Seasonal Workers Under the Minnesota Unemployment Compensation Law

EDWARD F. MEDLEY*

THE PAYMENT of unemployment benefits to seasonal workers has raised practical and theoretical problems since unemployment compensation laws went into effect in this country. Many State laws have restricted the benefit rights of seasonal workers, and others have expressly delegated to administrative agencies responsibility for studying the problem. As a result, State agencies have undertaken considerable research in seasonality, most of it directed toward determining the seasonal character of certain industries. Such research is little more than a first step, however, since the problem in relation to unemployment compensation is to determine whether or not individuals who work for seasonal employers are in the labor market throughout the year and, if not, what types of benefit restrictions should be applied to them. This study analyzes the year-round employment experience of individuals employed in Minnesota in the highly seasonal canning industry. Their benefit experience is also analyzed to indicate the extent to which it was influenced by the nature of their employment and the statutory restriction on their benefit rights.

The Minnesota Seasonal Provision

Provisions restricting the benefit rights of seasonal workers first became effective in Minnesota during 1939.[1] The 1939 law defined seasonal employment as "employment in any industry or any establishment or class of occupation in any industry engaged in activities relating to the first processing of seasonally produced agricultural products in which, because of the seasonal nature thereof, it is customary to operate only during a regularly recurring period or periods of less than 26 weeks in any calendar year." This provision differs from those incorporated in most State unemployment compensation laws in that it is restricted to employment in the first processing of agricultural products. As a result, in 1939 only 16 firms were determined to be seasonal.

The Minnesota Division of Employment and Security was authorized by the law to determine the normal operating period or periods of each of the firms declared seasonal. None of these periods could be more than 6 months in length. Benefit rights of seasonal workers in Minnesota were reduced by restricting the wage credits which they might obtain for wages earned from seasonal firms. Normally, Minnesota workers received wage credits equal to the full amount of their base-period wages from covered employment, but for seasonal workers the law stated that "with respect to wages paid by or due from an employer to an employee during the base period for seasonal employment . . . 'wage credits' shall mean the proportion (computed to the next highest multiple of 5 percent) of such wages which the customary period of operations bears to a calendar year." For example, if an employer's season were declared to continue for 13 weeks (25 percent of 52 weeks), only 25 percent of the wages earned from that employer by seasonal workers could be used as wage credits in determining their benefit rights. Once the wage credits of seasonal workers were computed in accordance with the given ratio, their eligibility for benefits, weekly benefit amounts, and maximum benefit rights were determined by the formula applicable to all workers.[2]

Restriction of the benefit rights of seasonal workers through reduction of their wage credits suggests a strong link between the seasonal provision and the experience-rating provision of the Minnesota statute. Under the experience-

*Bureau of Employment Security, Reports and Analysis Division. This study was made with the cooperation of the Research and Statistics Unit of the Minnesota Division of Employment and Security, which made its records available and prepared the tabulations on which the study is based.

[1] Prior to 1939 a statutory provision to restrict the benefit rights of seasonal workers had been adopted, but the benefit rights of seasonal workers had not been restricted.

[2] At the time claims were filed by workers whose experience is analyzed here, the Minnesota law provided a base period consisting of the first 4 of the last 5 completed calendar quarters preceding the benefit year. The benefit year was a 52-week period following filing of a valid claim for benefits. To be eligible for benefits, claimants must have earned 30 times their weekly benefit amount during the base period. The weekly benefit amount was 1/26 of earnings in that quarter of the base period when earnings were highest, but not more than $15. Benefit duration was limited to the lesser of 1/6 of wage credits or 16 times the weekly benefit amount.

rating provision, the wage credits of a beneficiary are charged against the account of the employer or employers by whom the wages were paid. Reduction of wage credits therefore reduces the probability that seasonal employers will pay increased rates under the experience-rating provision. This method of restricting seasonal workers' benefit rights is sharply differentiated from seasonal provisions in other State laws, which generally allow benefits based on seasonal wages to be drawn only during the active season, on the ground that seasonal workers are not in the labor market during the off-season. While there are theoretical and practical objections to such restrictions, they do attempt to relate the claimants' benefit rights to their labor-market status rather than to the effect of such benefit payments on the contribution rates of their former employers.

