4	9.9	43.3	0.0	12.4	1.7
1998	721.4	182.7	142.4	20.4	42.4	57.5	47.4	10.1	9.9	17.9	-0.1	11.4	3.4
Avg. 95-98	797.5	191.9	188.0		42.8	57.5	45.4	12.1	9.6	44.5	19.0	12.3	2.3
	Proportions of Total Benefits												
1985	1.0000	0.0367											
1988	1.0000	0.0985											
1987	1.0000	0.1443	0.0815	0.0626	0.0250	0.0210	0.0000	0.0210	0.0043	0.0150	0.0000	0.0140	0.0021
1988	1.0000	0.1424	0.1303	0.0121	0.0492	0.0353	0.0075	0.0279	0.0070	0.0189	0.0001	0.0157	0.0041
1989	1.0000	0.1881	0.1427	0.0254	0.0645	0.0485	0.0329	0.0156	0.0088	0.0140	0.0000	0.0013	0.0056
1990	1.0000	0.1880	0.1783	0.0117	0.0672	0.0642	0.0473	0.0169	0.0096	0.0175	0.0000	0.0136	0.0042
1991	1.0000	0.2299	0.2117	0.0182	0.0697	0.0897	0.0715	0.0182	0.0111	0.0219	0.0000	0.0139	0.0054
1992	1.0000	0.2288	0.2091	0.0175	0.0664	0.0959	0.0778	0.0181	0.0113	0.0189	0.0000	0.0119	0.0047
1993	1.0000	0.2075	0.1788	0.0307	0.0511	0.0767	0.0595	0.0172	0.0113	0.0220	0.00~0	0.0124	0.0033
1994	1.0000	0.1858	0.1884	0.0192	0.0498	0.0684	0.0502	0.0182	0.0102	0.0215	0.0000	0.0136	0.0029
1995	1.0000	0.2499	0.2579	-0.0080	0.0497	0.0628	0.0470	0.0157	0.0103	0.0558	0.0640	0.0137	0.0017
1998	1.0000	0.2850	0.2872	-0.0023	0.0536	0.0707	0.0557	0.0150	0.0118	0.0847	0.0264	0.0169	0.0031
1997	1.0000	0.2193	0.2143	0.0050	0.0534	0.0765	0.0609	0.0156	0.0124	0.0543	0.0000	0.0155	0.0021
1998	1.0000	0.2258	0.1974	0.0282	0.0588	0.0796	0.0657	0.0140	0.0137	0.0249	-0.0001	0.0158	0.0047

Source: Detailed noncharge categories from Washington State Employment Security Department (ESD) reports. Benefits In thousands of dollars,

Washington's Major Categories of Noncharged Benefits

Chart 3. Rate Years 1987 lo 1998



Source: Washington State ESD data. Noncharges shown as a proportion of total benefit payments.

Table 3. Summary of Taxes and Benefit Payments by Employer Rating Groups and Flrm Size, Rate Year 1997
(Wages, taxes and benefits In millions)

Employers Qualified for Experience Rating

Size	Number	Taxable Wages	Taxes	Total Benefits	Benellt Charges	Total Ben Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol Quit	All Olher Nonchgs	Avg. Tax Rate-%	Tolal Benefits/ Wages-%	Net Subsldy Rate-%
A	51,355	902	18.3	48.2	35.3	29.9	25.1	12.9	2.2	2.4	8.4	1.87	4.91	3.04
B	32,810	3,702	77.0	115.3	07.3	37.5	39.2	28.0	7.1	5.3	12.6	2.10	3.12	1.01
C	10,259	4,875	115.8	140.1	112.2	24.3	34.2	27.8	9.0	10.9	7.9	2.37	2.57	0.50
D	3,569	8,691	197.4	225.6	176.2	26.3	40.3	49.4	14.4	19.5	15.5	2.27	2.60	0.33
E	209	7,738	139.3	117.3	64.8	-22.0	9.6	32.6	5.4	10.3	16.6	1.80	1.52	-0.28
Total	98,202	25,988	540.6	646.6	495.6	98.0	145.4	150.7	38.1	51.4	61.2	2.11	2.49	0.38

Employers Not Qualified For Experience Rating

Size	Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Total Ben - Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol Quit	All Other Nonchgs	Avg. Tax Rate-%	Tolal Benefits/ Wages-%	Nel Subsldy Rate-%
A	56,473	333	8.0	7.2	4.7	-0.7	3.2	2.6	0.5	0.7	1.3	2.40	2.17	-0.22
B	7,045	660	16.6	12.5	0.6	-4.1	3.6	3.7	0.9	1.5	1.2	2.52	1.69	-0.63
C	1,573	578	14.4	10.6	7.1	-3.0	2.2	3.5	0.8	1.3	1.4	2.49	1.03	-0.65
D	344	616	13.4	6.6	6.2	-4.6	1.5	2.6	0.6	1.5	0.5	2.18	1.42	-0.75
E	20	216	4.2	2.8	1.9	-1.5	0.2	0.9	0.3	0.4	0.2	1.96	1.28	-0.67
Total	66,255	2,403	56.6	41.9	28.7	-14.7	10.8	13.2	3.1	5.4	4.7	2.36	1.74	-0.61

All Inactlve Employers

Size	Number	Taxable Wages	Taxes	Total Benefits	Benellt Charges	Total Ben -Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol Quit	All Other Nonchgs	Avg. Tax Rate-%	Total Benefits/ Wages-%	Net Subsldy Rate-%
A	28,673	112	3.7	15.2	15.2	11.5	12.3	0.0	0.0	0.0	0.0	3.34	13.59	10.25
B	3,752	420	12.6	17.4	17.4	4.8	6.6	0.0	0.0	0.0	0.0	2.99	4.13	1.14
C	1,185	569	15.6	15.7	15.7	0.2	5.4	0.0	0.0	0.0	0.0	2.73	2.76	0.03
D	418	1,059	24.6	22.6	22.6	-1.9	6.1	0.0	0.0	0.0	0.0	2.32	2.14	-0.16
E	33	1,481	22.1	15.7	15.7	-6.4	2.1	0.0	0.0	0.0	0.0	1.49	1.06	-0.43
Total	32,061	3,642	70.6	86.7	86.7	6.1	34.4	0.0	0.0	0.0	0.0	2.16	2.36	0.22

All Active and Inactlve Employers

Size	Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Total Ben Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol Quit	All Olher Nonchgs	Avg. Tax Rate-%	Total Benefits/ Wages-%	Net Subsldy Rate-%
A	134,501	1,420	30.1	70.7	55.2	40.6	40.5	15.5	2.7	3.1	9.7	2.11	4.95	2.05
B	44,407	4,703	107.0	145.2	113.5	36.2	51.6	31.7	8.0	9.6	13.9	2.24	3.04	0.80
C	13,017	6,022	145.7	166.4	135.1	20.7	41.6	31.3	9.8	12.2	9.3	2.42	2.76	0.34
D	4,331	10,366	235.3	257.0	205.0	21.7	47.9	52.0	15.0	2'1.0	16.0	2.27	2.48	0.21
E	262	9,435	165.7	135.8	102.3	(29.9)	11.9	33.5	5.7	10.8	17.0	1.76	1.44	-0.32
Total	196,618	32,034	683.8	775.1	611.2	91.3	193.6	164.0	41.2	56.8	65.9	2.13	2.42	0.29

Table 4. Summary of Taxes and Benefit Payments Among Qualified Employers In Major Industries, Rate Year 1997
(Wages, taxes and benefits In millions)

Major Industry Group	2 Dig SIC	Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Total Ben. Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Other Nonchgs	Avg. Tax Rate -%	Total Benefits/ Wages -%	Net Subsidy Rate - %
Ag., For. & Fish.	01-09	9,365	912	30.7	57.5	40.5	26.6	14.6	17.1	5.3	1.5	10.3	3.37	6.31	2.94
Mining	10-14	142	68	2.1	2.9	2.7	0.9	1.2	0.2	0.1	0.0	0.1	3.03	4.29	1.27
Construction	IS-17	11,325	1,939	75.6	132.2	116.9	56.5	53.7	15.3	6.0	2.4	6.9	3.90	6.62	2.92
Manufacturg	20-39	5,985	5,902	143.5	140.5	107.1	-3.0	27.0	33.4	6.4	7.3	19.7	2.43	2.36	-0.05
Trans. & Utilities	40-49	3,693	2,044	39.2	36.5	31.9	-0.7	6.7	6.6	1.0	2.4	2.4	1.92	1.69	-0.03
Wholesale Trade	50-51	8,786	2,343	46.6	46.6	37.0	-0.2	9.1	9.6	2.1	3.7	3.6	2.00	1.99	-0.01
Retail Trade	52-59	14,829	4,811	70.2	71.9	46.1	1.7	6.3	23.6	6.3	12.7	4.9	1.46	1.49	9.04
Finance	60-67	7,434	1,880	31.4	26.0	21.4	-3.4	4.5	6.6	0.0	3.2	2.5	1.67	1.49	-0.18
Services	70-89	36,464	6,067	100.7	127.1	90.1	18.4	23.2	37.0	0.9	17.5	10.5	1.79	2.10	0.30
Government	90-96	159	22	0.3	1.2	0.2	0.9	0.0	1.0	0.5	0.5	0.0	1.56	5.69	4.13
All Industries		98,202	25,900	548.6	646.6	495.0	90.0	146.4	150.7	36.1	51.4	61.2	2.11	2.49	0.38

Percentage Shares

													Ineff Chg/ Total Ben	Non-chg/ Total Ben	Ineff Chg/ Non-chg + Ineff Chg
Ag., For. & Fish.	01-09	9.5	3.5	5.6	8.9	6.2	27.3	9.9	11.3	13.6	2.9	16.9	25.6	29.7	46.4
Mining	IO-14	0.1	0.3	0.4	0.5	0.5	0.9	0.8	0.2	0.3	0.0	0.2	40.6	8.3	63.2
Constructton	IS-17	11.5	7.5	13.6	20.4	23.6	57.7	36.2	10.1	15.6	4.7	11.3	40.6	11.6	77.0
Manufaclurg	20-39	6.1	22.7	26.2	21.7	21.6	-3.0	18.2	22.2	16.7	14.2	32.3	19.2	23.8	44.7
Trans. & Utilities	40-49	3.0	7.9	7.1	6.0	6.4	-0.7	4.5	4.4	4.7	4.7	4.0	17.4	17.2	50.2
Wholesale Trade	50-51	8.9	9.0	8.5	7.2	7.5	-0.2	6.1	6.4	5.5	7.3	6.1	19.5	20.6	46.6
Retail Trade	52-59	15.1	18.5	12.8	11.1	9.7	1.7	5.6	15.8	16.5	24.7	7.9	11.5	33.1	25.7
Finance	60-67	7.6	7.2	5.7	4.3	4.3	-3.5	3.0	4.4	2.2	6.3	4.1	15.9	23.6	40.2
Services	70-89	37.2	23.3	19.8	19.7	16.2	18.8	15.6	24.5	23.5	34.1	17.2	18.3	29.1	36.5
Government	90-96	0.2	0.1	0.1	0.2	0.0	0.9	0.0	0.7	1.2	1.1	0.0	4.0	03.9	4.6
All Industries		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	190.0	100.0	100.0	23.0	23.3	49.6

Table 5. Summary of Taxes and Benefits for Washington Employers by Major Industry Groups, Rate Years 1989.1999
(Wages, taxes and benefits In millions)

Major Industry Group	2 Dlg SIC	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Other Nonchgs	Avg. Tax Rate -%	Tot. Ben./ Wages-%	Net Sub. Rate - %
Panel A. Employers Qualified for Experience Rating															
Ag., For. & Fish.	01-09	6,930	6,224	202.7	434.0	316.6	152.1	97.4	116.3	45.3	19.5	51.5	3.44	5.29	1.85
Mlnlng	to-14	131	602	10.4	21.9	19.5	3.5	6.7	2.4	0.9	0.4	1.1	3.05	3.63	0.56
Construction	15-17	9,971	18,320	701.7	1052.4	916.4	350.7	375.6	136.0	52.2	33.6	50.2	3.63	5.74	1.91
Manufacturg	20.39	5,604	62,631	1334.9	1237.4	982.4	-97.5	268.9	255.0	55.4	69.8	129.6	2.13	1.96	-0.16
Trans. & Utllltles	40.49	3,389	19,175	361.2	312.5	251.4	-68.7	52.5	61.1	15.7	20.3	25.1	1.99	1.63	-0.36
Wholesale Trade	50-51	7,905	21,596	461.1	395.7	315.8	-85.4	66.7	79.9	16.3	29.5	32.2	2.23	1.83	-0.40
Retail Trade	52-59	14,329	41,671	735.0	605.5	398.5	-129.5	62.3	207.0	55.7	93.9	57.4	1.76	1.45	-0.31
Finance	60-67	6,675	16,562	336.2	254.7	199.0	-83.6	45.0	55.7	7.6	24.1	24.1	1.62	1.37	-0.45
Servlces	70-89	29,951	(14,473	1027.0	974.9	677.6	-52.1	154.1	297.1	79.2	132.4	85.5	1.69	1.79	-0.10
Qovernment	90-96	159	262	4.0	16.1	2.6	14.1	0.8	15.3	6.5	7.3	1.5	1.51	6.90	5.39
All Industrles		65,044	245,739	5304.1	5307.6	4062.1	3.7	1132.1	1225.7	336.6	430.7	456.2	2.16	2.16	0.00
Panel 8. Employers Not Qualified for Experience Rating															
Ag., For. & Fish.	01-09	5,093	1,243	40.7	32.8	22.0	-7.9	7.7	10.8	4.7	1.9	4.1	3.27	2.64	-0.63
Mlnlng	10-14	83	03	2.7	1.2	1.0	-1.4	0.3	0.2	0.1	0.1	0.1	3.22	1.49	-1.73
Construction	15-17	9,291	3,426	126.6	95.1	76.5	-31.5	32.6	16.5	7.0	5.0	6.6	3.70	2.76	-0.92
Manufacturg	20-39	2,694	3,575	106.9	66.6	50.5	-40.1	16.3	16.3	4.5	5.1	6.7	2.99	1.67	-1.12
Trans. & Utilities	40-49	1,920	1,729	41.5	21.6	16.6	-19.7	5.2	5.1	1.4	2.0	1.8	2.40	1.26	-1.14
Wholesale Trade	50-51	4,171	2,230	51.0	23.9	16.7	-27.1	6.7	7.2	1.3	2.7	3.1	2.29	1.07	-1.22
Retail Trade	52-59	6,023	4,810	101.3	56.4	33.4	-45.0	10.7	23.0	5.2	10.7	7.1	2.1 1	1.17	-0.93
Finance	60-67	3,206	2,010	41.4	17.0	11.2	-24.4	4.0	5.6	0.8	2.7	2.2	2.06	0.85	-1.21
Servlces	70-89	24,364	7,716	161.9	64.5	48.7	-77.4	17.3	35.6	0.7	17.4	9.7	2.10	1.09	-1.00
Qovernment	90-96	73	180	2.3	0.7	2.0	6.4	0.5	6.7	3.6	2.6	0.3	1.30	4.63	3.53
All Industrles		50,890	27,001	676.2	406.1	276.6	-266.2	101.6	129.5	37.3	50.5	41.7	2.50	I.51	-0.99

table 5 (continued). Summary of Taxes and Benefits for Washington Employers by Major Industry Groups, Rate Years 1989.1999
(Wages, taxes and benefits In millions)

Major Industry Group	2 Dig Sic	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. -Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Other Nonchgs	Avg. Tax Rile -%	Tot. Ben./ Wages-%	Net Sub. Rate - %
Panel C. All Inactive Employers															
Ag., For. & Fish.	01-09	1,806	770	27.1	45.9	45.0	18.8	25.7	0.0	0.0	0.0	0.0	3.52	5.96	2.44
Mlnlng	IO-14	32	64	1.6	3.0	3.0	1.4	1.8	0.0	0.0	0.0	0.0	3.04	5.62	2.58
Constructlon	15-17	4,503	2,025	78.1	155.0	155.0	76.9	100.7	0.0	0.0	0.0	0.0	3.86	7.66	3.80
Manufacturg	20-39	1,344	3,857	00.7	148.3	148.3	48.6	02.4	0.0	0.0	0.0	0.0	2.73	4.06	1.33
Trans. & Utilities	40-49	940	1,302	32.3	37.9	37.9	5.6	18.4	0.0	0.0	0.0	0.0	2.32	2.72	0.40
Wholesale Trade	50-51	1,848	1,699	43.4	57.0	57.0	13.6	30.6	0.0	0.0	0.0	0.0	2.29	3.00	0.72
Retail Trade	52-59	4,195	5,849	106.2	100.2	100.2	-6.0	39.5	0.0	0.0	0.0	0.0	I.82	1.71	-0.10
Finance	60-67	1,510	2,049	45.8	53.7	53.7	0.1	24.4	0.0	0.0	‘0.0	0.0	2.23	2.62	0.40
Services	70-89	9,275	5,848	124.8	154.5	154.5	29.9	79.1	0.0	0.0	0.0	0.0	2.13	2.64	0.51
Qovarnment	90-96	37	I O	0.2	0.3	0.3	0.1	0.2	0.0	0.0	0.0	0.0	2.02	2.75	0.74
Al Industries		25,578	23,551	558.8	755.0	755.0	197.0	402.9	0.0	0.0	0.0	0.0	2.37	3.21	0.84
Panel D. All Active end Inactive Employers															
Ag., For. & Fish.	01-09	13,820	10,237	350.5	513.5	386.5	163.0	130.9	127.1	50.0	21.5	55.6	3.42	5.02	1.59
Mlnlng	10-14	226	730	22.7	26.1	23.4	3.4	8.8	2.7	1.0	0.5	1.2	3.07	3.53	0.47
Conslrucllon	15.17	23,555	23,771	006.3	1302.4	1147.9	396.1	509.2	154.5	59.3	38.5	56.7	3.81	5.48	1.67
Manufacturg	20-39	9,641	69,663	1541.5	1452.4	1181.1	-89.0	367.6	271.3	59.0	74.9	136.5	2.21	2.08	-0.13
Trans. & Utilities	40-49	6,240	22,205	454.0	372.2	305.9	-02.8	76.2	66.2	17.1	22.3	26.8	2.04	1.67	-0.37
Wholesale Trade	so-51	13,024	25,727	575.5	476.6	309.5	-98.9	106.0	87.1	19.6	32.2	35.3	2.24	1.85	-0.30
Retail Trade	52-59	26,547	52,630	042.5	762.1	532.1	-180.5	112.5	230.0	609	104.6	64.5	1.79	1.45	-0.34
Finance	60-67	11,301	22,640	425.3	325.4	263.9	-99.9	73.4	61.5	0.4	26.8	26.3	1.00	1.44	-0.44
Services	70-89	63,500	66,037	1313.5	1213.9	881.1	-99.6	250.5	332 9	87.8	149.8	95.2	1.93	1.79	-0.15
Government	90-96	266	452	6.5	27.1	5.1	20.6	1.5	22.0	10.2	10.1	1.0	1 . 4 4	5.99	4.55
Al Industries		160.520	206,201	6530.2	6471.7	5116.5	-67.5	1636.6	1355.2	374.1	481.2	499.9	2.21	2.18	-0.02

Table 6. Summary of Net Subsidies by Two Digit Industries, 1985 to 1999

Indusrtry Name		15 Year Avg.	Max.	Min.	Positive
Fishing, Hunting	9	6.90%	18.76%	1.14%	15
Railroads	40*	4.08%	40.92%	-2.84%	6
Heavy Construction	16	3.53%	5.12%	0.79%	15
General Construction	15	2.48%	5.09%	0.06%	15
Educational Services	82	1.61%	3.92%	-2.19%	13
Forestry	8	1.44%	2.73%	-1.90%	13
Museums	84*	1.15%	4.39%	-1.17%	9
Special Trade Cont.	17	1.13%	2.64%	-0.31%	13
Agriculture - Crops	1	0.98%	2.28%	-0.75%	12
Lumber and Wood	24	0.86%	2.55%	-0.96%	13
Household Services	88	0.64%	2.94%	-2.34%	11
Agricultural Services		0.42%	1.44%	-0.71%	12
Local Transit	41	0.27%	1.16%	-0.78%	9
Food and Kindred	20	-0.03%	1.42%	-2.03%	6
Amusements and Rec.	79	-0.10%	1.10%	-1.27%	6
Social Services	83	-0.19%	1.14%	-1.78%	6
Apparel	23	-0.29%	1.40%	-2.06%	8
Miscellaneous Repair	76	-0.31%	1.02%	-1.90%	7
Stone, Clay and Glass	32	-0.36%	0.63%	-1.16%	4
Enfineering and Mgmt.	87	-0.38%	1.04%	-2.05%	4
Trucking	42	-0.38%	0.70%	-1.39%	5
Real Estate	65	-0.52%	1.56%	-1.84%	5
Services, N.E.C.	89	-0.52%	0.33%	-1.99%	4
	78	-0.53%	0.71%	-2.40%	5
	34	-0.54%	0.95%	-1.69%	3
	67	-0.55%	1.33%	-2.31%	5
	86	-0.55%	0.67%	-1.46%	3
	25	-0.58%	0.43%	-1.73%	4
	51	-0.58%	0.40%	-1.73%	4
	75	-0.66%	0.46%	-1.88%	5
	61	-0.67%	4.97%	-2.66%	3
	31*	-0.68%	2.81%	-2.83%	4
Agriculture Livestock	2	-0.69%	0.59%	-1.92%	3
	70	-0.72%	0.46%	-2.09%	3
	73	-0.73%	0.71%	-2.15%	3
	57	-0.73%	0.64%	-2.30%	4
	58	-0.74%	0.59%	-2.14%	4
	47	-0.75%	0.28%	-2.15%	4
	80	-0.75%	0.52%	-2.21%	4
	35	-0.76%	0.93%	-1.91%	3
	52	-0.78%	0.50%	-2.37%	5
	59	-0.78%	0.54%	-2.19%	3
	72	-0.79%	0.67%	-2.22%	4
	37	-0.80%	3.10%	-3.63%	4
	28	-0.84%	0.55%	-2.85%	4
	30	-0.84%	0.98%	-2.20%	3
Electric, Gas and San.	49	-0.84%	1.10%	-2.38%	3
Pipelines, Ex. Nat. Gas	46*	-0.84%	1.12%	-2.89%	3
Food Stores	54	-0.84%	0.43%	-2.34%	3
Textiles	22*	-0.86%	1.06%	-2.64%	2
Primary Metals	33	-0.86%	0.71%	-3.28%	5
Electronic Equipment	36	-0.87%	0.21%	-2.23%	2
W Trade - Durable	50	-0.90%	0.51%	-2.07%	2
Petroleum and Coal	29	-0.91%	0.94%	-2.26%	2
Insurance Agents	64	-0.91%	0.50%	-2.34%	2
Micellaneous Mfg.	39	-0.91%	0.43%	-2.01%	2
Paper and Allied	26	-0.92%	0.96%	-3.14%	4
Legal Services	81	-0.96%	0.37%	-2.40%	2
Printing and Publishing	27	-0.97%	0.26%	-2.36%	2
General Merchandise	53	-0.98%	0.42%	-2.45%	3
Automotive Dealers	55	-1.00%	0.11%	-2.15%	2
Air Transportation	45	-1.01%	0.94%	-2.61%	3
Instruments	38	-1.06%	1.83%	-2.62%	2
Communication	48	-1.06%	0.30%	-2.49%	2
Water Trqansportation	44	-1.09%	0.83%	-2.76%	1
Apparel and Access.	56	-1.10%	0.38%	-2.88%	2
Insurance Carriers	63	-1.10%	0.44%	-2.49%	2
Security and Commod.	62	-1.11%	0.33%	-2.71%	2
Depository Institutions	60	-1.14%	0.24%	-2.57%	2
	All Ind.	-0.48%	1.09%	-1.71%	

Source: Tabulations of data assembled for this project. * - Industry with less than $20 million in taxable wages in 1997.

Panel B. Industries in Top, Middle and Bottom Groups

Broad Industries	2 Digit Sic	No. in Top 23	No. in Middle 23	No. in Bottom 23	Total Number
Ag., F&F	01-09	4	1	0	
Con.	15-17	3	0	0	
Mfg.	20-39	4	7	8	1
Tran&Util	40-49	3	1	5	
W Trade	50-51	0	1	1	
R Trade	52-59	0	4	4	
Finance	60-67	1	2	4	
Services	70-89	8	7	1	1
All Ind.		23	23	23	6

anel C. Years with Positive Net Subsidies

Years	2 Digit Industries
15	3
14	0
13	4
12	2
11	1
10	0
9	2
8	1
7	1
6	4
5	7
4	14
3	14
2	15
1	1
Total	69

anel D. Time Series Summary

Year	Taxes/ Wages-%	Tot Ben/ Wages-%	Net Sub Rate-%
1985	4.05	2.77	-1.28
1986	4.05	2.54	-1.51
1987	4.04	2.32	-1.71
1988	3.71	2.11	-1.60
1989	2.56	1.75	-0.81
1990	2.27	1.61	-0.65
1991	2.27	1.52	-0.76
1992	2.25	1.95	-0.29
1993	2.26	2.20	-0.05
1994	1.93	2.30	0.37
1995	1.93	3.02	1.09
1996	1.91	2.68	0.77
1997	2.11	2.49	0.38
1998	2.24	2.01	-0.23
1999	2.24	1.80	-0.44
Avg.	2.65	2.20	-0.45

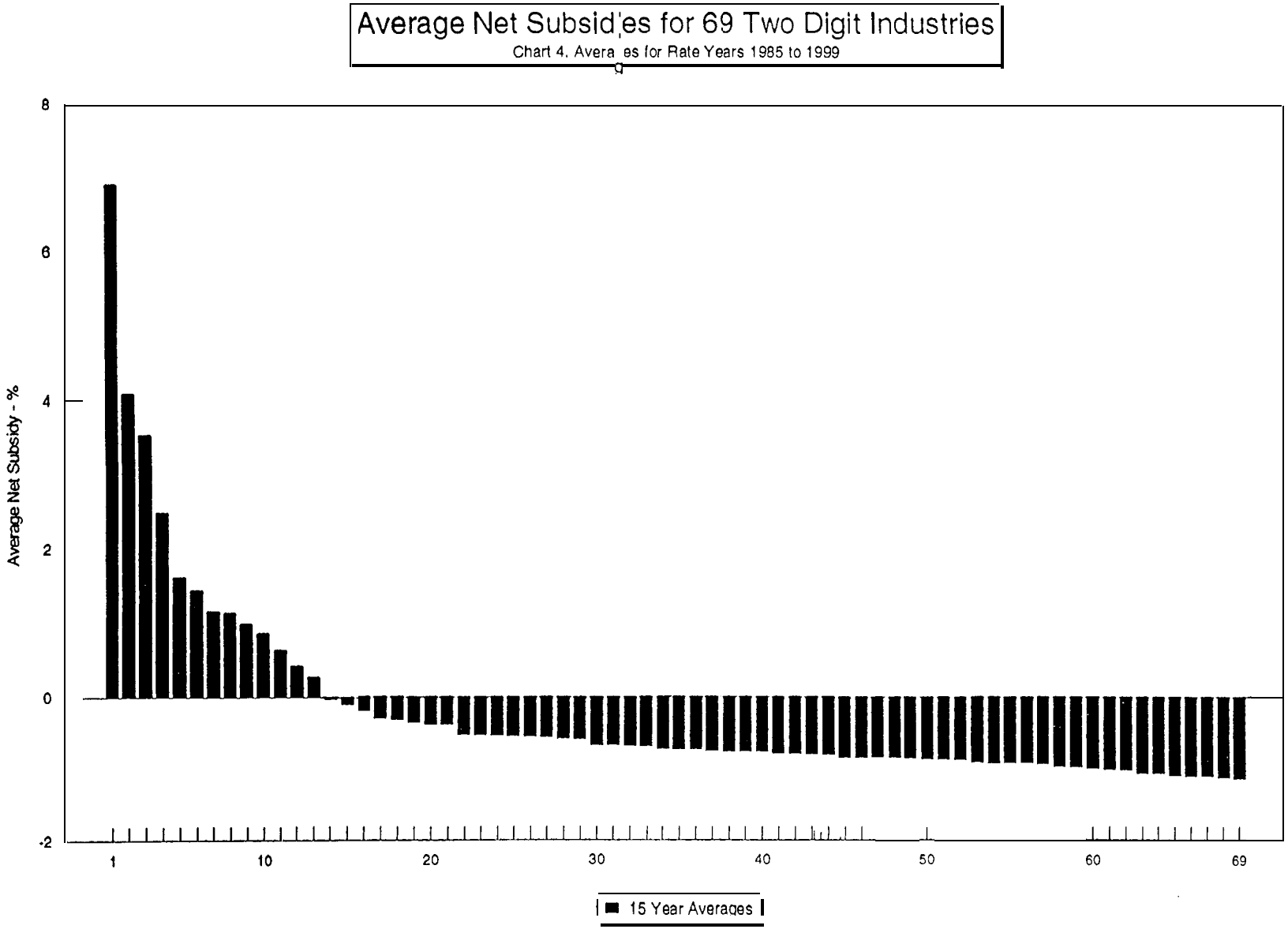

Average Net Subsidies for 69 Two Digit Industries
Chart 4. Averages for Rate Years 1985 to 1999
Average Net Subsidy - %
8
6
4
2
0
-2
1
10
20
30
40
50
60
69
15 Year Averages

Table 7. Summary of Taxes and Benefits for Washington Employers by Size, Rate Years 1989-1999
(Wages, taxes and benefits in millions)

Panel A. Employers Qualified for Experience Rating

Size	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Other Nonchgs	Avg. Tax Rate -%	Tot. Ben./ Wages-%	Net Sub. Rate - %
A	41,247	8,515	162.3	350.6	273.6	188.3	188.5	76.9	18.8	20.3	37.8	1.91	4.12	2.21
B	30,629	35,087	778.9	965.0	741.1	166.1	298.7	223.9	66.5	-74.5	82.9	2.22	2.75	0.53
C	9,707	46,554	1170.2	1213.4	952.6	43.1	245.9	260.8	83.5	96.3	al.0	2.51	2.61	0.09
D	3,270	79,818	1957.4	1883.4	1470.5	-74.0	305.1	412.9	125.1	158.2	129.6	2.46	2.37	-0.09
E	191	75,967	1235.3	695.5	644.3	-339.8	93.9	251.2	42.9	81.4	126.9	1.63	1.18	-0.45
Total	85,044	245,739	5304.1	5307.6	4082.1	3.7	1132.1	1225.7	336.8	430.7	458.2	2.16	2.16	0.00

Panel B. Employers Not Qualified for Experience Rating

Size	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. Taxes	Ineffect. Charges	All Non. charges	MLFA	Vol. Quit	All Other Nonchgs	Avg. Tax Rate -%	Tot. Ben./ Wages-%	Net Sub. Rate - %
A	50,819	4,464	104.7	84.8	59.7	-19.9	43.1	25.1	6.6	a.9	9.6	2.34	1.90	-0.44
B	6,668	7,502	193.6	113.0	75.7	-80.6	27.9	37.3	11.4	14.1	11.8	2.58	1.51	-1.07
C	1,409	5,813	145.6	87.8	50.9	-57.8	15.6	28.9	8.8	10.9	9.2	2.59	1.56	-1.03
D	288	6,259	156.3	63.1	55.6	-73.1	10.0	27.6	0.0	12.2	7.4	2.50	1.33	-1.17
E	14	3,182	76.2	39.3	28.7	-36.8	5.1	10.6	2.6	4.3	3.7	2.41	1.24	-1.16
Total	58,898	27,001	676.2	408.1	276.6	-266.2	101.6	129.5	37.3	50.5	41.7	2.50	1.51	-0.99

