

Experience-Rating Operations in 1946*

DURING 1946, employers subject to State unemployment insurance laws were taxed at an estimated average rate of 1.4 percent of taxable pay rolls (table 1)¹—the lowest average rate since the first year of the program (1936) when the Federal tax rate was only 1 percent. The 1.4-percent revenue rate is expected to yield \$828 million² on 1946 wages, a decline of nearly \$100 million from the amount payable by employers in 1945, when the average tax rate was 1.59 percent. For the 45 States with experience-rating provisions, the average employer tax rate declined from 1.55 percent in 1945 to 1.3 percent in 1946.

Under the experience-rating provisions of State laws, individual employer contribution rates may be varied from the standard rate³ on the basis of either the employer's experience with the risk of unemployment or the condition of his reserve account. State experience-rating plans differ greatly with respect to the measures used in com-

puting the employer-experience index and the amount of variation allowed from the standard rate. The most common type of measure is the amount of benefits paid to an employer's former workers and charged to his experience-rating account. Only the New York plan in 1946 used a measure completely independent of the amount of benefits chargeable to an employer's account; 1946 tax rates in New York depended on the stability of a firm's pay roll and its age.

Experience-rating provisions reduced the amount of contributions on 1946 wages almost \$800 million below the amount payable at the standard tax rate (table 2)—a revenue reduction of 51 percent for the experience-rating States and of 49 percent for all States combined. In 1945 the decrease in tax rates under experience-rating provisions of State laws reduced revenue by slightly more than \$650 million, or 43 percent for the experience-rating States and 41 percent for the Nation. In the absence of provisions for reduced tax rates—either through experience rating or

other devices—the already excessive reserves for unemployment insurance would have grown even during 1946, when benefit outlays were the highest in the program's history.

In the 45 experience-rating States there were 865,000 active employer accounts, of which 566,000 or 65.4 percent were rated—that is, were eligible for tax rate modification—for rate years beginning in 1946 (table 4). Because of highly favorable employment experience during the war years, almost all (94.7 percent) of the rated accounts were assigned tax rates below the standard; only 4.3 percent were assigned the standard rate, and only 1.0 percent had rates higher than the standard.

Tax rates of less than 1.0 percent were assigned to one of every three accounts in the 45 experience-rating States, and more than half the rated accounts (52.7 percent) paid taxes that ranged from 1.0 to 1.8 percent of pay rolls. As a result, only slightly more than one-tenth of the rated accounts were liable for tax rates higher than 1.8 percent.

During 1946, contributions to the unemployment trust funds were paid by employees in four States at an

*Prepared in the Program Division, Bureau of Employment Security.

¹ Except for the discussion on pages 10-11, the effect of war-risk provisions is excluded from all figures shown in this summary. In 1946, 5 States (Alabama, Florida, Georgia, Ohio, and Oklahoma) had war-risk provisions in operation.

² Contributions due on taxable wages for 1946 differ significantly from amounts collected during 1946. Collections during 1946 were paid usually with respect to taxable wages for the fourth quarter of 1945 and for the first 3 quarters of 1946. Collections were therefore based partly on 1945 tax rates, which were generally higher than 1946 rates, whereas contributions due on 1946 wages were based solely on rates for 1946. Collections exceeded contributions also because collections include while contributions exclude war-risk revenue, voluntary contributions, employee contributions, fines, and penalties.

³ The standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent. Under current State laws all new employers are taxed at these rates until they have sufficient "experience" with the risk of unemployment to be eligible for rate modification under the State experience-rating provisions. In 1946, rates higher than the standard were assigned by only 15 of the 45 experience-rating States.

Table 1.—Average employer and employee contribution rates, 1941-46

Year	Average contribution rate (percent)					
	All States			Experience-rating States		
	Com- bined employer- employee	Em- ployer	Em- ployee ¹	Com- bined employer- employee	Em- ployer	Em- ployee ¹
1941.....	2.72	2.58	1.00	2.50	2.17	1.00
1942.....	2.32	2.17	1.00	2.04	1.81	1.00
1943 ²	2.18	2.04	.93	1.97	1.77	.95
1944 ²	1.95	1.80	.92	1.75	1.59	.94
1945 ²	1.73	1.59	.91	1.69	1.55	.94
1946 ^{2,3}	1.4	1.4	.4	1.3	1.3	.4

¹ Average rates for States with employee contributions.

² Excludes effect of war-risk contributions.

³ Preliminary; excludes voluntary contributions made during year.

Table 2.—Effect of experience rating¹ on employer contributions, 1941-46

Item	1941	1942	1943 ¹	1944 ¹	1945 ¹	1946 ^{1,2}
States with experience rating:						
Number.....	17	34	40	42	45	45
Average employer contribution rate (percent).....	2.17	1.81	1.77	1.59	1.55	1.3
Reduction in revenue:						
Amount (in millions).....	\$54	\$269	\$401	\$561	\$654	\$799
As percent of contributions at standard rate.....	20	34	35	42	43	51
All States, reduction in revenue as percent of contributions at standard rate.....	5	20	25	34	41	49

¹ Excludes effect of war-risk contributions provisions.

² Preliminary; excludes voluntary contributions made during year.

average rate of 0.4 percent (table 1). The average rate was 0.2 percent in Alabama and 1.0 percent in New Jersey. In California, employee contributions of 1.0 percent of taxable pay roll were credited to the unemployment trust fund during the first 2

quarters of 1946 only; after that, these contributions were credited to the State's newly established temporary disability insurance fund. Similarly, in Rhode Island, employee contributions of 0.5 percent, which formerly went to the unemployment

trust fund, were credited to the temporary disability insurance fund starting July 1, 1946. As a result, the average 1946 employee contribution rates for unemployment insurance in California and Rhode Island were equivalent to annual rates of 0.2