As authorized by the statute, the Division defined a seasonal worker as one employed by a seasonal employer during the determined operating season and not employed by that employer outside the operating season in any calendar quarter in which part of the operating season occurred. In effect, this definition meant that any worker hired prior to the date on which the season started, even if only a day before, or retained after the ending date for a single day, was a nonseasonal worker.[3] Superficially, this definition appears restrictive. Actually, however, 85 percent of the employees of the firms affected were held to be seasonal workers, and they are referred to in the following discussion as workers declared seasonal. The remaining 15 percent of the workers employed by seasonal firms outside as well as during the defined operating season are referred to as workers declared nonseasonal.

Although the Minnesota law provides that the Division on its own motion may determine an industry, class of occupation, or establishment to be seasonal, determinations were limited to individual employers. Determinations were made only after application from the employer and after an open hearing.

During the spring and summer of 1939, hearings concerning seasonal determinations were held by the Division. Only 16 employers engaged in the first processing of agricultural products could demonstrate that their seasonal periods of operation were shorter than 26 weeks. Fifteen were canners of vegetables and pickles, and one processed sugar beets.[4] The canneries all packed corn, and 10 also packed peas. One of the 10 also canned pickles and another canned asparagus. These are products which can be canned only at certain times of the year, and since there was little diversity of products the operating seasons were all relatively short. The 5 canneries which packed only corn operated for about 54 days, from late July until the middle of September. Those which packed both corn and peas operated for about 109 days, from early in June to September. The cannery handling pickles operated from June to the middle of October—about 130 days—and the firm handling asparagus operated about 180 days, from the first of May until late October. The sugar-beet processor operated for a period of approximately 100 days, from September to January. With one exception the operating periods were not more than 4 months in length, and peak operations covered a much shorter period, usually not more than a few weeks.

The 1939 pay roll of the 16 firms amounted to approximately $2.2 million, 80 percent of it concentrated in four firms. Most of the seasonal firms employed 100–500 workers at the peak of the season. There were no very small firms in the group, and only two large firms—one employing 1,300 and another employing 4,800 workers. The peak seasonal employment of the 16 firms in 1939 was about 10,700 workers, and the number of different workers employed at any time during the year totaled 13,200. About three-fourths of the peak employment was concentrated in firms whose normal operating period extended from June or July to September, and only 2 percent was accounted for by the one firm which normally operated for 6 months. Employment outside the operating period was low, generally about 10–15 percent of peak employment. The seasonal firms represented a negligible portion of the 46,400 covered employers in Minnesota in 1939, and their employees represented only 2.4 percent of the 541,000 workers with wage credits during that year.

The type of labor utilized by canneries is largely determined by their location, the nature of the

[3] The definition has since been amended to permit wages earned during the operating period to be classified as seasonal even though the workers are retained by the employer outside the operating period.

[4] Two additional firms determined seasonal did not operate during 1939.

jobs, and the duration of the canning season. Most of the establishments were located in or near towns of less than 2,000 persons in the southern Minnesota agricultural district. Youths, housewives, and farm hands are available in farm communities for a few weeks' work in the summer. Migratory and urban workers are not attracted in any great numbers when the season is very short. The adequate supply of local labor makes it unnecessary for the employers to attempt to recruit workers from other areas. The canning jobs during the defined operating period—such as unloading and weighing crops, inspecting vegetables, and tending cooking vats and canning machines—are for the most part semiskilled and unskilled.

The combination of these factors results in the employment of large numbers of workers who are either not in the labor market throughout the year, such as housewives and students, or who are normally engaged in farm work. Approximately two-fifths of the workers employed in the defined 1939 seasons were women, many of whom were probably not interested in other employment. A report made by the United States Department of Labor indicates that "Housewives in the town or village and from nearby towns were reported as a dependable source by over four-fifths of all canning plants, and farmers' wives and daughters by over three-fifths of the plants. Further, the town housewives comprised three-fourths or more of the women seasonal workers in 44 percent of the plants giving them employment." [5]

Earnings of Workers Employed by Seasonal Firms

Workers employed by the 16 seasonal firms earned, for the most part, only small amounts in covered employment during 1939. One-third of the 13,200 workers did not have covered earnings of as much as $50 during the year (table 1).[6] Three-fourths earned less than $200,

[5] U. S. Department of Labor, Women's Bureau, *Application of Labor Legislation to the Fruit and Vegetable Canning and Preserving Industries.* 693 firms, 17 located in Minnesota, were surveyed during 1938 and 1939 for this report. Seasonal workers referred to in this monograph are all workers employed by canning and preserving firms, and not those declared seasonal under the Minnesota statute.