Panel C. All Inactive Employers

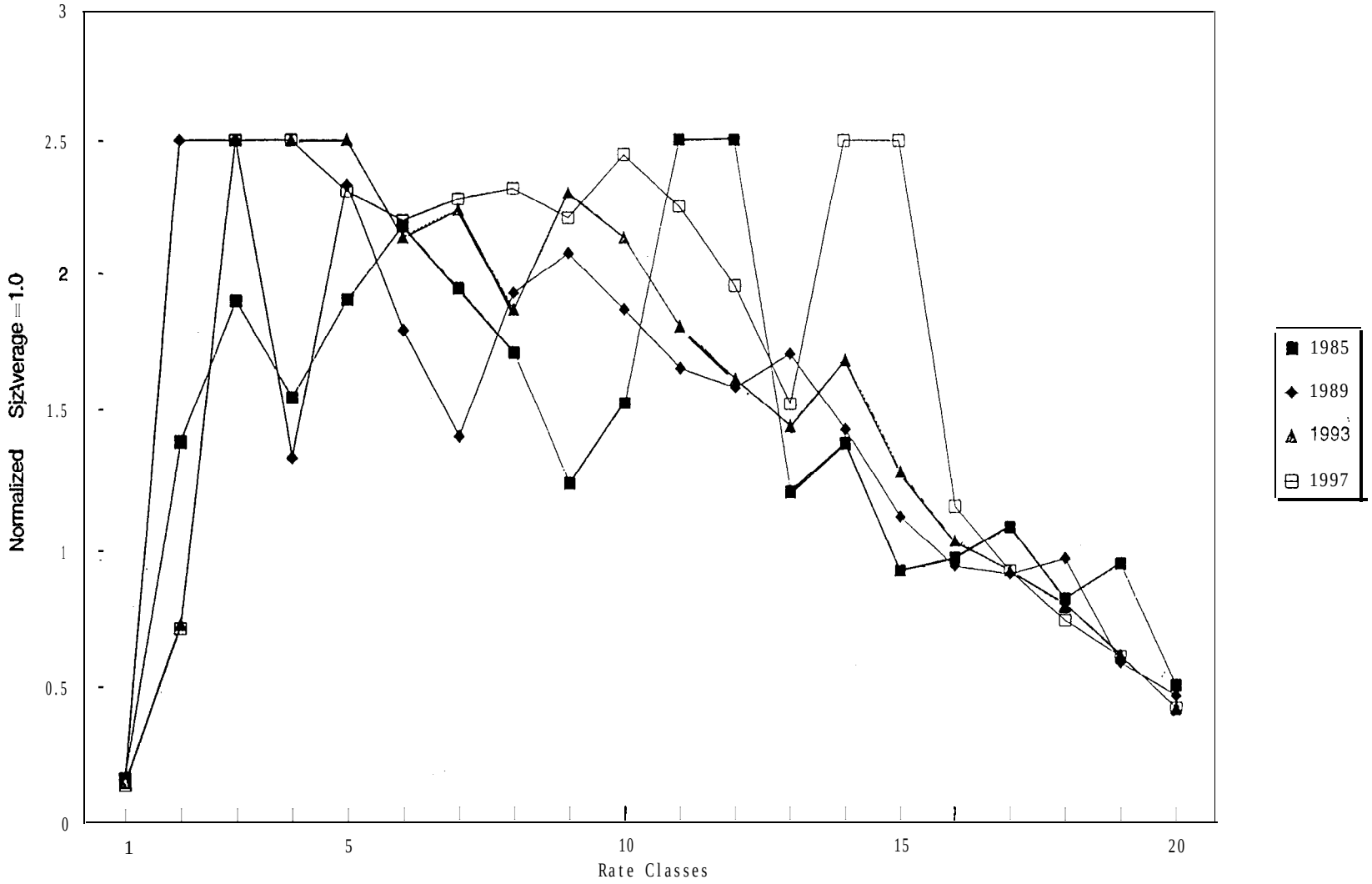
Site	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Olher Nonchgs	Avg. Tax Rate -%	Tot. Ben./ Wages-%	Net Sub. Rate - %
A	19,995	1,706	43.4	133.4	133.4	90.0	110.5	0.0	0.0	00	0.0	2.54	7.82	5.27
B	4,054	4,197	115.4	180.5	180.5	65.0	108.8	0.0	0.0	0.0	0.0	2.75	4.30	1.55
C	1,167	4,323	118.3	156.6	156.6	36.2	76.3	0.0	0.0	0.0	0.0	2.74	3.62	0.88
D	340	7,360	178.9	202.6	202.6	23.7	84.0	0.0	0.0	0.0	0.0	2.43	2.75	0.32
E	21	5,966	102.8	82.8	82.8	-20.0	19.5	0.0	0.0	0.0	0.0	1.72	1.39	-0.34
Total.	25,578	23,551	558.8	755.8	755.6	197.0	401.1	0.0	0.0	0.0	0.0	2.37	3.21	0.64

Panel D. All Active and Inactive Employers

Size	Average Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Tot. Ben. Taxes	Ineffect. Charges	All Non-charges	MLFA	Vol. Quit	All Olher Nonchgs	Avg. Tax Rate -%	Tot. Ben./ Wages-%	Nel Sub. Rate - %
A	111,882	14,686	310.3	568.7	466.7	258.4	342.2	102.1	25.5	29.2	47.4	2.11	3.87	1.76
B	41,251	46,786	1,087.9	1,258.4	997.2	170.5	435.4	261.2	77.9	88.6	94.7	2.33	2.69	0.36
C	12,283	58,490	1,434.1	1,457.7	1,168.1	23.6	339.8	209.6	92.2	107.1	90.3	2.54	2.58	0.04
D	3,898	93,235	2,292.5	2,169.2	1,728.7	(123.3)	399.2	440.5	133.1	170.4	137.0	2.46	2.33	-0.13
E	228	85,095	1,414.3	1,017.6	755.8	(396.6)	118.4	261.8	45.4	85.8	130.6	1.66	1.20	-0.47
Total	189,520	296,291	6,539.2	6,471.7	5,116.5	(67.5)	1,634.9	1,355.2	374.1	481.2	499.9	2.21	2.18	-0.02

Normalized Average Firm Size for Rate Classes n Washington

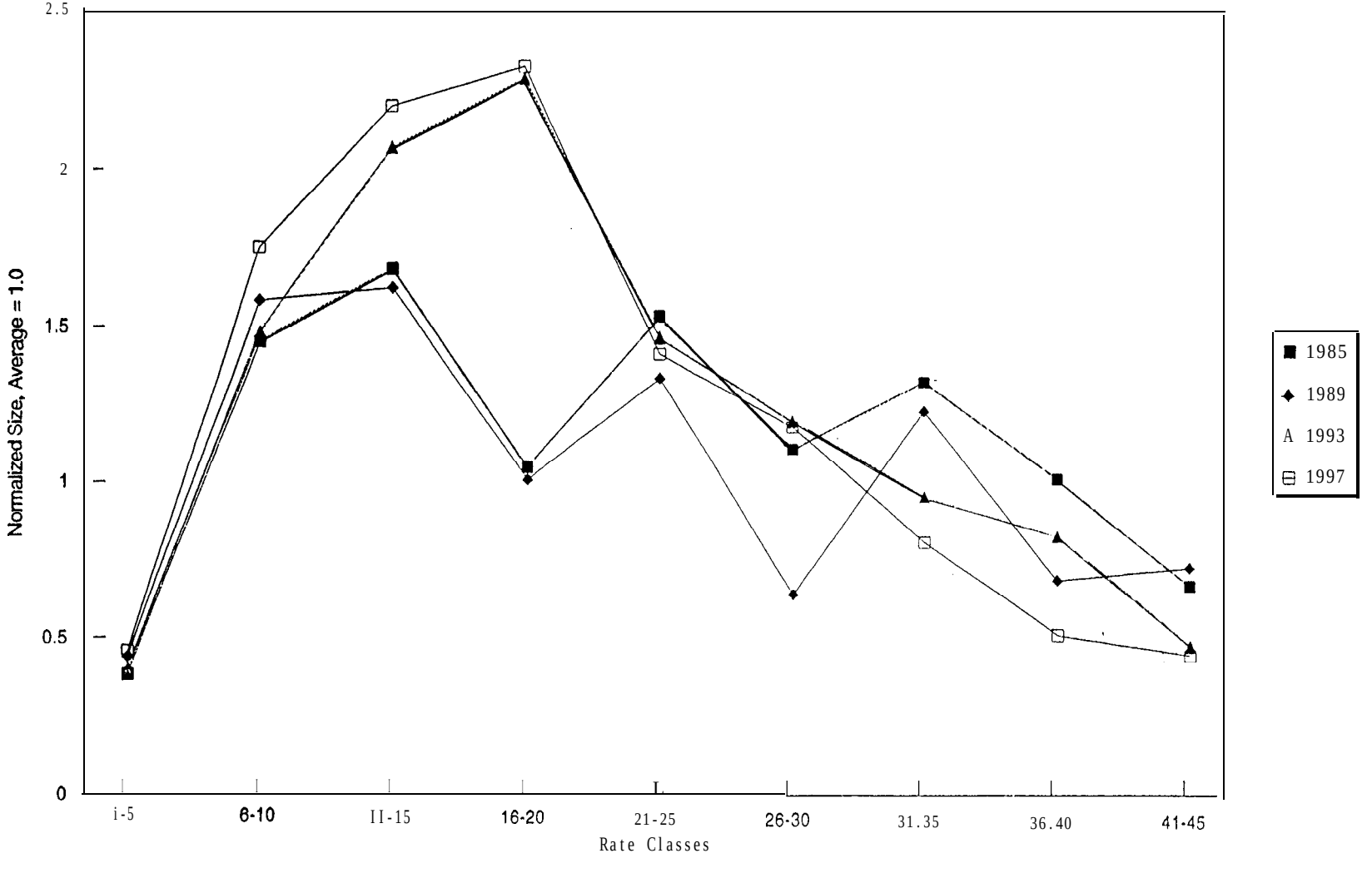
Chart 5. Rate Years 1985, 1989, 1993 and 1997



[Source: ETA204 data for the Indicated rate years. Size measured as average taxable wages per firm.

Normalized Average Firm Size for Rate Classes in Georgia

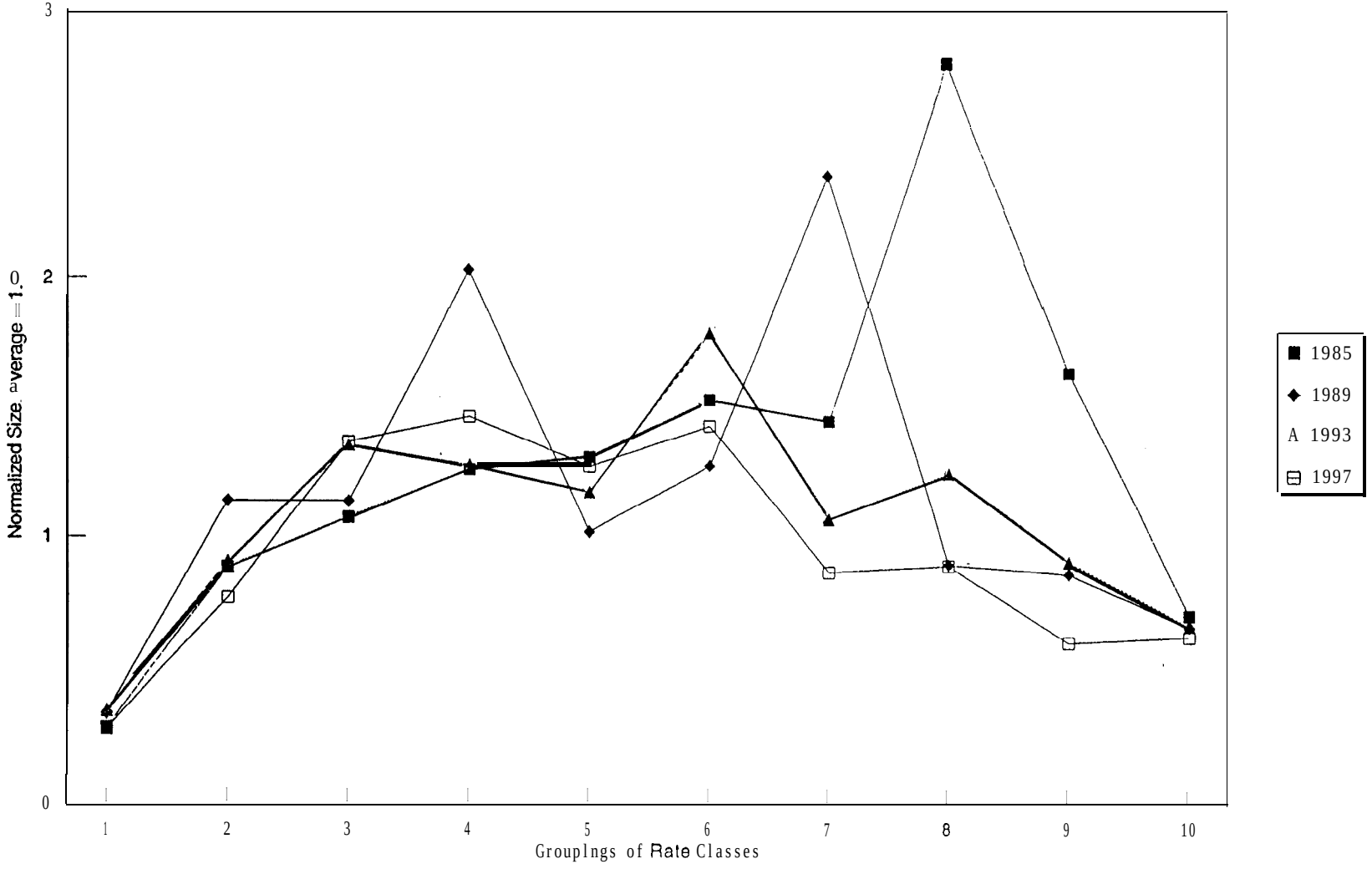
Chart 6. Rate Years 1985, 1989, 1993 and 1998



Source: ETA 204 data for the Indicated rate years. Size measured as average taxable wages per firm.

Normalized Average Firm Sizes for Rate Classes' in Ohio

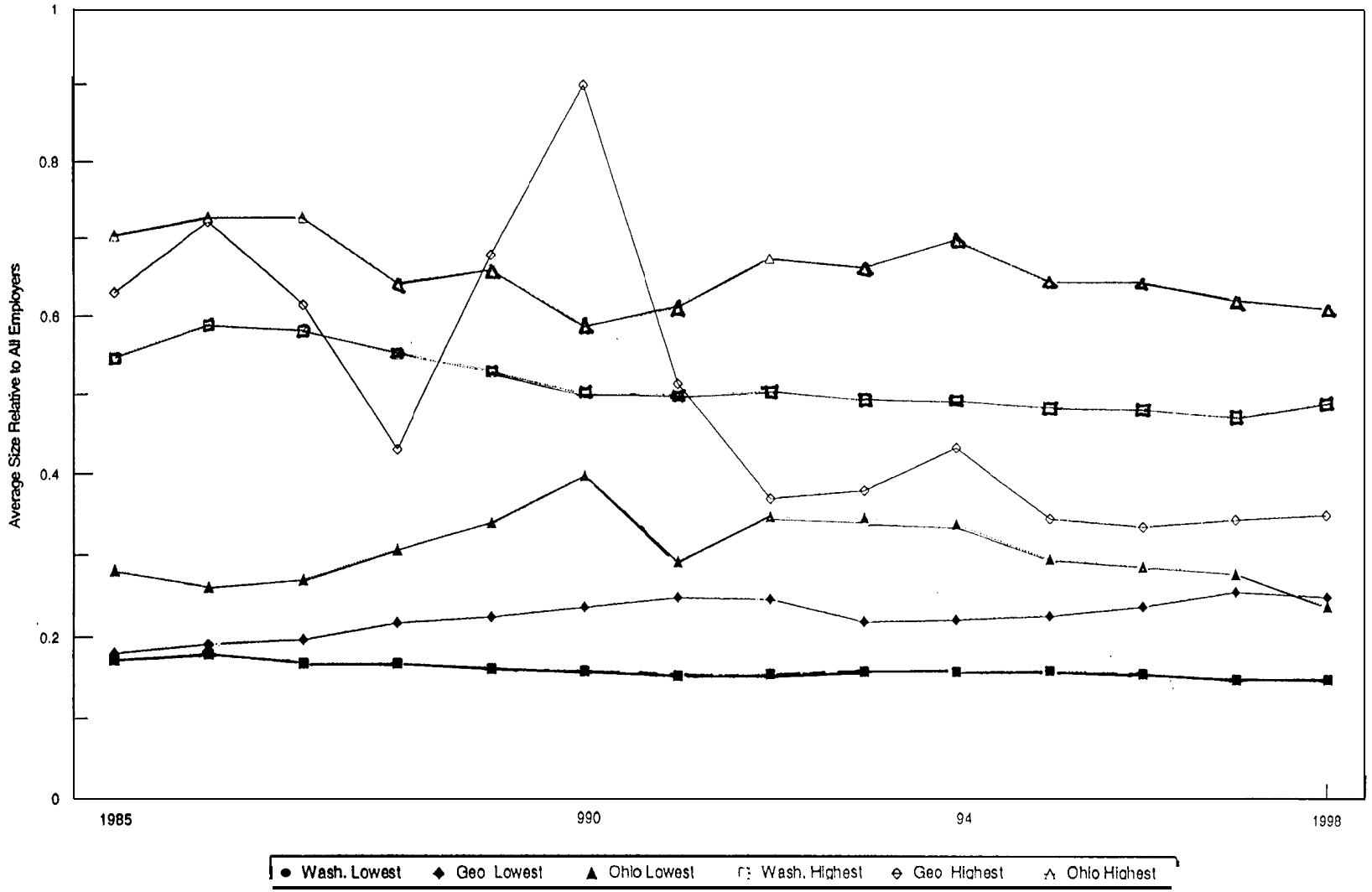
Chart 7. Rate Years 1985, 1989, 1993 and 1997



Source: ETA 204 data for the Indicated years. **Size** measured as average taxable wages per firm.

Relative Sizes of Employers in the Lowest and Highest Tax Rate Classes

Chart 8. Rate Years 1985 to 1998



Source: ETA 204 reports. Relative size bases on average taxable wages per employer.

Small Employers as a Share of All Employers by Rate Class

Chart 9. Rate Years 1995, 1996 and 1997

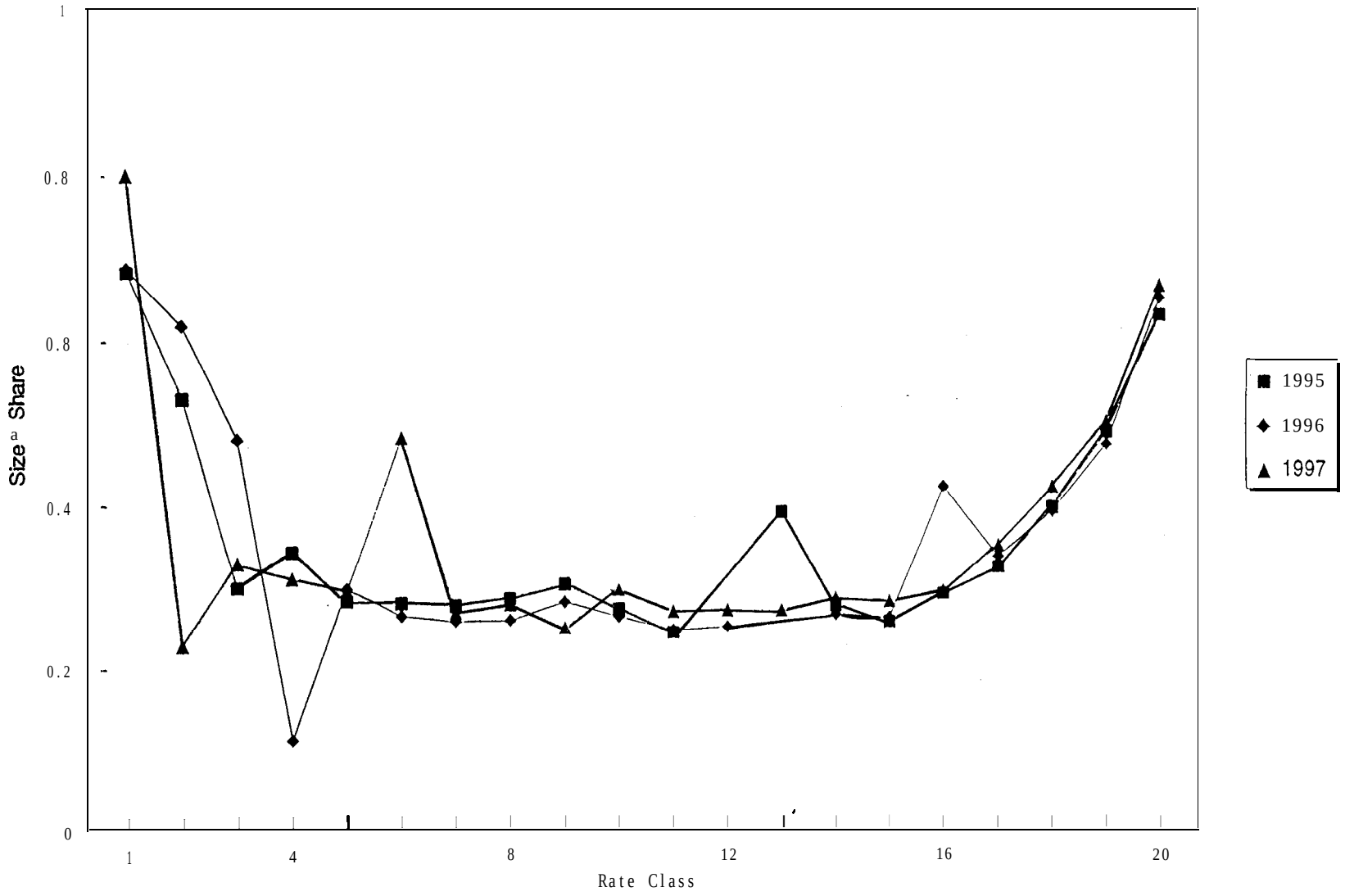


Table 8. Relative Size of Employers in the Lowest Tax Rate Class by State, Rate Year 1997.

State	Rate Year	Experience Rating	No. of Accounts	Share of All Accounts	Taxable Wages (Mill)	Taxable Wages/ Account (Thous)	Relative Size
Wisconsin	1997	RR	12102	0.119	248	20.5	0.11
New Jersey	1997	RR	9222	0.061	299	32.5	0.12
Hawaii	1997	RR	1885	0.087	99	52.3	0.16
Tennessee	1997	RR	6856	0.092	219	32.0	0.17
Kentucky	1997	RR	4651	0.079	137	29.5	0.18
New Hampshire	1997	RR	347	0.012	8	23.2	0.19
Kansas	1997	RR	4373	0.088	126	28.8	0.20
Georgia	1997	RR	40308	0.381	2195	54.4	0.26
Arizona	1997	RR	21886	0.235	768	35.1	0.27
Ohio	1997	RR	32231	0.174	1785	55.4	0.28
North Carolina	1997	RR	21263	0.148	1398	65.8	0.30
Montana	1996	RR	2402	0.126	108	45.2	0.33
Colorado	1997	RR	12536	0.170	765	61.0	0.33
California	1996	RR	52193	0.092	2231	42.7	0.33
Arkansas	1997 R	R	15776	0.416	979	62.1	0.33
Missouri	1997	RR	17685	0.149	874	49.4	0.35
Nevada	1997	RR	10257	0.397	1496	145.9	0.39
Massachusetts	1997	RR	22472	0.162	1767	78.6	0.44
Indiana	1997	RR	42528	0.516	3586	84.3	0.45
New York	1997	RR	194242	0.639	12084	62.2	0.53
Nebraska	1997	RR	14490	0.403	1034	71.4	0.58
South Dakota	1997	RR	7914	0.470	489	61.8	0.60
New Mexico	1997	RR	12550	0.475	1516	120.8	0.61
Louisiana	1997	RR	30976	0.458	3040	98.2	0.63
Idaho	1997	RR	3768	0.124	496	131.6	0.72
Rhode Island	1997	RR	5874	0.278	851	144.9	0.72
Dist. of Co.	1997	RR	10986	0.750	1898	172.8	0.87
West Virginia	1997	RR	9808	0.357	1183	120.6	0.90
North Dakota	1997 R	R	12254	0.744	1638	133.7	0.97
South Carolina	1997	RR	37906	0.470	5264	138.9	1.11
Maine	1997	RR	11268	0.392	1440	127.8	1.34
Michigan	1996	BR-RR	26120	0.182	702	26.9	0.13
Pennsylvania	1997	BR-RR	41730	0.215	1600	38.3	0.24
Texas	1997	BR	209032	0.655	8581	41.1	0.22
Oregon	7997	BR	33912	0.467	1755	51.8	0.23
Maryland	1996	BR	58079	0.580	1933	33.3	0.24
Illinois	1997	BR	128762	0.709	6813	52.9	0.25
Florida	1997	BR	172039	0.644	5940	34.5	0.25
Washington	1997	BR	39287	0.401	2657	67.6	0.25
Iowa	1997	BR	27487	0.545	1701	61.9	0.26
Minnesota	1997	BR	61666	0.605	4016	65.1	0.27
Virginia	1997	BR	89284	0.704	4174	46.7	0.30
Wyoming	1997	BR	14030	0.632	352	25.1	0.32
Connecticut	1997	BR	45584	0.586	2536	55.6	0.33
Vermont	1997	BR	9348	0.554	318	34.0	0.35
Utah	1996	BR	22389	0.551	2165	96.7	0.45
Mississippi	1997	BR	29585	0.726	2301	77.8	0.54
Alabama	1997	BR	49759	0.708	5430	109.1	0.66
Oklahoma	1997	B W R	52078	0.837	3012	57.8	0.35
Delaware	1996	B W R	9543	0.521	559	58.6	0.44
U.S. Avg. - 50 Programs			36054	0.398	2131	68.4	0.42
Reserve Ratio - Avg. of 31			22033	0.292	1614	76.9	0.48
Benefit Ratio States - Avg. of 15			66016	0.605	3378	56.9	0.33

Source: ETA 204 reports for rate year 1997 (1996 where 1997 was not reported). Relative size measured as the ratio of average taxable wages for the bottom class to the statewide average. Washington data combine rate classes 1 and 2 that paid the same tax rate (0.36 percent)

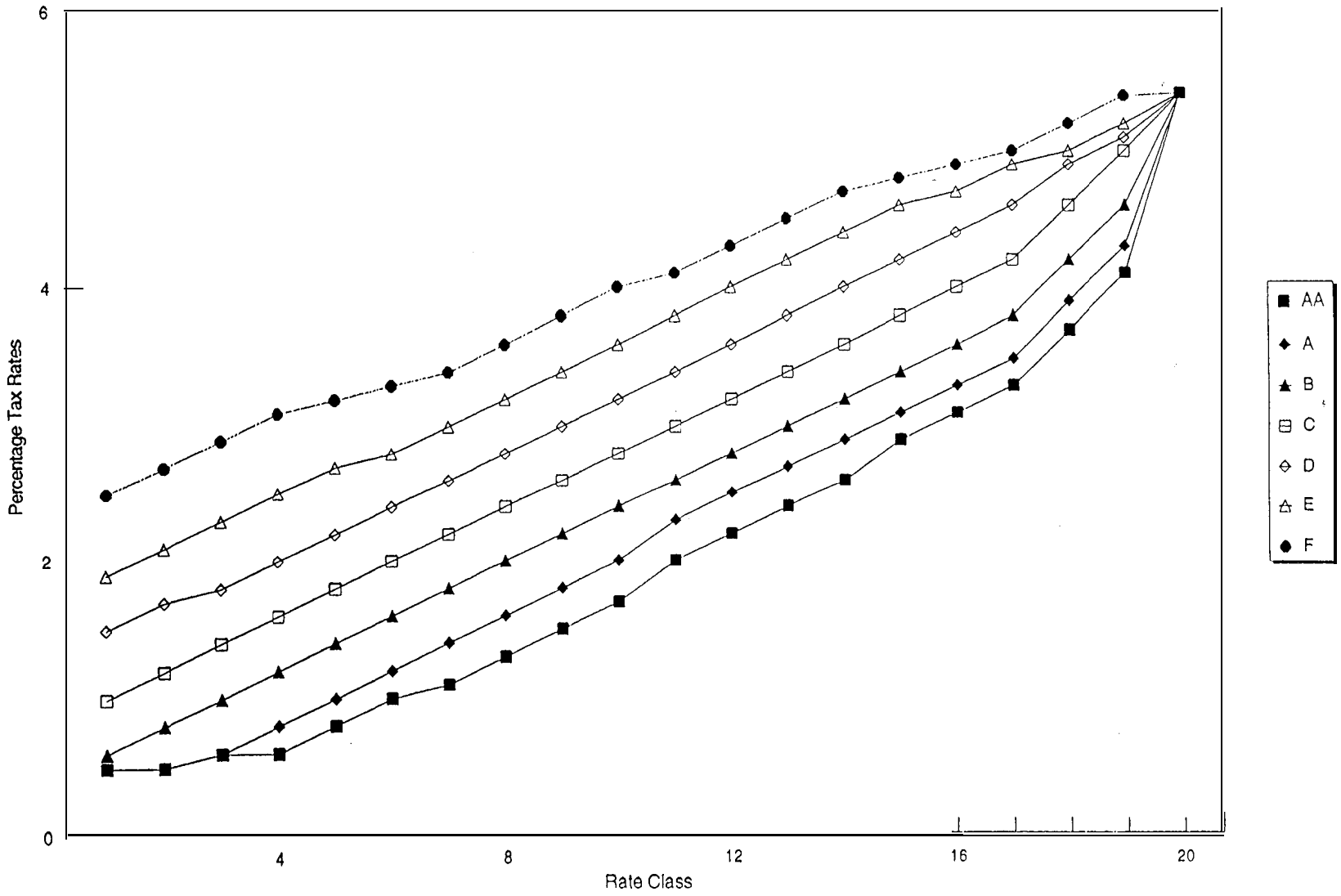
Table 9. Relative Size of Employers in the Highest Tax Rate Class by State, Rate Year 1997.

Stale	Rate Year	Experience Rating	No. of Accounts	Share of All Accounts	Taxable Wages (Mill)	Taxable Wages/ Account (000s)	Relative Size
Hawaii	1997	RR	334	0.015	12	35.2	0.11
Idaho	1997	RR	218	0.007	6	29.0	0.16
Colorado	1997	RR	301	0.004	17	56.9	0.31
Georgia	1997	RR	1735	0.016	127	73.0	0.34
New Hampshire	1997	RR	198	0.007	9	43.8	0.36
North Garolina	1997	RR	3748	0.026	312	83.2	0.38
New York	1997	RR	4554	0.015	203	44.6	0.38
Rhode Island	1997	RR	3690	0.175	284	77.0	0.38
Massachusetts	1997	RR	17151	0.124	1181	68.9	0.39
Nevada	1997	RR	1276	0.049	214	167.7	0.44
South Dakota	1997	RR	334	0.020	16	48.3	0.47
Kentucky	1997	RR	2247	0.038	179	79.9	0.48
New Jersey	1997	RR	8984	0.059	1172	130.5	0.49
Montana	1996	RR	631	0.033	45	70.9	0.52
Nebraska	1997	RR	1280	0.036	89	69.3	0.56
Dist. of Col.	1997	RR	1014	0.069	113	111.8	0.56
New Mexico	1997	RR	1594	0.060	180	112.9	0.57
South Carolina	1997	RR	1351	0.017	97	71.4	0.57
Tennessee	1997	RR	1699	0.023	201	118.9	0.61
Missouri	1997	RR	5702	0.048	503	88.2	0.62
Ohio	1997	RR	7855	0.042	973	123.9	0.62
Maine	1997	RR	3580	0.125	225	62.9	0.66
Indiana	1997	RR	3024	0.037	378	125.1	0.67
Arizona	1997	RR	7195	0.077	634	88.1	0.68
California	1996	RR	185981	0.327	16837	90.5	0.70
Wisconsin	1997	RR	4299	0.042	596	138.6	0.71
Arkansas	1997	RR	2340	0.062	341	145.8	0.78
North Dakota	1997	RR	1464	0.089	170	116.1	0.85
West Virginia	1997	RR	1754	0.084	218	124.6	0.93
Kansas	1997	RR	1400	0.028	189	135.3	0.93
Louisiana	1997	RR	2239	0.033	447	199.7	1.28
Michigan	1996	BR-RR	21285	0.148	2179	102.4	0.49
Pennsylvania	1997	BR-RR	11759	0.060	1301	110.6	0.70
Oregon	1997	BR	379	0.005	4	11.3	0.05
Utah	1996	BR	370	0.009	21	58.0	0.27
Alabama	1997	BR	3926	0.056	239	60.8	0.37
Wyoming	1997	BR	624	0.028	24	36.6	0.47
Washington	1997	BR	10354	0.196	1298	125.4	0.47
Vermont	1997	BR	1339	0.079	67	49.7	0.51
Virginia	1997	BR	3137	0.025	261	83.2	0.53
Iowa	1997	BR	4146	0.082	564	136.1	0.58
Minnesota	1997	BR	5214	0.051	770	147.6	0.61
Mississippi	1997	BR	1964	0.048	185	94.0	0.65
Florida	1997	BR	20461	0.077	2040	99.7	0.73
Texas	1997	BR	14010	0.044	2195	156.7	0.85
Maryland	1996	BR	11796	0.118	1423	120.6	0.87
Connecticut	1997	BR	11828	0.152	1795	151.7	0.89
Illinois	1997	BR	9957	0.055	3515	353.0	1.68
Oklahoma	1997	BWR	2327	0.037	189	81.3	0.50
Delaware	1996	BWR	1209	0.066	195	161.0	120
U.S. Avg. - 50 Programs			8305	0.060	885	101.4	0.60
Reserve Ratio - Avg. of 31			9006	0.057	838	94.6	0.56
Benefit Ratio States - Avg. of 15			6634	0.062	960	112.3	0.64

Source: ETA 204 reports for rate year 1997 (1996 where 1997 was not reported). Relative tie measured as the ratio of average taxable wages for the top class to the statewide average.