Table 3.—Selected experience-rating data, by type of plan¹ and State, 1941–46

State	Date experience rating became effective	Maximum rate (percent)	Minimum rate (percent)	Percent of rated accounts with reduced rates						Average employer contribution rate (percent) ²						Reduction in revenue (percent) ³					
				1941 17 States	1942 34 States	1943 40 States	1944 42 States	1945 45 States	1946 45 States	1941 17 States	1942 34 States	1943 40 States	1944 42 States	1945 45 States	1946 45 States	1941 17 States	1942 34 States	1943 40 States	1944 42 States	1945 45 States	1946 45 States
Total, 51 States																					
Total, States with experience rating				54.9	67.4	74.7	84.5	91.0	96.1	2.17	1.81	1.77	1.59	1.55	1.3	20	34	35	42	43	51
Reserve-ratio plan:																					
Arizona	Jan. 1942	3.6	1.0	42.7	55.7	71.5	83.4	92.6	2.51	2.33	2.12	1.94	1.7	7	14	21	28	37	37		
Arkansas	Apr. 1942	2.7	1.0	51.5	70.4	79.8	86.8	93.4	2.47	2.16	2.06	2.00	1.9	9	20	24	25	30	30		
California	Jan. 1941	2.7	1.0	28.0	29.6	37.0	50.8	62.0	2.48	2.45	2.28	2.17	2.02	8	9	16	19	26	27		
Colorado ⁴	Jan. 1942	3.6	.9	67.9	72.1	81.7	88.9	94.4	1.98	1.92	1.70	1.69	1.3	26	29	37	38	51	51		
Dist. of Col.	July 1943	2.7	1.1	90.0	91.6	94.7	96.6	96.6	1.71	1.50	1.51	1.3	3	37	82	81	87	87			
Georgia	Jan. 1942	2.7	1.0	80.3	80.4	86.5	93.2	96.0	1.57	2.11	1.98	1.83	1.6	23	22	27	32	39	39		
Hawaii	Apr. 1941	2.7	0	70.3	97.5	97.6	97.8	99.0	1.65	1.04	1.21	1.24	1.7	39	43	49	55	54	74		
Idaho	July 1943	2.7	1.5	65.6	47.8	83.9	91.9	91.9	2.53	2.43	2.22	2.0	2.0	6	10	18	24	24	24		
Indiana ⁴	Jan. 1940	2.7	.135	36.6	57.4	66.0	82.8	86.1	2.29	1.91	1.97	1.85	1.62	15	29	27	32	40	66		
Iowa ⁴	Jan. 1942	3.6	.9	65.9	72.6	82.6	89.2	92.4	1.85	1.92	1.68	1.43	1.4	31	29	38	46	50	50		
Kansas	Jan. 1941	2.7	.7	49.1	42.3	72.0	83.8	92.9	2.07	2.20	2.09	2.10	1.81	23	19	23	22	33	43		
Kentucky ⁴	do	2.7	0	16.4	36.6	72.7	77.1	76.4	2.68	2.32	2.18	2.08	1.89	1	14	19	23	30	41		
Louisiana	Oct. 1945	2.7	.9	85.2	85.2	96.6	96.6	96.6	2.35	2.35	2.35	1.5	1.5	1	1	1	1	1	1	46	
Maine	July 1943	2.7	1.2	78.2	71.9	90.2	93.6	93.6	2.50	2.28	2.09	2.0	2.0	7	15	23	25	27	25		
Missouri ⁴	Jan. 1942	4.1	0	81.5	81.6	84.6	89.3	94.0	1.52	1.60	1.73	1.52	1.2	44	42	36	44	57	57		
Nebraska ⁴	Jan. 1940	2.7	1.5	51.8	63.6	66.6	84.4	92.5	1.38	1.56	2.02	1.74	1.30	49	42	25	35	52	68		
Nevada	July 1945	2.7	1.0	88.9	88.9	88.3	88.3	88.3	2.40	2.40	2.40	2.1	2.1	11	21	21	21	21	21		
New Hampshire	Jan. 1941	2.7	.5	46.5	61.2	66.9	76.2	86.1	2.54	2.38	2.21	1.81	1.65	6	12	18	33	39	47		
New Jersey	Jan. 1942	3.6	.9	70.5	68.1	75.3	83.1	84.2	1.64	1.87	1.85	1.62	1.7	39	31	32	40	38	38		
New Mexico	do	3.6	.9	58.0	60.6	72.7	84.7	91.3	2.17	2.17	1.97	2.02	1.8	19	20	27	25	33	36		
North Carolina ⁴	Jan. 1943	2.7	.27	24.6	53.0	72.9	84.6	84.6	2.65	2.65	2.44	2.07	1.7	2	10	23	36	33	33		
North Dakota	Jan. 1942	2.7	.5	67.7	74.7	82.8	90.4	94.5	1.95	1.86	1.64	1.54	1.3	28	31	39	25	51	51		
Ohio	do	3.5	.7	90.2	92.7	95.9	98.1	99.0	1.25	1.48	1.49	1.31	1.2	54	45	45	51	57	57		
Oregon	July 1941	2.7	.5	33.7	45.3	60.7	74.1	85.4	2.65	2.41	2.31	2.23	1.98	2	11	14	17	27	34		
South Carolina ⁴	Jan. 1942	3.0	.9	68.0	75.7	83.2	93.3	96.6	1.98	1.74	1.86	1.44	1.2	27	36	31	47	54	54		
Tennessee	July 1944	3.3	1.0	73.3	82.2	89.0	89.0	89.0	2.42	2.14	1.76	1.62	1.40	10	21	35	40	48	54		
West Virginia	Jan. 1941	2.7	.5	53.8	64.6	85.6	91.3	94.7	2.42	2.14	1.76	1.62	1.40	10	21	35	40	48	54		
Wisconsin ⁴	Jan. 1938	4.0	0	65.1	64.8	66.8	75.2	75.9	1.49	1.55	1.70	1.83	1.08	45	43	37	32	60	86		
Benefit-wage-ratio plan:																					
Alabama	Apr. 1941	2.7	.5	79.4	87.1	95.2	99.2	99.9	2.08	1.59	1.25	1.00	1.04	23	41	54	63	61	73		
Delaware	Jan. 1942	3.0	.5	95.2	96.8	98.6	100.0	100.0	.98	.79	.68	.66	.6	64	71	75	76	78	78		
Illinois	Jan. 1943	2.7	.5	80.2	83.8	89.9	97.1	97.1	1.36	1.16	.99	.8	.8	50	57	63	71	75	75		
Massachusetts	Jan. 1942	3.6	.5	75.1	79.5	91.5	96.0	98.7	1.52	1.28	.94	.88	.7	44	53	65	68	75	75		
Oklahoma	do	2.7	.5	75.3	80.1	91.4	98.1	99.6	1.69	1.58	1.37	.79	.9	37	41	49	71	68	68		
Pennsylvania	Jan. 1944	2.7	1.0	98.1	99.2	98.9	98.9	98.9	1.21	1.29	1.4	1.4	1.4	55	52	49	52	49	49		
Texas	Jan. 1941	2.7	.5	80.7	87.0	94.1	97.8	99.1	1.60	1.56	1.42	1.24	.92	41	42	47	54	66	71		
Virginia	do	2.7	1.0	90.0	88.4	92.6	98.3	99.8	1.75	1.59	1.50	1.21	1.16	35	41	44	55	57	59		
Benefit-ratio plan:																					
Florida	Jan. 1942	2.7	.7	68.5	70.9	84.5	94.6	98.4	2.27	2.24	2.10	1.83	1.3	16	17	22	32	32	53		
Maryland	July 1943	2.7	.9	84.5	92.4	96.2	97.2	97.2	2.01	1.51	1.43	1.2	1.2	26	44	47	54	54	54		
Michigan ⁶	Jan. 1942	4.0	1.0	87.5	88.9	94.5	80.5	89.6	1.69	1.57	1.17	1.66	1.3	44	48	61	45	57	57		
Minnesota ⁴	Jan. 1941	3.25	.5	59.6	57.3	77.3	77.1	80.3	2.05	1.95	1.56	1.61	1.70	24	28	42	40	37	39		
Wyoming	Jan. 1942	3.5	.5	39.2	65.6	82.5	95.9	99.6	2.66	1.93	1.67	1.44	1.3	2	29	38	47	53	53		
Combined reserve-ratio and benefit-ratio plan:																					
South Dakota ⁴	Jan. 1940	2.7	0	36.3	59.1	72.4	72.3	84.0	1.65	1.57	1.16	1.01	1.13	39	42	57	63	58	69		
Vermont	Jan. 1941	2.7	1.5	34.8	50.5	54.0	77.5	84.4	2.46	2.10	2.38	2.01	1.80	9	22	12	25	33	37		
Compensable-separations plan:																					
Connecticut	Apr. 1941	2.7	1.5	88.3	84.8	85.5	84.8	88.8	2.29	2.09	2.12	2.12	2.1	15	23	23	21	22	23		
Pay-roll-variations plan:																					
New York	July 1945	2.7	0					99.9	99.9				1.99	1.5					26	44	

¹ States classified by type of plan in effect as of computation date of 1946 rates.

² Preliminary estimates for 1946; 1946 data do not include effect of voluntary contributions from employers collected during the year. Effect of war-risk contributions also excluded from rates for 1943, 1944, 1945, and 1946; rates may be materially affected in States which provide for war-risk contributions. See footnotes 4 and 5.

³ Preliminary estimates for 1946. Percent shown for States represents differ-

ence between estimated yields at the average rate and at the standard rate as a percent of estimated yield at the standard rate. Excludes effect of additional revenue under war-risk provisions.

⁴ State law provides for voluntary contributions.

⁵ State law provides for war-risk contributions.

⁶ In Michigan the standard rate is 3.0 percent; in all other States, 2.7 percent.

percent and 0.3 percent, respectively.

The continuous decline in the average employer contribution rate for all employers and for employers in States with experience rating has brought the average rate to its lowest point since 1936, when the Federal tax was

only 1.0 percent.⁴ The rate for the

⁴ The Federal tax rate rose from 1.0 percent in 1936, the first year of the program, to 2.0 percent in 1937 and reached its present level of 3.0 percent in 1938. Since employers subject to a State unemployment insurance law are granted a 90-percent

Nation dropped from 2.58 percent in 1941 (the first year during which a significant number of States reduced

offset against the Federal tax, the standard tax rate was approximately 0.9 percent in 1936, 1.8 percent in 1937, and 2.7 percent thereafter.