[6] All earnings data used here refer only to earnings from firms covered by the Minnesota Unemployment Compensation Law. Since this law then extended to employers of one or more persons in covered industries, the only significant noncovered employment available to these workers was in agriculture. For about 5 percent of these workers, the annual-earnings data relate to the year ended September 30, 1939, or March 31, 1940.

Table 1.—*Distribution of seasonal and nonseasonal workers employed by 16 seasonal firms in Minnesota,[1] by total earnings in covered employment, 1939*

Annual earnings	All workers		Seasonal workers		Nonseasonal workers	
	Number	Percent	Number	Percent	Number	Percent
Total	13,155	100.0	11,170	100.0	1,985	100.0
Less than $50	4,422	33.6	4,170	37.3	252	12.7
50–99	2,917	22.2	2,776	24.9	141	7.1
100–149	1,713	13.0	1,570	14.1	143	7.2
150–199	951	7.2	822	7.4	129	6.5
200–299	1,044	7.9	842	7.5	202	10.2
300–399	603	4.6	447	4.0	156	7.9
400–599	518	4.0	281	2.5	237	11.9
600–799	305	2.3	165	1.5	140	7.1
800–999	213	1.6	81	.7	132	6.6
1,000 or more	469	3.6	16	.1	453	22.8

[1] Workers employed by the seasonal firms only during the determined operating season were designated seasonal workers; workers employed by the same firms outside, or during and outside, the operating season were designated nonseasonal.

and 3.6 percent earned $1,000 or more. Median annual earnings were about $90, an amount which suggests that, for the bulk of the workers, covered employment was merely supplementary and not a primary source of livelihood.

The workers declared nonseasonal who were employed by the seasonal firms had higher annual earnings than did workers declared seasonal. More than one-third of the seasonal workers earned less than $50, and another one-fourth earned from $50 to $99. Only 20 percent of the nonseasonal workers were in these low-earnings brackets (table 1). Of the 469 workers who earned $1,000 or more, 453 were nonseasonal. Median annual earnings of the seasonal workers were approximately $75, while the median earnings of nonseasonal workers were almost $400. Only 1 seasonal worker out of 20 had earnings of as much as $400.

Since the year-round work experience of workers declared seasonal is relevant to the seasonality problem, the proportion of their earnings paid by the seasonal employers was determined. Seasonal workers had at most a few months of employment with seasonal employers, and almost three-fourths (73 percent) received all their earnings in covered employment from the seasonal employer (table 2). On the other hand, 14 percent of these workers received less than two-fifths of their covered wages from seasonal employers, and 6.0 percent received less than one-fifth from this source.

The few workers declared seasonal who had

Table 2.—*Distribution of seasonal workers employed by 16 seasonal firms in Minnesota, by ratio of seasonal earnings to total earnings in covered employment, 1939*

Ratio of seasonal earnings to total earnings (percent)	Number	Percent
Total	11,170	100.0
100	8,112	72.6
80-99	758	6.8
60-79	352	3.1
40-59	346	3.1
20-39	933	8.4
Less than 20	669	6.0

substantial earnings in 1939 were generally those who earned wages from both seasonal and other employers. No seasonal worker received as much as $600 from a seasonal employer during the year (table 3); almost half earned less than $50 from seasonal employers, and about three-fourths earned less than $100. If annual earnings of $200 are accepted as a measure of attachment to the labor market for unemployment compensation purposes, only 6.1 percent of the seasonal workers would have met this test on the basis of their seasonal earnings in 1939.[7]

It is unlikely that these workers would ordinarily earn much more in seasonal employment than they did in 1939. The normal operating periods of these firms are generally less than 4 months, and peak employment lasts only a few weeks. It is not surprising that a group of workers, largely unskilled, should have very low earnings in jobs of such short duration.