Tax Rates in Current Tax Rate Schedules

Chart 10. Rate Years 1998 and Later



Average Benefit Ratios by Rate Class

Chart 11. Rate Years 1985, 1989, 1993 and 1997

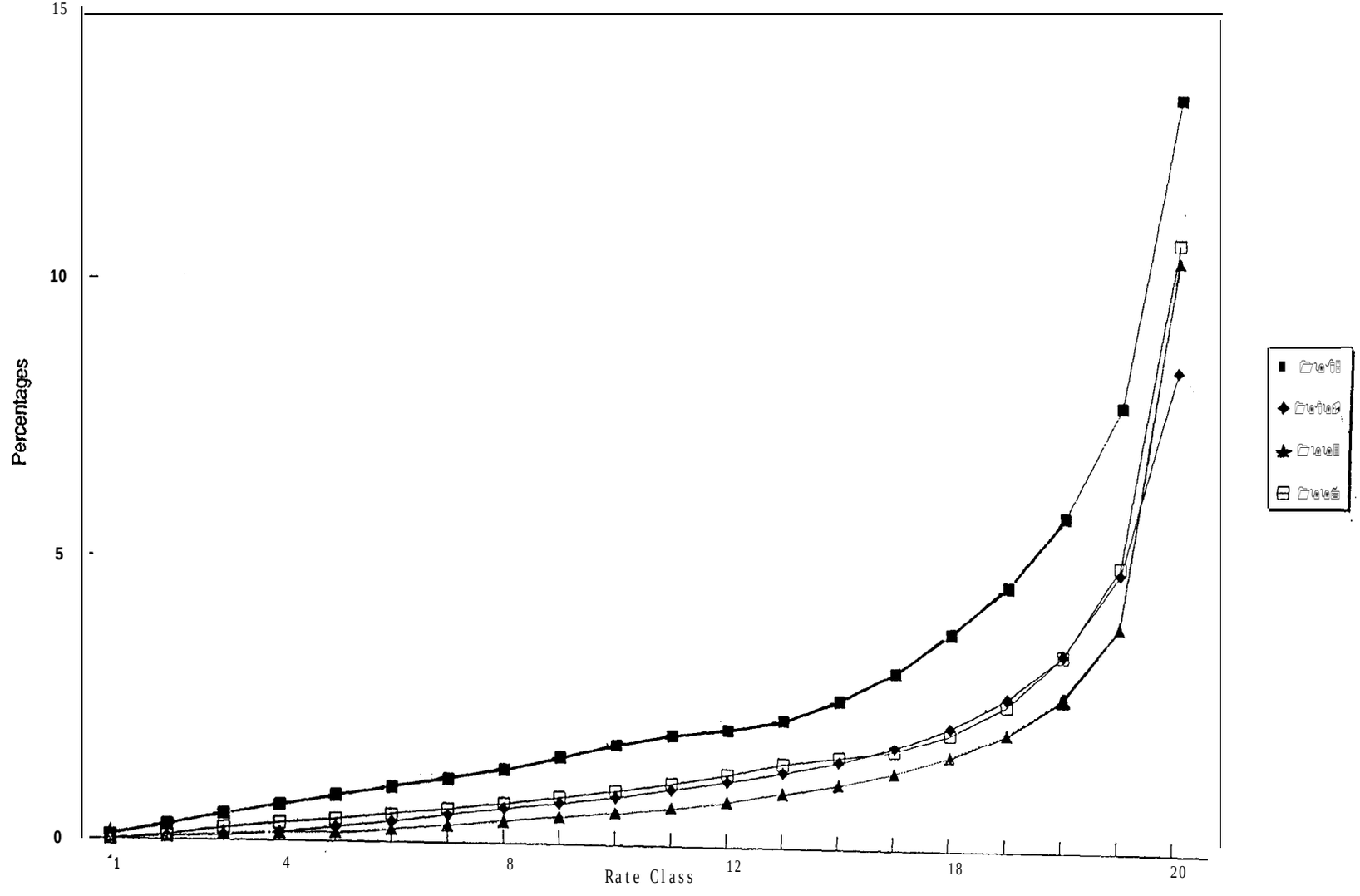
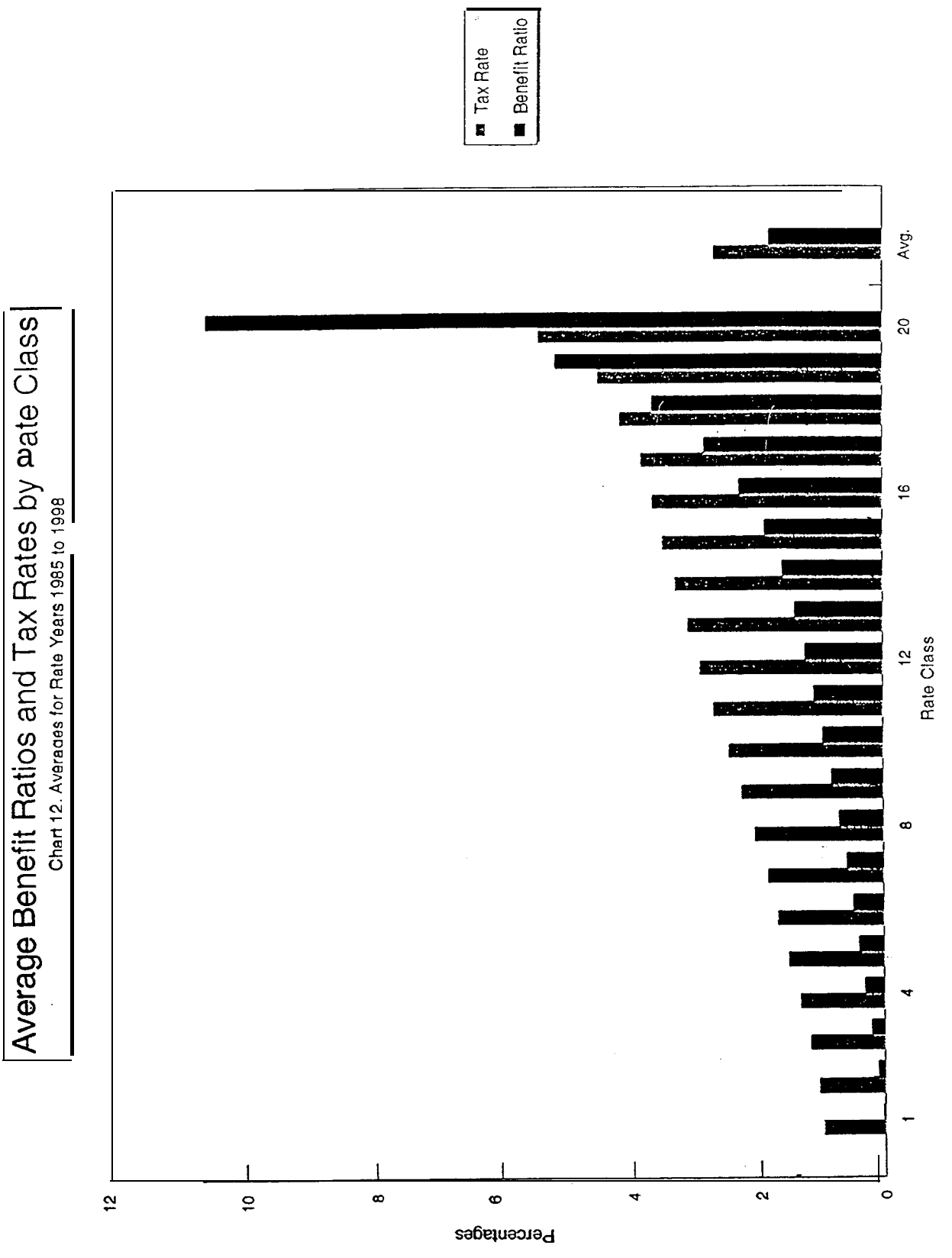


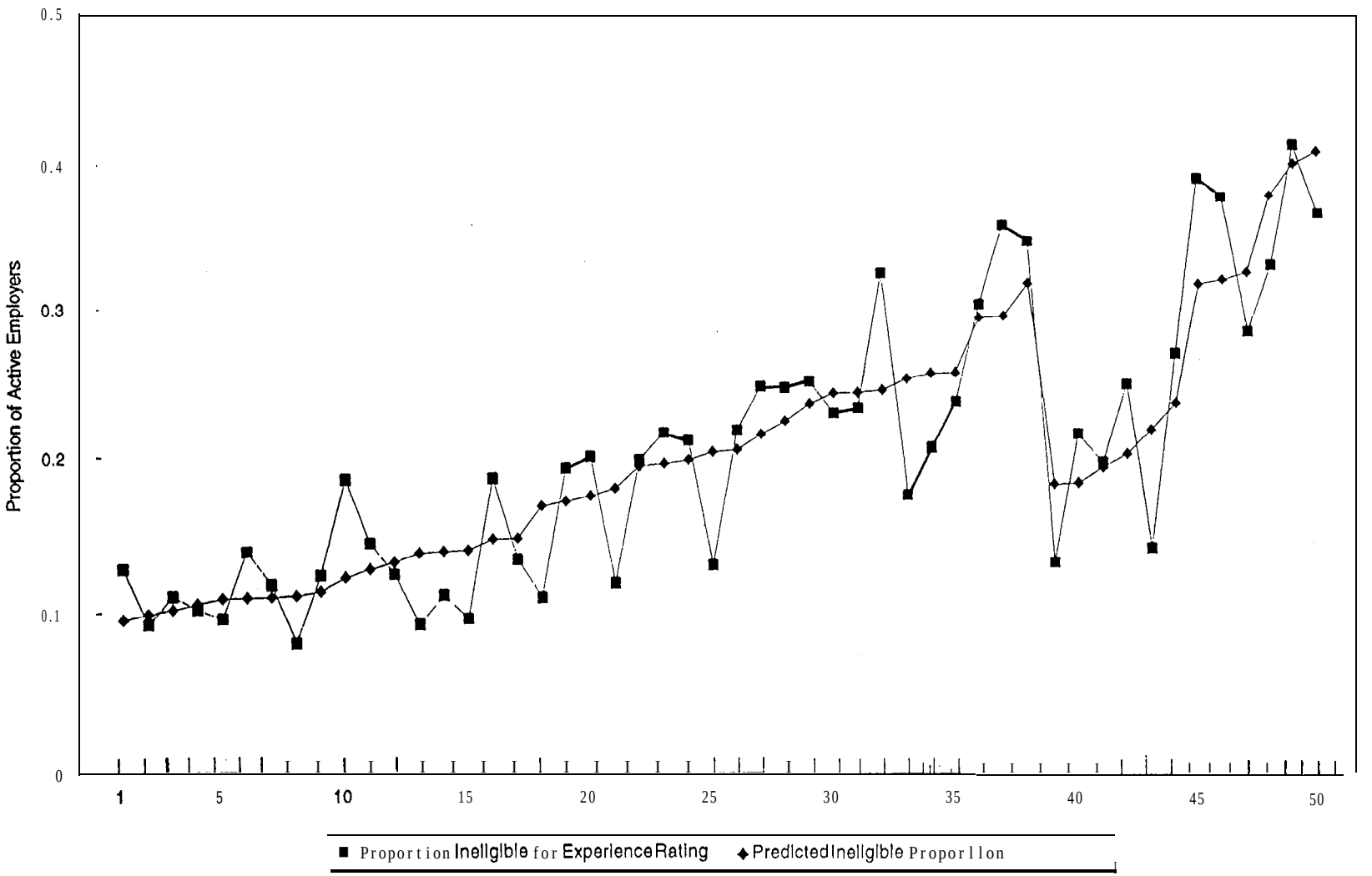
Table 10. Average Tax Rates, Benefit Ratios and Differences by Rate Class and Year, 1985 to 1998.

Year	1985	1987	1989	1991	1993	1995	1997	1985-1998 Avg.
Rate Class	Tax Schedule and Tax Rate - Percent F	F	B	A	A	AA	A	
1	2.50	2.50	0.60	0.50	0.50	0.36	0.36	0.99
3	2.90 --	2.90	1.00	0.60	0.60	0.46	0.46	1.20
5	3.20	3.20	1.40	1.00	1.00	0.66	0.86	1.54
7	3.40	3.40	1.80	1.40	1.40	0.96	1.26	1.87
9	3.80	3.80	2.20	1.80	1.80	1.36	1.66	2.27
11	4.10	4.10	2.60	2.30	2.30	1.86	2.06	2.70
13	4.50	4.50	3.00	2.70	2.70	2.26	2.56	3.11
15	4.80	4.80	3.40	3.10	3.10	2.76	2.96	3.51
17	5.00	5.00	3.80	3.50	3.50	3.16	3.36	3.85
18	5.20	5.20	4.20	3.90	3.90	3.56	3.76	4.19
19	5.40	5.40	4.60	4.30	4.30	3.96	4.16	4.54
20	5.40	5.42	5.42	5.42	5.42	5.40	5.40	5.41
	Benefit Ratio - Percent							
1	0.08	0.08	0.02	0.00	0.00	0.00	0.00	0.02
3	0.47	0.37	0.08	0.06	0.12	0.18	0.22	0.21
5	0.85	0.76	0.26	0.17	0.17	0.36	0.40	0.40
7	1.16	1.03	0.50	0.31	0.31	0.55	0.62	0.60
9	1.56	1.34	0.75	0.47	0.49	0.79	0.86	0.85
11	2.02	1.49	1.02	0.70	0.69	1.06	1.14	1.12
13	2.32	1.87	1.36	0.96	0.99	1.28	1.52	1.42
15	3.18	2.56	1.84	1.32	1.39	1.69	1.78	1.90
17	4.67	3.77	2.77	2.02	2.13	2.59	2.65	2.84
18	5.91	4.85	3.52	2.65	2.79	3.41	3.51	3.67
19	7.92	6.72	4.93	3.76	4.01	4.82	5.06	5.17
20	13.72	11.50	8.61	7.27	10.66	11.36	11.00	10.62
	Tax Rate Less Benefit Ratio - Percent							
1	2.42	2.42	0.58	0.50	0.50	0.36	0.36	0.97
2	243	2.46	0.74	0.43	0.44	029	0.27	0.96
3	2.43	2.53	0.92	0.54	0.48	028	0.24	0.99
4	2.44	2.56	1.05	0.70	0.66	0.19	0.34	1.05
5	2.35	2.44	1.14	0.83	0.83	0.30	0.46	1.13
6	2.80	2.41	1.24	0.95	0.97	0.41	0.56	1.21
7	224	2.37	1.30	1.09	1.09	0.41	0.64	126
8	226	241	1.37	121	1.20	0.49	0.73	1.34
9	224	246	1.45	1.33	1.31	0.57	0.80	1.42
10	219	2.55	1.53	1.42	1.42	0.63	0.87	1.49
11	2.08	2.61	1.58	1.60	1.61	0.80	0.92	1.59
12	217	288	1.61	1.69	1.68	0.90	1.05	1.65
13	218	283	1.64	1.74	1.71	0.98	1.04	1.69
14	202	251	1.64	1.77	1.73	1.01	1.11	1.69
15	1.62	224	1.56	1.78	1.71	1.07	1.18	1.61
16	1.05	1.84	1.37	1.70	1.61	0.91	1.04	1.39
17	0.33	123	1.03	1.48	1.37	0.57	0.71	1.01
18	-0.71	0.35	0.68	1.25	1.11	0.15	025	0.53
19	-252	-1.32	-0.33	0.54	0.29	-0.86	-0.90	-0.64
20	-8.32	-6.08	-3.19	-1.85	-5.24	-5.96	-5.80	-5.21


Average Benefit Ratios and Tax Rates by Rate Class
Chart 12. Averages for Rate Years 1985 to 1998
Tax Rate
Benefit Ratio
Percentages
0
2
4
6
8
10
12
1
4
8
12
16
20
Avg.
Rate Class

Actual and Predicted Proportions Ineligible for Experience Rating

Chart 13. Three Year Averages for Rate Years 1995 to 1997



Source: ETA 204 reports. Regression variables: regional dummy, years to experience rating and new employer formation rate.

Appendix A. Experience Rating in the States 1988 to 1997

1. The Experience Rating Index - Backsround

Each year since 1988 the states have submitted to the national office of the Unemployment Insurance Service a report summarizing statewide experiences in assigning benefit charges to employer accounts.[31] The data pertain to the twelve months prior to the computation date, i.e., information used to help set tax rates for the upcoming rate year. The summary experience rating measure reported by each state is the ratio of benefits effectively charged to employer accounts to total benefit payments. Three types of benefit not effectively charged to active employer accounts (as discussed in the text) are measured: ineffectively charged benefits, benefits charged to inactive accounts and noncharged benefits. These are summed and subtracted from total benefits for the period to yield estimated effectively charged benefits. The ratio of effectively charged benefits to total benefits is termed the Experience Rating Index (ERI). By construction the ERI is a proportion which falls between zero and unity (or from zero to 100 when expressed as a percentage). A high ERI is interpreted to indicate a high degree of experience rating. The 1988 ERI for most states is based on benefits paid between July 1986 and June 1987. As of the fall of 1998 states have submitted ERI data for the ten rate years 1988 to 1997.

Much of the data included in the underlying state reports (Sections A and B of the ETA 204 report) represent a continuation of data found in earlier reports from the states. The earlier

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[31] The report is termed the Experience Rating Report (ETA Report 204). In addition to information on categories of benefit charges it also shows numbers of subject employers, total covered wages; taxable wages, and details by experience categories (tax rate, number of accounts, total payroll, taxable payroll, benefits charges, estimated contributions and ineffective charges. The report form was revised in 1987 to permit measurement of ineffective charges.

reports included a detailed representation of the distribution of employers, wages, taxes and benefits for detailed tax rate categories. The innovative development first present in the 1988 experience rating reports was to display information on total benefits and ineffective charges by tax rate category. Most states found it comparatively easy to add detail from which ineffective charges could be estimated.

The estimation of ineffective charges in these reports should be described. As noted, employer counts, total wages, taxable wages, taxes and benefits are shown for each rating category. For those categories where benefit payments exceed taxes (typically the highest tax rate categories), the excess of annual benefit charges over taxes is computed and summed across all categories to yield an estimate of total ineffective charges. The estimate is based solely on taxes paid and benefits charged for the twelve month period ending with the computation date.

Each year since 1988 the national office of the UI Service has issued a report summarizing state experiences. Ten years of associated ERIs are now available. Before examining the ERIs for the 1988-1997 period, it will be useful to review several details of their construction.

2. Details of the ERI

As a proposed empirical indicator of experience rating in the individual states, the ERI has a number of features that are worth noting. Four will be identified and briefly discussed.

A statewide measure

The ERI is developed from a statewide report. There is no ability to disaggregate it by industry or employer size. This restricts its potential applicability to national and interstate questions and comparisons. By construction it does not have detail needed for micro analysis for individual firms within a given state. One must work directly with the states to obtain detailed micro data for individual firms.

A one-year snapshot

In both stock-based (reserve ratio) and flow-based (benefit ratio, benefit wage ratio, declining balance) experience rating systems, benefit payouts in the current year have consequences for taxes in future years. However each state-year estimate in the ERI is based on data from a single year. For a given'year the ERI omits this intertemporal aspect of experience rating.

Individual employer balances and taxes received from inactive accounts are not acknowledged

In stock-based experience rating systems, imbalances between the annual revenues and benefit payments associated with individual employer accounts cause account balances to change. Thus, charges against an inactive account are partially financed by drawdowns of account balances. Similarly, drawdowns against active employer balances mean that.past taxes exceeded past benefit payouts. In both instances, the failure to recognize stock drawdowns conveys a misleading impression, e.g., less experience rating than actually is present. Employer accounts are being effectively charged for some or all of the benefit payments but some of the tax payments occur in years other than the year covered by the benefit charges.

In both stock-based and flow-based experience rating systems employer accounts become inactive throughout the year. This means that employers classified as inactive have paid UI taxes that should be recognized. The ERI, however, counts the totality of benefits charged to inactive accounts rather than the ineffective charges against such accounts. This procedure exaggerates the true size of ineffective charges against inactive accounts. In Washington in rate year 1997, for example, benefit charges against inactive accounts totaled about $90 million but tax payments from the same employers totaled about $75 and ineffective charges totaled about $35 million. Ineffective charges in the ERI were to high by $55 million due to this method of measurement.

Taxes and benefits do not balance annually

As noted, the ERI measures ineffective charges as the sum of aggregate benefits less aggregate taxes for rating categories where annual benefits exceed annual taxes. Particularly at the early stages of economic downturns when aggregate benefits exceed aggregate taxes by a wide margin, there is an automatic tendency for estimates of ineffective charges to be large. This is less true at later stages of a downturn when taxes increase in response to a trust fund drawdown and when benefit payouts decrease. Thus estimated ineffective charges could appear large in a system even though subsequent 'taxes completely offset the excess of benefits over taxes for the current year.

The message to be drawn from the preceding list is to be careful in using the ERI as an index of the degree of experience rating. Some of the limitations can be ameliorated by averaging ERIs over several years. However, it should not be surprising that an annual proxy for an inherently multi year concept would have serious limitations.

3. The ERI, 1988 to 1997

Table Al displays ERIs for the ten rate years 1988 to 1997. Annual estimates are not available for three jurisdictions (Alaska, Puerto Rico and the Virgin Islands), and for ten other programs at least-one year is not available. The table also shows two national ERIs, a simple average of state ERIs (shown in brackets) and an aggregate where each state's ERI is weighted by annual total state benefit payouts. The two aggregate ERIs are very similar, differing by 3 percentage points in 1989 and less in other years.

The key message given by Table Al is that experience rating in the states departs substantially from full experience rating. No state's average ERI percentage for the ten year period is as high as 80. The overall national averages for the ten years are 62 percent and 63 percent in the unweighted and weighted measures

respectively.. For the multi year averages in the right hand column of Table Al forty of fifty fall into the range from 50 percent to 74 percent and forty-nine of fifty lie between 45 and 79 percent. Within the 45-79 percent intewal the individual states are widely distributed, e.g., four with 45-49 -percent averages and five with 75-79 percent averages. For most states, the average proportion of benefit charges effectively assigned to active employer accounts as indicated by these average ERIs ranges between one half and three quarters of all charges.

The time period covered by Table Al spans the economic downturn of 1990-1992. The 1990 ERIs are the last from the prerecession period, i.e., typically based on data for the twelve months ending June 30, 1989. Note that the nationwide ERI decreased substantially between 1990 and 1992, by ten percentage points in both weighted and unweighted data (from 66 to 56). For thirty nine programs the state ERI also decreased between 1990 and 1992.[32] Thus most state ERIs as well as national ERIs decreased at the start of this recession. As shown in Table A2 below, nearly all of the decrease in ERIs between 1990 and 1992 was attributable to increases in ineffective charges.

Even greater variability in ERIs is observed when the estimates for individual states are examined. For the fifty programs where there are multi-year averages, the high-to-low. range of ERIs over these ten years was typically about 20 percentage points. The range was less than ten percentage points for only two states while it exceeded 30 percentage points for eleven states. Since the ERI is a statewide aggregate, it is surprising that a it exhibits such a wide range of variability. As will be seen presently, much of this can be attributed to variability in the estimates of ineffective charges.

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[32] Of the remaining nine states with ERIs for both 1990 and 1992 only one had an increase as large as ten percentage points (Maryland) while six had increases of less than five percentage points.

Tables A2, A3 and A4 respectively present summary data on ineffective charges, charges against inactive accounts and noncharged benefits. These three elements that cause departures from effective assignment of costs to active employer accounts, are presented as statewide average proportions for each year between 1988 and 1997 along with ten year averages. Each proportion was measured-relative to total benefit charges in the state for the year. Where fewer than ten years of data were available the proportions were measured for the'available years. Also appearing in the tables are standard deviations of the proportions for the ten years and coefficients of variation (the ratio of the standard deviation to the average proportion). The bottom rows of Tables A2, A3 and A4 display summary measures, averages for the fifty states and a national weighted average. Thus ineffectively charged benefits represented 0.158 of total benefits for these years when measured as the average of the state-level averages (Table A2) but 0.178 of total benefits when a weighted average was computed.

Two features of Table A2, A3 and A4 are noteworthy. First, all three factors that operate to reduce ERIs are of measurable size. Nationwide, charges against inactive accounts (Table A3) represented from 0.08 to 0.14 of total benefit payouts. Noncharges (Table A4) represented a larger proportion, ranging from 0.11 to 0.15 over these years. Ineffective charges were even larger, accounting 0.13 to 0.21 of benefit payments during the ten years. Of the three categories; perhaps most surprising is the large size of charges against inactive accounts. In the aggregate, these charges are half as important as ineffective charges as measured in the ERI.

Second, the ineffective charges proportions are much more variable over time than the other two. The average coefficient of variation for ineffective charges is 0.550 compared to 0.302 for charges against inactive accounts and 0.297 for noncharges. The numbers of states with coefficients of variation greater then

0.500 were eighteen for ineffective charges, eight for charges against inactive accounts and seven for noncharges. Thus much of the year to year variation in measured ERIs is attributable to the estimates of ineffectively charged benefits.

Finally, one finding indicated by time series in these tables also should be noted. In many states and in the aggregate, noncharged benefits as a proportion of total benefits grew between 1988 and 1997. The simple average increased from 0.113 to 0.153 over these years while the national aggregate proportion increased from 0.079 in 1988 to 0.131. Also, for thirty-seven of the forty-three states with data for both 1988 and 1997, noncharged benefits represented a higher proportion of total benefits in 1997 than in 1988. Noncharging became relatively more important during the ten years covered by the ERI.

4. The ERI for Washington State

As noted in the text an ERI can be computed for Washington state starting in rate year 1985 and extending through rate year 1998. For the ten years examined in this appendix, Washington-to-U.S. comparisons show several important contrasts. 1) The ERI in Washington is usually lower than the national average. The ten year averages in Table Al were 54 for Washington and 62 for the 50 states. 2) The contrasts between Washington and the national average were especially large between 1993 and 1996. During these four years Washington's ERI was more than10 percentage points below the national average.

It should be remembered that the Washington ERI displayed in Tables Al-A4 takes the state's ETA 204 data as reported. When revisions in reported data are made (Table 1 of the text) Washington's ERI comes closer to the national average. Even in the revised data, however, the state's ERI is usually less than the national average, and the state's ERI displays a downward trend between 1988 and 1997.

Washington also shows sharp contrasts with the national

average in the composition of the benefit charges that are not effectively assigned to employers. 3) Ineffective charges (Table A2) averaged 0.095 of total benefits in Washington for these ten years-or 40 percent below the national average of 0.158. Only nine other UI programs had lower averages than Washington. 4) Charges against inactive accounts were considerably higher in Washington than the national average. The average for Washington of 0.113 was 29 percent above the national average of 0.087. Only nine states had higher ten year proportions than Washington- 5) Noncharged benefits are especially high in Washington. Its average of 0.249 was the second highest among all UI programs and 89 percent above the national average of 0.132.' Thus Washington has experienced very high noncharges and ineffective charges during 1988-1997 when compared to other states in the U-S..

5. The ERI, an overall assessment

To summarize, five comments about the ERI can be made. 1) It provides valuable information on each of the three components of benefit charges not effectively assigned to active employer accounts. Thus a discussion of how to increase the degree of experience rating would have to identify which type of ineffective charges and/or noncharges would have to be changed. Discussions of increasing the degree of experience rating. typically argue for reduced ineffective charges. One very useful "fact" provided by the ERI is that about twenty percent of total benefits are made up of charges against inactive accounts and noncharged benefits. The presence and quantitative importance of these latter two types of charges help to define an upper limit on the "optimal" degree of experience rating.

2) The ERI provides useful information on interstate differences in the importance of different types of charges, their variability and possible trends. For example, in data for rate years 1988 to 1997 there'is a clear uptrend in the importance of noncharged benefits. Since information is collected from all

states, descriptions of state experiences and interstate comparisons can be made (with appropriate qualifications).

3) Because the ERI is measured as a series of one year snapshots, it misses the longitudinal responses of taxes to increased outflows during a recession. The ERI is a cross section approximation to a phenomenon which is inherently longitudinal for individual covered employers.

4) The ERI is weak in measuring ineffective charges and in measuring charges against inactive accounts. Many of ineffective charges for a given year as currently measured are offset by tax payments in later years and (in stock based experience rating systems) by drawdowns of employer account balances. Thus ineffective charges are systematically overstated- Charges against ineffective accounts are measured as total benefit charges and do not recognize taxes paid by these employers-before going inactive. The ERI also do not recognize drawdowns of account balances (in stock based experience rating systems) among employers deemed inactive.

5) The ERI is aggregative. It cannot be used for studies of experience rating which involve comparisons across employers and/or analyses of behavioral responses to experience rating.

Overall, its research potential is severely limited.