Table 4.—Percentage distribution of active accounts eligible for rate modification, by employer contribution rate,¹ for each type of experience-rating plan and State, rate years beginning in 1946

Type of plan and State ²	Total number of active accounts ³	Active accounts eligible for rate modification											
		Number	Per cent of all active accounts	Percentage distribution by employer contribution rate									
				Rate below standard ⁴	Standard rate ⁴	Rate above standard ⁴	Rate in specified interval						
							0.0	0.1-0.9	1.0-1.8	1.9-2.6	2.7 ⁴	2.75-3.6	3.7-4.5
Total, 45 States.....	865, 118	565, 794	65.4	94.7	4.3	1.0	2.4	32.7	52.7	6.9	4.3	70.9	(⁶)
Reserve-ratio plan.....	329, 176	227, 548	69.1	90.2	9.0	.8	5.9	34.5	41.1	8.7	9.0	.8	(⁶)
Arizona.....	4, 718	2, 943	62.4	92.6	5.5	2.0	-----	56.9	35.6	5.5	2.0	-----	-----
Arkansas.....	19, 250	10, 544	54.8	93.4	6.6	-----	-----	65.4	28.0	6.6	-----	-----	-----
California.....	55, 069	34, 825	63.2	74.0	26.0	-----	-----	53.3	20.6	26.0	-----	-----	-----
Colorado ⁹	3, 764	2, 858	75.9	94.4	4.5	1.2	73.6	20.8	-----	4.5	1.2	-----	-----
District of Columbia.....	15, 644	10, 690	68.3	96.6	3.4	-----	94.9	1.4	.3	3.4	-----	-----	-----
Georgia ¹⁰	8, 974	6, 398	71.3	96.0	4.0	-----	-----	87.3	8.7	4.0	-----	-----	-----
Hawaii.....	6, 594	3, 353	50.8	99.0	1.0	66.3	-----	31.3	1.5	1.0	-----	-----	-----
Idaho.....	8, 460	4, 399	52.0	91.9	8.1	-----	-----	49.7	42.2	8.1	-----	-----	-----
Indiana ⁹	11, 542	8, 946	77.5	94.0	6.0	-----	86.9	7.1	-----	6.0	-----	-----	-----
Iowa ⁹	7, 731	6, 026	77.9	92.4	6.1	1.4	68.1	24.3	-----	6.1	1.4	-----	-----
Kansas.....	5, 422	3, 919	72.3	95.4	4.6	-----	29.5	62.3	3.6	4.6	-----	-----	-----
Kentucky ⁹	9, 347	7, 371	78.9	79.4	20.6	-----	30.7	48.6	-----	20.6	-----	-----	-----
Louisiana.....	12, 088	7, 775	64.3	96.6	3.4	-----	76.8	15.6	4.2	3.4	-----	-----	-----
Maine.....	3, 838	2, 774	72.3	93.6	6.4	-----	-----	80.4	13.2	6.4	-----	-----	-----
Missouri ⁹	13, 637	9, 389	68.8	94.0	3.3	2.6	20.7	58.3	15.0	3.3	2.6	-----	0
Nebraska ⁹	4, 489	3, 597	80.1	97.4	2.6	-----	81.8	9.7	5.9	2.6	-----	-----	-----
Nevada.....	3, 283	1, 527	46.5	88.3	11.7	-----	-----	70.5	17.9	11.7	-----	-----	-----
New Hampshire.....	3, 880	3, 023	77.9	90.6	9.4	-----	31.5	55.2	3.8	9.4	-----	-----	-----
New Jersey.....	19, 211	15, 693	81.7	84.2	12.3	3.5	58.2	26.0	-----	12.3	3.5	-----	-----
New Mexico.....	6, 351	5, 295	51.9	91.3	7.2	1.5	56.4	34.9	-----	7.2	1.5	-----	-----
North Carolina ⁹	8, 987	7, 467	83.1	84.6	15.4	-----	21.0	49.5	14.1	15.4	-----	-----	-----
North Dakota.....	1, 529	1, 069	69.9	94.5	5.5	-----	35.7	52.6	6.2	5.5	-----	-----	-----
Ohio ^{9, 10}	52, 230	37, 985	72.7	99.0	.4	.6	50.9	46.0	2.0	.4	.6	-----	-----
Oregon.....	10, 744	7, 526	70.0	90.2	9.8	-----	18.0	46.7	25.5	9.8	-----	-----	-----
South Carolina ⁹	4, 207	3, 156	75.0	96.6	2.4	1.0	66.8	28.0	1.7	2.4	1.0	-----	-----
Tennessee.....	7, 544	5, 748	76.2	89.0	4.5	6.6	-----	75.2	13.8	4.5	6.6	-----	-----
West Virginia.....	4, 818	3, 308	68.7	96.7	3.3	-----	65.7	28.0	3.0	3.3	-----	-----	-----
Wisconsin ⁹	15, 925	11, 944	75.5	92.4	6.6	1.0	58.7	33.7	-----	6.6	.6	.5	-----
Benefit-wage-ratio plan.....	302, 440	174, 433	57.7	98.7	.8	.5	45.3	52.3	1.1	.8	.5	-----	-----
Alabama.....	6, 536	4, 783	73.2	99.9	.1	-----	96.7	2.9	.3	.1	-----	-----	-----
Delaware.....	4, 685	3, 687	78.7	100.0	0	(⁸)	99.6	.3	.1	0	(⁸)	-----	-----
Illinois.....	42, 165	30, 839	73.1	97.1	0	2.9	83.9	10.8	2.3	0	2.9	-----	-----
Massachusetts.....	76, 539	28, 777	37.6	98.7	1.3	-----	91.3	6.2	1.3	1.3	-----	-----	-----
Oklahoma ¹⁰	6, 499	4, 666	71.8	99.6	1.4	-----	95.4	3.8	.4	.4	-----	-----	-----
Pennsylvania.....	136, 265	80, 586	59.1	98.9	1.1	-----	97.9	.9	1.1	1.1	-----	-----	-----
Texas.....	20, 664	14, 374	69.9	99.4	.6	-----	98.1	1.1	.1	.6	-----	-----	-----
Virginia.....	9, 087	6, 721	74.0	100.0	0	-----	100.0	0	0	0	-----	-----	-----
Benefit-ratio plan.....	85, 380	52, 377	61.3	91.2	3.5	5.4	50.3	37.3	3.6	3.4	5.1	.3	-----
Florida ¹⁰	8, 529	5, 153	60.4	98.4	1.6	-----	74.7	22.6	1.1	1.6	-----	-----	-----
Maryland.....	30, 844	10, 633	34.5	97.2	2.8	-----	84.6	10.6	2.0	2.8	-----	-----	-----
Michigan ⁹	18, 506	15, 239	82.3	89.6	9.2	1.2	89.1	.5	9.2	.3	.9	-----	-----
Minnesota ⁹	23, 401	18, 764	80.2	86.1	-----	13.9	72.0	6.0	8.1	0	13.9	-----	-----
Wyoming.....	4, 100	2, 588	63.1	99.6	-----	.4	-----	99.3	.3	0	.4	-----	-----
Combined reserve-ratio and benefit-ratio plan.....	3, 421	2, 679	78.3	89.6	10.4	-----	15.0	32.0	41.7	.9	10.4	-----	-----
South Dakota ⁹	1, 800	1, 441	80.1	87.9	12.1	-----	27.9	59.4	.6	0	12.1	-----	-----
Vermont.....	1, 621	1, 238	76.4	91.5	8.5	-----	-----	89.5	2.0	8.5	-----	-----	-----
Compensable-separations plan: Connecticut.....	13, 846	10, 961	79.2	96.1	3.9	-----	-----	75.2	20.9	3.9	-----	-----	-----
Pay-roll-variations plan: New York.....	130, 855	97, 796	74.7	99.9	.1	-----	-----	86.6	13.3	.1	-----	-----	-----

¹ Assigned for rate years beginning in 1946, as of computation date for 1946 rates. Stated as percent of taxable pay roll. Excludes effect of war-risk contributions in 4 States with such provisions in effect. See footnote 10.