The earnings records of the workers declared nonseasonal present an entirely different picture. Although the seasonal workers with substantial earnings all worked for employers other than those declared seasonal, the reverse tended to be true of the nonseasonal workers. Of the 585 who earned $800 or more, 542 earned this amount from seasonal employers alone, an indication of the probability that these were permanent employees.

Workers declared nonseasonal received considerably higher amounts from seasonal employers in 1939 than did seasonal workers. One-third of them received $600 or more, whereas no seasonal worker earned so much. However, a substantial portion of the nonseasonal workers had low earnings; about one-fifth earned less than $50, and more than one-fourth earned less than $100.

[7] The present Minnesota law requires $200 in covered wages in 1 year as a condition to the receipt of benefits.

Only about 27 percent of the seasonal and 30 percent of the nonseasonal workers found employment in other covered industries during 1939. There were no significant differences between the distributions of seasonal and nonseasonal workers by industry of other employment (table 4). The distribution of both groups by industry was, however, different in two respects from the distribution of other covered workers in Minnesota. A relatively large number of seasonal workers found employment in construction and relatively few found employment in manufacturing.[8] The seasonal firms were located at a considerable distance from the major manufacturing centers of the State, which may account for the fact that, while 28 percent of the covered employment was in manufacturing, only 15 percent of the employment of seasonal workers in other industries was in manufacturing.

More than one-third of the workers declared seasonal were women, of whom more than half earned less than $50 in 1939; fewer than 2 percent earned as much as $300 (table 5). These low earnings resulted from two factors: relatively fewer women earned wages from employers other than those declared seasonal, and women received smaller wages from the seasonal firms than did men. The earnings of men were also low, but substantially higher than those of women. While the median for women was less than $49, the median for men was $103.

[8] The distributions of workers by industry presented in table 4 are not precisely comparable. The distribution relating to all covered employment is based on average employment throughout the year, while the other two distributions indicate the total number of individuals employed in given industries. This difference accounts in some degree for the difference in the percent of all covered workers and the percent of the group studied who found employment in the seasonal construction industry.

Table 3.—*Distribution of seasonal and nonseasonal workers employed by 16 seasonal firms in Minnesota, by earnings from these firms, 1939*

Annual earnings in seasonal firms	Seasonal workers		Nonseasonal workers	
	Number	Percent	Number	Percent
Total	11,170	100.0	1,986	100.0
Less than $50	5,273	47.2	377	19.0
50-99	3,033	27.2	170	8.6
100-149	1,478	13.2	170	8.6
150-199	707	6.3	124	6.2
200-299	418	3.7	177	8.9
300-399	196	1.8	150	7.5
400-599	65	.6	176	8.9
600-799			99	5.0
800-999			111	5.6
1,000 or more			431	21.7

Only 15 percent of the women seasonal workers, as compared to 35 percent of the men, had employment in other covered industries. For 21 percent of the men and only 10 percent of the women were seasonal earnings less than half of total earnings. The employment of farm women and housewives from nearby towns may have accounted for the low percentage of women having other earnings.

Ratio (percent) of seasonal to total earnings	Percent of seasonal workers	
	Men	Women
Total	100	100
100	65	85
50-99	14	5
Less than 50	21	10

Three-fifths of the women earned less than $50 from seasonal employers, and another third earned $50–99 (table 5). Only 7.9 percent of the women received as much as $100 from seasonal employers. Women in canneries are hired chiefly for the inside canning operations and are ordinarily employed only at the peak of the operating season. Men, on the other hand, are hired not only at the peak of the season but also for the operations which precede and follow the actual canning operation. The earnings of men seasonal workers, while in many cases not large enough to be considered as a primary source of income, tended to be somewhat higher than earnings of women. In contrast to the 7.9 percent of the women who earned $100 or more, 36 percent of the men earned at least this amount.

Benefit Experience of Seasonal Workers

The fact that the employers studied had clearly defined and recurring peaks in employment does not necessarily imply that they hired workers whose only employment was during the seasonal peak; such firms could have employed workers who were regularly in the labor market. It is probable, however, that most of these workers were not in the labor market the year round. Their earnings in covered industries were generally so low as to be obviously supplemental, and the fact that so few found work in other covered industries implies that most of them were not seeking such employment. The nature of the labor supply in small agricultural communities further bears out this assumption. It seems safe to say that the seasonal restriction in Minnesota was applied to a group of workers most of whom were definitely seasonal.