Table Al. Estimated State UI Experience Rating Indexes, 1988 to 1997

STATE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Avg.
ALABAMA	71	78	74	56	49	64	52	57	60	51	61
ALASKA	a	a	a	a	a	a	a	a	a	a	a
ARIZONA	80	80	83	78	69	76	81	83	75	77	78
ARKANSAS	48	47	56	60	58	53	INA	INA	56	61	55c
CALIFORNIA	65	67	68	64	52	53	53	58	57	59	60
COLORADO	45	53	60	65	64	62	68	66	56	56	60
CONNECTICUT	62	64	58	47	42	49	59	60	65	66	57
DELAWARE	INA	51	71	70	INA	54	47	57	60	INA	59c
DIST OF COL	47	56	72	72	62	INA	64	80	78	77	68c
FLORIDA	68	66	50	56	53	INA	75	72	71	71	65c
GEORGIA	61	65	62	65	52	58	75	79	80	67	66
HAWAII	71	56	66	63	32	36	33	44	44	45	49
IDAHO	55	64	58	53	44	54	50	60	58	53	55
ILLINIOS	72	76	76	78	74	71	79	82	83	75	77
INDIANA	81	91	94	84	78	75	75	75	69	60	78
IOWA	78	77	67	70	74	67	66	62	70	64	70
KANSAS	64	73	69	69	57	58	59	18	16	68	55
KENTUCKY	79	79	75	72	58	66	72	63	70	67	70
LOUISIANA	42	87	85	88	83	77	75	77	72	70	76
MAINE	62	60	60	52	41	50	60	59	58	55	56
MARYLAND	INA	72	62	62	65	INA	INA	INA	INA	INA	65c
MASSACHUSETTS	55	54	50	40	43	47	58	58	50	55	51
MICHIGAN	80	67	72	70	63	73	77	78	73	INA	73
MINNESOTA	67	66	69	62	58	64	69	INA	72	74	67c
MISSISSIPPI	40	54	53	42	51	53	50	52	50	42	49
MISSOURI	61	58	59	61	55	63	70	63	69	68	63
MONTANA	54	58	62	61	55	62	63	61	60	INA	60
NEBRASKA	61	57	63	60	57	56	55	57	50	48	56
NEVADA	66	67	68	63	$1	59	72	77	80	76	67
NEW HAMPSHIRE	INA	INA	81	72	55	68	77	82	84	82	75c
NEW JERSEY	INA	78	75	70	63	51	38	61	64	59	62c
NEW MEXICO	51	59	63	63	62	62	67	64	63	63	62
NEW YORK	80	73	61	55	51	82	84	85	86	85	74
NORTH CAROLINA	INA	INA	INA	50	44	42	31	INA	8	44	36c
NORTH DAKOTA	62	65	57	64	60	56	64	59	62	52	60
OHIO	70	74	74	70	65	65	73	71	72	62	70
OKLAHOMA	50	64	60	47	28	34	47	52	51	50	48
OREGON	59	63	56	60	51	50	48	45	55	54	54
PENNSYLVANIA	66	69	65	62	56	57	64	64	76	55	63
PUERTO RICO	b	b	b	b	b	b	b	83	INA	INA	b
RHODE ISLAND	75	69	68	58	55	64	75	72	70	66	67
SOUTH CAROLINA	58	62	65	61	54	52	58	56	57	57	58
SOUTH DAKOTA	59	38	48	45	49	44	47	53	50	47	48
TENNESSEE	INA	69	66	68	71	73	73	65	63	65	68c
TEXAS	53	58	55	52	51	49	INA	53	55	53	53c
UTAH	61	70	70	69	66	61	66	68	73	INA	67
VERMONT	70	66	63	58	54	48	51	48	49	48	56
VIRGINIA	65	68	70	61	51	66	77	81	79	74	69
VIRGIN ISLANDS	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA	INA
WASHINGTON	60	63	63	61	57	48	39	47	50	55	54
WEST VIRGINIA	83	51	56	58	56	62	59	58	60	53	60
WISCONSIN	90	82	78	66	65	70	70	69	67	65	72
WYOMING	38	62	INA	55	63	60	41	46	42	43	50c
Avg. of State ERIs-d	63	68	66	62	56	59	62	63	62	61	62
U.S. Aggregate-e	66	68	66	62	56	60	62	65	65	63	63

Source: Data from ETA 204 reports and published by the Unemployment Insurance Service of the U.S. Department of Labor.

a - Index cannot be computed due to type of experience rating system.

b - All employers taxed at uniform rates in years before 1993.

c - Average computed for four, five, six, seven, eight or nine years as indicated.

d - Simple average for states with a repotted ERI for the year.

e - States weighted by their share of total benefits among states reporting an ERI for the year

Table A2. Ineffective Charges as a Proportion of Total Benefits

STATE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Avg.	Std. Dev.	Coeff. Var.	Years
ALABAMA	0.171	0.110	0.143	0.244	0.299	0.163	0.268	0.207	0.173	0.246	0.202	0.060	0.298	10
ALASKA														
ARIZONA	0.032	0.030	0.039	0.076	0.159	0.094	0.042	0.006	0.007	0.004	0.049	0.049	0.994	10
ARKANSAS	0.194	0.136	0.079	0.108	0.044	0.106			0.059	0.108	0.104	0.047	0.450	8
CALIFORNIA	0.216	0.177	0.176	0.166	0.281	0.266	0.257	0.219	0.224	0.217	0.220	0.039	0.179	10
COLORADO	0.323	0.254	0.186	0.165	0.199	0.203	0.180	0.221	0.307	0.304	0.234	0.059	0.251	10
CONNECTICUT	0.168	0.149	0.216	0.330	0.381	0.373	0.260	0.235	0.179	0.174	0.247	0.087	0.352	10
DELAWARE		0.309	0.035	0.128	0.000	0.009	0.001	0.002	0.000		0.061	0.109	1.801	8
DIST OF COL	0.364	0.306	0.112	0.128	0.197		0.153	0.067	0.073	0.040	0.160	0.111	0.692	9
FLORIDA	0.040	0.054	0.233	0.167	0.189	0.044	0.064	0.108	0.084	0.090	0.107	0.067	0.622	10
GEORGIA	0.106	0.103	0.161	0.097	0.230	0.163	0.089	0.051	0.061	0.174	0.124	0.056	0.456	10
HAWAII	0.037	0.176	0.021	0.015	0.361	0.298	0.230	0.255	0.284	0.287	0.196	0.128	0.651	10
IDAHO	0.254	0.191	0.237	0.267	0.323	0.264	0.308	0.199	0.209	0.258	0.251	0.044	0.174	10
ILLINIOS	0.145	0.108	0.122	0.110	0.075	0.133	0.163	0.068	0.068	0.139	0.113	0.034	0.298	10
INDIANA	0.125	0.011	0.000	0.053	0.103	0.086	0.055	0.070	0.070	0.160	0.073	0.049	0.663	10
IOWA	0.028	0.049	0.095	0.049	0.082	0.118	0.133	0.169	0.102	0.111	0.094	0.043	0.457	10
KANSAS	0.033	0.017	0.029	0.027	0.188	0.163	0.178	0.570	0.593	0.049	0.185	0.220	1.191	10
KENTUCKY	0.088	0.095	0.133	0.176	0.306	0.206	0.183	0.145	0.173	0.216	0.172	0.064	0.369	10
LOUISIANA	0.442	0.002	0.000	0.000	0.002	0.006	0.013	0.002	0.002	0.005	0.047	0.139	2.930	10
MAINE	0.142	0.148	0.132	0.243	0.323	0.255	0.106	0.127	0.156	0.194	0.183	0.070	0.383	10
MARYLAND		0.000	0.163	0.085	0.082			0.076			0.081	0.058	0.710	5
MASSACHUSETTS	0.244	0.242	0.284	0.366	0.352	0.199	0.210	0.174	0.156	0.179	0.241	0.073	0.304	10
MICHIGAN	0.111	0.213	0.132	0.177	0.263	0.164	0.121	0.128	0.166		0.164	0.049	0.299	9
MINNESOTA	0.123	0.154	0.094	0.138	0.172	0.144	0.169		0.117	0.124	0.137	0.026	0.186	9
MISSISSIPPI	0.334	0.158	0.165	0.288	0.199	0.166	0.174	0.128	0.131	0.265	0.201	0.070	0.350	10
MISSOURI	0.194	0.243	0.208	0.194	0.278	0.183	0.104	0.130	0.095	0.102	0.173	0.063	0.364	10
MONTANA	0.250	0.199	0.147	0.148	0.235	0.000	0.148	0.185	0.156		0.163	0.072	0.443	9
NEBRASKA	0.189	0.162	0.116	0.074	0.099	0.103	0.102	0.074	0.127	0.128	0.117	0.036	0.310	10
NEVADA	0.092	0.071	0.069	0.219	0.468	0.282	0.144	0.085	0.059	0.083	0.157	0.132	0.837	10
NEW HAMPSHIRE			0.018	0.123	0.315	0.206	0.111	0.064	0.040	0.051	0.093	0.100	1.077	10
NEW JERSEY		0.040	0.151	0.199	0.262	0.317	0.519	0.273	0.241	0.188	0.243	0.131	0.539	9
NEW MEXICO	0.203	0.133	0.102	0.078	0.088	0.127	0.071	0.089	0.112	0.094	0.110	0.039	0.351	10
NEW YORK	0.117	0.185	0.308	0.359	0.408	0.318	0.077	0.054	0.060	0.062	0.195	0.140	0.718	10
NORTH CAROLINA				0.193	0.329	0.308	0.384	0.132	0.588	0.267	0.314	0.147	0.468	7
NORTH DAKOTA	0.208	0.182	0.255	0.170	0.201	0.250	*0.175*	*0.240*	0.199	0.296	0.218	0.041	0.189	10
OHIO	0.186	0.168	0.144	0.161	0.214	0.230	0.125	0.139	0.121	0.196	0.168	0.037	0.222	10
OKLAHOMA	0.194	0.067	0.103	0.266	0.395	0.394	0.060	0.200	0.201	0.219	0.210	0.118	0.564	10
OREGON	0.176	0.132	0.134	0.101	0.173	0.184	0.195	0.223	0.148	0.152	0.162	0.036	0.220	10
PENNSYLVANIA	0.164	0.095	0.135	0.163	0.228	0.227	0.156	0.150	0.016	0.227	0.156	0.066	0.423	10
PUERTO RICO								0.004						1
RHODE ISLAND	0.027	0.069	0.105	0.172	0.250	0.193	0.089	0.132	0.154	0.146	0.134	0.065	0.483	10
SOUTH CAROLINA	0.070	0.037	0.046	0.097	0.186	0.216	0.125	0.137	0.110	0.162	0.119	0.059	0.496	10
SOUTH DAKOTA	0.142	0.407	0.304	0.243	0.210	0.305	0.266	0.226	0.250	0.289	0.264	0.070	0.265	10
TENNESSEE		0.021	0.065	0.014	0.011	0.005	0.006	0.008	0.007	0.073	0.023	0.026	1.124	9
TEXAS	0.207	0.148	0.170	0.192	0.198	0.211		0.173	0.165	0.168	0.181	0.021	0.118	9
UTAH	0.114	0.041	0.027	0.032	0.074	0.101	0.044	0.029	0.008		0.052	0.036	0.691	9
VERMONT	0.125	0.143	0.155	0.142	0.165	0.215	0.206	0.209	0.194	0.198	0.175	0.033	0.187	10
VIRGINIA	0.179	0.171	0.113	0.215	0.356	0.168	0.049	0.035	0.047	0.096	0.143	0.098	0.684	10
VIRGIN ISLANDS														
WASHINGTON	0.117	0.066	0.053	0.049	0.092	0.102	0.098	0.141	0.114	0.120	0.095	0.031	0.321	10
WEST VIRGINIA	0.000	0.208	0.123	0.160	0.254	0.179	0.205	0.205	0.199	0.276	0.181	0.077	0.425	10
WISCONSIN	0.040	0.114	0.147	0.042	0.167	0.144	0.139	0.131	0.146	0.144	0.121	0.044	0.365	10
WYOMING	0.382	0.148	0.520	0.087	0.111	0.152		0.341	0.320	0.359	0.269	0.149	0.554	9
Avg. - Reporting States	0.161	0.134	0.137	0.150	0.212	0.182	0.151	0.144	0.148	0.165	0.158	0.072	0.550	10
Number States	44	48	49	50	50	48	46	49	49	45	50	50	50	
U.S. Total	0.164	0.140	0.164	0.191	0.252	0.209	0.172	0.150	0.145	0.164	0.178			10
Total Charges	2440	1893	2198	2976	5398	5071	3608	3042	2773	3082	3248			10
Total Benefits	14908	13513	13393	15582	21418	24231	21019	20292	19168	18763	18229			10

Source: Data from ETA 204 reports and published by the Unemployment Insurance Service of the U.S. Department of Labor.

Table A3. Charges Against Inactive Accounts as a Proportion of Benefits

STATE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Avg.	Std. Dev.	Coeff. Var.	Years
ALABAMA	0.020	0.031	0.033	0.040	0.032	0.038	0.069	0.058	0.047	0.059	0.043	0.015	0.355	10
ALASKA														
ARIZONA	0.012	0.014	0.011	0.009	0.010	0.010	0.008	0.007	0.061	0.043	0.019	0.018	0.984	10
ARKANSAS	0.118	0.161	0.139	0.108	0.174	0.158			0.104	0.063	0.128	0.037	0.287	8
CALIFORNIA	0.075	0.083	0.086	0.127	0.129	0.144	0.145	0.140	0.134	0.125	0.119	0.027	0.225	10
COLORADO	0.120	0.128	0.142	0.129	0.123	0.120	0.095	0.091	0.082	0.099	0.113	0.020	0.174	10
CONNECTICUT	0.066	0.066	0.063	0.070	0.025	0.086	0.017	0.028	0.023	0.016	0.046	0.026	0.576	10
DELAWARE		0.086	0.109	0.031	0.579	0.165	0.165	0.407	0.378		0.240	0.192	0.799	8
DIST OF COL	*0.152*	0.125	0.149	0.130	0.171		0.194	0.114	0.126	0.183	0.134	0.028	0.209	10
FLORIDA	0.140	0.126	0.120	0.128	0.147	0.155	0.035	0.014	0.017	0.013	0.090	0.061	0.682	10
GEORGIA	0.068	0.068	0.068	0.091	0.085	0.079	0.096	0.096	0.085	0.089	0.082	0.011	0.134	10
HAWAII	0.089	0.065	0.079	0.056	0.059	0.056	0.051	0.096	0.099	0.109	0.076	0.021	0.279	10
IDAHO	0.035	0.035	0.020	0.028	0.019	0.020	0.019	0.019	0.025	0.026	0.025	0.006	0.262	10
ILLINIOS	0.024	0.031	0.030	0.022	0.053	0.018	0.016	0.017	0.012	0.012	0.023	0.012	0.521	10
INDIANA	0.036	0.050	0.022	0.090	0.080	0.071	0.082	0.081	0.126	0.116	0.075	0.033	0.433	10
IOWA	0.097	0.085	0.105	0.112	0.072	0.099	0.080	0.076	0.059	0.055	0.084	0.019	0.227	10
KANSAS	0.175	0.117	0.123	0.121	0.094	0.099	0.079	0.082	*0.on*	0.081	0.105	0.030	0.290	10
KENTUCKY	0.086	0.086	0.107	0.075	0.068	0.083	0.077	*0.077*	*0.063*	*0.069*	0.079	0.012	0.156	10
LOUISIANA	0.088	0.074	0.082	0.082	0.072	0.119	0.089	0.078	0.092	0.078	0.085	0.013	0.156	10
MAINE	0.050	0.046	0.048	0.039	0.029	0.022	0.030	0.028	0.026	0.025	0.034	0.011	0.305	10
MARYLAND	0.055	0.058	0.060	0.054	0.051	0.055		0.046			0.054	0.005	0.084	7
MASSACHUSETTS	0.082	0.085	0.073	0.086	0.078	0.045	0.065	0.066	*0.055*	*0.058*	0.069	0.014	0.200	10
MICHIGAN	0.067	0.101	0.116	0.092	0.081	0.081	0.082	0.067	*0.080*		0.085	0.016	0.183	9
MINNESOTA	0.122	0.085	0.091	0.113	0.114	0.089	0.013	0.074	0.020	0.014	0.074	0.043	0.578	10
MISSISSIPPI	0.102	0.148	0.147	0.121	0.111	0.124	0.144	0.157	0.146	0.108	0.131	0.020	0.152	10
MISSOURI	0.004	0.004	0.004	0.004	0.004	0.006	0.007	0.008	0.007	0.006	0.005	0.001	0.276	10
MONTANA	0.137	0.137	0.125	0.128	0.096	0.099	0.087	0.090	0.110		0.112	0.020	0.178	9
NEBRASKA	0.049	0.040	0.027	0.091	0.084	0.078	0.082	0.095	0.090	0.095	0.073	0.025	0.343	10
NEVADA	0.146	0.144	0.138	0.024	0.011	0.017	0.010	0.013	0.012	0.016	0.053	0.062	1.165	10
NEW HAMPSHIRE			0.111	0.120	0.109	0.082	0.073	0.073	0.076	0.084	0.091	0.019	0.211	8
NEW JERSEY	0.098	0.092	0.094	0.104	0.110	0.091	0.098	0.092	0.086	0.073	0.094	0.010	0.107	10
NEW MEXICO	0.138	0.129	0.120	0.129	0.128	0.103	0.093	0.090	0.066	0.065	0.106	0.027	0.253	10
NEW YORK	0.077	0.069	0.067	0.074	0.070	0.070	0.068	0.066	0.062	0.063	0.069	0.005	0.069	10
NORTH CAROLINA				0.138	0.056	0.094	0.121		0.100	0.078	0.098	0.029	0.300	6
NORTH DAKOTA	0.102	0.083	0.099	0.083	0.075	0.061	0.058	0.052	0.058	0.046	0.072	0.020	0.274	10
OHIO	0.062	0.051	0.044	0.097	0.064	0.049	0.056	0.043	0.021	0.040	0.053	0.020	0.379	10
OKLAHOM	0.199	0.170	0.151	0.128	0.147	0.108	0.134	0.117	0.109	0.129	0.139	0.029	0.205	10
OREGON	0.089	0.095	0.125	0.110	0.061	0.138	0.108	0.111	0.121	0.124	0.108	0.022	0.204	10
PENNSYLVANIA	0.094	0.102	0.098	0.099	0.095	0.102	0.110	0.111	0.098	0.107	0.102	0.006	0.058	10
PUERTO RICO								0.165						1
RHODE ISLAND	0.042	0.079	0.091	0.087	0.078	0.100	0.082	0.072	0.065	0.099	0.079	0.017	0.218	10
SOUTH CAROLINA	0.084	0.106	0.070	0.062	0.072	0.055	0.060	0.056	0.091	0.081	0.074	0.017	0.226	10
SOUTH DAKOTA	0.115	0.092	0.060	0.155	0.111	0.076	0.074	0.071	0.077	0.074	0.093	0.027	0.293	10
TENNESSEE	0.163	0.156	0.145	0.160	0.152	0.145	0.144	0.222	0.251	0.143	0.168	0.037	0.222	10
TEXAS	0.141	0.129	0.125	0.122	0.121	0.124	0.128	0.118	0.095	0.097	0.120	0.014	0.117	10
UTAH	0.110	0.121	0.112	0.095	0.087	0.093	0.076	0.071	0.076		0.093	0.018	0.191	9
VERMONT	*0.049*	0.046	0.133	0.072	0.059	0.101	*0.088*	0.101	*0.092*	0.077	0.082	0.027	0.327	10
VIRGINIA	0.059	0.049	0.064	0.060	0.060	0.084	0.080	0.074	0.066	0.062	0.066	0.011	0.161	10
VIRGIN ISLANDS														
WASHINGTON	0.137	0.136	0.130	0.110	0.108	0.097	0.090	0.095	0.107	0.115	0.113	0.017	0.150	10
WEST VIRGINIA	0.130	0.180	0.187	0207	0.136	0.151	0.159	0.158	0.149	0.143	0.160	0.024	0.151	10
WISCONSIN	0.036	0.039	0.033	0.064	0.031	0.038	0.042	0.044	0.040	0.041	0.041	0.009	0.221	10
WYOMING	0.135	0.134		0.201	0.134	0.105	0.101	0.049	0.037	0.044	0.094	0.054	0.574	10
Avg. - Reporting States	0.091	0.090	0.091	0.094	0.094	0.086	0.081	0.085	0.084	0.074	0.087	0.025	0.302	10
Number States	47	48	48	50	50	49	48	49	49	45	50	50	50	
U.S. Total	0.0%	0.085	0.064	0.092	0.089	0.092	0.089	0.086	0.082	0.078	0.086			10
Total Charges	1273	1144	1130	1439	1910	2175	1875	1739	1573	1461	1572			10
Total Benefits	14908	13513	13393	15582	21418	23720	21019	20292	19168	18763	18177			10

Source: Data from ETA 204 reports and published by the Unemployment Insurance Service of the U.S. Department of Labor.

Table A4. Noncharged Benefits as a Proportion of Benefits

STATE	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Avg.	Std. Dev.	Coeff Var.	Years
ALABAMA	0.103	0.081	0.086	0.195	0.182	0.163	0.141	0.164	0.181	0.186	0.148	0.043	0.292	10
ALASKA														
ARIZONA	0.157	0.155	0.123	0.137	0.139	0.134	0.141	0.156	0.171	0.179	0.149	0.017	0.117	10
ARKANSAS	0.204	0.237	0.219	0.183	0.207	0.209			0.275	0.223	0.220	0.027	0.125	8
CALIFORNIA	0.058	0.067	0.058	0.068	0.073	0.060	0.064	0.066	0.068	0.071	0.065	0.005	0.082	10
COLORADO	0.109	0.088	0.074	0.053	0.046	0.056	0.046	0.033	0.047	0.038	0.059	0.024	0.409	10
CONNECTICUT	0.144	0.143	0.145	0.131	0.175	0.054	0.137	0.135	0.151	0.148	0.136	0.031	0.229	10
DELAWARE		0.094	0.150	0.141	0.028	0.008	0.008	0.020	0.022		0.059	0.060	1.020	8
DIST OF COL	0.015	0.014	0.015	0.019	0.013		0.011	0.017	0.018	0.011	0.015	0.003	0.193	9
FLORIDA	0.144	0.158	0.151	0.145	0.133	0.128	0.149	0.154	0.185	0.191	0.154	0.020	0.131	10
GEORGIA	0.216	0.184	0.151	0.164	0.161	0.173	0.070	0.061	0.057	0.065	0.130	0.060	0.463	10
HAWAII	0.161	0.198	0.239	0.301	0.260	0.287	0.392	0.209	0.173	0.153	0.237	0.075	0.316	10
IDAHO	0.159	0.139	0.167	0.178	0.216	0.177	0.173	0.184	0.190	0.189	0.177	0.021	0.116	10
ILLINIOS	0.000	0.000	0.000	0.063	0.085	0.087	0.107	0.097	0.093	0.096	0.063	0.045	0.713	10
INDIANA	0.026	0.031	0.041	0.020	0.032	0.093	0.109	0.102	0.110	0.121	0.068	0.042	0.608	10
IOWA	0.100	0.095	0.129	0.135	0.111	0.108	0.124	0.139	0.134	0.192	0.127	0.028	0.218	10
KANSAS	0.151	0.140	0.153	0.163	0.153	0.155	0.150	0.170	0.172	0.187	0.159	0.014	0.085	10
KENTUCKY	0.038	0.032	0.011	0.034	0.049	0.048	0.024	0.151	0.060	0.044	0.049	0.038	0.787	10
LOUISIANA	0.046	0.055	0.067	0.037	0.097	0.106	0.147	0.147	0.190	0.213	0.110	0.062	0.559	10
MAINE	0.187	0.211	0.223	0.194	0.239	0.222	0.261	0.259	0.236	0.236	0.227	0.025	0.109	10
MARYLAND	0.193	0.226	0.233	0.238	0.213	0.212		0.461			0.254	0.093	0.366	7
MASSACHUSETTS	0.122	0.137	0.142	0.146	0.140	0.284	0.147	0.182	0.290	0.216	0.181	0.062	0.344	10
MICHIGAN	0.024	0.021	0.029	0.027	0.023	0.021	0.021	0.024	0.027		0.024	0.003	0.126	9
MINNESOTA	0.086	0.098	0.121	0.125	0.131	0.124	0.125	0.138	0.142	0.125	0.122	0.017	0.141	10
MISSISSIPPI	0.164	0.156	0.160	0.168	0.181	0.184	0.185	0.200	0.224	0.210	0.183	0.023	0.123	10
MISSOURI	0.187	0.178	0.198	0.196	0.164	0.176	0.188	0.227	0.211	0.216	0.194	0.020	0.100	10
MONTANA	0.077	0.084	0.104	0.117	0.117	0.168	0.135	0.118	0.129		0.116	0.027	0.234	9
NEBRASKA	0.149	0.224	0.229	0.234	0.242	0.262	0.271	0.262	0.281	0.298	0.245	0.041	0.169	10
NEVADA	0.104	0.116	0.115	0.125	0.111	0.113	0.129	0.130	0.131	0.138	0.121	0.011	0.089	10
NEW HAMPSHIRE			0.047	0.037	0.029	0.036	0.047	0.047	0.046	0.041	0.033	0.007	0.203	10
NEW JERSEY	0.034	0.093	0.007	-0.001	0.000	0.082	0.000	0.022	0.028	0.150	0.042	0.051	1.217	10
NEW MEXICO	0.146	0.144	0.153	0.167	0.168	0.147	0.170	0.182	0.190	0.209	0.168	0.021	0.127	10
NEW YORK	0.008	0.012	0.011	0.013	0.013	0.011	0.016	0.028	0.020	0.027	0.016	0.007	0.439	10
NORTH CAROLINA				0.173	0.175	0.182	0.189	0.127	0.234	0.219	0.130	0.035	0.267	10
NORTH DAKOTA	0.075	0.080	0.081	0.104	0.125	0.126	0.122	0.122	0.121	0.139	0.110	0.023	0.210	10
OHIO	0.050	0.040	0.066	0.044	0.070	0.069	0.095	0.108	0.141	0.148	0.083	0.039	0.464	10
OKLAHOMA	0.107	0.120	0.142	0.127	0.150	0.129	0.146	0.161	0.180	0.156	0.142	0.022	0.152	10
OREGON	0.151	0.142	0.184	0.190	0.062	0.178	0.216	0.211	0.181	0.185	0.170	0.044	0.260	10
PENNSYLVANIA	0.085	0.108	0.122	0.123	0.114	0.102	0.096	0.099	0.122	0.120	0.109	0.013	0.121	10
PUERTO RICO								0.001						1
RHODE ISLAND	0.186	0.161	0.120	0.164	0.121	0.063	0.074	0.079	0.085	0.091	0.115	0.043	0.377	10
SOUTH CAROLINA	0.261	0.236	0.229	0.226	0.201	0.211	0.233	0.245	0.230	0.190	0.226	0.021	0.093	10
SOUTH DAKOTA	0.132	0.119	0.140	0.150	0.186	0.179	0.189	0.173	0.169	0.162	0.160	0.024	0.148	10
TENNESSEE	0.118	0.130	0.132	0.144	0.130	0.115	0.123	0.122	0.112	0.131	0.126	0.010	0.076	10
TEXAS	0.122	0.139	0.159	0.168	0.169	0.177	0.179	0.178	0.191	0.208	0.169	0.025	0.147	10
UTAH	0.167	0.136	0.158	0.186	0.179	0.197	0221	0222	0.190		0.184	0.028	0.153	9
VERMONT	0.128	0.155	0.087	0.208	0.239	0.202	0.200	0.211	0.226	0.247	0.190	0.051	0270	10
VIRGINIA	0.114	0.104	0.124	0.117	0.074	0.089	0.098	0.080	0.097	0.098	0.099	0.016	0.160	10
VIRGIN ISLANDS														
WASHINGTON	0.142	0.168	0.188	0.230	0.227	0.318	0.425	0.289	0281	0219	0249	0.083	0.333	10
WEST VIRGINIA	0.035	0.103	0.126	0.053	0.047	0.046	0.049	0.053	0.056	0.056	0.052	0.029	0.458	10
WISCONSIN	0.024	0.024	0.038	0.023	0.150	0.121	0.122	0.134	0.148	0.160	0.094	0.059	0.626	10
WYOMING	0.104	0.101	0.111	0.159	0.129	0.143	0.110	0.151	0222	0.166	0.140	0.037	0.267	10
Avg. - Reporting States	0.113	0.118	0.122	0.131	0.130	0.138	0.137	0.141	0.148	0.153	0.132	0.032	0297	10
Number States	47	48	49	50	50	49	48	50	49	45	50	50	50	
U.S. Total	0.079	0.084	0.087	0.096	0.097	0.113	0.110	0.121	0.120	0.131	0.106			10
Total Charges	1180	1133	1167	1490	2082	2684	2308	2447	2304	2449	1924			10
Total Benefits	14908	13513	13393	15582	21418	23720	21019	20292	19169	18763	18177			10

Source: Data from ETA 204 reports and published by the Unemployment Insurance Service of the U.S. Department of Labor.

Appendix B. Taxes and Benefits for Two Digit Industries

The text of sections III and IV refers to tables showing taxes and benefit payments for two digit industries in Washington. The project has assembled three summary tables for each rate year in the study. One table summarizes data for qualified employers. An example for rate year is Table BQ97 that appears on the next page. A second annual table summarizes data for non qualified employers. These tables have titles with BNQ and year, e.g., Table BNQ97, to identify these employers and year. A third annual table summarizes the situation for inactive employers and has BI and year in its title, e.g., Table BI97.

For this report only Table BQ97 'has been included.

Table BQ97. Taxes and Benefit Payments for Qualified Employers, Rate Year 1997

(Wages, taxes and benefits in millions)