² Classified by type of plan in effect as of computation date for 1946 rates.

³ All rated and unrated accounts; excludes accounts newly subject after computation date for 1946 rates.

⁴ Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.

⁵ Includes accounts assigned 2.3-percent rate in Michigan. See footnote 4.

⁶ Includes accounts assigned 3.0-percent rate in Michigan. See footnote 4.

⁷ Excludes accounts assigned 2.3-percent and 3.0-percent rate in Michigan. See footnote 4.

⁸ Less than 0.05 percent.

⁹ Excludes voluntary contributions.

¹⁰ Data exclude effect of war-risk contributions in effect in State.

tax rates under experience-rating provisions) to 1.4 percent in 1946, and in experience-rating States the rate dropped from 2.17 percent to 1.3 percent (table 1). The major causes of this sharp and unbroken decline in the average tax rate were the increasingly favorable economic conditions in this period, during which pay rolls increased almost every year and benefit payments dropped to very low levels; the spread of experience rating from 17 States in 1941 to 45 in 1946; and the continuous liberalization of the provisions for rate reductions.

Rate Modification and State

During 1941-46 there was a steady shift among the States from the higher to lower average rate classes. In 1941, none of the States had average tax rates of less than 1.0 percent; in 1946, however, there were 12 such States. In the earlier year, 3 States had average tax rates of 2.5 percent or more, but in 1946, no State had such high average rates.

Average employer contribution rate ¹ (percent)	Number of experience-rating States					
	1941	1942	1943	1944	1945	1946
Total.....	17	34	40	42	45	45
Less than 1.00.....	0	1	1	4	6	12
1.00-1.49.....	2	1	7	8	13	14
1.50-1.99.....	4	18	15	15	16	13
2.00-2.49.....	8	12	14	14	10	6
2.50 or more.....	3	2	3	1	0	0

¹ Excludes effect of war-risk provisions on rates for years 1943-46; 1946 rates also exclude effect of voluntary contributions made in that year.

The shift toward lower rates was particularly marked between 1945 and 1946. Twice as many States in 1946 as in 1945 had average tax rates of less than 1.00 percent. The number of States with average tax rates of 2.00-2.49 percent dropped from 10 to 6 in this period, and the number whose tax rates averaged 1.50-1.99 percent also declined, from 16 to 13.

The 1946 average employer tax rate fell below the 1945 average despite the sharp increase in benefit payments and the decline in pay rolls that followed the end of the war in 1945. In some States the large amounts of benefit payments made during October-December 1945 were not included in the computation of rates assigned to employers for 1946.

Table 5.—Active and rated accounts by industry and employer contribution rates assigned under experience-rating provisions, 45 States, rate years beginning in 1946

Employer contribution rate ¹	Total	Mining	Contract construction	Manufacturing	Transportation, communication, and other public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Service industries	Miscellaneous ²
Number of accounts									
Active accounts ³	865, 118	14, 730	58, 963	118, 589	30, 393	314, 128	54, 223	137, 364	5, 873
Rated accounts ³	565, 794	9, 101	31, 606	85, 446	19, 556	200, 902	38, 464	80, 036	2, 887
Rated as percent of active ³	65.4	61.8	53.6	72.1	64.3	64.0	70.9	58.3	49.2
Number with reduced rates ^{3,4}	535, 851	8, 076	26, 746	78, 747	18, 606	191, 261	37, 314	75, 246	2, 151
Percent of rated accounts with reduced rates ^{3,4}	94.7	88.7	84.6	92.2	95.1	95.2	97.0	94.0	74.5
Rate assigned: ⁵									
0.0.....	13, 844	178	895	2, 858	486	6, 179	1, 325	1, 877	46
0.1-0.9.....	184, 772	3, 327	9, 040	33, 791	8, 119	81, 893	18, 572	29, 292	738
1.0-1.8.....	213, 590	4, 127	14, 117	36, 503	8, 793	93, 081	16, 534	39, 227	1, 158
1.9-2.6.....	25, 931	444	2, 693	5, 593	1, 208	10, 104	833	4, 847	209
2.7 ⁶	22, 945	728	3, 022	5, 116	810	7, 924	885	3, 819	641
2.75-3.6.....	6, 729	286	1, 800	1, 541	138	1, 674	260	942	88
3.7-4.5.....	187	11	39	44	2	47	5	32	7
Percentage distribution of rated accounts by industry division									
Rate assigned: ⁵									
0.0.....	100.0	1.3	6.5	20.6	3.5	44.6	9.6	13.6	0.3
0.1-0.9.....	100.0	1.8	4.9	18.3	4.4	44.3	10.1	15.9	.4
1.0-1.8.....	100.0	1.9	6.6	17.1	4.1	43.6	7.8	18.4	.5
1.9-2.6.....	100.0	1.7	10.4	21.6	4.7	39.0	3.2	18.7	.8
2.7 ⁶	100.0	3.2	13.2	22.3	3.5	34.5	3.9	16.6	2.8
2.75-3.6.....	100.0	4.3	26.7	22.9	2.1	24.9	3.9	14.0	1.3
3.7-4.5.....	100.0	5.9	20.9	23.5	1.1	25.1	2.7	17.1	3.7
Percentage distribution of rated accounts by rate									
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rate assigned: ⁵									
0.0.....	3.0	2.0	2.8	3.3	2.5	3.1	3.4	2.3	1.6
0.1-0.9.....	39.5	36.6	28.6	39.5	41.5	40.8	48.3	36.6	25.6
1.0-1.8.....	45.6	45.3	44.7	42.7	45.0	46.3	43.1	49.0	40.1
1.9-2.6.....	5.5	4.9	8.5	6.5	6.2	5.0	2.2	6.1	7.2
2.7 ⁶	4.9	8.0	9.6	6.0	4.1	3.9	2.3	4.8	22.2
2.75-3.6.....	1.4	3.1	5.7	1.8	.7	.8	.7	1.2	3.0
3.7-4.5.....	(?)	.1	.1	.1	(?)	(?)	(?)	(?)	.2

¹ Percent of taxable pay roll. Excludes effect of war-risk contributions.

² Agriculture, forestry, and fishing and establishments not elsewhere classified.

³ Accounts for New York included only in total; distribution by industry not available.

⁴ Includes Michigan accounts assigned 2.3-percent rate. See footnote 6.

⁵ Excludes accounts for New York; distribution by industry not available.

⁶ Standard rate for all States except Michigan, where it is 3.0 percent.

⁷ Less than 0.05 percent.

In States that included these high benefit expenditures, other factors in the experience-rating formulas outweighed the rise in benefit outlays. For example, in some States with experience-rating plans of the reserve-ratio type, declines in employer reserve accounts were more than matched by drops in average pay roll; as a result, employer reserve ratios rose and their tax rates fell. In three States—Louisiana, Nevada, and New York—reduced rates were in effect for only the latter part of 1945, whereas in 1946 they were in effect throughout the year. In addition, revised rate schedules providing for lower tax rates went into effect in five States in 1946.

Largest rate reduction under benefit-wage-ratio plans.—Employers in the eight States using the benefit-wage-ratio system were treated more favorably on the average than employers in States that reduced rates under other types of experience-rating systems (tables 3 and 4). Although less than 60 percent of the employer accounts in the benefit-wage-ratio States were rated, contributions payable by all employers in these States were only 1.0 percent of taxable pay rolls. The proportion rated would have been larger but for the relatively recent extension of coverage to small firms in Massachusetts. In January 1943 the Massa-

chusetts law was amended to extend coverage to employers of less than four employees. As a result, many firms became subject to contributions at the standard rate in 1943 and under the State law will not be eligible for rate modification until 1947. Only about a third of the active accounts in Massachusetts, therefore, were eligible for rate modification in 1946.