Seasonal claimants.—Of all covered workers in Minnesota, 19 percent claimed benefits in 1939. But of all employees of seasonal firms, only 13 percent claimed benefits during the year ended September 30, 1940. Moreover, only 7.6 percent of the employees of seasonal firms who were declared to be seasonal workers filed claims, while 28 percent of this group who were declared to be nonseasonal workers filed claims (table 6). Thus, a much smaller proportion of those who experienced extensive periods of no covered employment than of those who had substantial earnings and employment in covered industry filed claims for benefits.

The primary reason for the failure of all but a small proportion of the workers declared seasonal to file claims was probably their inability to qualify for benefits. During 1939 and 1940, the Minnesota law required that an unemployed worker have wage credits equal to 30 times his weekly benefit amount to be eligible. Over half the workers declared seasonal who filed claims met this test, but less than one-tenth of those who did not file claims would have been able to meet it. The few potentially eligible seasonal workers who did not file claims may have been continuously employed in covered or noncovered industry, out of the labor market, or ignorant of their rights under the law.

Table 4.—*Percentage distribution of all covered workers in Minnesota, by industry, and of workers employed by 16 seasonal firms, by industry of nonseasonal employment, 1939*

Industry	Percent of all covered workers	Percent of workers in seasonal firms who had other employment	
		Seasonal workers	Nonseasonal workers
Total	100.0	100.0	100.0
Agriculture	(1)	.1	1.5
Mining	2.2	1.3	1.2
Construction	6.6	22.3	24.8
Manufacturing	27.6	14.7	15.1
Public utilities	7.0	7.1	8.5
Trade	39.5	40.4	36.9
Finance	5.4	3.6	1.9
Service	10.0	10.5	9.8
Industries n. e. c.	.8	(1)	.3

1 Less than 0.05 percent.

Primarily because such workers would have been declared ineligible, benefit claims were filed by only 0.8 percent of the workers declared seasonal whose 1939 earnings were less than $50 and 1.6 percent of those whose earnings were $50–99 (table 6). The proportion of workers filing claims increased as earnings increased, reaching a peak of 46 percent in the $400–599 bracket. Among workers earning more than $600, full employment may have caused the percentage who filed claims to decline. That the percentage of claimants in the $200–599 brackets was not higher was probably due to the large number of housewives and farm workers who were not considered available for work and thus would have been ineligible for unemployment compensation despite sufficient earnings.

Among workers declared nonseasonal, there were likewise almost no claimants in the lowest brackets, and the highest percentage was in the $400–599 bracket. The percentage of nonseasonal workers filing claims was higher in most brackets than the percentage of seasonal workers, probably because wage credits of the nonseasonal workers were not reduced by the seasonality provision and they could thus meet the eligibility requirement more easily. The small percentage of claimants among nonseasonal workers who earned $1,000 or more was probably the result of full employment.

Seasonal workers who earned only a negligible fraction of their 1939 wages in seasonal employment were more likely to file claims than workers who earned the bulk of their wages in seasonal employment. Claims were filed by only 2 percent of the workers whose earnings were entirely from seasonal firms, but by 28 percent of those

Table 6.—***Distribution of seasonal and nonseasonal workers employed by 16 seasonal firms in Minnesota, and percent who claimed benefits, by total earnings in covered employment, 1939***

Total annual earnings	Seasonal workers		Nonseasonal workers	
	Number	Percent who claimed benefits	Number	Percent who claimed benefits
Total	11,170	7.0	1,085	28.8
Less than $50	4,170	.8	252	.4
50-99	2,776	1.6	141	5.0
100-149	1,570	6.0	143	25.2
150-199	822	13.0	120	37.2
200-299	842	28.0	202	47.5
300-399	447	32.9	156	50.6
400-599	281	46.2	237	60.7
600-799	165	23.0	140	55.0
800-999	81	14.8	132	36.4
1,000 or more	16	25.0	453	5.7

whose earnings were about equally divided between seasonal and other covered employment and by 44 percent of those whose earnings were almost entirely in other employment.