2 digit SIC	Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Total Ben -Taxes	Ineff. Charges	All Non-Charges	MLFA	Vol. Quit	All Other Nonchgs	Taxes/ Wages-%	Tot Ben/ Wages-%	Net Sub. Rate-%	TRB	TTD	Over-Payments	Miscon-duct	Other
1	5713	522	19.1	28.8	23.2	9.6	6.7	5.5	3.4	0.7	1.4	3.66%	5.51%	1.85%	0.2	0.1	0.6	0.2	0.3
2	877	75	1.4	1.4	1.0	0.0	0.3	0.4	0.1	0.1	0.2	1.83%	1.83%	0.00%	0.1	0.0	0.1	0.0	0.0
7		210	5.8	8.4	6.6	2.6	2.1	1.9	0.8	0.5	0.5	2.77%	4.02%	1.25%	0.1	0.1	0.2	0.1	0.1
8	211	24	0.8	1.4	1.1	0.7	0.5	0.3	0.2	0.1	0.1	3.31%	6.02%	2.72%	0.0	0.0	0.0	0.0	0.0
9	680	81	3.6	17.5	8.5	13.9	5.2	9.0	0.8	0.1	8.2	4.49%	21.68%	17.19%	8.0	0.0	0.1	0.0	0.1
10	25	11	0.4	0.8	0.8	0.5	0.6	0.0	0.0	0.0	0.0	3.31%	7.55%	4.24%	0.0	0.0	0.0	0.0	0.0
12	4	13	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.66%	1.83%	0.17%	0.0	0.0	0.0	0.0	0.0
13	6	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.42%	11.63%	8.21%	0.0	0.0	0.0	0.0	0.0
14	107	44	1.5	1.8	1.6	0.4	0.5	0.2	0.1	0.0	0.1	3.35%	4.15%	0.80%	0.0	0.0	0.0	0.0	0.0
15	3897	492	19.3	34.1	30.0	14.8	14.2	4.1	1.6	0.6	1.9	3.92%	6.92%	3.00%	0.7	0.3	0.5	0.2	0.3
16	812	337	15.7	32.9	29.4	17.3	14.9	3.6	1.4	0.5	1.7	4.64%	9.76%	5.12%	0.6	0.6	0.1	0.1	0.3
17	6616	1109	40.7	65.1	57.5	24.5	24.5	7.7	3.0	1.4	3.3	3.67%	5.87%	2.21%	0.9	0.6	0.8	0.4	0.7
20	508	688	18.5	27.5	22.2	9.0	7.3	5.3	2.4	1.2	1.7	2.69%	4.00%	1.31%	0.8	0.4	0.1	0.2	0.3
22	30	18	0.4	0.4	0.3	0.0	0.0	0.1	0.0	0.1	0.0	2.14%	1.97%	-0.16%	0.0	0.0	0.0	0.0	0.0
23	285	106	2.8	4.3	3.4	1.5	1.3	0.9	0.3	0.4	0.1	2.66%	4.06%	1.40%	0.0	0.0	0.0	0.0	0.0
24	1098	465	13.8	25.6	18.5	11.8	8.3	7.1	1.1	1.1	4.9	2.96%	5.51%	2.55%	4.1	0.3	0.1	0.2	0.2
25	173	68	1.7	1.8	1.5	0.1	0.4	0.4	0.1	0.2	0.1	2.54%	2.72%	0.17%	0.0	0.0	0.0	0.0	0.0
26	75	309	4.8	4.8	3.9	0.0	0.9	0.8	0.1	0.4	0.4	1.55%	1.54%	-0.01%	0.0	0.2	0.0	0.1	0.0
27	920	350	5.8	5.3	4.2	-0.4	1.0	1.2	0.2	0.6	0.3	1.64%	1.52%	-0.12%	0.0	0.0	0.1	0.1	0.0
28	133	104	1.8	1.9	1.6	0.1	0.5	0.2	0.1	0.1	0.1	1.68%	1.78%	0.10%	0.0	0.0	0.0	0.0	0.0
29	19	51	0.6	0.5	0.5	-0.1	0.0	0.1	0.0	0.0	0.0	1.19%	1.04%	-0.16%	0.0	0.0	0.0	0.0	0.0
30	181	145	3.3	3.1	2.5	-0.2	0.4	0.6	0.2	0.3	0.1	2.29%	2.14%	-0.15%	0.0	0.0	0.0	0.0	0.0
31	19	7	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	2.48%	3.25%	0.76%	0.0	0.0	0.0	0.0	0.0
32	214	149	4.4	5.3	4.6	0.9	1.2	0.8	0.3	0.3	0.2	2.93%	3.57%	0.63%	0.0	0.1	0.0	0.1	0.0
33	65	160	3.5	1.3	1.0	-2.1	0.1	0.3	0.1	0.1	0.1	2.17%	0.83%	-1.34%	0.0	0.0	0.0	0.1	0.0
34	460	227	6.2	5.5	4.6	-0.7	0.8	0.9	0.3	0.2	0.4	2.73%	2.43%	-0.30%	0.2	0.0	0.1	0.1	0.1
35	670	365	8.5	6.7	5.6	-1.8	0.9	1.1	0.3	0.4	0.4	2.33%	1.83%	-0.50%	0.1	0.1	0.1	0.1	0.1
36	236	269	4.5	3.2	2.5	-1.3	0.3	0.7	0.2	0.4	0.2	1.65%	1.18%	-0.48%	0.0	0.0	0.0	0.1	0.0
37	436	1969	54.5	36.6	24.6	-18.0	2.6	11.9	0.6	1.0	10.3	2.77%	1.86%	-0.91%	8.1	1.2	0.0	0.7	0.3
38	213	317	5.3	3.9	3.2	-1.4	0.6	0.6	0.0	0.3	0.2	1.66%	1.22%	-0.45%	0.0	0.0	0.0	0.1	0.0
39	250	134	3.1	2.7	2.2	-0.4	0.3	0.4	0.1	0.2	0.1	2.30%	1.99%	-0.31%	0.0	0.0	0.0	0.0	0.0
40	2	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.93%	0.86%	-1.07%	0.0	0.0	0.0	0.0	0.0
41	121	66	1.8	1.8	1.4	0.0	0.2	0.4	0.2	0.1	0.1	2.72%	2.79%	0.07%	0.0	0.0	0.0	0.0	0.0
42	1536	467	9.9	11.6	9.4	1.7	2.8	2.1	0.8	0.8	0.6	2.11%	2.48%	0.36%	0.1	0.1	0.2	0.2	0.1
44	236	235	6.0	5.6	4.8	-0.4	0.7	0.8	0.3	0.2	0.3	2.54%	2.36%	-0.18%	0.0	0.1	0.0	0.1	0.1
45	189	392	5.2	3.0	2.2	-2.2	0.5	0.7	0.1	0.4	0.3	1.32%	0.76%	-0.56%	0.0	0.0	0.0	0.1	0.0
46	7	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.48%	0.77%	0.29%	0.0	0.0	0.0	0.0	0.0
47	915	180	3.3	3.8	3.0	0.4	1.0	0.7	0.2	0.3	0.3	1.84%	2.08%	0.24%	0.1	0.0	0.1	0.1	0.0
48	285	516	9.9	9.2	8.0	-0.7	0.8	1.2	0.1	0.4	0.7	1.91%	1.78%	-0.13%	0.1	0.3	0.0	0.2	0.1
49	402	184	3.2	3.6	3.0	0.4	0.7	0.6	0.1	0.3	0.2	1.75%	1.96%	0.21%	0.0	0.0	0.0	0.1	0.0
50	5813	1434	27.5	25.3	20.2	-2.1	4.9	5.2	0.9	2.0	2.3	1.92%	1.77%	-0.15%	0.7	0.2	0.6	0.5	0.2
51		909	19.3	21.2	16.8	1.9	4.2	4.4	1.2	1.7	1.5	2.12%	2.34%	0.21%	0.5	0.2	0.3	0.3	0.2
52	859	277	5.0	5.3	4.0	0.3	0.9	1.3	0.4	0.7	0.3	1.80%	1.92%	0.11%	0.0	0.0	0.1	0.1	0.0
53	143	593	6.6	5.8	3.1	-0.9	0.1	2.7	0.6	1.7	0.4	1.12%	0.98%	-0.14%	0.0	0.1	0.0	0.2	0.0
54	1572	1081	10.7	10.9	6.8	0.2	0.8	4.0	0.8	2.3	0.9	0.99%	1.00%	0.02%	0.0	0.2	0.2	0.4	0.1
55	1948	674	15.2	14.0	10.7	-1.2	1.6	3.3	0.9	1.6	0.8	2.26%	2.08%	-0.18%	0.1	0.1	0.2	0.2	0.1
56		280	3.9	3.5	2.4	-0.4	0.2	1.1	0.3	0.7	0.2	1.39%	1.26%	-0.14%	0.0	0.0	0.1	0.1	0.0
57	1378	249	5.3	6.3	4.9	1.0	1.6	1.4	0.4	0.7	0.3	2.15%	2.55%	0.40%	0.0	0.0	0.1	0.1	0.1
58	4757	1173	16.4	18.8	11.4	2.4	2.0	7.4	2.4	3.7	1.3	1.39%	1.60%	0.21%	0.1	0.1	0.6	0.4	0.1
59	3484	484	7.0	7.3	4.8	0.3	1.1	2.5	0.6	1.3	0.7	1.45%	1.51%	0.06%	0.1	0.0	0.4	0.2	0.1
60	343	543	7.9	6.5	5.1	-1.4	0.4	1.4	0.1	0.9	0.5	1.45%	1.20%	-0.26%	0.0	0.2	0.0	0.2	0.1
61	438	139	2.7	2.7	2.1	0.0	0.6	0.6	0.1	0.2	0.4	1.94%	1.94%	0.00%	0.3	0.0	0.0	0.0	0.0
62	305	119	1.4	1.1	0.8	-0.3	0.1	0.3	0.0	0.1	0.1	1.16%	0.95%	-0.21%	0.0	0.0	0.0	0.0	0.0
63	287	483	7.7	4.8	3.8	-3.0	0.3	1.0	0.1	0.7	0.3	1.60%	0.99%	-0.62%	0.0	0.0	0.0	0.2	0.0
64	1751	203	3.1	2.7	2.0	-0.4	0.6	0.7	0.1	0.3	0.3	1.53%	1.34%	-0.19%	0.1	0.0	0.2	0.1	0.0
65	4064	362	8.1	9.6	7.1	1.5	2.2	2.4	0.5	1.0	0.9	2.23%	2.64%	0.41%	0.3	0.0	0.4	0.1	0.1
67	246	31	0.6	0.7	0.5	0.1	0.2	0.1	0.0	0.1	0.0	1.79%	2.11%	0.32%	0.0	0.0	0.0	0.0	0.0
70	847	224	4.6	4.9	3.2	0.4	0.5	1.8	0.6	0.9	0.2	2.03%	2.19%	0.16%	0.0	0.0	0.1	0.1	0.0
72	2033	220	3.3	3.4	2.1	0.2	0.5	1.3	0.3	0.6	0.4	1.48%	1.55%	0.08%	0.0	0.0	0.2	0.1	0.0
73		1679	30.2	29.8	22.0	-0.4	3.7	7.8	2.3	3.1	2.3	1.80%	1.77%	-0.03%	0.7	0.3	0.5	0.6	0.2
75		298	6.0	6.3	4.7	0.3	1.4	1.6	0.5	0.7	0.5	2.00%	2.10%	0.10%	0.1	0.0	0.2	0.1	0.1
76	951	102	2.4	2.8	2.2	0.4	0.8	0.6	0.1	0.2	0.2	2.34%	2.74%	0.40%	0.0	0.0	0.1	0.0	0.0
78	437	67	1.1	1.6	1.3	0.5	0.6	0.3	0.1	0.1	0.1	1.71%	2.42%	0.71%	0.0	0.0	0.1	0.0	0.0
79	1391	295	7.2	9.3	7.1	2.0	1.8	2.1	0.8	1.0	0.4	2.45%	3.13%	0.68%	0.0	0.1	0.1	0.1	0.1
80	6344		16.0	17.9	11.1	1.9	2.5	6.8	1.0	4.4	1.4	1.34%	1.50%	0.16%	0.2	0.1	0.6	0.4	0.1
81	2078	252	3.9	3.9	2.9	-0.1	0.9	1.0	0.1	0.3	0.6	1.56%	1.53%	-0.03%	0.2	0.0	0.2	0.1	0.0
82	560	103	1.8	5.0	1.6	3.3	0.4	3.4	0.9	2.3	0.2	1.73%	4.91%	3.18%	0.1	0.0	0.1	0.0	0.0
83	1878	355	6.8	9.5	6.0	2.7	1.6	3.5	1.0	2.0	0.5	1.92%	2.69%	0.76%	0.0	0.1	0.2	0.1	0.1
84	71	4	0.1	0.3	0.2	0.2	0.1	0.1	0.0	0.1	0.0	2.44%	6.83%	4.39%	0.0	0.0	0.0	0.0	0.0
86	1826	194	4.0	4.4	3.3	0.4	0.9	1.1	0.3	0.5	0.3	2.06%	2.29%	0.21%	0.0	0.0	0.2	0.1	0.0
87	3670	981	20.0	24.7	20.9	4.7	6.5	3.8	0.7	1.2	1.9	2.04%	2.51%	0.48%	0.5	0.4	0.4	0.3	0.2
88	8012	75	0.9	3.0	1.3	2.2	0.9	1.7	0.2	0.2	1.4	1.15%	4.09%	2.94%	0.6	0.0	0.8	0.0	0.0
89	120	22	0.4	0.3	0.3	-0.1	0.1	0.1	0.0	0.0	0.0	1.99%	1.44%	-0.55%	0.0	0.0	0.0	0.0	0.0
91	1	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.96%	2.88%	-0.08%	0.0	0.0	0.0	0.0	0.0
92	74	9	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.1	0.0	1.11%	1.60%	0.50%	0.0	0.0	0.0	0.0	0.0
94	4	3	0.1	0.5	0.0	0.5	0.0	0.5	0.2	0.3	0.0	1.75%	15.12%	13.37%	0.0	0.0	0.0	0.0	0.0
95	71	8	0.1	0.3	0.1	0.2	0.0	0.3	0.2	0.0	0.0	1.71%	4.14%	2.43%	0.0	0.0	0.0	0.0	0.0
96	9	1	0.0	0.2	0.0	0.2	0.0	0.2	0.1	0.1	0.0	2.88%	38.78%	35.90%	0.0	0.0	0.0	0.0	0.0
Total	98202	25988	548.6	646.6	495.8	98.0	148.4	150.7	38.1	51.4	61.2	2.11%	2.49%	0.38%	29.3	7.0	10.6	8.8	5.6

Industry	2 digit SIC	Number	Taxable Wages	Taxes	Total Benefits	Benefit Charges	Total Ben -Taxes	Ineff. Charges	All Non-Charges	MLFA	Vol. Quit	All Other Nonchgs	Taxes/ Wages-%	Total Ben/ Wages-%	Net Sub. Rate-%	TRB	TTD	Over-Payments	Miscon-duct	Other
Ag., F&F	01-09	9365	912	30.7	57.5	40.5	26.8	14.8	17.1	5.3	1.5	10.3	3.37%	6.31%	2.94%	8.4	0.2	1.0	0.3	0.5
Mining	10-14	142	68	2.1	2.9	2.7	0.9	1.2	0.2	0.1	0.0	0.1	3.03%	4.29%	1.27%	0.0	0.0	0.0	0.0	0.0
Con	15-17	11325	1939	75.6	132.2	116.9	56.5	53.7	15.3	6.0	2.4	6.9	3.90%	6.82%	2.92%	2.1	1.5	1.3	0.7	1.3
Mfg	20-39	5985	5902	143.5	140.5	107.1	-3.0	27.0	33.4	6.4	7.3	19.7	2.43%	2.38%	-0.05%		2.5	0.7	2.0	1.2
Tran &Util	40-49	9693	2044	39.2	38.5	31.9	-0.7	6.7	6.6	1.8	2.4	2.4	1.92%	1.89%	-0.03%	0.4	0.6	0.4	0.7	0.4
Whol. Trade	50-51	8786	2343	46.8	46.6	37.0	-0.2	9.1	9.6	2.1	3.7	3.8	2.00%	1.99%	-0.01%	1.2	0.4	0.9	0.8	0.4
Retail Trade	52-59	14829	4811	70.2	71.9	48.1	1.7	8.3	23.8	6.3	12.7	4.9	1.46%	1.49%	0.04%	0.4	0.6	1.7	1.6	0.5
FIRE	60-67	7434	1880	31.4	28.0	21.4	-3.4	4.5	6.6	0.8	3.2	2.5	1.67%	1.49%	-0.18%	0.7	0.3	0.7	0.6	0.2
Serv.	70-89	36484	6067	108.7	127.1	90.1	18.4	23.2	37.0	8.9	17.5	10.5	1.79%	2.10%	0.30%	2.7	1.0	3.8	2.0	1.0
Gov.	90-96	159	22	0.3	1.2	0.2	0.9	0.0	1.0	0.5	0.5	0.0	1.56%	5.69%	4.13%	0.0	0.0	0.0	0.0	0.0
Total		98202	25988	548.6	646.6	495.8	98.0	148.4	150.7	38.1	51.4	61.2	2.11%	2.49%	0.38%	29.3	7.0	10.6	8.8	5.6

Unemployment Insurance Tax Equity in Washington
Supplement 1

Wayne Vroman
March 1999

The last phase of the project analyzed the effects of changing the method of experience rating in Washington State. The simulation analysis of a reserve ratio system (as opposed to the existing benefit ratio system) was conducted by Robert Wagner of ESD.

There are two major differences between a benefit ratio system and a reserve ratio system in establishing UI tax rates for employers. (1) In a benefit ratio system, the calculation of the benefit ratio uses only two factors, the benefits charged against an employer's account and the taxable wages for that account. Both factors are measured for the same time period in Washington, the four fiscal years ending on the June 30th prior to the tax rate year. In a reserve ratio system, a third factor enters the calculation, taxes paid. (2) While a benefit ratio system uses only benefit charges and taxable wages for a specific period of time, a. reserve ratio system uses all taxes paid and all benefit charges against an employer's account from its inception. The reserve ratio is the cumulative difference between taxes and benefit charges divided by the taxable wages for a specific period of time.

The result can be that an employer would build a substantial positive reserve account balance, accruing the excess of taxes paid less benefits charges in times of prosperity. This balance would then be available during downturns in the economy when there are increased layoffs resulting in increased benefit charges against the same account. The employer account would be reduced during a recession, but not necessarily to zero.

A. Assumptions of the Analysis

1. The same accounts were analyzed under reserve ratio experience rating as were used in the other portions of the tax equity study.

2. Calculated reserve ratios were based on the taxes paid minus benefits charged against an employer from the date of liability, with the resulting difference being divided by the taxable wages for the four fiscal years ending June 30 prior to the rate year of calculation.

3. Employers were considered to be qualified for a reserve ratio tax rate based upon the same criteria as currently used in Washington under the benefit ratio system.

4. Noncharging rules remained the same as under the current system.

5. Employers not qualified for reserve ratio tax rates were assigned the industry average following the calculation of the rated employers' reserve ratios for the rate year being studied.

B. Findings

An analysis of the simulated reserve ratio system, using the fifteen years 1985 through 1999, revealed several items of interest and findings consistent with experiences throughout the United States.

1. Firm Size by Rate Class

The simulated data for rate year 1997 were placed into the interstate distribution of employers in the lowest rate class as shown in Table 8 of the final report. The relative size of Washington employers in the lowest tax rate class was as follows.

	Reserve Ratio	Benefit Ratio
1. Number of accounts	12,295	39,287
2. Share of all accounts	12.5%	40.1%
3. Taxable Wages (Mill)	2,597	2,657
4. Taxable Wages/Acct (000s)	211	68
5. Relative Size	0.79	0.25

Considering the data for rate class one only, even though rate classes one and two had the same tax rate, the following data would apply for Washington.

		Reserve Ratio	Benefit Ratio
6.	Number of accounts	8,998	32,818
7.	Share of all accounts	9.2%	33.5%
8.	Taxable Wages (Mill)	1,299	1,301
9.	Taxable Wages/Acct (000s)	114	40
10.	Relative Size	0.43	0.15

The patterns suggested by this data are as expected. Under reserve ratios, a much larger share of small employers are located in the middle of the tax rate distribution as opposed to the very high concentration at the lowest rate class under benefit ratios. These findings confirm the findings displayed in Tables 8 and 9 for reserve ratio systems in other states.

Adding the simulated data for rate year 1997 into Table 9, relative size of employers in the highest tax rate class, the following data would added to the chart for Washington:

		Reserve Ratio	Benefit Ratio
11.	Number of accounts	11,411	10,354
12.	Share of all accounts	11.6%	10.6%
13.	Taxable Wages (Mill)	1,299	1,298
14.	Taxable Wages/Acct (000s)	113	125
15.	Relative Size	0.43	0.47

Thus, combining rate classes one and two would rank Washington 26th in relative size under a reserve ratio system for rate year 1997. Using only rate class one, Washington would then rank 21st in relative size. In the highest rate class, Washington would rank 10th in relative size in reserve ratio systems.

Using-the full fifteen years of available micro data yields the distributions of employers by size as displayed below. The table shows the average normalized firm size and the number of employer accounts for both the benefit ratio system and the reserve ratio system. (Average firm size greater than 3.00 was truncated to 3.00) :

RC	Ben. Ratio Avg. Size	Ben. Ratio Accounts	Res. Ratio Avg. Size	Res. Ratio Accounts
01	0.16	24,120	0.43	9,754
02	1.79	3,982	2.49	3,374
03	2.55	1,946	1.92	2,650
04	2.05	1,803	3.00	2,040
05	2.26	1,752	2.56	1,896
06	3.00	1,558	2.79	1,893
07	3.00	1,593	2.71	2,123
08	2.11	1,672	2.60	1,697
09	2.03	1,848	2.58	1,770
10	2.27	1,897	3.00	2,330
11	2.45	2,058	1.74	2,556
12	1.78	2,158	1.39	3,164
13	3.00	1,996	1.33	3,497
14	3.00	2,053	1.25	4,063
15	1.34	2,727	0.99	4,553
16	1.15	3,299	0.87	5,067
17	0.99	3,765	0.83	4,875
18	0.88	4,246	0.71	5,574
19	0.74	5,090	0.62	6,387
20	0.54	7,908	0.48	8,194

It is apparent from the above table that the polarization of small employers in the lowest rate class is diminished under a reserve ratio system. Under reserve ratios the numbers of employers in rate class 1 decreases, and average employer size increases over 2.5 times.

2. Age of Firms

Another factor that appears to operate differently between reserve ratio systems and benefit ratio systems is the average age of accounts in the individual rate classes. In reviewing the data for rate year 1999, the following table displays information relevant to this discussion:

RC	Ben. Ratio Number	Ben. Ratio Avg. Age (Yrs)	Res. Ratio Number	Res. Ratio Avg. Age (Yrs)
01	38,483	10.15	7,421	22.44
02	6,052	11.78	808	23.26
03	2,679	12.95	445	23.23
04	1,857	12.89	2,976	21.81
05	1,703	13.41	3,264	20.98
06	1,873	13.42	2,683	20.35
07	550	13.01	2,849	19.08
08	512	13.62	2,791	17.16
09	2,182	14.06	3,367	15.58
10	2,362	13.89	3,667	13.25
11	2,412	14.01	4,814	11.49
12	2,490	13.96	5,367	9.69
13	2,584	13.96	5,790	8.41
14	2,562	14.00	6,326	7.68
15	2,802	13.75	5,419	7.06
16	3,883	13.54	8,387	6.60
17	5,106	13.22	9,722	6.76
18	6,183	13.01	7,816	7.45
19	7,079	12.47	8,772	10.48
20	10,921	12.48	11,591	12.87

It should be noticed that employers in rate classes 01 through 09 have a longer lifetime under reserve ratios than benefit ratios. The opposite is true for the remaining rate classes, except rate class 20. This is most likely explained in the fact that the longer an employer remains in business, the more reserve balances are accumulated and thus, any benefit charges that are applied will result in a smaller change in the tax rate class than under a benefit ratio system. The difference may reflect the effects of a limited number of years being utilized in the tax rate calculation under benefit ratios.

3. Contrasts in Ineffective Charges

The last point to consider in comparing a reserve ratio system with a benefit ratio systems in Washington is the differing amounts of ineffective charges. Some vivid contrasts by rate class are observed in the summary presented below; Recall that ineffective charges occur when the amount of benefit charges in a rate class exceeds the amount of taxes paid. For the fifteen year period covered by this analysis, ineffective charges were accrued under Washington's benefit ratio system in the following rate classes:

Rate class 6	One year
Rate class 11	One year
Rate class 18	Five years
Rate class 19	Twelve years
Rate class 20	Fifteen years

Under the simulated reserve ratio system, the following rate classes had ineffective charges for the same fifteen year period:

Rate class 1	Seven years
Rate class 2	Five years
Rate class 3	Seven years
Rate class 4	Four years
Rate class 5	Three years
Rate class 6	Two years
Rate class 7	Two years
Rate class 8	One year
Rate class 18	One year
Rate class 19	Twelve years
Rate class 20	Fifteen years

Further, the following table shows the year-by-year analysis of the total ineffective charges under the two experience rating systems:

Rate Year	Reserve Ratio	Benefit Ratio
1985	61,806,298.68	42,628,905.55
1986	43,893,190.25	31,090,813.58
1987	32,191,003.63	23,606,660.47
1988	33,043,846.28	14,979,943.65
1989	20,243,154.60	18,404,723.85
1990	10,562,248.26	8,233,359.96
1991	11,636,755.49	20,251,624.00
1992	43,028,872.46	43,572,016.15
1993	65,334,290.80	67,179,088.04
1994	91,209,245.47	88,479,134.85
1995	160,129,836.44	127,801,128.66
1996	111,335,476.38	95,046,928.42
1997	118,250,187.96	94,709,120.53
1998	63,613,375.67	57,621,507.60
1999	79,247,660.16	72,042,757.28
Total	945,525,442.54	805,647,712.58

Reserve ratio experience rating accumulated larger ineffective charges across the fifteen years and for twelve of the fifteen individual years covered by this analysis.

The micro data used in the simulation of a reserve ratio system are available from ESD.

Legislative Developments and Financial Status

Changes in Unemployment Legislation in 1998

(Reprinted from the January 1999 Monthly Labor Review)

Diana Runner

Editor's Note: It is with sadness that we inform our readers that Diana Runner died shortly after completing this analysis for the January 1999 issue of the Monthly Labor Review. For twenty years, Diana provided expert analysis of State changes in unemployment insurance legislation. Diana's contribution to and presence in the Unemployment Insurance Service is sorely missed.

Changes in unemployment insurance legislation in 1998

Minnesota and New York made extensive modifications to their laws; among the States generally, changes required an increase in weekly benefit amounts, and increases in taxable wage bases

During fiscal year 1998, Federal legislation made only a few changes to the unemployment insurance (UI) program. Most notable was the enactment of the Workforce Investment Act (WIA) of 1998 (P.L.105-220), which provides the framework for a unique national workforce preparation and employment system designed to meet both the needs of the Nations businesses and the needs of job seekers and those who want to further their careers. While the Act imposes no conforming requirements upon the UI program, it does affect the program. States wishing to receive funding under the Act must: (1) provide information regarding the tiling of claims for benefits as part of the One-Stop delivery system, and (2) use wage record information to measure State and local performance in achieving program goals. In addition, WIA charges the U.S. Secretary of Labor with making arrangements, consistent with State law, to ensure that the wage records of any State are available to any other State to the extent that the wage records are needed for WIA purposes. Performance information at the local level will be available to WIA recipients to use as a decision making tool when determining which training providers to use.

WIA also amended the Wagner-Peyser Act in two areas. First, WIA allows the equity accrued-or funds earned from that equity-by the Federal Government through funds provided under Titles III and IX of the Social Security Act and the Wagner-Peyser Act to be used to acquire further equity, or to pay operating and maintenance expenses to the extent that an equity property is used for WIA purposes. The Wagner-Peyser Act was also amended to establish an Employment Statistics system. The system will be planned, administered, overseen, and evaluated through a cooperative governance structure involving the States and the Federal Government. The amendment that establishes the Employment Statistics system becomes effective July 1, 1999. Other WIA provisions that affect the UI program may take effect July 1, 1999, and become mandatory on July 1, 2000.

The Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998 (P.L. 105-306) permanently extended the Self-Employment Assistance (SEA) program, which had been scheduled to end in December 1998. Under the SEA program, eligible UI claimants are helped to create their own jobs by starting small businesses. Among other conditions, the individuals must participate in self-employment activities, including entrepreneurial training, business counseling, and technical assistance. Individuals enrolled in the program receive periodic payments equivalent to their regular UI benefits. Ten States have established SEA programs.

Programs under the Trade Adjustment Assistance Act and the North American Free Trade Agreement (NAFTA) Transitional Assistance Act were reauthorized through June 30, 1999, by the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 (P.L. 105-277). In order to receive allowances under these Acts, individuals must have been entitled to UI benefits in a specified period and have exhausted all rights to such benefits, among other conditions.

With the exception of Minnesota and New York, the States made few significant changes to their unemployment insurance laws during 1998. New Hampshire amended its unemployment insurance law to provide an alternate "trigger" for the payment of Federal-State Extended Benefits. The alternate trigger will allow a State to "switch on" the payment of such benefits more easily because it is based on the total unemployment rate in the State. States currently trigger benefits based on changes in their insured unemployment rate-a measure of statewide unemployment among those covered by unemployment compensation.

Four States-Idaho, New York, Oklahoma, and Rhode Island-increased their taxable wage base, which is the amount of wages subject to taxation for unemployment insurance purposes. Maximum weekly benefit amounts were increased in Arizona, Georgia, Kentucky, Minnesota, Mississippi, Nebraska, New Hampshire, New York, and Vermont. Kentucky also increased its minimum weekly benefit amount. Four States amended their wage qualifying requirements for determining benefit eligibility.

Following is a summary of some significant changes in State unemployment insurance laws during 1998.

Alabama

Coverage. Employment will not include services performed by an individual committed to a penal institution.

Arizona

Financing. The range of contribution rates for positive-reserve-ratio employers was modified from 0.10 percent through 2.7 percent to 0.05 percent through 2.6 percent. The range of contribution rates for negative-reserve-mtio employers also was changed from 2.90 percent through

5.35 percent to 2.85 percent through 5.40 percent. If certain criteria are met, certain benefits paid to an individual will not be charged to an employers experience rating account.

Benefits. On June 30, 1998, the maximum weekly benefit amount increased from $185 to $195, and will increase to $265 on June 30, 1999.

California

Financing. Benefits paid to an individual who has voluntarily left work to protect his or her children, or himself or herself, from domestic violence will not be charged to the experience rating account of the employer. Repealed was the provision that employers would not be charged for benefits paid to a claimant who, during the base period, was a student employed on a temporary basis and whose employment began within the period of his or her leaving to return to school; to a claimant who terminated employment to accompany or join a spouse; or to a claimant who left employment to take a better job.

Disqualification. An individual will not be disqualified from receiving benefits for voluntarily leaving employment if he or she left to protect his or her children, or himself or herself, from domestic violence.

Administration. Information obtained in the administration of the unemployment insurance code will be considered confidential; any individual who knowingly accesses, uses, or discloses the information without authorization will be guilty of a misdemeanor.

Colorado

Coverage. An employer is defined as an entity that has a quarterly payroll of $1,500 or more during any calendar year or preceding calendar year, or that employed one worker for some portion of the day on each of 20 days during the calendar year, or during the preceding calendar year. Excluded from coverage are services: (1) as an election official or election worker, if the amount of remuneration received for such services during the calendar year is less than $1,000; (2) as a direct seller, which includes individuals engaged in the trade or business of delivery or distribution of newspapers or shopping news; and (3) in the employ of an elementary or secondary school that is operated primarily for religious purposes, regardless of whether the school is operated, supervised, controlled, or principally supported by a church or a convention or association of churches. The definition of employment also was modified to permanently exclude from coverage services performed by an alien (H2-A worker) admitted to the United States to perform agricultural labor pursuant to the Immigration and Naturalization Act.

Benefits. Under the additional qualifying requirements for a successive benefit year, wages must be earned instead of received in order to qualify for benefits in the next year.

Delaware

Benefits. The provision for deduction of an individual's Social Security benefits from his or her weekly unemployment benefit was eliminated.

Disqualification. A disqualification will be considered fraud if an individual has made a false statement or representation, knowing it to be false, or knowingly has failed to disclose a material fact to obtain benefits to which he or she is not entitled.

Florida

Coverage. A new enactment excludes from coverage services performed as an election official or election worker in the employ of a governmental entity if the amount of the remuneration received by the individual for such services during the calendar year is less than $1,000. Also excluded from coverage are services performed by a person who is an inmate of a penal institution.

Georgia

Financing. New and newly covered employers that implement a drug-free workplace program that is certified by the State Board of Workers' Compensation will pay contributions at a rate 0.2 percent lower than the rate otherwise specified in the unemployment law (2.64 percent until June 30, 2001). The following becomes effective January 1, 1999: (1) When the statewide reserve ratio is 2.4 percent or more for any calendar year, an employer that does not have a deficit reserve balance will have its contribution rate reduced by 25 percent or 50 percent, depending on the reserve ratio of the State unemployment insurance fund. (2) When the statewide reserve ratio is less than 2 percent, an employer's contribution rate will be increased by 25 percent or 50 percent, depending on the reserve ratio. (3) If the state wide ratio equals or exceeds 2 percent (was 2.1 percent), contribution rates will be further reduced by a percentage based on the fund balance and prior year's contributions; however, the contribution rate may not be reduced below 5.4 percent for maximum deficit reserve.

For the period January 1, 1999, through December 31, 2002, an additional 0.2 percent rate reduction will be available to any employer that implements a drug-free workplace program that is certified by the State Board of Worker's Compensation. The resulting contribution rate for any employer may not be less than 0.01 percent. The reduction will not be available to an employer that is subject to the maximum rate allowable after application of the rate adjustments made to the statewide reserve ratio.

Benefits. The maximum weekly benefit amount increased from $224 to $244.

Hawaii

Coverage. Services performed by election officials or election workers as defined under the Federal Unemployment Tax Act (FUTA) are excluded from coverage.

Idaho

Coverage. A definition of govermnent entity was added to mean a religious, charitable, educational, or other organization as defined under section 501(c)(3) of the Internal Revenue Code, and which is exempt from tax under section 501(a) of the Code.

Financing. Retroactive to January 1, 1998, the taxable wage base will be computed as 100 percent of the State average annual wage rounded to the nearest $100 (was $600) or the Federal taxable wage base, whichever is higher. The Minimum contribution tax rate under the least favorable schedule decreased form 2.9 percent to 2.4 percent. Depending on which tax schedule of contributions rates is in effect, the rate for standard-rated employers will range from 1.3 percent to 3.7 percent.

Benefits. No individual will be eligible for benefits in 2 successive benefit years unless, after the beginning of the first benefit year during which the individual received benefits, he or she earns at least 6 (was 5-½) times the weekly benefit amount established during the first benefit year. The wages needed to qualify for benefits are changed from high-quarter wages of $1,144.01 andtotalbaseperiodwages of at least 1 -1/4 times the high-quarter wages to the minimum qualifying amount of wages in one quarter of the base period and total base period wages of at least 1 - 1/4 times the high-quarter wages. The minimum qualifying amount of wages will be determined each July 1 and must equal 50 percent of the State minimum wage multiplied by 520 hours, rounded to the lowest multiple of 26. The pension offset provision was amended to provide that benefits will be reduced by the amount of pension payments received only if the employment is with the base-period employer and the claimant did not contribute to the pension plan.

Disqualification. The special disqualification for individuals who voluntarily leave work due to marital obligations was deleted. The penalty for violating any provision of the Idaho Employment Security Law and for unauthorized disclosure of information was changed from a fine of $20 to $200, or imprisonment of up to 90 days, or both, to a misdemeanor.

Indiana

Financing. A new enactment increased from $4,000,000 to $ 4,500,000 the amount of money in the special employment and training services fund that may be used for (1) training and counseling assistance for individuals who have been unemployed for at least 4 weeks, who are not otherwise eligible for training and counseling assistance, and who are not participating in programs that duplicate those programs; or (2) training provided by State educational institutions to participants in joint labor and management apprenticeship programs.

Benefits. The pension provision was amended to provide that Social Security payments are not considered payments for purposes of determining eligibility for waiting week or benefits rights, or reducing the weekly benefit amount.

Iowa

Financing. The special administrative contribution surcharge of 0.1 percent of Federal taxable wages was extended through 2001. The surcharge had been had been scheduled to terminate at the end of 1998. The fund established from the surcharge revenues is used only for personnel and nonpersonnel costs of rural and satellite job service offices in population centers of fewer than 20,000 inhabitants or for division-approved training.

Disqualification. A claimant must show that a voluntary quit is for good cause that is attributable to the employer.

Kansas

Coverage. New enactment excludes form coverage services performed by election officials or election workers if the amount of remuneration received for services during the calendar year is less than $1,000.

Financing. The following will be effective for rate year 1999: (1) The contribution rate for new employers will be 1 .O percent; however, for rate year 1999, the 1 percent contribution rate will not be effective if the reserve fund ratio in schedule III is less than 1.75 percent. (2) The contribution rate for negative-balance employers will be within a range from 1 .1 percent to 6-percent, rather than a uniform 5.4 percent. (3) Negative-account-balance employers will not be assessed the surcharge that is based on the size of the employers negative reserve ratio. (4) Positive balance employers that are current in the tiling of all reports and that are paying all contributions when due will be issued a zero contribution rate; however, the zero rate will not be effective for 1999 if the reserve fund ratio in schedule III is less than 1.75 percent.