Almost all the rated accounts in the benefit-wage-ratio States were assigned rates below the standard. In Illinois and Virginia all rated accounts were taxed at below-standard rates; the remaining six States assigned tax rates below the standard to 97.1 percent or more of the accounts. Among the rated accounts in all eight States, 45.3 percent were assigned tax rates that ranged from 0.1 to 0.9 percent, while 52.3 percent had rates between 1.0 and 1.8 percent (table 4).

Consequently, employers in these States were taxed, on the average, at 1.0 percent of taxable pay rolls—a lower rate than under any other type of experience-rating plan. Only Pennsylvania and Virginia had average contribution rates of more than 1.0 percent—1.4 and 1.1 percent, respectively. In the other benefit-wage-ratio States the average ranged from 0.6 to 0.9 percent (table 3).

Because of these sharp decreases in rates, revenue was reduced almost two-thirds below the amount of contributions collectible at the standard rate. This reduction in revenue amounted to more than 70 percent in five of the benefit-wage-ratio States (table 3).

Rates under reserve-ratio plans.—In the 28 reserve-ratio States, almost 70 percent of all active accounts were rated. Below-standard rates were assigned to 9 out of 10 of the rated accounts in these States. In 9 States, 95 percent or more of the rated accounts were assigned reduced rates. Only 2 States—California and Kentucky—assigned reduced rates to less than 80 percent of the rated accounts. Penalty rates—that is, rates above 2.7 percent—were levied against employers in 10 of the reserve-ratio States, but the proportion of rated accounts with such rates ranged from only 0.6 percent in Ohio to 6.6 percent in Tennessee.

Almost 6 percent of the employers in the reserve-ratio States paid no State unemployment insurance taxes because of reductions under the State experience-rating provisions. These “tax-free” employers were concentrated in Hawaii, Kentucky, Missouri, and Wisconsin, where the minimum rate was zero. Two-thirds of the rated accounts in Hawaii and nearly three-fifths in Wisconsin paid no contributions to the State unemployment insurance reserves.

The average employer contribution rate for 1946 in the reserve-ratio States was 1.5 percent, with the result that revenue was reduced 46 percent below what would have been collected at the standard rate. The average rate ranged from 0.3 percent in the District of Columbia and 0.4 percent in Wisconsin—the lowest averages in any of the 51 States—to 2.0 percent in California, Idaho, Maine, and Tennessee and 2.1 percent in Nevada. The revenue reduction ranged correspondingly from a maximum of 87 and 86 percent in the District of Columbia and Wisconsin, respectively, to 21 percent in Nevada, 24 percent in Idaho, and 25 percent in Maine and Tennessee.

Pay-roll-variations plan.—The year 1946 marked the first full year of operation of the New York pay-roll-

variations plan, which achieves rate reductions by granting employers tax-credit offsets against contributions due at the 2.7-percent rate whenever there is a surplus in the reserve fund. The average contribution rate for 1946 was estimated to be 1.5 percent of taxable pay rolls, a rate which resulted in a reduction of 44 percent from the revenue that would have been collected at the standard rate. In 1945, by contrast, the corresponding average tax rate was 1.99 percent and the revenue reduction was 26 percent.

The substantial decline in New York's average rate can be attributed to several factors. During 1945, tax credits were available against contributions on wages for only the last 6 months of the year, whereas in 1946 they were available against contributions on wages for the entire year. In addition, the surplus available for distribution increased from \$76.5 million for the 1945 rate year to \$84.6 million for the rate year beginning July 1, 1946.

The New York system underwent significant changes on July 1, 1947, when recently passed amendments became effective. Under these amendments, the employer's benefit-wage ratio replaces declines in his annual pay roll as one of the factors in

Table 6.—Average employer contribution rate, by industry division, 15 States, rate years beginning in 1946

State	Total, all industries	Industry division						
		Mining	Contract construction	Manufacturing	Transportation, communication, and other public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Service industries
Total, 15 States.....	1.70	1.75	1.97	1.57	1.67	1.67	1.51	1.80
Alabama.....	1.11	1.36	1.53	1.07	1.05	1.08	.87	1.10
California.....	2.11	2.01	2.18	2.15	2.02	2.12	1.71	2.12
Connecticut.....	1.91	1.98	2.17	2.03	1.82	1.84	1.69	1.84
Georgia.....	1.74	1.79	2.07	1.80	1.95	1.65	1.40	1.82
Illinois.....	1.24	1.71	1.90	1.17	1.12	1.18	.94	1.19
Indiana.....	1.05	1.70	1.92	.96	1.10	.94	.56	1.09
Kentucky.....	1.70	2.09	1.84	1.67	1.90	1.64	1.18	1.81
Maryland.....	2.12	1.86	2.22	1.62	2.08	2.10	2.09	2.35
Massachusetts.....	1.91	1.18	1.63	1.40	1.83	1.86	2.01	2.22
Minnesota.....	1.35	1.85	2.19	1.58	1.34	1.34	1.10	1.15
New Jersey.....	1.68	1.27	2.08	1.83	1.58	1.46	1.33	1.61
Ohio.....	1.51	1.85	1.97	1.42	1.55	1.46	1.11	1.55
Pennsylvania.....	1.72	1.89	1.87	1.62	1.78	1.71	1.59	1.73
Tennessee.....	1.86	2.12	2.46	1.96	1.86	1.75	1.37	1.85
Texas.....	1.19	1.09	1.30	1.09	1.09	1.24	.96	1.24

¹ Computed by weighting the different rates by number of accounts assigned these rates and differs from the average rates in tables 1, 2, and 3, which were computed by using amount of taxable wages at each rate as weights. The average rates used in this table assign equal importance to all employers, regardless of size, and represent the rate of the average employer. The rates in tables 1, 2, and 3 represent over-all revenue rates.

measuring his experience with unemployment. In addition, the surplus for distribution is to be defined as the amount in the reserve fund in excess of 9.45 percent of taxable wages for the preceding year (the legal reserve) rather than 10.8 percent as under the old law; the surplus to be distributed, however, still cannot exceed 60 percent of contributions at the 2.7-percent rate on the prior year's taxable pay rolls.

Substitution of the benefit-wage ratio for the annual pay-roll decline factor probably will reduce the amount of tax credit granted to seasonal employers and increase the amount going to nonseasonal employ-

ers. Under the old law, only one of the three factors—declines in quarterly pay rolls—reflected seasonal unemployment. Annual pay rolls and age of firm—the other two measures of an employer's experience—are not affected by seasonal fluctuations. Under the amended law, on the other hand, two factors—declines in quarterly pay rolls and the benefit-wage ratio—will reflect unemployment, and only one factor—age of firm—will not be affected by seasonal variations.

Rate Modification and Industry

Despite the general lowering of tax rates in 1946, considerable variation

remained in the assignment of rates to firms in different industries. Although a large proportion of the firms in each industry division received reduced tax rates for 1946, less than half the construction firms (as well as those classified in the miscellaneous division) were assigned rates below 2.7 percent (table 5). Only slightly more than half the construction firms were eligible for rate modification, whereas, at the other extreme, more than 70 percent of the firms in finance, insurance, and real estate and in manufacturing were eligible. So few construction firms were eligible for rate modification because of the relatively large volume of turn-over among firms in the industry. Of the firms eligible for modified rates, almost all—97.0 percent—of the employers in finance, insurance, and real estate had reduced rates, as compared with 84.6 percent of the construction firms.

Over half the rated employers in the finance, insurance, and real estate industry were assigned tax rates below 1.0 percent; less than a third of the construction firms and less than two-fifths of the mining and service firms were assigned such low rates. Nearly 6 percent of the rated construction firms had rates above 2.7 percent, as compared with less than 1 percent of those in the public utility, trade, and finance, insurance, and real estate industry divisions.