Although only a small portion of the workers designated as seasonal were actually in the labor market throughout the year, the distributions of claimants by 1939 earnings and by ratio of seasonal to total earnings show that claimants among workers declared seasonal were generally the few actually seeking work the year round. Thus, while the bulk of the workers declared seasonal were truly seasonal in the sense that they left the labor market after the active season, most of those who claimed benefits were not truly seasonal in the sense that they remained in the labor market after the end of the active season. It has sometimes been held that for unemployment compensation purposes a seasonal worker should be de-

Table 5.—***Distribution of male and female seasonal workers in Minnesota, by total earnings in covered employment and by earnings in 16 seasonal firms, 1939***

Annual earnings	Male seasonal workers in—				Female seasonal workers in—			
	All covered employment	Percent of total	Seasonal firms	Percent of total	All covered employment	Percent of total	Seasonal firms	Percent of total
Total	6,981	100.0	6,981	100.0	4,180	100.0	4,180	100.0
Less than $50	1,977	28.3	2,760	30.7	2,103	52.3	2,504	59.8
50-99	1,420	20.5	1,680	24.1	1,347	32.2	1,353	32.3
100-149	1,241	17.8	1,203	17.2	320	7.9	275	6.6
150-199	602	10.0	664	9.5	130	3.1	43	1.0
200-299	727	10.4	405	5.8	115	2.7	13	.3
300-399	409	5.9	195	2.8	38	.9	1	(1)
400-599	201	3.7	65	.9	20	.5		
600-799	149	2.1			16	.4		
800-999	80	1.1			1	(1)		
1,000 or more	16	.2						

[1] Less than 0.05 percent.

fined, not as in Minnesota, but as one who earns 80 percent of his covered wages in seasonal employment.[9] By this standard only 23 percent of the Minnesota seasonal claimants would have been adjudged seasonal. The year-round character of the work experience of the seasonal claimants should be kept in mind while examining their benefit experience.

Effect of seasonal restrictions on benefit experience.—Since many of the workers declared seasonal did not claim benefits because they were obviously ineligible, the proportion of those who did file claims and were found ineligible does not provide a measure of the true effect of the eligibility requirement. Of the 852 seasonal workers who claimed benefits, 27 percent would have been ineligible even if there had been no seasonal restriction. However, the reduction of wage credits caused an additional 18 percent to be ineligible. Hence, about 1 in every 5 of this small group, most of whom had substantial earnings outside the operating season, was denied all benefit rights because of the seasonal provision in the law.

The workers declared seasonal who claimed benefits, and particularly those eligible for benefits, were in general workers who earned less from seasonal firms than from other firms. They had fairly substantial earnings as compared with other seasonal workers, but their earnings were usually lower than those of other Minnesota claimants, as is shown by the fact that their weekly benefit amounts were low in comparison with those of other claimants.[10] Whereas only 4.0 percent of all Minnesota claimants had weekly benefit amounts of $5 or less, and 27 percent had weekly benefit amounts of $14 and $15, these percentages would have been almost exactly reversed for seasonal claimants even if their wage credits had not been reduced (table 7). After wage credits were reduced, 36 percent of the eligible seasonal claimants were entitled to $5 a week or less, and only 19 percent were entitled to $10 or more.

The weekly benefit amounts of about two-thirds of the eligible seasonal claimants were not affected by the reduction of wage credits. For those affected, the reductions ranged from $1 to $10.

Table 7.—*Percentage distribution of all eligible claimants in Minnesota and of eligible seasonal claimants before and after seasonal reduction of wage credits, by weekly benefit amount*

Weekly benefit amount	All claimants	Seasonal claimants: Before wage-credit reduction	Seasonal claimants: After wage-credit reduction
Total	100.0	100.0	100.0
$5 or less	4.0	24.2	36.2
6-9	41.6	50.7	44.9
10-13	27.3	19.8	14.9
14-15	27.1	5.3	4.0

An unemployed worker's weekly benefit amount is usually calculated as approximately one-half his usual weekly wage.[11] A seasonal provision of the Minnesota type tends to destroy this relationship between weekly benefits and usual earnings.