Also for 1999, the rates in schedule II A shall apply, unless the reserve fund ratio in column A of schedule III is less than 1.75 percent.

Disqualification. An inmate of a custodial or correctional institution will be unavailable for work and will not be eligible to receive unemployment compensation while incarcerated.

Kentucky

Financing. On January 1, 1999, the new employer rate decreases from 3 percent to 2.7 percent, and new experience rate schedules are established, based on trust funds adequacy rates. Depending on trust fund balances, the new rate schedules could produce reductions in experience rates. The Service Capacity Upgrade Fund is established, to be used for technology (purchases and upgrades) for programs administered by the department. The Service Capacity upgrade Fund will be financed through contributions from employers, in amount equal to tax rate reductions realized from the new rate schedules over the period January 1, 1999, through December 3 1, 2000. Employer noncharging provisions are expanded to include employers who have continued to provide uninterrupted, part-time employment for claimants.

Benefits. On January 1, 1999, the minimum weekly benefit amount increases from $22 to $39. The weekly benefit amount computation changes from 1.185 percent to 1.235 percent of base period wages, and the maximum weekly benefit amount increase to 62 percent of the average weekly wage.

Disqualification. Weekly benefit amounts will not be reduced by any part of Social Security pension payments if

50 percent or more of the Social Security contributions were made by the claimant during the base period. Deductions of 100 percent will be taken from future benefits to reimburse the unemployment insurance program for overpayments resulting from back-pay awards, or from false statements, misrepresentation, or concealment of material information by a benefit recipient.

Louisiana

Disqualification. The definition of wages was amended to include Worker Adjustment Retraining Notification (WARN) Act payments. Recipients of WARN Act payments will be disqualified for any week with respect to which WARN Act payments are received. However, a WARN Act recipient shall not be disqualified from benefits on the basis of refusing to leave part-time, interim, or full-time work to return to work for the employer issuing the WARN Act payment.

Maine

Financing. The additional contribution rate of 0.4 percent assessed on experience -rated employers was extended through calendar years 1998 and 1999. For rate year 1999, "Schedule P" of the contribution rate schedule will be in effect. Under schedule P, the rates range from 2.4 percent to 7.5 percent.

Benefits. The maximum weekly benefit weekly amount through December 3 1, 1999, will be limited to 94 percent of the amount otherwise calculated. In addition, for claimants tiling claims before January 1, 2000, the weekly benefit amount will be reduced by $3.

Administration. Work records and reports must be kept confidential and not be opened for public inspection, other than to public employees in performance of their public duties, to any agent of an agency that is under contract to a State or local child support agency, or to any agent of an agency that is under contract or subcontract to the State employment and job training agency. If confidential information is disclosed, the offender will be guilty of a Class E crime.

Maryland

Coverage. Employment performed for a governmental entity as an election official or election worker is excluded from coverage if the amount of the remuneration received by the individual during the calendar year for such services is less than $1,000. Employment performed by an inmate of a custodial or penal institution for a private, for-profit employer is excluded from coverage, except when an inmate continues to be employed by the private, for-profit employer after being permanently released from the penal or custodial institution.

Administration. Authority has been provided for agents of Child Support Enforcement Units to inspect claims information for purposes of establishing and collecting child support obligations and for locating individuals who owe child support.

Massachusetts

Financing. Beginning January 1, 1999, experience-rated employers will pay contributions under a revised "Schedule B," with rates ranging from 1.325 percent to 7.225 percent. On January 1, 2002, this schedule of rates will revert back to a range of 1.4 percent to 7.3 percent. For the period January 1, 1999, to December 31, 2001, each contributing employer will pay a workforce training contribution of 0.075 percent. The rate of contribution will be adjusted so that the total amount of the contributions in the year equals $18,000,000.

Minnesota

Coverage. A new enactment excludes from coverage services performed by election officials or election workers if the amount of remuneration received for services during the calendar year is less than $1,000.

Financing. The maximum contribution rate was reduced from 9 percent to 8.9 percent. The period needed for a new employer to qualify for experience rating was changed from 15 months to 12 months. The contribution rate for new employers in the construction industry is now the higher of 1 percent or State's cost rate for construction employers, up to a maximum of 8.9 percent (was 9.8 percent), plus the applicable miniium tax rate. The solvency assessment will now apply if the fund balance is less than $150 million; the amount of tax will be 10.1 percent of contributions due. Revenues from the solvency assessment will be placed in a special account, from which the commissioner of the agency will pay interest accruing on any advance from the Federal unemployment trust fund. If an educational institution is reimbursing an employer, its account will not be charged for benefits paid because of gross misconduct, or for cases in which the employer provided part-time employment in the base period or continues to provide 90 percent of the employment in the base period.

Benefits. The computation of the weekly benefit amount was changed from 1/26 of high-quarter wages during the base period to the higher of (a) 50 percent of the individual's average weekly wage during the base period, up to the maximum of 66-2/3 percent of the State average weekly wage, or (b) 50 percent of the individual's average weekly wage during the high-quarter, up to a maximum of 50 percent of the State average weekly wage, or $331, whichever is higher. The weekly benefit amount will now be rounded to the nearest $1, rather than rounded down. The claimant's average weekly wage will be computed by dividing the claimant's total wage credits by 52 for cases in which the weekly benefit amount is computed as 50 percent of the individual's average weekly wage during the base period. For cases in which the weekly benefit amount is computed as 50 percent of the individual's average weekly wage during the high quarter of the base period, the claimants's average weekly wage will be computed by dividing the claimant's high-quarter wage credits by 13. Deleted was a provision that required that the State average weekly wage used to compute the maximum weekly benefit amount would depend on the balance in the fund. A 1 -week

waiting period for benefits will not apply if the claimant would have been entitled to Federal disaster unemployment assistance in Minnesota, but for the claimant's establishment of a reemployment insurance account.

Disqualification. A claimant unemployed because of a uniform vacation shut down will not be considered to be on a voluntary leave of absence. The pension provision was amended to apply a reduction in the weekly benefit amount for any week in which the claimant receives, or has received, a pension retirement, or annuity (was 50 percent of pension) payment from any plan contributed to by a base-period employer. Deleted was the provision that took into account the contributions made by the worker to the plan from which payments are made. The 1- to 52- week disqualification for fraudulent misrepresentation was deleted. A claimant will be assessed a penalty equal to 25 percent of the amount of benefits fraudulently obtained. An individual who obtains, or attempts to obtain, or aids or abets any individual to obtain benefits fraudulently will be assessed a penalty of denial of benefits for 1 to 52 weeks.

Mississippi

Financing. A new employer engaged in an employee leasing arrangement with an employee leasing firm on June 30, 1998, and which is not eligible for a modified rate, will be assigned a contribution rate of 1.50 percent starting with calendar year 1999, until the employer is eligible for modified rate based on experience subsequent to December 31, 1998.

Benefits. The maximum weekly benefit amount increased from $ 180 to $190.

Disqualification. An entity utilizing the services of any employee leasing firm will be considered the employer of the individuals leased from the employee leasing firm for purposes of the unemployment insurance program. Temporary help firms will be considered the employer of the individuals they provide to perform services for other individuals or organizations. An employee leasing firm is any entity that provides ongoing services for a client company, such as payment of wages, reporting of wages for unemployment insurance purposes, payment of unemployment insurance contributions, and other administrative duties in connection with the clients employees, who are directed and controlled by the client. A temporary help firm is an entity that hires its own employees and provides those employees to other individuals or organizations to perform some services and to support or supplement the existing workforce in special situations (such as employee absences, temporary skill shortages, seasonal workloads, and special assignments and projects), with the expectation that the worker's position will be terminated upon the completion of the task or function. An employee leasing arrangement is any agreement between an employee leasing firm and a client, whereby client responsibilities such as payment of wages, reporting of wages for unemployment insurance purposes, payment of unemployment insurance contributions, and other administrative duties are to be performed by an employee leasing firm, on an ongoing basis.

Missouri

Coverage. A new enactment excludes from coverage services performed by an individual under age of 18 years in the delivery or distribution of newspapers or shopping news. (Still covered are services that include delivery or distribution of such materials to a point before actual delivery or distribution to the public.) Also excluded from coverage are services performed by an individual who pays a fixed price for newspapers or magazines and resells them at a higher price for profit.

Financing. A provision was deleted under which employers who fail to tile required reports are assigned a 5.4 percent tax rate.

Nebraska

Benefits. On January 1, 1999, the minimum weekly benefit amount will increase from $20 to $36, and the maximum weekly benefit amount rises from $184 to $206. On January 1, 2000, the maximum weekly benefit amount will increase to $2 14. On January 1, 2001, an individual's weekly benefit amount will be one-half of his or her average weekly wage, rounded down to the nearest $1. An individual's average weekly wage will equal the wages in the highest quarter of his or her base period, of which $800 has to have been paid in each of two quarters.

Disqualification. The disqualifying income provision was amended to include all temporary (previously only temporary partial) disability under workers' compensation.

New Hampshire

Coverage. A new enactment excludes from coverage services performed by election officials or election workers if the amount of remuneration received for services during the calendar year is less than $1,000. Now excluded from coverage are services performed by an individual in an elementary or secondary school operated primarily for religious purposes. In addition, services performed by an individual in the sale of newspapers or magazines are excluded, if certain conditions are met.

Financing. The amounts needed in the unemployment fund to trigger a decrease in contribution rates were raised. The contribution rate now decreases by 0.5 percent if the fund equals or exceeds $225,000,000 (was $200,000,000); by an additional 0.5 percent if the fund equals or exceeds $250,000,000 (was $225,000,000); and by an additional 0.5 percent if the fund equals or exceeds $275,000,000 (was $250,000,000) throughout the preceding calendar quarter. (However the rate cannot be less than 0.1 percent). Benefits paid to an individual for leaving employment due to domestic abuse will not be charged to the employer's experience rating account if the individual made all reasonable efforts to preserve the employment.

Benefits. The maximum weekly benefit amount increased from $246 to $275, and will increase to $301 on March 28, 1999. The minimum earnings

requirement for receipt pf benefits increased from $1,200 to $1,400. The base period was changed from uniform calendar year to the first 4 of the last 5 completed calendar quarters preceding the individual's benefit year. An alternative base period was established for individuals who have base-period wages that are insufficient to qualify for benefits. The alternative base period consists of the last 4 completed calendar quarters immediately preceding the first day of the individual's benefit year, if wages earned during such period qualify the individual for benefits. The benetit year was changed from a uniform year beginning April 1 to the year beginning with the week of a valid claim. However, the benefit year will be 53 weeks if the tiling of a new claim would result in the use of a quarter of wages in the new base period that had previously been included in a prior base period. The Federal-State Extended Benefit Program was amended to add an alternative trigger based on the State's seasonally adjusted total unemployment rate (TUR), as determined by U.S. Secretary of Labor. Under the alternative provision, the State may trigger benefits on for a week if (a) the TUR for most recent 3 months equals or exceeds 6.5 percent, and (b) the average TUR in the State equals or exceeds 110 percent of the TURs for either or both of the corresponding 3-month periods in the 2 preceding calendar years.

Disqualification. If an individual is permanently disabled (physically or mentally, or both), full-time work for that individual will be deemed to be the hours and shifts that he or she is physically able to work, provided that there is a market for the services the individual offers during the pertinent hours and shifts. In such cases, the capacity of the disabled person to work must be certified by a licensed physician. An individual will not be disqualified for benefits for leaving employment due to domestic abuse if he or she made all reasonable efforts to preserve the employment, or if he or she relocated to escape the abuse.

New York

Financing. On January 1, 1999, the taxable wage base will increase from $7,000 to $8,500. The special supplemental contribution of 0.07 percent, which applied when the size of fund index was less than 2, was eliminated. The special subsidiary contribution, which ranged from 0.01 percent to 1 .O percent depending on the general account balance, was changed to a range of between 0.525 percent, depending on the general account percentage. The requirement that limited the increase in subsidiary contributions in any year to 0.3 percent over the preceding year was the deleted. The determination of the employer to be charged for benefits paid was changed from employers in inverses order of employment too the last employer prior to the tiling of valid original claim in an amount equal to 7 times the claimants's weekly benefit amount. Thereafter, the charges will be made to the account of each employer in the base period in the same proportion that the remuneration paid by each employer to the claimant during that base period bears to the remuneration paid by all employers to the claimant during the base period. If an employer who employed the claimant in the 4 weeks immediately preceding the tiling of a valid original claim demonstrates that it has continuously employed the claimant without interruption and substantially to the same extent, it will not be charged for benefits paid. (Benefits will instead be charged to the general account). On January 1, 1999, a Re-Employment Service Fund will be established in joint custody of the Commissioner of Taxation and Finance and the State Comptroller. Each experience-rated employer must pay an additional contribution of 0.075 percent of its quarterly taxable payroll into the fund. The money in the fund will be used to provide additional automated service and staff to enhance re-employment services and claimant management activities for unemployment compensation claimants, and to pay administrative costs related to unemployment compensation claimants. The money will be paid out in vouchers. The provision that an employers contribution rate could not be less than 5.4 percent was deleted. On January 1, 1999, the range of rates under the least favorable schedule changes from 1 .1 percent through 5.4 percent to 0.9 percent through 8.5 percent; the maximum contribution rate under the most favorable schedule changes from 5.4 percent to 5.9 percent. Also on January 1, 1999, the contribution rate for any employer who has not been liable for contributions for the five completed calendar quarters ending on the computation date, or who had not paid any remuneration in the payroll year preceding the computation date, may not exceed 3.4 percent (was 2.7 percent). For purposes of determining an employer's account percentage, the number of years of average taxable payrolls is increased from 3 to 5 years preceding the computation date or to the average for all quarters if the employer has been liable for contributions for fewer than 21 (was 13) quarters. A 3-month amnesty program, which began on October 1, 1998, and ends on December 31, 1998, was established for all eligible employers who owed contributions. Under the amnesty program, the commissioner for the agency will waive penalties on outstanding contributions under certain conditions. To participate in the program, an eligible employer must make an application and pay the amount of the contribution liability, plus related interest, under one or more of the designated conditions under which amnesty is sought. The employer may pay the outstanding amount either at the time the application is made or within the time specified on a bill issued by the commissioner. On January 1, 1999, the Department of Taxation and Finance will assume the responsibility for processing unemployment insurance returns and depositing contributions. This change will eliminate the need for the employer to file the unemployment insurance return and contributions with the New York Department of Labor. The responsibilities of the Department of Taxation and Finance in regards to processing unemployment insurance information, contributions, and benefit payments will remain governed by the provisions of the Labor Law (that is, the Unemployment Insurance Law).

Benefits. The maximum weekly benetit amount increased from $300 to $365. On April 1, 1999, the following changes will become effective: (1) the weekly benefit amount will be computed as 1/25 of remuneration paid during the high quarter of the base period, lowered to the next multiple of $1; (2) the formula for computing the weekly benefit amount changes from an average weekly wage formula to a high-quarter formula; (3) to qualify for benefits in a successive benefit year, a claimant must have earned 5 times his or her weekly benefit amount; (4) the base period changes form 52 consecutive weeks preceding filing of a valid original claim to either the first 4 of the last 5 completed calendar quarters, or the last 4 ending with the week immediately preceding the filing of valid original claim, (5) the qualifying wages and employment requirements change from 20 weeks of work with minimum average weekly wages of at least 2 1 times the minimum wage in each week to 1 - 1 /2 times the high-quarter wages in the base period with at least $1,600 in the high quarter of the base period wages in at least two quarters of the base period, (6) the alternative qualifying requirements change from 15 weeks' employment in a 52-week period and total of 40 weeks of employment preceding the benefit year to employment in at least two quarters of the base period with wages of 1-½ times high quarter wages in the base period, with at least $1,600 earned during the high quarter of the base period; and (7) the base period may be extended by the number of calendar quarters (was weeks) in which an individual received workers' compensation benetits or any benefits paid under the volunteer firefighters benefit law, up to two calendar quarters (was 6 months). The following will become effective September1, 2000: (1) The weekly benetit amount will be computed as 1/26 of the remuneration paid in the highest quarter of the base period; however, if the high-quarter wages are $3575 or less, the weekly benefit amount will be computed as 1/25 of wages paid in the high quarter of the base period, lowered to the next multiple of $1; (2) The maximum weekly benefit amount payable will be equal to one-half of the State average weekly wage for covered employment, calculated no sooner than July 1, 2000, or later than August 1, 2000, rounded down to the lower $1.

Disqualification. A number of changes will become effective April 1, 1999. First, the requalifying requirement needed to purge a duration disqualification for misconduct or refusal of suitable work changes from 3 days' work in each of 5 weeks and 5 times the weekly benefit amount to 5 times the weekly benefit amount. Second, good cause for refusal of suitable work now will include a refusal to accept employment that would interfere with a claimant's right to join or to retain membership in any labor organization, or that otherwise interferes with or violates the terms of a collective bargaining agreement. Finally, whenever a new determination by a referee, the appeals board, or a court results in a denial of benefits previously allowed, the new determination shall not affect the rights to any benefits already paid under the authority of the prior determination or decision, provided they were accepted by the claimant in good faith, and the claimant did not make any false statement or representation and did not willfully conceal any pertinent fact in connection with his or her claim for benefits.

Administration. Wage information received or obtained by the New York Department of Labor as a result of conversion from a wage request system to a wage reporting system will not be disclosed by the Department unless the disclosure of the information is required by law. In no circumstance will information other than aggregate information be used or disseminated.

Oklahoma

Coverage. A new enactment excludes from coverage services performed by election officials or election workers if the amount of remuneration received for services during the calendar year is less than $1,000.

Financing. On January 1, 2000, the taxable wage base changes from 50 percent of the State average annual wage to a percentage of the State average annual wage that will be determined by the conditional factor in place during the calendar year for which the taxable wage base is being calculated. The percentage will be (1) 40 percent for calendar years in which the balance in the Unemployment Compensation Fund exceeds the amount required to initiate conditional contribution rates; (2) 42.5 percent during calendar years in which condition "a" exists; (3) 45 percent during calendar years in which condition "b" exists; (4) 47.5 percent during calendar years in which condition "c" exists; and (5) 50 percent during calendar years in which condition "d" exists. For the period July 1, 1998, through June 30, 1999, an employer's contribution rate will be reduced by 50 percent, provided that the assigned rate does not fall below 1 .O percent. An employer's experience rating account will not be charged for benefits paid to an individual who was (1) discharged for unsatisfactory performance during an initial employment probationary period, or (2) separated from employment because his or her spouse was transferred or obtained employment in another city or State, requiring the family to move, and the employee quit to move with the spouse.

Benefits. The weekly benefit amount will be computed as 1/23 (was 1/25) of the taxable wages paid to an individual in the high quarter of his or her base period. For purposes of determining partial benefits, each claimant will report all wages that he or she has been or will be paid for work performed during any week in which in which he or she claims unemployment benefits, regardless of the source or amount. The duration computation was changed from the lesser of 26 times the individual's weekly benefit amount or 40 percent of taxable wages to the lesser of 26 times the weekly benefit amount or a percentage (based on the unemployment compensation fund balance and ranging fmm 20 to 25 percent) of the State's average annual wage, or a percentage (based on the unemployment compensation fund balance and ranging from 40 to 50 percent) of the individual's insured wages during his or her base period.

Disqualification. The definition of good cause for voluntary leaving was amended to include situations in which (1) the claimant was separated from employment because a physician diagnosed or treated a medically verifiable illness or medical condition of the claimant or a minor child of the claimant, and the physician found that it was medically necessary for the claimant to stop working or change occupations; or (2) the spouse of the claimant was transferred or obtained employment in another city or State outside the commuting distance (a radius of 50 miles) from the prior employment of the claimant, and the claimant left employment to move to the location of the spouse's new employment.

Rhode Island

Coverage. The defmition of "independent contractor" for purposes of the Employment Security Act was modified to conform with the Internal Revenue Code definition.

Financing. On January 1, 1999, the flexible taxable wage base that is computed as 70 percent of the State average annual wage was repealed. The taxable wage base now will range from $12,000 to $29,000, depending on the amount of the employment security fund on September 30 of each calendar year. The fund level mandating the most favorable schedule of employer contribution rates was changed from at least 11.5 percent of taxable payrolls to 6.4 percent of total payrolls. The level mandating the least favorable schedule was changed from 5.0 percent of taxable payrolls to 2.75 percent of total payrolls. The special job development tax assessed on employers was changed from 0.15 percent to 0.19 percent of total payrolls. As a consequence, the regular tax rate for all employers was reduce by 0.19 percent. Deleted was a provision that benefits paid following disqualification for voluntary leaving, discharge for misconduct, and refusal of suitable work would be charged to the last employer's account.

Benefits. The 7-day waiting period for unemployment compensation was eliminated for cases in which the unemployment is due to a natural disaster or a state of emergency.

Disqualification. Voluntarily leaving work without good cause will include leaving work to accompany, join, or follow a spouse to a new locality in connection with the retirement of the spouse. Misconduct is defined as deliberate conduct in willful disregard of the employer's interest, or a knowing violation of a reasonable and uniformly enforced rule or policy of the employer, provided that such violation is not shown to be a result of that employee's incompetence. Also, the rule that has been violated must be fair and reasonable to both the employer and the employed worker. The provision that disqualifies employees who have a reasonable assurance of returning to work after vacations or holidays from receiving benefits for the time off was extended to professional employees of educational institutions. The between-terms and holiday/vacation disqualifications were extended to professional employees of educational service agencies. "Reasonable assurance" is defined as a written agreement by the employer that the employee will perform services in the same or similar capacity during the ensuing academic year, term, or remainder of a term.

Administration. The period during which a claimant or any other interested party may request a hearing on a regular claim determination was lengthened from 10 to 15 days. The number of members on the State Advisory Council was increased from seven to eight.

Tennessee

Disqualification. The pension offset provision was amended to provide that no reduction be made to the weekly benefit amount if 100 percent of pension benefits received is rolled into individual retirement account. If a claimant has been discharged because his or her actions, not previously known or permitted by the employer, place the employer in violation of the Fair Labor Standards Act, the claimant's disqualification shall be (1) for the duration of the ensuing period of unemployment, and (2) until the claimant has secured employment covered by an unemployment compensation law of any State, and has been paid wages equal to 10 times his or her weekly benefit amount.

Utah

Disqualification. The penalty for fraudulent misrepresentation to obtain or increase benefits and to prevent the payment of or reduce benefits was changed from a Class A misdemeanor with a fine of $50 and a penalty of imprisonment of up to 60 days to: (1) a Class B misdemeanor if the amount of money obtained or sought is less than $300; (2) a Class A misdemeanor if the amount sought exceeds $300 but is less than $1,000; (3) a third-degree felony if the amount exceeds $1,000 but is less than $5,000; or (4) a second-degree felony if the amount exceeds $5,000. The degree of any offense will be determined according to the total of all money obtained or sought through the unlawful conduct. An individual filing a new claim for unemployment compensation must disclose whether he or she owes an uncollected over issuance of food stamp coupons. If so, repayment will be made through deductions from the individual's unemployment insurance benefits, in an amount specified by the individual, determined through agreement with the food stamp agency, or as otherwise required under law.

Administration. The advisory council was renamed the Employment Advisory Council.

Vermont

Benefits. For the period July 1, 1998, through June 30, 1999, the maximum weekly benefit amount increased from $146 to $265, reflecting adjustment by a percentage equal to the percentage change during the preceding calendar year in the State average weekly wage.

Disqualification. An individual will be eligible for benefits if he or she is not self-employed or engaged in self-employment to the extent that it makes him or her unavailable for work. An individual filing a new claim for unemployment compensation must

disclose whether he or she owes an uncollected over issuance of food stamp coupons. If so, repayment will be made through deductions from the individual's unemployment insurance benefits in an amount specified by the individual, determined through agreement with the food stamp agency, or as otherwise required under law. An individual who received an overpayment of benefits because he or she has received cash severance payment must repay the amount of the benefits or an amount that may, at the discretion of the commissioner, be reduced to cover attorney's fees.

Virginia

Disqualification. The definition of misconduct was amended to include an employee's confirmed positive test for a nonprescribed controlled substance when the test was conducted at the direction of the employer, in conjunction with the employer's administration and enforcement of a known workplace drug policy.

Administration. Employers must report new hires to the Virginia New Hire Reporting Center, instead of the Virginia Employment Commission as previously required. The New Hire Reporting Center is operated by the Division of Child Support Enforcement.

Washington

Disqualification. The Washington Employment Security Department must ensure that, within a reasonably short time after initiation of benefits, all claimants register for job search in an electronic labor exchange system that supports direct employer access for the purpose of selecting job applicants. This requirement does not apply to claimants with employer attachment or union referral, or to those who are in approved training or the subject of anti-harassment orders. On July 1, 1999, the department must implement a job search monitoring program to ensure that, following the initial application for benefits, an individual is actively engaged in searching for work. A claimant must provide evidence of seeking work for each week beyond 5 in which a claim is tiled. Excluded from this requirement are individuals with employer attachment or union referral, and persons taking training that has been approved by the State Commissioner for Employment Security.

Administration. If the procedure for applying for benefits is changed from an in-person, written initial application process to call-center approach, the State employment security department must ensure that (1) unemployment insurance claimants remain actively involved in reemployment activities, and (2) an independent evaluation is conducted of the call-center approach to unemployment insurance administration.

Wisconsin

Financing. Under certain conditions, employer solvency rates applicable for calendar year 1998 are reduced.

Wyoming

Coverage. A new enactment excludes from coverage services performed as an election official or election worker if the amount of remuneration received by the individual for such services during the calender year is less than $1,000.

Administration. The Wyoming Department of Employment will operate and maintain the State Directory of New Hires. Any State information provided to the U.S. Secretary of Health and Human Services for the National Directory of New Hires may not be disclosed for any purpose except as authorized by law.

Financial Status and Economic Conditions
July 1999

The economic expansion has now reached its eighth consecutive year. The FY 2000 Midsession Review projects continued growth in both the State and Federal trust fund accounts through fiscal year 2002.

The State Accounts are projected to increase from $48.3 billion at the end of FY 1998 to $52.2 billion at the end of FY 2000. The Federal Accounts -the Employment Security Administration Account (ESAA), the Extended Unemployment Compensation Account (EUCA), and the Federal Unemployment Account (FUA) are also expected to grow through FY 2000. According to the Midsession Review for FY 2000, at the end of FY 1999 -total federal account balances are expected to total $27.8 billion. It is expected that ESAA will have a balance of $3.1 billion, EUCA $16.9 billion and FUA $7.8 billion. Total Federal account balances are expected to total $32.4 billion by the end of FY 2000.

Midsession Review FY 2000 Projections

	FY98	FY99	FY00	FY01	FY02
TUR(%)	4.6	4.3	4.4	4.9	5.1
IUR(%)	1.9	1.9	1.9	2.1	2.2
Real GDP Growth(%)	3.8	4.1	2.6	2.1	2.1
CPI Increase(%)	1.4	1.9	2.4	2.4	2.4
State UI Outlays($B)	19.43	20.76	23.03	26.39	28.93
State Revenues($B)	21.05	20.12	21.90	24.04	26.22
State Balances($B)	48.29	50.50	52.19	52.69	52.83
Federal Balances($B) (ESAA+EUCA+FUA)	23.44	27.84	32.43	37.29	42.49

Current data on State trust fund balances, benefit payments, claims activities, payment rates, etc., is available in the UI Data Summary, published quarterly. National projections based on the administration's economic assumptions are published twice a year in UI Outlook. Both publications are available on the Internet at: http//:www.itsc.state.md.us. To receive either of these publications in hard copy or to get additional information, please contact:

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Program and Policy Initiatives

Unemployment Insurance and Employment Service Programs: A Dialogue Summary

February 1999

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FOREWORD

We are pleased to announce that the Unemployment Insurance and Employment Service Programs: A Dialogue exceeds the standards set forth in the National Partnership for Reinventing Government's Conversations with America (CWA), a 1998 Presidential initiative directing all Federal Departments and agencies to increase efforts to engage customers in conversations about further improving government service. This program was successful in meeting the following objectives, which are interwoven throughout CWA.

- Improving Service to Americans
- Producing results Americans care about
- Ultimately, increasing American's trust in government

Leslie H. Schwager, Project Lead
Conversations with America
Vice President Gore's National Partnership for Reinventing Government

UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE PROGRAMS A DIALOGUE: SUMMARY

U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service

PURPOSE

The purpose of the Dialogue is to examine the Unemployment Insurance (UI) and the related Employment Service (ES) programs in light of a changing economy. This paper summarizes the consultation efforts of the Unemployment Insurance (UI) and Employment Service (ES) programs in the Dialogue and identify common themes from comments received from States, Regional Offices, Individuals, and Stakeholder Groups.

PROCESS

The Administration announced its desire to conduct a broad Dialogue on these programs with the release of the President's budget in February 1998. A white-paper was produced to provide a general framework for the Dialogue and was distributed broadly. Copies of the White-paper are available on the DOL website at www.dol.gov. Sixty-five Dialogue sessions were held with over 3,800 participants, and 64 written responses were received.

DIALOGUE ISSUES

The interchange of communication on how the effectiveness and design of the UI program works in today's economic environment, is primarily focused on six areas: (1) Individual Economic Adjustment, (2) Macroeconomic Stabilizer, (3) Insurance Concepts, (4) Financing Benefits, (5) Financing Administration, and (6) Federal-State Partnership. Attached are common themes identified from comments received. In addition, the responses reflect strong concern regarding the effectiveness of the ES program and the importance of the linkage between the two program.

Besides responding to questions posed in the Dialogue, respondents used their replies to make a number of relevant points and recommendations. These major points are identified in this summary which uses the language from the comments themselves to summarize the responses.

UNEMPLOYMENTINSURANCE (UI) AND EMPLOYMENT SERVICE (ES) PROGRAMS: A DIALOGUE

GENERAL COMMENTS

- Just holding the forums and beginning a dialogue on Unemployment Insurance (UI) is a success. The Department of Labor (DOL) is to be commended for holding these forums and advancing the idea of rethinking UI in light of our changing economy, specifically to make the program more responsive.

- We need a UI system that fully performs its function to reduce the economic impact of recessions and stabilize the economy.

- The State and Federal partnership will stay viable if we continue to have dialogues/discussion, etc.

- We hope that this dialogue will lead to reform that reverses many of the negative trends in recipiency, benefit levels and administrative funding that have plagued the system for decades. Our country needs reform and a revitalized Unemployment Insurance/Employment Service system.

- The proposed dialogue has gotten off to a rocky start for two primary reasons. First, the dialogue is occurring on the heels of the federal partner proposing legislation with significant policy and service delivery implications for state partners with no input from those state partners. The legislation defines issues and proposes solutions without the benefit of any true dialogue or agreement between the partners. And second, the dialogue is being carried out through the development of a white paper with the Federal partner framing the discussion. This approach is neither a true dialogue, nor does it recognize the state's fundamental role in shaping and delivering these programs.

- We commend the Secretary of Labor for initiating the National Dialogue on Unemployment Insurance. We support bringing together the different stakeholders across the United States to discuss the important issues facing our unemployment insurance programs. We look forward to concrete steps to address the well-documented problems identified in the dialogue.

- The issue of unemployment insurance should not produce an adverse environment with Claimant vs. Employer, Democrat vs. Republican, Union vs. Management, or the Left vs. the Right. The UI system is a social insurance program enacted to provide temporary, partial compensation for wage loss to eligible workers during periods of involuntary unemployment and to promote economic stability by maintaining purchasing power and preventing the loss of an employer's trained workforce.

- We appreciate the opportunity to participate in the National Dialogue on UI and the Employment Service (ES) being undertaken by DOL. As the Department's research illustrates, the convergence of change in the economy, the workforce and the workplace itself makes this an opportune time to reexamine our employment security systems and what steps can be taken to help them function more effectively.

- Federal reports and recommendations such as those created by the Advisory Council on Unemployment compensation provide invaluable data for States to use in shaping their ES system.

DIALOGUE POLICY ISSUE 1: INDIVIDUAL ECONOMIC ADJUSTMENT

This issue is concerned with how well the UI program helps individual unemployed workers by providing adequate financial resources and promoting transition to reemployment. It is also concerned with who receives benefits, what kinds of reemployment services are provided by ES, and the effectiveness of these services.

