unemployed numbered 5.1 million and the insured unemployed 3.4 million.[38] By April 1958, 229,000 had exhausted their benefit rights, and from January to April 1958, 713,000 had exhausted their benefit rights.[39]

One reason for the disappointing results in unemployment compensation is the gradual decline in the tax rates. In 1938, 1939, and 1940, the average employer contribution rate was 2.75, 2.72, and 2.69 percent of the payroll. By 1954 this had been reduced to 1.12 percent and in 1957 was 1.31.[40]

Undoubtedly, the major deficiency of the program results from experience or merit rating, under which the employer is allowed to reduce tax rates on payrolls when benefit payments charged to him are relatively low compared to the reserve accumulated to his account. For example, the average employer contribution rate in November 1958 was 1.31 percent. There were 13 States with rates below 1 percent with Virginia with 0.53, the lowest, and 2 States with rates above 2 percent: Michigan, 2.04, and Washington, 2.11.[41]

As of January 1, 1958, there were 15 States which had a statutory minimum of 0 percent and 11 States with actual rates of a minimum of 0 percent.[42]

Experience rating has fundamentally changed the system of unemployment insurance. Not only has it reduced rates by about one-half on the average as compared with the expected rate, but it has contributed greatly to the kind of interstate competition that, through a Federal scheme, the Federal Government was presumably to eliminate. The enactment of the uniform tax and offset provisions of the Federal law was designed, according to the Senate Committee on Finance reporting the 1935 Social Security Act, so that—

> all employers * * * will be on an equal competitive position * * *. No State can gain any advantage through failing to establish an unemployment compensation program. This provision will equalize competitive conditions and thus enable States to enact unemployment compensation laws without handicapping their industries.[43]

Because the burden of unemployment is put increasingly on the industries which suffer greatly from unemployment, as is required under experience rating, the effect is that the program has lost much of its insurance flavor; and in a manner, the unemployment compensation has further weakened the vulnerable industries. More of the burden should have been put upon the entire economy. Thus, in New York State in 1954, the average tax rate per dollar of taxable payroll was 1.59; but the extremes were 1.10 percent for the stable finance, etc., industries and 2.38 for the unstable apparel industry.[44]

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[38] Hearings, Senate committee on "Financing Unemployment Compensation," May 1958, pp. 28–29; and 1957 Supplement to "Handbook of Unemployment Insurance Financial Data," p. 2.

[39] Senate hearings on "Unemployment Compensation," pp. 34–35.

[40] "Handbook of Insurance Financial Data," p. 2.

[41] 1957 Supplement, "Handbook on Unemployment Insurance Financial Data," p. 5.

[42] Senate hearings on "Unemployment Compensation," 1958, pp. 50–51.

[43] Hearings, Senate Committee on Finance, on "Unemployment Compensation," 1952, p. 18.

[44] Department of Labor, State of New York, Annual Report of the State Advisory Council on Employment and Unemployment Insurance, 1954, p. 35.