Total benefits payable to Minnesota claimants during a benefit year were limited to the lesser of one-third of wage credits or 16 times the weekly benefit amount. Seasonal restrictions on wage credits reduced by about one-fifth the benefits payable to 80 percent of the eligible claimants who had been declared seasonal. Without this reduction these workers would have been entitled to an average of $113 in benefits; after the reduction they were entitled to only $90. The seasonal claimants not affected—those with sufficient wage credits to be entitled to 16 times the weekly benefit amount despite the restriction—were entitled to an average of $129 during their benefit year.

Benefits drawn by seasonal claimants.—It is often assumed that seasonal workers, because of their recurring periods of unemployment, will automatically draw all the benefits to which they are entitled. Actually, only 56 percent of the eligible claimants declared seasonal drew all the benefits to which they were entitled, and 10 percent drew less than one-tenth of their potential benefits (table 8). Among all Minnesota claimants whose benefit years ended in the third quarter of 1940, 46 percent exhausted their benefit rights.

Since the few workers declared seasonal who claimed benefits could be classified as workers who happened to work for seasonal employers during

[9] The Washington Unemployment Compensation Act uses this definition to identify seasonal workers.

[10] Under the law then in effect, the weekly benefit amount was determined as 1/26 of wage credits in that quarter when wage credits were highest, but not more than $15 or less than $3. For payment purposes, benefit amounts of $3 and $4 were raised to $5.

[11] Although most State laws attempt to preserve this relationship, weekly benefit amounts are ordinarily related to quarterly earnings since weekly wages have proved difficult to determine. Because there are 13 weeks in a quarter, 1/26 of quarterly earnings is assumed to be about 1/2 weekly earnings.

part of the year, they were as securely attached to the labor market as other Minnesota claimants. Why, then, was the exhaustion ratio of seasonal claimants 56 percent as compared with a ratio of 46 percent for all claimants? The explanation probably lies in the fact that seasonal claimants were generally low-paid workers with short potential benefit duration, and therefore a group more likely to exhaust their benefit rights than claimants with longer potential duration. This tendency is evident in the experience of all Minnesota claimants whose benefit years ended in the third quarter of 1940. Only claimants who were entitled to 16 weeks of benefits had a lower exhaustion ratio than did the seasonal claimants. Seventy-two percent of all Minnesota claimants were entitled to 16 weeks of benefits, but only 38 percent of the seasonal claimants could have drawn benefits for that number of weeks even if there had been no seasonal reduction of wage credits. Claimants with high weekly benefit amounts are less likely than those with low weekly benefit amounts to exhaust benefits, and 27 percent of all Minnesota claimants were entitled to $14 and $15 weekly as opposed to only 5.3 percent of the seasonal claimants before the reduction of wage credits (table 7).

Another usual assumption with regard to seasonal workers is that, because of the nature of their employment, they will file claims for benefits every year. The experience of claimants declared seasonal, however, differed little in this respect from the experience of all claimants, possibly because so few seasonal workers were eligible for benefits.

Number of years in which claims were filed	Percent of total claimants	
	All claimants	Seasonal claimants
1	44	35
2	34	45
3	22	20

These figures indicate that, while there was a tendency for a larger percentage of seasonal than of all claimants to file in 2 different years, there was virtually no difference in the percentage filing in 3 different years.

Effect of seasonal restrictions on total benefits paid and on employer contribution rates.—The seasonal restriction had an insignificant effect on the size of the Minnesota unemployment compensation fund. It is estimated that in 1940 the seasonal restriction reduced benefit payments about $8,000. Had all seasonal workers claimed benefits, the saving would have been about $14,000. Since a total of $9.7 million was paid out of the Minnesota fund in 1940, expenditures were reduced by less than 0.1 percent through operation of the seasonal restriction.

Table 8.—*Distribution of eligible seasonal claimants in Minnesota, by ratio of actual to potential benefits*

Ratio of actual to potential benefits (percent)	Number	Percent
Total	472	100.0
100	265	56.1
80-99	53	11.2
60-79	39	8.3
40-59	34	7.2
20-39	21	4.5
10-19	12	2.5
Less than 10	48	10.2

The effect of the seasonal restriction on employers' contribution rates, an extremely important factor in connection with the enactment and design of the seasonal provisions, was likewise insignificant. Estimates indicate that only 4 of the 16 seasonal employers received lower contribution rates in 1941 solely because of the seasonal restriction.[13] The estimated tax reduction amounted to 0.25 percent of covered pay rolls for two of these firms and to 0.5 percent for the other two.