Following are the original questions as posed in the Dialogue, with a summary of the replies of those respondents who addressed the question.

Questions asked:

How well does the UI program help individual unemployed workers by providing adequate financial resources and promoting transition to employment? Who should receive benefits; what kinds of reemployment services should be provided, and how could these reemployment services be made more effective?

SUMMARY OF RESPONSES -WHAT WE HEARD:

- All respondents agreed that UI is seen as a social safety net and that it partially replaces a worker's lost income when he or she is involuntarily unemployed.

- One respondent offered that you can't have a safety net without a way out of it-a "ladder" back to employment.

Wage Replacement:

- Few respondents addressed wage replacement rates. Most of those responding, felt that the rate should be between 50 and 60% of lost wages. A rate not exceeding 60% of the wages earned would provide an incentive to the claimant to return to work.

- One State felt that its current rate of wage replacement of 46% was adequate to meet the income maintenance intent of the program.

Expanding Eligibility:

- A number of respondents recommended that expanding UI eligibility should focus on expanding coverage to additional workers-certain agricultural workers, farmers, and independent contractors.

- State comments regarding alternative base periods (ABP) varied. Those States responding, other than the States with current ABP or the States that are currently considering it, expressed opposition. The first major concern was that it could cause shorter spells of work and therefore prevent workers from pursuing long term employment. The second concern was the associated implementation cost. There is fear that Federal funding will not adequately cover the incurred State expense.

- UI eligibility was viewed as a State legislative issue and the State Legislatures should be making the judgment, not the Federal Government.

- Organized Labor and Community-Based Organizations showed positive support for expanding eligibility criteria. Supported efforts are as follows:

  · Implement the ABP, extend eligibility to part-time workers and provide lower qualifying requirements.

  · Expand "good cause" separations to include compelling personal reasons.

  · Expanding eligibility is particularly important in the current welfare-to-work environment.

  · Press for generous levels of benefit support for as long as necessary with relatively few restrictions on eligibility.

- State comments did not support expanding eligibility. UI benefits should be paid to workers who have shown a strong attachment to the labor market. The States' overall perception of part-time work and availability, personal restrictions causing unemployment, etc., is interpreted as a temporary attachment to the labor market.

- Employers have voiced an interest in reducing their tax liability while ensuring that the UI system is adequately providing the needed temporary wage replacement to the UI benefit population. Persons who are available for only part-time employment and those with other availability issues should not be compensated. These circumstances are social issues and should be addressed outside the UI program.

- Several responses agreed with the proposal of the Advisory Council on Unemployment Compensation which would provide benefits to anyone who has earned eight-hundred times a State's minimum wage during the base period and has high quarterly earnings equal to one quarter of those wages.

Recipiency Rate:

- Several States attributed the recipiency rate decline to Federal restrictions on eligibility under the Extended Benefit (EB) program. During this period, States indexed their basic eligibility requirements to make a smooth transition to EB.

- Several States have expressed skepticism of the Department's focus on increasing the recipiency rate. There is concern that the Federal Government is suddenly focusing on recipiency and wage replacement rates based on Congress' initiative to put DOL on performance indicators, i.e., the Government Performance and Results Act (GPRA). States don't see it benefitting them because there are no commensurate dollars to fund the activity.

Reemployment Services:

- All respondents favored some method of expanding reemployment services. States felt worker profiling and the Workforce Development Partnership programs have changed the way reemployment services are delivered and the programs have been very effective in establishing reemployment.

- Responses referenced a link between UI claimants and those who have the jobs, those who know where the jobs are, and those who can offer the training opportunities and other supportive services which can assist claimants in meeting the needs of the employers.

- Several respondents expressed a need to see more links between UI and ES. They were disappointed that the Dialogue did not place more emphasis on ES.

- DOL is urged to recognize the interdependency of UI and ES within the context of the "New" Employment Security System. Recognition that the One-Stop Career Center System is inextricably linked to the Employment Security System is important.

- DOL should educate employers regarding the relationship of UI and ES. Marketing strategies should emphasize the importance of this relationship.

RESEARCH RECOMMENDATIONS

- Respondents presented an array of reasons for the decline in the recipiency rates in States. Responses attributed causes to reason and duration of unemployment. The final consensus was that additional study should be conducted by the Federal government before a decision is made that the system is "broke" and needs repair. **The research should explore the increasing share of employment in the economy involving work that can be termed "nonstandard" (part-time, self-employment, temporary, etc.). How does this impact the recipiency rate?**

- Study how the taxation of UI has impacted claimants.

- Study the operational cost of the States that have ABP.

- Explore the current value of UI's economic stabilization effect on a state by state or metropolitan area basis and periodically issue press releases with the estimation.

- Study whether the rate of pay after receipt of UI unemployment benefits was more or less than the pre-UI wages.

- Study the characteristics of the claimant population that would benefit from use of lag quarter wages in a monetary determination. Note: We have conducted a study in this area-Implementing Alternative Base Periods: Impact on State Agencies, Employers and the Trust Fund, UI Occasional Paper 98-4.

DIALOGUE POLICY ISSUE 2: MACROECONOMIC STABILIZER

This issue is concerned with whether the UI program's performance could be improved.

Following are the original questions as posed in the Dialogue, with a summary of the replies of those respondents who addressed the question.

Questions asked:

How well should the program serve as a counter-cyclical macroeconomic stabilizer? That is, how well should the program serve to stabilize the economy locally? Regionally? Nationally? How could the Program's performance be improved?

SUMMARY OF RESPONSES - WHAT WE HEARD:

- In summary, the majority of respondents felt that UI provided reasonable purchasing power while maintaining incentives to return to work and with proper funding, the program will continue to be the economic stabilizer that it has been in the past.

- One State voiced that it did not know how the UI program could be improved, but the devolution proposal would reduce its effectiveness.

- Overall comments on the EB issue varied and few significant views could be summarized by consensus. The issue climate is reflected in the following:

  - All responses supported a reform of the EB program. However, a majority of respondents on this issue did not support the approach proposed in HR 3697. The exception was Labor; there was support from at least one Labor group for the proposed EB reform approach. Respondents felt that while a trigger mechanism for EB which is more responsive to economic downturn is desirable, it should not result in trust fund insolvency.

  - Some respondents proposed Federally funding EB 100% instead of the current 50-50 split.

  - Most respondents addressing the Insured Unemployed Rate (IUR) agreed that it is the right measure to use as the EB trigger. Many individuals counted in the Total Unemployed Rate (TUR) as unemployed are not job losers. The triggers recommended by the Advisory Council on Unemployment Compensation was suggested by one Labor group.

DIALOGUE POLICY ISSUE 3: INSURANCE CONCEPTS

This issue deals with how well the program operates in terms of accumulating resources for payment during economic downturns. It explores notions of forward funding, solvency and risk pooling. The goal is to have a financially viable UI program.

Questions asked:

How well does the UI program operate in terms of core insurance principles of forward funding, risk pooling, and solvency? How well does the program accumulate resources for payment during periods of economic downturn? How well does the program operate in terms of pooling risk for employers and States? What are the consequences of diverging from these insurance principles?

SUMMARY OF RESPONSES -WHAT WE HEARD

- States believe it would be difficult to enforce a federally mandated trust fund solvency formula. When given the choice of “pay me now or pay me later,” the state politicians will always opt for the latter.

- A suggestion was made to build adequate reserves to increase the small state minimum allocation for Wagner-Peyser to 5%. There is a feeling that the benefits to the UI system of building adequate reserves are countered by the impact of depositing millions of dollars in the US Treasury without benefitting the state.

- This statement was echoed by States, "It should be the responsibility of the states, not the federal government to determine funding levels and basic benefit eligibility."

- One State felt that the federal government should continue to identify issues of concerns in the UI program, but the resolution of these issues should remain at the state level.

- One State agreed that the UI program should be forward funded and that there should be federal solvency guidelines based on past experience and actuarial principles to assist States to achieve and maintain adequate fund reserves. However, the State opposed any proposal that makes program funding conditional upon meeting solvency targets.

- Labor respondents were somewhat divided on supporting a solvency standard. There was concern that there may be an attempt by States to meet solvency standards by tightening eligibility standards.

- A suggestion was made to develop an alternate methodology that would allow States that have met the solvency requirement for every year except the year the solvency measurement was taken to be eligible to receive funds from the Reed Act distribution.

- States expressed concern that financial incentives to encourage States to increase taxes on employers would mean that States that tax more and spend more would be rewarded by USDOL, while States that take a more prudent approach to employment security would receive no additional administrative funding. This is a very bad idea.

- Most States believe that the growth in administrative funding during recessions is one example of the advantages of pooled risk as is the ability of states to borrow when trust funds become insolvent. The number of states that become insolvent during each recession demonstrates the weakness of core insurance principles in the UI program.

- Labor respondents agreed with the basic insurance concept of pooling a risk. Using a reasonable risk adjustment factor is a win-win approach.

- Responses linked trust fund solvency to shortening the duration of benefits through rapid reemployment of claimants.

- The number of leased employees appears to be growing; there is the potential for adversely affecting the fundamental insurance concept of risk-pooling. A number of employees are unwittingly classified as leased or independent contractors, thus relieving employers of liability and eliminating employees' UI safety net.

DIALOGUE POLICY ISSUE 4: FINANCING THE BENEFITS

This issue is concerned with how well the benefit financing structure works in terms of its efficiency, equity and incentives.

Questions asked:

How should the UI benefit financing structure (including items such as taxable wage bases, minimum and maximum rates, rate schedules) work to assure efficiency, equity and incentives? To what extent should employer tax rates be based on experience with unemployment? How could employer reporting and record keeping be streamlined?

SUMMARY OF RESPONSES - WHAT WE HEARD:

- States acknowledged the critical need for Experience Rating to continue and urged the Federal government to fully support experience rating principles.

- There was limited employer responses in this area. DOL was advised not to disrupt States' financing systems through any mandated or coerced increase in States' taxable wage base. It was felt that, as tax rates are adjusted down, the effectiveness of experience rating diminishes.

- It was consistently voiced by many respondents, "Let the 0.2% surcharge sunset." Respondents expressed that both the ES and the UI Programs are underfunded while Congress continues a 0.2% surcharge on FUTA. The combination of over taxation and under funding creates resentment on the part of employers who fund both programs.

- One individual stakeholder made the comment that tax relief is seen as the carrot encouraging employers to participate in the program and to monitor their claims. This is a myth. While the UI tax is a cost of doing business, UI is seldom a factor in an employer's decision to terminate any given individual. Charge relief is expensive administratively; it should be limited to voluntary leaving not attributable to the employer and to those limited circumstances where a SESA disqualified the individual from receipt of benefits. Permitting relief of charges to reimbursable employers, to part-time workers, and to base year discharges would be one-step in reducing the percentage of socialized charges.

- There were few comments in the area of employer reporting and record keeping. The comments received support the elimination of forms and reporting requirements that do not relate to significant Federal interest. Federal interest was not identified. Consider semi-annual reporting requirements.

- One individual stakeholder felt that there is a lack of standardization of the UI systems that maintain the data. Look at standardization of systems and data definition.

- Labor's position is summarized as follow:

  · Establish incentives for States to develop experience rating formulas and benefits tax rates that adequately fund the system.

  · Ensure adequate revenues to fund benefits for eligible unemployed workers who can not link their job loss to a specific employer.

  · Create incentives for States to raise their taxable wage base to mitigate the disproportionate share of benefit tax payments levied on low-wage employers.

DIALOGUE POLICY ISSUE 5: FINANCING ADMINISTRATION

This issue is concerned with how well the current system for administrative funding of the UI and ES programs works and other administrative issues.

Questions Asked:

How should the administration of the UI and ES programs be financed? How well does the administrative financing system respond to workload changes over the business cycle? How should the administrative financing system be changed to better encourage efficient and cost-effective operations?

SUMMARY OF RESPONSES - WHAT WE HEARD:

- One State felt that the administration of the UI program continues to be unbalanced when viewing State and Federal roles.

- A major concern of all respondents is that ES has been level funded for many years. Level funding means gradual erosion of capabilities and severely limits the ability of the ES to support the one-stop career center system, which directly affects the school-to-work and welfare-to-work initiatives. The essential workforce development activities are directly dependent upon a strong ES.

- State's shared concerns:

  - There must be adequate funding - at a minimum maintaining increases relative to inflation.

  - Funding should be based in part upon workload with an appropriate recognition of the impact of base costs for small states.

  - The system must take into consideration the full array of customers to be served. These include not only individuals who, due to lay-off, are in need of wage replacement and reemployment services, but also those who are seeking to move into the workforce from welfare programs, and those moving from school-to-work. Each group requires strategies that may be both common and unique.

- States are concerned about the lack of proposed reform on the employment side (i.e, ES) of the State agency.

- Respondents voiced a great interest in positive reemployment incentives and the establishment of consistent management information and outcome measures that reflect the unique architecture of the new One-Stop Career initiative. The financing of the Employment Security system is an area of great concern. Under funding threatens the integrity of the system and costs more in the end.

- USDOL is encouraged to be more aggressive in urging the Clinton administration to request funding for states.

- In summary, DOL is asked to recognize the interdependency of the UI and ES programs within the context of the "New" Employment Security System. It is important to recognize that the One-Stop Career Center System is inextricably linked to the Employment Security System.

- Respondents felt that funding should be placed on the mandatory side of the budget, and that it was inconceivable that UI benefits are on the mandatory side while the resources to administer the program are on the discretionary side of the budget.

- The majority of States felt that FUTA dollars should be used for the administration of both UI and ES. These funds are available but yet they sit in the trust fund. States should collect FUTA taxes.

DIALOGUE POLICY ISSUE 6: FEDERAL-STATE SYSTEM

This issue is concerned with how well the current Federal-State partnership works in assuring a basic national program that reflects differences among the States. It encourages discussion of broader issues.

Questions asked:

How should the Federal-State partnership work to assure a basic national UI program that reflects essential differences among States? How can the partnership be improved? Are any changes needed in the division of responsibilities, such as financing, benefit structures, or oversight? What should be the relationship between UI and ES? What form should ES take in the future?

SUMMARY OF RESPONSES - WHAT WE HEARD:

- Respondents shared the same view that there was very little in the Dialogue regarding ES. There was no discussion of ES functions as they currently exist or in light of new initiatives such as One Stop Service Centers, partnering or privatization. There appears to be a lack of support for ES.

- States want to maintain a degree of autonomy regarding economic and social issues related directly to the region and area where they are located.

- Overall, respondents expressed the importance of maintaining the current Federal-State partnership to assure a basic national program. States acknowledged that while many of the liberalization efforts may be desirable, they clearly should be decided by the States. The Dialogue paper can stir worthwhile debate but without legislative action, which is unlikely in many conservative western States, no action can or will be taken.

- Labor supported Federal standards. Any standards imposed may have unintended consequences because States may restrict eligibility to meet Federally imposed standards.

APPENDICES

UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE PROGRAMS A DIALOGUE: BACKGROUND

U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service

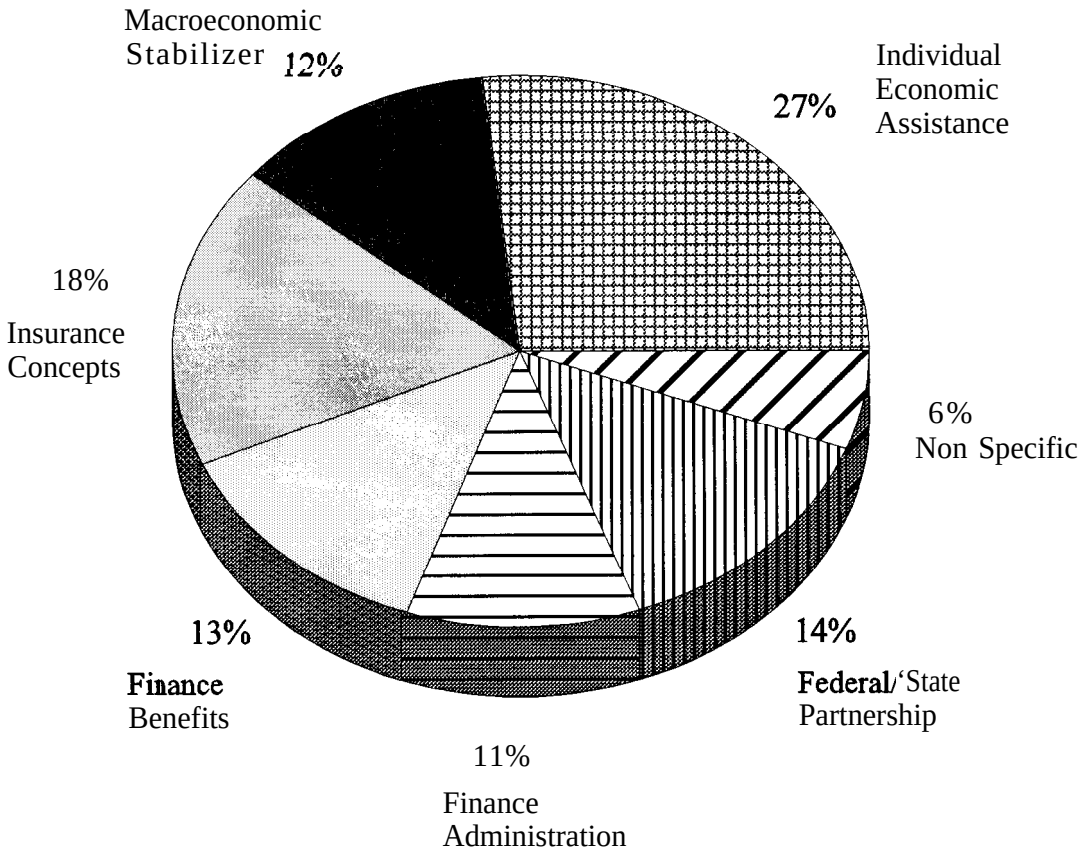
- February 1998 - President Clinton signed his FY 1999 budget proposal, setting in motion a reform of the UI program.
- February 3, 1998 - ETA began FY 1999 Budget and Legislative Proposal Briefings with Employer, Labor, State/National, Other and Regional Groups.
- March 13, 1998 - Secretary of Labor Alexis Herman announced a Dialogue to examine the UI and ES programs.
- April 21, 1998 a draft bill entitled the "Unemployment Compensation Amendments of 1998" was introduced to Congress. The significant reforms proposed in this bill would result in increasing the access, equity, and solvency of the UI program.
- May 4-5, 1998 - Regional UI Directors meeting was held to distribute Dialogue speaking kit material and present an overview of the utility of the material.
- June 9 - 11, 1998 - Widmeyer Baker, contractor for DOL, conducted Employer Focus Groups.
- June 25, 1998 - Dialogue Paper mailed to external partners. The list contained names of over 1,200 sector groups.
- June 1998 - Dialogue was placed on the World Wide Web for public review and comments. Directives, FM-35-98 and TEIN 40-97, were mailed to solicit participation in the UI/ES Dialogue.
- Regional Dialogue, Briefings, Public and Stakeholders meetings were held.
- August 21, 1998 - Dialogue response period ended.
- September 1998, 64 responses were received: 27 from States; 7 from Organized Labor Groups; 12 from Employers; 7 from Community Based Organizations; 4 from Private Individuals; 2 from Local Governmental Entities; and 5 Others (academia.).

RESPONSES TO UI/ES DIALOGUE TOPICS
Support for Individual Dialogue Issues

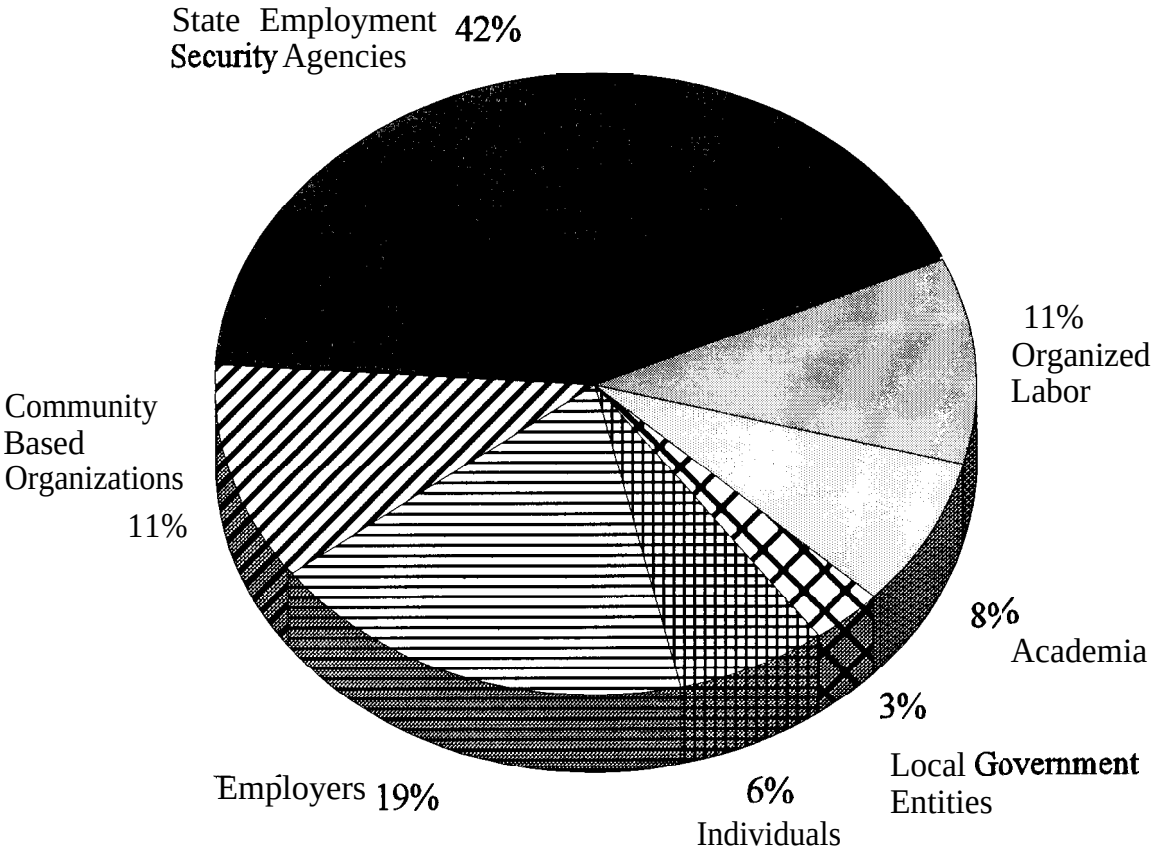
ISSUES	ORGANIZED LABOR	EMPLOYERS	SESAs	COMMUNITY-BASED ORGANIZATION	INDIVIDUAL	OTHER
Solvency Standard	X*					
Experience Rating System		X	X			
Federal Standards	X					X
Move Admin. To Mandatory Side			X			
Increase Wage Replacement*	X		X			X
Repeal 0.2 Tax		X	X			
Pooled Risk	X		X			X
Full Admin. Funding for UI/ES	X	X	X	X	X	X
Reform EB***	X	X	X	X	X	X
Expanding Coverage****	X		X			X
Increasing Recipiency	X					
Raise Wage Base	X			X		
Streamlining Reporting	X		X		X	
States Collect FUTA		X	X			
Reemployment Services	X	X	X	X		X

* Half of labor respondents supported this
** To 50% with additional research
*** Reform supported but not necessarily HR3697
* * * * Coverage for Agricultural Workers

UI Dialogue Comments by Area of Discussion



UI Dialogue Comments by Sector



Seminars, Meetings, Conferences and Training

Unemployment Insurance (UI) Profiling Methods

Held June l-5, 1998 in Scottsdale, Arizona, this seminar provided participants with the skills necessary to successfully maintain and enhance the UI Profiling systems developed over the last several years. Information about profiling practices that have proven successful was provided. The seminar also discussed topics such as the statistical techniques used to identify UI claimants likely to exhaust benefits. Particular emphasis was placed on updating profiling models and approaches that can minimize expected statistical biases in groups successfully completing profiling services.

The next seminar on UI Profiling is tentatively scheduled for January 2000 in Arizona.

Unemployment Insurance Quantitative Methods

Held January 1 1 - 15, 1999 in Scottsdale, Arizona. Representatives from various State Employment Security Agencies and three members of the research team from the National Office, received a refresher course in statistical concepts as they are applied to the unemployment insurance program. The seminar reviewed concepts such as means, variance, and correlation and advanced to single variable regression, multiple regression and problems in applying regression analysis.

The next seminar on Quantitative Methods is tentatively scheduled for October 2000 in Arizona

Unemployment Insurance Trust Fund Forecasting

Held May 24-26, 1999 in Washington, DC, participants of this seminar were provided training in the use of the State Benefit Financing Model used for Trust Fund forecasting. Seminars sessions included: benefit cost estimation, forecasting State revenues, measuring the impact of State law changes, understanding solvency measures, and building State-specific regression equations.

The next seminar on Trust Fund Forecasting is tentatively scheduled for May 2000

Questions about these seminars should be addressed to:

Robert Pavosevich, Unemployment Insurance Service, 202-219-53 12 x 376

Research Project Summaries and Status

July 1999

Study Title:	**An Analysis of Unemployment Insurance Durations Since the 1990-92 Recession**
Purpose:	This research effort reviewed and analyzed the high Unemployment Insurance (UI) durations since the last recession.
Beginning Date:	July 1, 1998
Ending Date:	March 31, 1999
Contractor:	Mathematica Policy Research, Inc.
Project Monitor:	Brenda Bruun, UIS
Status:	The project is complete. The final report was submitted to the National Office in March, 1999.
Funding Source:	Office of Policy and Research (OPR), Research and Evaluation
Findings:	Increased average UI durations are a concern for two reasons: This increase may reflect the difficulties obtaining new jobs that certain types of unemployed workers are facing in this "full employment" economy. And, increased average UI duration may imply increased aggregate benefit payments thus raising concern about the adequacy of States' trust fund balances. While further research on this topic needs to be conducted, this report notes the following findings: ▪ Average UI durations have increased 1.1 to 1.4 weeks over what would be expected at this stage of the business cycle. ▪ The increase in average UI duration appears to be directly related to the increase in average unemployment duration. ▪ There has been an increase in the fraction of claimants in demographic groups who are likely to experience long unemployment spells (i.e. older workers, females, African Americans). ▪ The decline in manufacturing employment (employment usually associated with short duration) has played a role in increasing average UI duration.

Study Title:	**Emergency Unemployment Compensation (EUC) Act Study**
Purpose:	The specific areas of concern in this project were: the labor market experience of unemployment insurance claimants; the effect of EUC on the economy and UI State trust funds, and the overall effectiveness of extended recessionary benefits.
Beginning Date:	September 30, 1994
Ending Date:	January 3 1, 1998
Contractor:	Mathematica Policy Research, Inc.
Project Monitor:	Robert Pavosevich, UIS
Status:	Published as: Unemployment Insurance Occasional Paper 98-1, Emergency Unemployment Compensation: The 1990s Experience. Currently undergoing revision. The revised report will be published as an Occasional Paper in 1999.
Funding Source:	OPR, Pilots and Demonstrations

Findings:

- The extended benefits (EB) component of the EUC program performed an important counter cyclical role during the recession of the early 1990s.
- Implementation of EUC-type programs should be streamlined; the optional claims component of EUC should be dropped from future EB programs; without significant changes to the EB triggers, future emergency programs will have to function as both second-tier and third-tier programs.
- The EUC program kept many families from falling below the poverty line.
- Workers experienced considerable difficulty finding reemployment during the EUC period. Recipients' experiences suggest the need for enhanced reemployment services
- Females made up a greater percentage of EUC recipients than previous programs and fewer claimants were from manufacturing industries.
- The size and scope of the EUC program significantly exceeded what would have been provided under the regular EB program.

Study Title:	**Employer Response to the Unemployment Insurance Payroll Tax**
Purpose:	The purpose of this project is to further the research regarding the response of firms to the Unemployment Insurance (UI) program system. The project has two main objectives: (1) to build a large longitudinal database containing information on individual firms and workers in those firms, and (2) to use the database to answer a number of key programmatic and economic questions concerning the effects of UI taxes on the firm's behavior. It is expected that building a firm-level longitudinal database will allow for a more detailed and accurate analysis than has previously been attempted in this area. Furthermore, construction of this unique database will not only assist in addressing current questions on firm behavior but will also be available as an important tool for further research.
Beginning Date:	September 29, 1995
Ending Date:	September 30, 1999
Contractor:	Westat, Inc.
Project Monitor:	Mike Miller, UIS
Status:	The draft final report has been received and reviewed. The final report is expected in September 1999.
Funding Source:	UI National Activities

Study Title:	**Evaluation of the Impact of Telephone Initial Claims Filing**
Purpose:	The purpose of this study is to provide a comprehensive evaluation of the potential impacts that introducing telephone remote initial claims could have on key impact areas for UI operational and financial management. Areas of analysis will include: net administrative cost impacts; application rates and claims volume; program integrity; employers tax rates; trust fund impacts; and, potential uses of other remote claims-taking technologies, such as the Internet.
Beginning Date:	October 2, 1995
Ending Date:	January, 2000
Contractor:	National UI Information Technology Support Center with Mathematica Policy Research Inc.
Project Monitor:	Anissa Holm, UIS
Status :	Contract extended to accommodate site visit to Massachusetts.
Funding Source:	UI National Activities

Study Title:	**Evaluation of Worker Profiling and Reemployment Services Systems**
Purpose:	The purpose of this project is to provide research assistance to DOL in conducting a comprehensive evaluation of the operations and effectiveness of State Worker Profiling and Reemployment Services Systems. The plan is to conduct an evaluation of the Worker Profiling and Reemployment Services (WPRS) Initiative which provides: (1) information on the operation and effectiveness of State Worker Profiling and Reemployment Services Systems that have been developed in accordance with Public Law 103-l 52, and (2) an assessment of State operations that pertain to the further development and effectiveness of more established State WPRS systems.
Beginning Date:	July 1, 1994
Ending Date:	June 30, 1999
Contractor:	Social Policy Research Associates
Project Monitor:	Jon C. Messenger, Office of Policy and Research (OPR)
Status:	The final report was completed in June 1999.
Funding Source:	Job Training Partnership Act (JTPA) Title III Demonstration

Findings:

- All States have implemented a system to identify UI claimants at risk of exhausting their benefits and 85% use a statistical model for profiling.
- States vary in the types of reemployment services provided. Virtually all States require claimants to attend an orientation and over 3/4 require claimants to meet one-on-one with a counselor to develop an individualized service plan.
- WPRS claimants received substantially more services than claimants not referred by WPRS.
- In four of the six States studied, WPRS significantly reduced UI receipt by: shortening the amount of time a claimant receives benefits or decreasing the dollar amount of UI benefits. In one State, WPRS had no impact on UI receipt and one State had mixed results -there were small reductions in UI receipt but WPRS reduced the likelihood of exhausting benefits.
- WPRS had no significant impact on employment and earnings of referred claimants.

Study Title:	**Interstate Competition in Unemployment Insurance**
Purpose:	The primary goal of this project was to quantify the impact of interstate competition in setting Unemployment Insurance tax rates. Additionally, research was to be done on interstate competition in other social benefit programs.
Beginning Date:	March 26, 1997
Ending Date:	November 30, 1997
Contractor:	The Urban Institute
Project Monitor:	Robert Pavosevich, UIS
Status:	Published as: Unemployment Insurance Occasional Paper 98-5. Essays on Interstate Competition in the Unemnlovment Insurance Svstem.
Funding Source:	OPR, Research and Evaluation

Findings :

- Tax rates declined after 1989, particularly during 1994- 1996 relative to what might be expected.
- The size of the unexpected decline in UI tax rates was roughly 15 percent during 1994-1996, leading to the conclusion that this was primarily the result of interstate competition.
- Further research focusing on the determination of UI tax rates and how other variables such as political influence may be important.