The average construction firm was likely to be assigned a higher tax rate than the average firm in any other industry division. In 11 of the 15 States for which tax rates by industry were computed, the average rate⁶ for construction firms exceeded the average for firms in all other divisions (table 6). In Kentucky and Pennsylvania the average mining firm and in Maryland and Massachusetts the average service firm were assessed the highest rates. The high average

Table 7.—Average employer contribution rates¹ for rated experience-rating accounts by average annual taxable pay roll, 32 States,² rate years beginning in 1946

State	Average employer contribution rate (percent)							
	All rated accounts	Accounts with pay rolls of—						
		Less than \$5,000	\$5,000-9,999	\$10,000-19,999	\$20,000-49,999	\$50,000-99,999	\$100,000-999,999	\$1,000,000 or more
Total, 32 States.....	1.03	0.98	1.06	1.02	1.01	1.02	1.04	1.05
States with maximum rate above 2.7 percent.....	.94	.94	.98	.94	.94	.93	.92	.91
Colorado.....	1.20	1.22	1.09	1.12	1.19	1.24	1.39	1.31
Delaware.....	.50	.50	.50	.50	.50	.51	.50	.50
Illinois.....	1.70	1.06	.79	.67	.65	.62	.60	.54
Iowa.....	³ 1.27	1.19	1.21	1.23	1.29	1.25	1.19	.94
Michigan.....	1.23	1.26	1.29	1.21	1.21	1.22	1.22	1.32
Minnesota.....	⁴ 1.02	.82	1.00	1.09	1.29	1.59	1.64	1.74
Missouri.....	.98	1.73	.95	.91	.89	.88	.92	.90
Ohio.....	1.06	1.03	1.07	1.07	1.05	1.04	1.07	1.10
South Carolina.....	⁵ 1.17	1.22	1.12	1.13	1.16	1.21	1.22	1.03
Wisconsin.....	⁶ .55	.53	.66	.64	.56	.37	.25	.09
Wyoming.....	1.02	1.02	1.01	1.01	1.01	1.00	1.00	1.00
States with 2.7-percent maximum rate.....	1.10	1.01	1.11	1.09	1.07	1.11	1.15	1.20
Alabama.....	.52	.54	.52	.52	.51	.51	.54	.61
Arkansas.....	1.39	1.39	1.45	1.31	1.41	1.36	1.34	1.46
California.....	⁷ 1.77	1.76	1.71	1.65	1.67	1.71	1.76	1.77
Connecticut.....	1.70	1.59	1.61	1.66	1.75	1.85	1.92	2.09
District of Columbia.....	.21	.26	.18	.16	.13	.13	.15	.10
Georgia.....	1.36	1.24	1.32	1.33	1.37	1.43	1.45	1.45
Hawaii.....	.37	.35	.45	.38	.38	.38	.24	.14
Idaho.....	⁸ 1.80	1.73	1.76	1.90	1.92	1.94	2.04	2.12
Indiana.....	.57	.58	.53	.54	.53	.59	.65	.77
Kansas.....	1.25	1.24	1.22	1.20	1.26	1.35	1.31	1.35
Louisiana.....	1.10	1.09	1.11	1.10	1.10	1.11	1.08	1.01
Massachusetts.....	.59	.66	.69	.55	.56	.57	.61	.58
Nebraska.....	.73	.69	.74	.71	.77	.65	.78	.85
Nevada.....	1.46	1.48	1.51	1.41	1.42	1.47	1.42	1.00
New Hampshire.....	1.22	1.14	1.23	1.23	1.21	1.26	1.43	1.27
North Carolina.....	1.51	1.61	1.65	1.52	1.39	1.44	1.53	1.59
Oregon.....	1.48	1.27	1.47	1.50	1.53	1.53	1.56	1.54
South Dakota.....	.63	.49	.58	.64	.72	.78	.75	.38
Texas.....	⁹ .52	.54	.52	.51	.51	.51	.51	.52
Vermont.....	1.61	1.64	1.68	1.59	1.58	1.62	1.60	1.68
West Virginia.....	.96	.79	.82	.89	.96	1.05	1.15	1.13

¹ Computed by weighting the different rates by number of accounts assigned these rates and differs from the average rates shown in tables 1, 2, and 3, which were computed by using amount of taxable wages at each rate as weights. The average rates used in this table assign equal importance to all employers, regardless of size, and represent the rate of the average employer. The rates shown in tables 1, 2, and 3 represent over-all revenue rates.

² Data available for only 32 States, since reporting of average annual pay roll of experience-rating accounts was on a voluntary basis.

³ Includes 87 rated accounts assigned rates above

standard rate not classified by average annual pay roll.

⁴ Includes 13 rated accounts assigned varying rates not classified by average annual pay roll.

⁵ Includes 14 rated accounts assigned rates above standard rate not classified by average annual pay roll.

⁶ Includes 428 rated accounts assigned varying rates not classified by average annual pay roll.

⁷ Includes 2,445 rated accounts assigned varying rates not classified by average annual pay roll.

⁸ Includes 14 rated accounts assigned varying rates not classified by average annual pay roll.

⁹ Includes 484 rated accounts assigned varying rates not classified by average annual pay roll.

⁶ Computed by weighting the different rates by number of accounts assigned specific rates; differs from the average rate discussed earlier in this article, which was computed by using amount of taxable wages at each rate as weights. The average rates used in this section assign equal importance to all employers, regardless of size, and represent the rate of the average employer. The rates discussed earlier represent over-all revenue rates.

rates for service firms in Maryland and Massachusetts (and also in California) resulted from the assignment of the standard 2.7-percent rate to many firms in this industry that were not subject to the State law until the relatively recent extension of coverage to firms with less than four employees in those States. Such firms were not eligible for rate modification in 1946. The average finance, insurance, and real estate firm, on the other hand, was assigned the lowest rate in 12 of the 15 States. In Maryland the average manufacturing firm, and in Massachusetts and New Jersey the average mining firm, received the lowest rate.

It is clear that both the geographic location—essentially because of differences in State experience-rating provisions—and the industry of a firm have an important influence on its tax rate. The average construction

firm in Tennessee, for example, could expect a 1946 tax rate (2.46 percent) more than four times as great as the average finance, insurance, and real estate firm in Indiana (0.59 percent). Of the two factors, location and industry, the former appears to affect the average employer's tax rate to a larger degree. For the 15 States combined, the highest average industry division rate (construction) was only 1.3 times the lowest (finance, insurance, and real estate). For all industries combined, on the other hand, the highest average State rate (Maryland) was more than twice the lowest (Indiana).

Rate Modification and Size of Firm

As in previous years, a firm's size appeared to have little to do with the tax rate assigned to it, provided the firm had been in business long enough

to be eligible for rate modification.⁶ Data on rate modification by size of firm were reported by 32 States (table 7). For all 32 States combined, the average tax rates for rated firms of different size fell within a relatively narrow range. The tax rate ranged

⁶No data are available on the size of the unrated firms—those assigned a 2.7-percent tax rate in 1946 because they had insufficient experience to be eligible for rate modification. Past experience indicates, however, that the smaller firms generally fall in this category much more frequently than larger firms. Turn-over normally is much greater among the smaller firms; firms tend to expand as they grow older and become well established; and, particularly since the end of the war, a great number of new, small firms have been started. Consequently, table 6 undoubtedly would show a greater tendency for small firms to be assigned the higher rates if data for unrated firms could be included.

