

<b>Employment and Training Administration Advisory System U.S. Department of Labor Washington, D.C. 20210</b>	<b>CLASSIFICATION</b> Experience Rating
	<b>CORRESPONDENCE SYMBOL</b> OWS/DFAS
	<b>DATE</b> November 8, 2005

**ADVISORY:**      **UNEMPLOYMENT INSURANCE PROGRAM LETTER NO.  
4-06**

**TO:**                STATE WORKFORCE AGENCIES

**FROM:**            CHERYL ATKINSON s/s  
Administrator  
Office of Workforce Security

**SUBJECT:**        Unemployment Insurance Experience Rating Index for Rate Year 2004

1. Purpose. To transmit the Experience Rating Index (ERI) for states for rate year 2004.
2. Reference. Unemployment Insurance Program Letter (UIPL) No. 3-92, UIPL No. 37-93, UIPL No. 40-94, UIPL No. 32-95, UIPL No. 25-96, UIPL No.13-98, UIPL No. 5-99, UIPL No. 26-03, and UIPL No. 15-05.
3. Background. Experience rating is the system by which unemployment insurance tax rates vary according to factors related to the unemployment risk of an employer's workers. In most states, these factors include a measure of benefits charged to the employer. Experience rating has three major objectives: to serve as an incentive to stabilize employment, to properly allocate the costs of unemployment benefits, and to encourage employer participation in the program. The ERI attempts to measure the degree of experience rating with respect to the first objective by determining the proportion of benefits that are effectively charged to employers. Effectively charged benefits are defined as those benefits that are charged to the beneficiary's former employer(s) and paid for by that employer.

The best use of the ERI is to identify long-term trends and shifts within states or in the U.S. as a whole. Year-to-year comparisons may not be valid because the ERI is sensitive to the business cycle.

<b>RESCISSIONS</b> None	<b>EXPIRATION DATE</b>
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Rough comparisons across states may be made, but a value judgment cannot be

attached to the degree of experience rating because of the nature of state laws. For example, one state may have a relatively low degree of experience rating because it pays benefits to claimants who quit their jobs for various types of good personal cause while not charging those benefits to specific employers, while another state may achieve a higher ERI by not paying benefits to those claimants at all.

Attachment I shows the historical series of the ERI from rate year 1988 to rate year 2004 for all states. Attachment II shows the ERI for rate year 2004 and the values used to calculate the ERI. Attachment III describes how the ERI is calculated and defines ineffective charges, inactive charges, and noncharges. The referenced UIPLs published the ERI for Rate Years 1988 - 2003.

4. Action Required. Please distribute to appropriate staff.
5. Inquiries. Direct inquiries to the appropriate Regional Office.
6. Attachments.

I - Experience Rating Index by State for Rate Years 1988 - 2004.

II - Experience Rating Index by State for Rate Year 2004.

III - Calculation of Experience Rating Index.