Study Title:	**Stabilization Effect of the Unemployment Insurance Program**
Purpose:	The purpose of this solicitation is to provide detailed information to National and State policymakers on the effectiveness of the Unemployment Insurance (UI) program as an automatic stabilizer during economic downturns, the factors that impact the ability of the UI program to achieve its stabilization objective, analysis of how to improve the stabilization objective and an estimate of the multiplier effect of the UI program.
Beginning Date:	May 1, 1998
Ending Date:	March 1999
Contractor:	Coffey Communications, LLC
Project Monitor:	Esther Johnson, UIS
Status:	The draft final report was submitted and is under review.
Funding Source:	OPR, Research and Evaluation

Findings:

- Over the last 3 decades, during times of economic contraction, the Federal-State UI system has consistently mitigated the severity of downward fluctuations in Gross Domestic Product (GDP)
- UI has replaced Federal tax receipt as the most effective automatic stabilizer available to dampen the severity of downturns in GDP
- Declining recipiency diminishes the program's effectiveness as an automatic stabilizer
- The UI multiplier was most effective in the 1970s; effectiveness decreased from the 1970s to the 1980s, but increased in the 1990s
- The recessions of the 1970s, '80s and '90s (as measured by the decline in real GDP) would have been on average 15% deeper if the UI program did not exist
- Without UI, an average 13 1,000 more jobs per year would be lost during recessions

Recommendations:

- Increase UI recipiency rates
- Make the program more fully automatic
- Make job training programs more effective
- Examine further the relationship between UI and other automatic stabilizers, e.g. food stamps, public investments, etc.

Study Title:	**A Study of Alternative Work Arrangements: Independent Contractors**
Purpose:	The primary purpose of this research effort is to analyze the classification of workers as independent contractors and measure its impact on State Unemployment Compensation (UC) programs including the trust fund. The impact on unemployed workers, employees and employers will also be examined.
Beginning Date:	July 1, 1998
Ending Date:	January 1, 2000
Contractor:	Planmatics, Inc.
Project Monitor:	Wayne Gordon, UIS
Status:	A detailed study design has been delivered to DOL. The contractor has completed two of six site visits.
Funding Source:	OPR, Research and Evaluation

Study Title:	**A Study of Unemployment Insurance Exhaustees**
Purpose:	To provide up-to-date information on the behavior, experiences and labor market characteristics of UI exhaustees, compared to those of claimants generally. Will determine to what extent they are served by the UI program, including the Worker Profiling and Reemployment Services system.
Beginning Date:	October 1, 1998
Ending Date:	September 30, 2000
Contractor:	Mathematica Policy Research
Project Monitor:	John Heinberg, UIS
Status:	Design report has been received and contractor is currently seeking OMB clearance for survey instruments.
Funding Source:	UI National Activities

Study Title:	**A Study of Unemployment Insurance Recipiency Rates**
Purpose:	This research effort reviewed and analyzed patterns in the rate of recipiency of Unemployment Insurance (UI) benefits by unemployed workers in the United States. The proposed methodology for evaluating the sensitivity of the rate of recipiency of UI benefits will update the time series cross sectional model developed by the Burtless and Saks (1984) study with more recent data. An additional exercise will test the sensitivity of other suggested alternative means of measuring UI.
Beginning Date:	June 30, 1998
Ending Date:	May, 1999
Contractor:	Center for Employment Policy and Workforce Development, State University New Jersey, Rutgers
Project Monitor:	Crystal Woodard, UIS
Status:	The final report was received on July 12, 1999.
Funding Source:	OPR, Research and Evaluation

Findings:

- The decline in unionization explained approximately 25 percent of the decline in the Standard Rate from 1977 to 1987.
- Federal taxation of benefits could account for 25 percent of the decline from 1979 to 1987.
- Changes in CPS measurement of unemployment could explain from 2 to 10 percent of the decline in the Standard Rate from 1971 to 1986.
- Cost shifting from State UI programs to other federally funded programs had little impact on the recipiency rate.
- From the 70s to 80s, compositional characteristics of unemployed workers and geographical shifts in the distribution of unemployed workers had a negligible impact on the Standard Rate.
- From the 80s to 90s, compositional characteristics of unemployed workers explained a small portion of the decline in recipiency and geographical shifts in the distribution of the unemployed accounted for 11 percent of the decline in recipiency.
- There were no substantial changes when the alternative UI recipiency rates were used.
- Future research should analyze the effects of UI policy changes and the differences in recipiency rates across groups of unemployed workers.

Study Title: **Unemployment Insurance Customer Satisfaction Survey**

Purpose: The purpose of this survey was to determine the degree to which the Unemployment Insurance system provides satisfactory services to its customers.

Beginning Date: September 30, 1996

Ending Date: December 1998

Contractor: Bardsley and Neidhart, Inc.

Project Monitor: Wayne Gordon, UIS

Status: The project is complete. It was published as UI Occasional paper 99-2

Funding Source: OPR, Pilots and Demonstrations

Findings:

- Satisfaction with the Unemployment Insurance system is very high, both for the system overall and its specific components. In a broad sample of claimants, including individuals who were determined not eligible for benefits, the mean rating of overall satisfaction is 4.0 on a 5-point scale (5 being “extremely satisfied”); 42 percent of all claimants are extremely satisfied, while only 5 percent are extremely dissatisfied.
- Approximately 60 percent of respondents are extremely satisfied with the fairness of decisions and treatment.
- Claimants offer a high level of support for key features of the Unemployment Insurance system.

Study Title:	**Unemployment Insurance One-Stop Connectivity Study**
Purpose:	The purpose of this study is to evaluate the connections between the Unemployment Insurance program and the One-Stop Offices.
Beginning Date:	September 27, 1997
Ending Date:	August 30, 1999
Contractor:	Social Policy Research, Inc.
Project Monitor:	Diane Wood, UIS
Status:	The contractor has conducted site visits to eight States. Focus groups were conducted with employers, claimants, and SESA staff on-site. A modification has been submitted to extend the completion date of the final report to August 30, 1999.
Funding Source:	UI National Activities. The extension was funded with matching funds from the One-Stop program.

Study Title:	**Unemployment Insurance Research: An Annotated Bibliography**
Purpose:	The UI Research Bibliography is meant to be a useful tool for policymakers, researchers, economists and others interested in unemployment insurance and related research. The Bibliography contains current and historical research articles.
Beginning Date:	July 1, 1998
Ending Date:	June 30, 1999
Contractor:	None
Project Monitor:	Brenda Bruun, UIS
Status:	Released as UI Occasional Paper 99-3 the week of July 26, 1999.

Study Title: **Unemployment Insurance Research Database**

Purpose: The UI Research Database is meant to be a useful tool for policymakers, researchers, economists and others interested in unemployment insurance and related research. The database contains current and historical research articles that can be searched using author, title, journal name, date, or keyword.

Beginning Date: July 1, 1998

Ending Date: September 30, 1999

Contractor: None

Project Monitor: Brenda Bruun, UIS

Status/Milestones:

- Demonstrated database capabilities to National Office staff on June 7, 1999
- Posted database to UIS web site.
- Access to external users (e.g. contractors, nongovernment researchers), through web searching, by September 30, 1999.
- Add new citations and edit existing citations-ongoing.

Study Title:	**Unemployment Insurance Survival Rate Analysis and Benefit Models**
Purpose:	This study has two main objectives. The first is to conduct a comprehensive examination of the factors that influence the amount and timing of unemployment insurance benefit payments, and the second is to develop a benefit forecasting model to be used for generating National Office budget and legislative estimates.
Beginning Date:	September 30, 1994
Ending Date:	December 3 1, 1998
Contractor:	B attelle Memorial Institute
Project Monitor:	Tom Stengle, UIS
Status:	This study has been completed. The results from the examination of UI benefit payment process have been published via UI Occasional Paper 99- 1. Dynamic Models of Unemployment Benefit Receipt: Survival Rate analysis Report. In addition, a benefit forecasting model has been developed and developed and delivered to the National Office.
Funding Source:	UI Research and Training

Study Title:	**Data Validation Pilot Project**
Purpose:	To conduct a pilot test of the data validation methodology developed by Mathematica Policy Research (MPR)Inc. To inform decisions about the national implementation of a Data Validation System and guide the development of training materials. The system being pilot tested validates most key benefit payment and tax collection data.
Beginning Date:	August 1997
Ending Date:	April 1999
Contractor:	PRAMM Consulting Group, Inc., with MPR
Project Monitor:	Kitty Fenstermaker, UIS
Status:	Pilot concluded successfully in September 1998. Closeout meeting was held with State, Federal and contractor staff in October 1998. The Data Validation Final Evaluation Report has been issued to Regions and States. The report indicates that the validation methodology works as designed and State staff believe it is superior to the existing Workload Validation system, although it requires considerably more preparatory programming.
Funding Source:	UI National Activities

Study Title:	**Denials Accuracy Pilot Project**
Purpose:	To conduct an operational pilot of the accuracy of denied claims for UI benefits, and to test whether the Quality Performance Indicator produces sufficient information on the correctness of nonmonetary denials to be used for nonmons in place of the Benefits Accuracy Measure field-verification method.
Beginning Date:	Sampling began in September 1997 and finished in September 1998. State, Federal and contractor staff held a close-out meeting in November 1998. Final report on the pilot was received May 1999.
Ending Date:	January 2000
Contractor:	PRAMM Consulting Group, Inc.
Project Monitor:	Burman Skrable
Status:	The contractor is conducting additional analyses of pilot data to inform topics of policy interest. The report on these findings is due in January 2000. South Carolina extended its investigation of monetary denials to study the effect of alternative base periods on eligibility. A report on their findings is expected in August 1999.
Funding Source:	UI National Activities
Findings:	In the pilot States, error rates on denied monetary claims averaged 16% before correction (range 1 0-23%) for Monetary Denials, 8.7% (3-20%) for Separations and 15% (7-22%) for Continuing Eligibility denials.

Study Title:	**UI Work Measurement Assessment for Resource Allocation**
Purpose:	The purpose of this project is to assess UI administrative funding for three pilot States.
Beginning Date:	February 1998
Ending Date:	October 1998
Contractor:	PRAMM Consulting Group
Project Monitor:	Tim Felegie, UIS
Status:	The final report was discussed with the UI Regional Directors at a June 1999 meeting. UIS decided to expand upon the model developed by PRAMM and have another contractor, KRA, do further work in this area.
Funding Source:	UI National Activities

Study Title:	**Measuring Unemployment Insurance Administrative Needs**
Purpose:	The purpose of this project is to study and develop alternative approaches to measuring the Unemployment Insurance administrative financing resource needs in six pilot States.
Beginning Date:	June 1998
Ending Date:	June 1999
Contractor:	KRA Corporation
Project Monitor:	Tim Felegie, UIS
Status:	The contractor visited four sites and is in the process of analyzing the data. The base year has been extended sixty days. The contractor's report and visit to two remaining sites has been delayed until resolution of a contract issue.
Funding Source:	OPR, Research and Evaluation

Study Title: **Job Search Assistance Demonstration Evaluation**

Purpose: The Job Search Assistance (JSA) demonstration represents an experimental research effort (mandated by P. L. 102- 164) to build on the results of the New Jersey UI Demonstration Project. The New Jersey demonstration showed that one package of intensive job search assistance services can speed dislocated UI claimants' return to work. The JSA demonstration expands on these results by testing alternative service approaches to see which ones have the greatest impacts and are most cost-effective. The demonstration project is being conducted in Florida and the District of Columbia.

Beginning Date: October 1, 1993

Ending Date: December 3 1, 1999

Contractor: Mathematica Policy Research, Inc.

Project Monitor: Wayne Gordon, UIS

Status: The second interim report, which presents one-year impacts, was received in June 1999. Final report is due December 1999.

Funding Source: UI National Activities

Findings:

- Worker profiling enabled selection of those in greatest need. Exhaustion rates for eligibles were 5 and 14 percentage points higher than non-eligibles in Florida and D.C. respectively.
- Low attendance rates for testing and job search workshops suggest participants reluctant to participate in services not mandatory.
- Encouraged more aggressive job search efforts. For all three treatments groups in both States, number of employers contacted, hours of job search per week all increased.
- Each of the three treatments reduced UI receipt by about half a week on average.
- The services also reduced the percentage of claimants who exhausted their benefits, from 1.8 to 4.8 percentage points across treatment groups.

Appendix A: Federal UI Contact Information

Unemployment Insurance Service
Grace A. Kilbane, Director
Cheryl Atkinson, Deputy Director
U.S. Dept. of Labor/ETA
200 Constitution Ave, NW, Rm S-423 1
Washington, DC 202 10

Phone Number: (202) 219-783 I
Fax Number: (202) 219-8506

UIS Division of Research & Policy
Esther R. Johnson, Chief
U.S. Dept. of Labor/ETA
200 Constitution Ave, NW, Rm S-423 1
Washington, DC 20210

Phone Number: (202) 219-5623
Fax Number: (202) 219-8506

U.S. Department of Labor, Region I
Joseph Stoltz, Regional Director for UI
U.S. Dept. of Labor/ETA
JFK Federal Bldg, Rm E-350
Boston, MA 02203

Phone Number: (617) 565-3630
Fax Number: (617) 565-2229

U.S. Department of Labor, Region II
Patrick Rowe, Regional Director for UI
U.S. Dept. of Labor/ETA
201 Varick St., Rm 755
New York, NY 10014

Phone Number: (212) 337-2139
Fax Number: (212) 337-2144

U.S. Department of Labor, Region III
Leo Bull, Regional Director for UI
PO Box 8796
Philadelphia, PA 19 10 1

Phone Number: (215) 596-0778
Fax Number: (215) 596-0683

U.S. Department of Labor, Region IV
Pete Fleming, Regional Director for UI
U.S. Dept. of Labor/ETA
100 Alabama St., SW, Rm 6M12
Atlanta, GA 30303

Phone Number: (404) 562-2122
Fax Number: (404) 347-3341

U.S. Department of Labor, Region V
Barbara Despenza, Regional Director for UI
U.S. Dept. of Labor/ETA
230 S. Dearborn St., 6th Floor
Chicago, IL 60604

Phone Number: (3 12) 353-3425 or 6834
Fax Number: (3 12) 353-1509

U.S. Department of Labor, Region VI
Robert Kenyon, Regional Director for UI
U.S. Dept. of Labor/ETA
525 Griffin Sq Bldg, Rm 3 17
Dallas, TX 75202

Phone Number: (214) 767-2088
Fax Number: (214) 767-5113

U.S. Department of Labor, Region VII
Richard Alberhasky, Acting Regional Director for UI
U.S. Dept. of Labor/ETA
1100 Main St., Ste 1050
Kansas City, MO 64105

Phone Number: (816) 426-3796
Fax Number: (816) 426-2729

U.S. Department of Labor, Region VIII
John Sweeney, Regional Director for UI
U.S. Dept. of Labor/ETA
1999 Broadway St., Rm 1780
Denver, CO 80202-5716

Phone Number: (303) 844-1662
Fax Number: (303) 844-1686

U.S. Department of Labor, Region IX
Rodolfo Ramos, Regional Director for UI
U.S. Dept. of Labor/ETA
7 1 Stevenson St.
San Francisco, CA 94119

Phone Number: (415) 975-4630 or 4618
Fax Number: (4 15) 975-6650

U.S. Department of Labor, Region X
Larry Heasty, Regional Director for UI
U.S. Dept. of Labor/ETA
1111 Third Ave., Ste 900
Seattle, WA 98101-3212

Phone Number: (206) 553-7607
Fax Number: (206) 553-0098
http://www.reg10.doleta.gov/

Appendix B: State UI Contact Information

Alabama Unemployment Compensation
James Hollon, Director
Alabama Department of Industrial Relations
649 Monroe Street, Room 269
Montgomery, AL 36 13 1

Phone Number: (334) 242-8025
Fax Number: (334) 242-8258
http://www.dir.state.al.us/uc.htm

Alaska Department of Labor
Chuck Blankenship, UI Program Manager
Alaska Department of Labor
Employment Security Division
P.O. Box 25509
Juneau, AK 99802-5509

Phone Number: (907) 465-6889
Fax Number: (907) 465-4537
http://www.labor.state.ak.us/

Arizona Department of Economic Security
Chuck Webb, ESA Administrator
Arizona Department of Economic Security
P.O. Box 6123, Site 910A
Phoenix, AZ 85007

Phone Number: (602) 542-3667
Fax Number: (602) 542-3690
http://www.de.state.az.us/

Arkansas Employment Security Department
Hugh Havens, Administrator
Unemployment Insurance Division
P.O. Box 2981
Little Rock, AR 72203-2981

Phone Number: (501) 682-3200
Fax Number: (501) 682-3713
http://www.state.ar.us/esd/unemployment.html

California Employment Development Department
Deborah L. Bronow, Chief
Unemployment Insurance Division
P.O. Box 816880, MIC 40
Sacramento, CA 94280-0001

Phone Number: (916) 654-7323
Fax Number: (916) 653-3440
http://wwwedd.cahwnet.gov/uiind.htm

Colorado Department of Labor and Employment
Donald Peitersen, Director
Office of Unemployment Insurance
Division of Employment and Training
1515 Arapahoe Street, Tower 2, Suite 400
Denver, CO 80202-2117

Phone Number: (303) 620-4718
Fax Number: (303) 620-4714
http://unempben.cdle.state.co.us/default.htm

Connecticut Department of Labor
Nancy Calabrese, Director
Unemployment Insurance Services
200 Folly Brook Boulevard
Wethersfield, CT 06109-l 114

Phone Number: (860) 263-6574
Fax Number: (860) 263-6579
http://www.ctdol.state.ct.us/progsupt/unemplt/unemploy.htm

Delaware Department of Labor
W. Thomas MacPherson, Director,
Division of Unemployment Insurance
Delaware Department of Labor
P.O. Box 9950
Wilmington, DE 19809-0950

Phone Number: (302) 761-5650
Fax Number: (302) 761-6637
http://de.jobsearch.org/

District of Columbia, Department of Employment Services
Frank Orlando, Associate Director
Office of Unemployment Compensation
500 C Street, NW, Room 515
Washington, DC 20001

Phone Number: (202) 724-7274
Fax Number: (202) 724-7104
http://does.ci.washington.dc.us/ui.html

Florida Department of Labor and Employment Security
Kenneth Holmes, Director
Division of Unemployment Compensation
107 East Madison Street, Caldwell Building, Suite 201
Tallahassee, FL 32399-0206

Phone Number: (850) 921-3889
Fax Number: (850) 921-3941
http://sun6.dms.state.fl.us/dles/uc/uc home.htm

Georgia Department of Labor
Walt Adams, Assistant Commissioner
Unemployment Insurance Division
148 International Boulevard, NE, Suite 178
Atlanta, GA 30303

Phone Number: (404) 656-3050
Fax Number: (404) 656-9750
http://www.dol.state.ga.us/ui/

Hawaii Department of Labor and Industrial Relations
Douglas I. Odo, Administrator
Unemployment Insurance Division
830 Punchbowl Street, Room 325
Honolulu, HI 96813

Phone Number: (808) 586-9069
Fax Number: (808) 586-9077
http://www.aloha.net/~edpso/

Idaho Department of Labor
Dave Wagnon, Administrator
Unemployment Insurance Division
3 17 Main Street
Boise, ID 83735-0001

Phone Number: (208) 334-6280
Fax Number: (208) 334-6301
http://www.labor.state.id.us/id-ui.htm#menu

Illinois Department of Employment Security
Elissa C. Coltsidas, Manager
Unemployment Insurance
40 1 South State Street, Suite 3 S
Chicago, IL 60605

Phone Number: (3 12) 793-1837
Fax Number: (3 12) 793-1778
http://www.ides.state.il.us/

Indiana Department of Workforce Development
Donald W. Banning, Deputy Commissioner for Field support
Indiana Government Center, South
10 North Senate Avenue
Indianapolis, IN 46204-2277

Phone Number: (3 17) 233-5724
Fax Number: (317) 233-1670
http://www.dwd.state.in.us/

Iowa Workforce Development
Reynel Dohse, Bureau Chief
Job Insurance
1000 E. Grand Avenue
Des Moines, IA 503 19-0209

Phone Number: (5 15) 28 l-4986
Fax Number: (515) 281-7695
http://www.state.ia.us/government/des/

Kansas Department of Human Resources
Reginald 0. Davis, Director of Human Resources
Kansas Department of Human Resources
401 SW Topeka Boulevard
Topeka, KS 66603-3 182

Phone Number: (785) 296-0821
Fax Number: (785) 296-0179
http://www.hr.state.ks.us/ui/html/EnUI.htm

Kentucky Department of Employment Insurance
Ronald Holland, Director
Division of Unemployment Insurance
275 East Main Street, Suite 2-E
Frankfort, KY 40621

Phone Number: (502) 564-2900
Fax Number: (502) 564-5502
http://www.des.state.ky.us/agencies/wforce/des/ui/ui.htm

Louisiana Department of Labor
Gayle Joseph, Assistant Secretary
Office of Regulatory Service
P.O. Box 309
Baton Rouge, LA 70804-9094

Phone Number: 225-342-3017
Fax Number: 225-342-7959
http://www.ldol.state.la.us/homepage.htm

Maine Department of Labor
Gail Y. Thayer, Director
Bureau of Unemployment Compensation
P.O. Box 309
Augusta, ME 04332

Phone Number: (207) 287-23 16
Fax Number: (207) 395-2305
http://www.state.me.us/labor/ucd/Default.htm

Maryland Department of Labor, Licensing and Regulation
Thomas Wendel, Executive Director
1100 North Eutaw Street
Room 50 1
Baltimore, MD 21201

Phone Number: (410) 767-2464
Fax Number: (410) 767-2439
http://www.dllr.state.md.us/employment/unemployment.html

Massachusetts Division of Employment and Training
Richard Dill, Associate Director
Massachusetts Division of Employment and Training
19 Stamford Street, 3rd Floor
Boston, MA 02114

Phone Number: (617) 626-6600
Fax Number: (617) 727-0315
http://www.detma.org/claimant.htm

Michigan Unemployment Agency
Jack F. Wheatley, Director
Consumer and Industry Services
73 10 Woodward Avenue, Suite 5 10
Detroit, MI 48202

Phone Number: (313) 876-5901
Fax Number: (3 13) 876-5587
http://www.cis.state.mi.us/ua/homepage.htm

Minnesota Department of Economic Security
Jack Weidenbach, Assistant Commissioner
Unemployment Insurance Division
390 North Robert Street
St. Paul, MN 55101

Phone Number: (612) 296-1692
Fax Number: (612) 296-0994
http://www.des.state.mn.us/jseek.htm

Mississippi Employment Security Commission
Johnny F. Conwill, Director
Unemployment Insurance Division
P.O. Box 1699
Jackson, MS 39215-1699

Phone Number: (601) 961-7700
Fax Number: (601) 961-7405
http://www.mesc.state.ms.us/

Missouri Department of Labor and Industrial Relations
Marilyn Hutcherson, Assistant Director
Unemployment Insurance Program
P.O. Box 59
Jefferson City, MO 65104-0059

Phone Number: (573) 751-3670
Fax Number: (573) 751-4554
http://www.dolir.state.mo.us/dolir1a.htm

Montana Department of Labor and Industry
Dennis Zeiler, Administrator
Unemployment Insurance Division
P.O. Box 1728
Helena, MT 59624

Phone Number: (406) 444-2749
Fax Number: (406) 444-2699
http://jsd.dli.state.mt.us/ui/ui.htm

Nebraska Department of Labor
Allan Amsberry, Director
Unemployment Insurance Division
550 South 16th Street
Lincoln, NE 68509

Phone Number: (402) 471-9979
Fax Number: (402) 471-2318
http://www.dol.state.ne.us/uihome.htm

Nevada Department of Employment, Training & Rehabilitation
James Wittenberg, Deputy Administrator
Unemployment Insurance Benefits
500 East Third Street
Carson City, NV 89713

Phone Number: (702) 687-45 10
Fax Number: (702) 687-3903
http://www.state.nv.us/detr/es/es_uiben.htm

New Hampshire Department of Employment Security
Darrell L. Gates, Director
Unemployment Compensation Bureau
32 South Main Street
Concord, NH 03301

Phone Number: (603) 228-403 1
Fax Number: (603) 228-4145
http://www.nhworks.state.nh.us/WEB3.MAP?115,238

New Jersey Department of Labor
Michael P. Malloy, Director
Division of Unemployment Insurance
P.O. Box 58
Trenton, NJ 08625-0058

Phone Number: (609) 292-2460
Fax Number: (609) 292-7667
http://www.wnjpin.state.nj.us/OneStopCareerCenter/

New Mexico Department of Labor
Tomey Anaya, Deputy Director
Unemployment Insurance Bureau
P.O. Box 1928
Albuquerque, NM 87 103

Phone Number: (505) 841-8438
Fax Number: (505) 841-9053
http://www3.state.nm.us/dol/dol_esd.html

New York State Department of Labor
Thomas Malone, Director
Unemployment Insurance Division
State Office Building Campus, Building 12
Albany, NY 12240

Phone Number: (5 18) 457-2878
Fax Number: (5 18) 485-8604
http://www.labor.state.ny.us/

North Carolina Employment Security Commission
David Canady, Director
Unemployment Insurance Division
P.O. Box 25903
Raleigh, NC 276 11

Phone Number: (919) 733-3121
Fax Number: (919) 733-1239
http://www.esc.state.nc.us/

North Dakota Job Service
James Hirsch, Customer Service Area Manager V
Unemployment Insurance Division
P.O. Box 5507
Bismarck, ND 58506-5507

Phone Number: (701) 328-2843
Fax Number: (701) 328-2728
http://www.state.nd.us/jsnd/lmi.htm

Ohio Bureau of Employment Services
Joseph Duda/John Fish
Unemployment Insurance Benefits
145 South Front Street
Columbus, OH 43 2 15

Phone Number: (614) 466-9756
Fax Number: (614) 752-9463
http://www.state.oh.us/obes/

Oklahoma Employment Security Commission
Sue Havens, Director
Unemployment Insurance Division
240 1 North Lincoln,
Will Rogers Memorial Office Building
Oklahoma City, OK 73 105

Phone Number: (405) 557-7190
Fax Number: (405) 557-7256
http://www.oesc.state.ok.us/

Oregon Employment Department
Don Brockhaus
Unemployment Insurance Division
875 Union Street, NE
Salem, OR 973 11

Phone Number: (503) 947-1685
Fax Number: (503) 947-1210
http://www.emp.state.or.us/

Pennsylvania Department of Labor and Industry
Alan Williamson, Deputy Secretary
Unemployment Compensation Programs
Seventh and Forster Streets
Labor and Industry Building, Room 1700
Harrisburg, PA 17 12 1

Phone Number: (717) 787-3907
Fax Number: (717) 787-8826
http://www.li.state.pa.us/ben.html

Puerto Rico Bureau of Employment Security
Nancy Guzman, Director
Unemployment Insurance Director
505 Munoz Rivera Avenue
Hato Rey, PR 009 18

Phone Number: (787) 754-5354
Fax Number: (787) 75 l-0962
http://www.interempleo.org/frame1.htm

Rhode Island Department of Labor and Training
Barbara Teto, Associate Director
Unemployment Insurance
101 Friendship Street
Providence, RI 02903-3740

Phone Number: (401) 222-3649
Fax Number: (401) 222-3744
http://www.state.ri.us/bus/detx.htm

South Carolina Employment Security Commission
Chuck Middlebrooks, Deputy Executive Director
Unemployment Insurance Division
P.O. Box 995
Columbia, SC 29202

Phone Number: (803) 737-3089
Fax Number: (803) 737-2642
http://www.sces.org/ui/Index.htm

South Dakota Department of Labor
Don Kattke, Director
Unemployment Insurance Division
P.O. Box 4730
Aberdeen, SD 57402-4730

Phone Number: (605) 626-23 12
Fax Number: (605) 626-2322
http://www.state.sd.us/dol/ui/ui-home.htm

Tennessee Department of Employment Security
Christopher Betts, Assistant Commissioner
Unemployment Insurance
500 James Robertson Parkway
Davy Crockett Tower, 10th Floor
Nashville, TN 37245

Phone Number: (615) 741-2131
Fax Number: (615) 741-3469
http://www.state.tn.us/empsec/info.htm

Texas Workforce Commission
LaSha Barefield, Director
Unemployment Insurance Division
101 East 15th Street, Room 658
Austin, TX 78778

Phone Number: (512) 463-7234
Fax Number: (512) 475-1133
http://www.twc.state.tx.us/

Utah Department of Workforce Services
James E. Finch, Director
Unemployment Insurance Division
P.O. Box 45249
Salt Lake City, UT 84 145-0249

Phone Number: (801) 526-9399
Fax Number: (801) 536-7420
http://www.dws.state.ut.us/

Vermont Department of Employment and Training
Thomas Douse, Director
Unemployment Compensation Division
P.O. Box 488
Montpelier, VT 05061-0488

Phone Number: (802) 828-4100
Fax Number: (802) 828-4046
http://www.det.state.vt.us/

Virgin Islands Department of Labor
Barbara L. Wheatley, Director
Unemployment Insurance Division
53 A & 54 B Kronprindsen Gade
Charlotte Amalie St. Thomas, VI 00802

Phone Number: (809) 776-3700
Fax Number: (809) 774-5908

Virginia Employment Commission
Delores Esser, Assistant Commissioner for
Field Operations
Unemployment Insurance Service
703 East Main Street
Richmond, VA 23219

Phone Number: (804) 786-3004
Fax Number: (804) 371-8697
http://www.vec.state.va.us/

Washington Employment Security Department
Dale Ziegler, Assistant Commissioner
Unemployment Insurance Division
P.O. Box 9046
Olympia, WA 98507-9046

Phone Number: (360) 902-9333
Fax Number: (360) 902-9329
http://www.wa.gov/esd/

West Virginia Bureau of Employment Programs
Daniel L. Light, Director
Unemployment Compensation
112 California Avenue
Charleston, WV 25305-0112

Phone Number: (304) 558-2624
Fax Number: (304) 558-5037
http://www.state.wv.us/bep/uc/default.HTM

Wisconsin Department of Workforce Development
Maureen Hlavacek, Administrator
Unemployment Insurance Division
P.O. Box 7905
Madison, WI 53707-7905

Phone Number: (608) 266-7074
Fax Number: (608) 267-0593
http://www.dwd.state.wi.us/ui/

Wyoming Department of Employment
Beth Nelson, Administrator
Employment Resources Division
Unemployment Insurance
P.O. Box 2760
Casper, WY 82620

Phone Number: (307) 235-3254
Fax Number: (307) 235-3278
http://wydoe.state.wy.us/erd/ui/

Appendix C: UI Occasional Paper Series

1999

Corson, W., Needels, K., **&** Nicholson, **W.** (1999, Jan). Emergency Unemployment Compensation: The 1990's Experience (Revised Edition) (UI Occasional Paper 99-4). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service.

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1998

Bassi, L. J., McMurrer, D., & Vroman, W. (1998). Essays on Interstate Competition in the Unemployment Insurance System (UI Occasional Paper 98-5). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB99-128886

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1997

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1996

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Hawkins, E. K., Kreutzer, S. D., Dickinson, K. P., Decker, P. T., & Corson, W. (1996). Evaluation of Worker Profiling and Reemployment Services System: Interim Report (UI Occasional Paper 96-1). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB97-183248

1995

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1994

U.S. Department of Labor, Employment and Training Administration Unemployment Insurance Service. (1994). The Worker Profiling and Reemployment Service System: Legislation, Implementation Process and Research Findings (UI Occasional Paper 94-4). Washington, DC: Author. NTIS PB95-172730

Jacob, B., Wood, M. L., & Grover, N. (1994). Self-Employment as a Reemployment Option: Demonstration Results and National Legislation (UI Occasional Paper 94-3). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB94-188679

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Benus, J. M., Wood, M., & Johnson, T. R (1994). First Impact Analysis of the Washington State Self-employment and Enterprise Development (SEED) Demonstration (UI Occasional Paper 94-1). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB94-162203

1993

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Burgess, P. L., & Low, S. **A.** (1993). Unemployment Insurance and Emnlover Layoffs (UI Occasional Paper 93-l). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB93-205573

1992

Decker, P. T., & O'Leary, C. (1992). An Analysis of Pooled Evidence from the Pennsylvania and Washington Reemployment Bonus Demonstrations (UI Occasional Paper 92-7). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB93-160703

Spiegelman, R G., **O'Leary,** C. **J., & Kline,** K. **J.** (1992). The Washington Reemnlovment Bonus Experiment Final Report (UI Occasional Paper 92-6). Washington, DC: U.S. Department of Labor, Employment and Training, Unemployment Insurance Service. NTIS PB93-159499

Zajac, W. D., & Balducchi, D. E. (1992). Papers and Materials Presented at the Unemployment Insurance Expert System Colloquium. June 1991 (UI Occasional Paper 92-5). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB93-202695

Thomas, R Y. (Ed.). (1992). UI Research Exchange (UI Occasional Paper 92-4). Washington, DC: U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Service. NTIS PB93-117968

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