Table 8.—Percent of rated experience-rating accounts with employer contribution rates below and above 2.7 percent,¹ by average annual taxable pay roll, 32 States,² rate years beginning in 1946

State	All rated accounts		Accounts with pay rolls of—													
			Less than \$5,000		\$5,000-9,999		\$10,000-19,999		\$20,000-49,999		\$50,000-99,999		\$100,000-999,999		\$1,000,000 or more	
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
Total, 32 States.....	92.8	1.4	91.5	3.1	92.8	1.3	94.1	1.0	94.6	0.9	94.4	0.8	94.4	0.5	94.8	0.2
States with maximum rate above 2.7 percent.....	94.6	3.1	91.6	6.9	94.7	3.1	95.4	2.4	95.5	1.9	95.7	1.7	96.4	1.1	96.6	.5
Colorado.....	94.4	1.2	90.3	4.4	96.1	.6	96.2	.6	95.7	.8	93.6	.....	91.5	1.2	93.5	.....
Delaware.....	100.0	(3)	100.0	(3)	100.0	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....
Illinois.....	97.1	2.9	87.6	12.4	95.4	4.6	97.8	2.2	98.3	1.7	99.0	1.0	99.0	1.0	99.8	.2
Iowa.....	92.4	4 1.4	92.8	.....	93.4	.....	94.6	.....	93.2	.....	92.7	.....	95.0	.....	100.0	.....
Michigan.....	89.6	1.2	89.8	3.9	87.5	2.2	90.5	1.1	90.2	.8	89.7	.7	89.1	.2	84.3	.3
Minnesota.....	86.1	13.9	88.2	11.8	84.5	15.5	82.7	17.3	83.2	16.8	81.4	18.6	89.1	10.9	92.8	7.2
Missouri.....	94.0	2.6	92.5	29.0	94.9	.....	97.3	.....	97.7	.....	96.3	.....	98.3	.....	98.6	.....
Ohio.....	99.0	.6	97.7	1.4	99.1	.5	99.3	.5	99.3	.4	99.6	.3	99.3	.4	99.8	.....
South Carolina.....	96.6	6 1.0	92.1	1.6	98.2	.2	98.2	.1	97.4	.6	95.6	.....	96.6	1.6	100.0	.....
Wisconsin.....	92.4	7 1.0	89.8	2.2	88.9	1.0	91.9	.6	93.1	.7	97.2	.4	98.4	.2	99.5	.5
Wyoming.....	99.6	.4	99.4	.6	99.8	.2	100.0	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....
States with 2.7-percent maximum rate.....	91.3	.....	91.5	.....	91.4	.....	93.2	.....	93.9	.....	93.3	.....	92.6	.....	92.9	.....
Alabama.....	99.9	.....	99.5	.....	99.9	.....	99.9	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....
Arkansas.....	93.4	.....	92.3	.....	94.3	.....	96.8	.....	95.3	.....	96.1	.....	92.8	.....	87.5	.....
California.....	74.0	8	67.4	.....	75.8	.....	81.5	.....	82.9	.....	82.7	.....	81.1	.....	83.1	.....
Connecticut.....	96.1	.....	93.6	.....	96.1	.....	98.0	.....	97.1	.....	95.2	.....	94.9	.....	90.0	.....
District of Columbia.....	96.6	.....	94.5	.....	98.0	.....	98.5	.....	99.8	.....	99.5	.....	99.5	.....	100.0	.....
Georgia.....	96.0	.....	95.0	.....	96.3	.....	98.2	.....	96.3	.....	92.7	.....	94.4	.....	95.1	.....
Hawaii.....	99.0	.....	98.6	.....	99.5	.....	99.3	.....	99.4	.....	100.0	.....	100.0	.....	100.0	.....
Idaho.....	91.9	9	96.7	.....	100.0	.....	83.8	.....	80.9	.....	75.7	.....	68.4	.....	59.1	.....
Indiana.....	94.0	.....	88.9	.....	93.6	.....	94.7	.....	95.3	.....	94.0	.....	92.2	.....	94.0	.....
Kansas.....	95.4	.....	91.7	.....	94.1	.....	96.3	.....	95.6	.....	95.6	.....	97.2	.....	100.0	.....
Louisiana.....	96.6	.....	94.8	.....	95.4	.....	96.9	.....	98.0	.....	96.9	.....	98.3	.....	96.8	.....
Massachusetts.....	98.7	.....	96.6	.....	99.4	.....	99.6	.....	99.3	.....	99.0	.....	98.6	.....	100.0	.....
Nebraska.....	97.4	.....	96.8	.....	95.7	.....	97.8	.....	97.8	.....	99.4	.....	97.1	.....	93.3	.....
Nevada.....	88.3	.....	84.4	.....	85.1	.....	92.8	.....	91.4	.....	95.4	.....	97.2	.....	100.0	.....
New Hampshire.....	90.6	.....	88.4	.....	90.3	.....	92.1	.....	93.4	.....	91.3	.....	87.0	.....	95.0	.....
North Carolina.....	84.6	.....	64.5	.....	74.5	.....	85.1	.....	92.1	.....	91.7	.....	90.7	.....	91.5	.....
Oregon.....	90.2	.....	87.3	.....	89.0	.....	91.3	.....	91.1	.....	91.1	.....	91.2	.....	88.9	.....
South Dakota.....	87.9	.....	90.1	.....	90.3	.....	88.1	.....	84.9	.....	84.7	.....	86.3	.....	100.0	.....
Texas.....	99.4	10	99.3	.....	99.9	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....	100.0	.....
Vermont.....	91.5	.....	88.0	.....	84.6	.....	92.3	.....	93.4	.....	91.9	.....	96.1	.....	100.0	.....
West Virginia.....	96.7	.....	95.2	.....	96.5	.....	97.8	.....	97.6	.....	97.3	.....	93.9	.....	98.1	.....

¹ Standard rate in all States except Michigan, where it is 3.0 percent.
² Data available for only 32 States, since reporting of average annual pay roll of experience-rating accounts was on a voluntary basis.
³ Less than 0.05 percent.
⁴ See footnote 3, table 7.
⁵ See footnote 4, table 7.

⁶ See footnote 5, table 7.
⁷ See footnote 6, table 7.
⁸ See footnote 7, table 7.
⁹ See footnote 8, table 7.
¹⁰ See footnote 9, table 7.

Table 9.—Effect of war-risk provisions on employer contribution rates and revenue, 1943, 1944, and 1945

Year	Average employer contribution rate (percent)		Reduction in revenue under "normal" experience-rating provisions		Additional revenue from war-risk contributions ²		Net reduction in revenue	
	Excluding war-risk contributions ¹	Including war-risk contributions	Amount (in thousands)	Per cent	Amount (in thousands)	As percent of contributions under "normal" experience-rating provisions	Amount (in thousands)	Per cent
All States:								
1943.....	2.04	2.09	\$401,212	25	\$32,549	3	\$368,663	23
1944.....	1.80	1.93	561,004	34	75,567	7	485,437	30
1945.....	1.59	1.71	654,193	41	67,844	7	586,349	37
All experience-rating States:								
1943.....	1.77	1.85	401,212	35	32,549	4	368,663	32
1944.....	1.59	1.74	561,004	42	75,567	10	485,437	37
1945.....	1.55	1.67	654,193	43	67,844	8	586,349	39
All war-risk States:								
1943.....	1.58	1.88	124,284	41	32,549	18	91,735	31
1944.....	1.43	1.90	199,268	46	75,567	33	123,701	29
1945.....	1.28	1.69	237,172	53	67,844	32	169,328	37

¹ Average employer contribution rate represents actual ratio (percent) of employer contributions (adjusted to exclude estimated additional contributions from war-risk provisions) to taxable wages.

² Estimated increase in revenue over amount collectible on taxable wages in absence of war-risk contribution provisions.

from 0.98 percent for the average employer with a taxable pay roll below \$5,000 to 1.06 percent for the average employer with a taxable pay roll between \$5,000 and \$10,000. In a few States the average tax rate increased as size of firm increased; in others the reverse was true. In most of the 32 States, however, the relationship between the average rate and size of firm was erratic.

In a number of States the smallest firms were taxed at an average rate several times that of the largest firms. In Illinois and Missouri, for example, the average firm with a taxable pay roll under \$5,000 was assigned a tax rate almost twice that assigned the average firm with a pay roll of \$1 million or more; the average rates for the smallest firms in the District of Columbia and Hawaii were two and a half times as great as those for the largest firms, and in Wisconsin they were almost six times as great. In Minnesota, on the other hand, the largest firms were taxed at slightly more than double the average rate for the smallest firms.