Summary and Conclusion

The 16 firms declared seasonal under the Minnesota Unemployment Compensation Law during 1939 were in fact highly seasonal, since they operated for only about 4 months of the year. Of their employees, 85 percent were employed only during the operating season. The great majority of the workers defined as seasonal, that is, employed by these firms only during the operating period, had low earnings in 1939. Nearly half of them received less than $50 from seasonal employers, and none received as much as $600. Such low earnings could have provided hardly more than supplemental income. The

[13] In preparing these estimates, eligibility for benefits and benefit wages charged were recomputed as if no seasonal restriction had been in effect and as if all newly eligible workers actually drew benefits. It was also necessary to assume that 1939 was typical of all years that benefit wages were chargeable in computing 1941 contribution rates. While there are gaps in the assumptions necessary for these estimates, the results are fairly accurate because the proportion of claimants among the seasonal workers was so small.

nonseasonal workers, those employed by the seasonal firms both within and outside the operating season, had considerably higher earnings. Whereas less than 1 percent of the seasonal workers earned $1,000 or more in covered employment during 1939, one-fourth of the nonseasonal workers earned this amount.

The low earnings of the seasonal workers are an indication of the type of worker hired. The plants were located in or near small towns in the southern Minnesota farming area, where there was an adequate supply of housewives, farm women, and farm laborers for a few weeks' work in the summer. The jobs were of such short duration—most of them lasted only a few weeks and very few for more than 4 months—that workers from other industries were not attracted. Only one-fourth of the seasonal workers had any other earnings in covered industry during 1939. Despite the short duration of peak employment and the low wages paid by firms declared seasonal, only one seasonal worker in six earned as much in other covered as in seasonal employment. Hence, five-sixths of these workers were in fact in the covered labor force for only short periods during the summer.

There were long periods during the year when seasonal workers had no covered employment, but less than one-tenth of them filed claims for benefits. This proportion contrasts sharply with the fact that more than one-fourth of the nonseasonal workers filed claims, although they apparently experienced less unemployment and had much higher earnings. Most of the seasonal workers who did not file claims could not have qualified for benefits, and virtually none could have qualified for benefits on the basis of seasonal wages alone. Those who did file claims were, in general, those with substantial earnings in other covered industries. Since seasonal restrictions affect only the benefit rights of claimants, those affected were the few workers primarily employed in other industries, and hence not the type of worker who left the covered labor force at the close of the active season. The net effect of the Minnesota seasonal provision was to reduce the benefit rights of a few workers who had some seasonal earnings but who had stronger attachments to other types of covered employment.

The study demonstrates that the present Minnesota qualifying earnings requirement for all claimants is in itself an effective means of restricting benefits payable to the workers who leave the labor market at the close of the seasonal operating period. The eligibility requirement of $200 now incorporated in the Minnesota law would have permitted only one-sixth of all seasonal workers to qualify for benefits, and less than 1 percent of the 4,200 women seasonal workers to qualify for benefits. Obviously this eligibility requirement in itself is almost completely effective in restricting the benefit rights of women workers declared seasonal unless they also obtain employment in other covered industries. This finding is significant because it is often argued that women employed during the summer but not seeking work at other times of the year will receive a wage subsidy in the form of unemployment benefits unless special restrictions are placed on their benefit rights. Only one-tenth of the men employed by the seasonal firms earned $200 or more in seasonal employment, and the majority of this small group also had substantial earnings in other covered employment. The Minnesota seasonal restriction cannot affect the large number of workers employed by seasonal firms who leave the labor market at the end of the season, because very few of them could qualify even in the absence of the seasonal restriction; the provision does affect the few workers with substantial earnings in other covered employment who happened to be employed by the seasonal firms during the operating period.

The operation of the seasonal provision reduced total benefit expenditures by about $8,000, less than 0.1 percent of the total benefit expenditures in Minnesota in 1939. The contribution rates of only four employers under the experience-rating provision were reduced by the operation of the seasonal provision. Estimates indicate that the effect of the seasonal restriction was to reduce the contribution rates of two of these employers by 0.25 percent and of the other two by 0.5 percent.