In States that assign rates above the standard, the smaller rated firms received such rates more frequently

than the larger firms. Only 3.1 percent of the rated firms in the 11 States for which data are available were assigned penalty rates (table 8). The proportion varied, however, from 6.9 percent among the firms with less than \$5,000 of taxable pay roll to 0.5 percent among firms with a pay roll of \$1 million or more. Inclusion of the unrated firms in this case would lessen the difference between large and small firms, since the unrated firms—mostly small firms—are automatically assigned the standard rate.

Effect of War-Risk Provisions, 1945

War-risk data for 1946 are not yet available; during 1945, however, revenue resulting from war-risk provisions declined to only \$67.8 million, or about 10 percent less than the \$75.6 million due in 1944 (table 9). This drop occurred despite the fact that war-risk provisions were in effect in 12 States in 1945 as compared with 10 in 1944—Georgia and Kansas adopted war-risk provisions in January 1945—and about the same proportion of firms (10.7 percent) were subject to the special tax in 1945 and 1944 (table 10). Additional revenue from this source in 1945 increased the average contribu-

tion rate from 1.59 percent to 1.71 percent for the entire Nation and from 1.28 percent to 1.69 percent in the 12 war-risk States. As a result, contributions for all States and for the war-risk States were only 37 percent below the amount collectible at the standard tax rate; in the absence of the war-risk provisions, normal experience-rating provisions would have caused a reduction in revenue of 41 percent nationally and 53 percent for the States with war-risk taxes.

War-risk revenue declined in 1945 because the end of the war and the beginning of reconversion in that year brought declines in production and employment. War-born firms were either dissolved or greatly reduced in size; the pay rolls of these firms and of the older firms that were converting to peacetime production fell sharply. As a result, many of the firms which had been subject to the war-risk taxes were no longer active or their pay rolls had been so reduced that they were no longer liable for the special taxes. The additional revenue due from the firms that were still active declined, since the payroll base to which the special taxes were applied had dropped sharply. In addition to these economic factors, war-risk provisions had been terminated in Maryland on October 1, 1945, and in Missouri on June 30, 1945, and no war-risk contributions were collected in Minnesota after September 30, 1945, as a result of a State agency regulation that was later confirmed by legislative amendment in 1947.

Though data for 1946 are not yet available, there is no doubt that the additional war-risk revenue in that year was far less than in 1945. By the beginning of 1946, war-risk provisions had been repealed in 7 of the 12 States; in another State (Alabama) they were repealed as of March 31, 1946. In Wisconsin the amendments that provided for war-risk taxes were repealed, but the 0.5-percent special postwar reserve tax was continued as a regular feature of the law and will be assigned to employers with specified percentage increases in pay roll. Furthermore, in the States with war-risk provisions, fewer firms in 1946 than in 1945 had the percentage increases in pay rolls specified in these provisions.

War-risk revenue increased 1945 contributions in Wisconsin proportionately more than in any of the other war-risk States. The State's additional revenue amounted to about \$13 million, or almost 90 percent of the contributions due under the "normal" experience-rating provisions (rate-modification provisions exclusive of war-risk provisions). As a result, the average tax rate was increased from 1.08 percent to 2.04 percent. Furthermore, "normal" contributions amounted to only 40 percent of the contributions hypothetically collectible at the standard rate; because of the special taxes, however, the total amount of revenue due was increased to 76 percent of these hypothetical contributions. In Oklahoma, war-risk revenue of \$2.3 million increased the average tax rate from 0.79 percent to 1.28 percent and increased revenue from about one-fourth to almost one-half the amount collectible at the standard rate.

The effect of war-risk provisions was almost negligible in Georgia. The Georgia provisions became effective January 1, 1945, and yielded additional revenue of only \$55,000. Because of this small increase in con-

tributions, the average tax rate remained at 1.83 percent, and total revenue remained equal to 68 percent of contributions collectible at the standard rate.

New Experience-Rating Plans

In 1947, Alaska, Montana, Rhode Island, Utah, and Washington put experience-rating plans into operation for the first time. Only Mississippi now has no such provision in its unemployment insurance law. The plans adopted in all five States base rate reductions, at least in part, on pay-roll variations. In Alaska and Washington, rate reductions depend entirely on changes in annual taxable pay roll; in Utah, annual pay-roll variations are combined with quarterly variations and age of firm to determine the tax rate; in Montana, annual pay-roll variations are combined with age of firm and the amount of benefits charged against an employer's account; in Rhode Island, quarterly variations in total pay roll are the sole measure on which the employer's tax rates are based.

Alaska and Washington are therefore the only States in which seasonal unemployment will not adversely af-

fect an employer's contribution rate. Only Montana and New York will determine an employer's rate on the basis of pay-roll fluctuations and the charges against his account resulting from benefit claims of former employees.

The Alaska and Washington plans follow New York in granting reduced rates to employers through the distribution of so-called "surplus" reserves in the form of tax-credit offsets, which employers may use in lieu of cash contributions due during a 1-year period. The Utah plan also uses the surplus-distribution approach but not the tax-credit device; it provides, instead, for determination of a constant tax rate for each employer during the rate year on the basis of the surplus available for distribution. Neither the Montana nor the Rhode Island plan involves any surplus distribution. In Montana, individual employer rates will be assigned so as to yield revenue equal approximately to 1.8 percent of taxable pay roll. In Rhode Island, two schedules of reduced rates are provided; the use of one or the other will depend on the size of the State reserve in relation to pay roll.

Table 10.—Number and percent of employer accounts assessed war-risk taxes and effect of war-risk provisions on employer contribution rates and revenue, 12 States, 1945

State	All active accounts	War-risk accounts		Average employer contribution rate (percent)		Reduction in revenue under "normal" experience-rating provisions		Additional revenue from war-risk contributions ²		Net reduction in revenue	
		Number	Percent	Excluding war-risk contributions ¹	Including war-risk contributions	Amount (in thousands)	Percent	Amount (in thousands)	As percent of contributions under "normal" experience-rating provisions	Amount (in thousands)	Percent
All States.....				1.59	1.71	\$654,193	41	\$67,844	7	\$586,349	37
All experience-rating States.....	830,514	21,262	2.6	1.55	1.67	654,193	43	67,844	8	586,349	39
All war-risk States.....	198,801	21,262	10.7	1.28	1.69	237,172	53	67,844	32	169,328	37
Alabama ³	6,179	99	1.6	1.04	1.17	11,474	61	859	12	10,615	57
Florida.....	7,975	1,839	23.1	1.83	2.18	4,993	32	1,991	19	3,002	19
Georgia.....	8,695	40	.5	1.83	1.83	6,318	32	55	(4)	6,263	32
Illinois.....	40,236	1,577	3.9	.99	1.47	77,284	63	21,622	48	55,662	46
Iowa.....	7,628	164	2.1	1.43	1.96	6,538	47	2,702	37	3,836	28
Kansas.....	5,273	20	.4	1.81	2.01	4,180	33	917	11	3,263	26
Maryland.....	12,628	1,196	9.5	1.43	2.07	12,695	47	6,360	45	6,335	24
Minnesota.....	24,001	436	1.8	1.70	2.22	8,843	37	4,649	27	4,194	18
Missouri.....	14,378	3,863	26.9	1.52	1.93	15,756	44	5,446	31	10,310	29
Ohio.....	50,470	8,933	17.7	1.31	1.50	58,067	51	7,931	14	50,136	44
Oklahoma.....	6,474	701	10.8	.79	1.28	9,179	71	2,333	61	6,846	53
Wisconsin.....	14,864	2,394	16.1	1.08	2.04	21,845	60	12,979	79	8,866	24

¹ Average employer contribution rate represents actual ratio (percent) of employer contributions (adjusted to exclude estimated additional contributions from war-risk provisions) to taxable wages.

² Estimated increase in revenue over amount collectible on 1945 taxable wages in absence of war-risk contribution provisions.

³ All data estimated except number and percent of accounts.

⁴ Less than 0.5 percent.

⁵ Estimated.

⁶ Excludes accounts liable only for 0.5-percent special "postwar reserve" tax (applicable to all accounts).

⁷ Includes effect of special "postwar reserve" tax.