

Experience-Rating Operations in 1947 and War-Risk Contributions in 1946*

THE EXPERIENCE-RATING provisions of 50 State unemployment insurance laws operated during 1947 to reduce by almost half the amount that would have been collectible at the standard tax rate. War-risk contributions, which in 1943, 1944, and 1945 had counteracted the experience-rating reductions to some extent, were not payable in 1947. In 1946, the year for which information is at hand, war-risk provisions were in force in five States, but their effect on contributions was negligible. For all States combined, the percentage reduction in revenue effected by experience rating in that year was unchanged by war-risk contributions.

Experience-Rating Operations in 1947

Experience rating was in effect in all the States but Mississippi in 1947, and the estimated average tax rate for employers in the 50 States was the same—1.4 percent—as the average for the United States as a whole. In 1946, 45 States had experience rating, and the average rate for employers in those States was 1.38 percent, as against a combined average of 1.42 for the Nation. Contributions at the 1947 rate are expected to total about \$1.03 billion,¹ or \$123 million more than the yield on 1946 wages. The increase was due mainly to a rise of \$9.8 billion in taxable wages. Receipts during 1947 from employees in the two States (Alabama and New Jersey) that still tax employees under their unemployment insurance laws will amount to another \$33 million, bringing the

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¹Contributions due on taxable wages for 1947, discussed here, are based on taxable wages and employer tax rates during the entire calendar year. They differ, therefore, from actual amounts collected during 1947, which represent payments for the fourth quarter of 1946 and the first 3 quarters of 1947 and which include voluntary and employee contributions, fines, and penalties; all the latter are excluded from this discussion.

combined employer-employee estimated contributions to \$1.06 billion.

Employer contributions in the 50 States are estimated to be less by approximately \$982 million or 49 percent than the amount that would have been collectible at the standard tax rate² (table 3). The same percentage reduction due to experience rating is also estimated for revenues for the United States as a whole. In 1946 the decrease in tax rates under experience rating resulted in a reduction in revenue of \$821 million, or 49 percent for the 45 experience-rating States and 48 percent for all States combined.

Legislative Changes

State legislatures gave considerable attention to experience rating during 1947. Five States—Alaska, Montana, Rhode Island, Utah, and Washington—adopted experience rating for the first time, and two—Idaho and Utah—authorized further study of their existing and alternative systems. All but nine States—Alabama, Hawaii, Illinois, Missouri, New Jersey, North Dakota, Texas, Vermont, and Wyoming—amended their present plans, and 19 enacted rate schedules with lower minimum contribution rates. By the end of the year, Mississippi, whose legislature did not meet in 1947, was the only State that did not have an experience-rating plan and that continued to tax all employers at 2.7 percent. In April 1948, however, when the legislature passed a pay-roll-variation plan, Mississippi too joined the ranks of experience-rating States.

The five plans put into operation in 1947 base rate reductions, in part at least, on pay-roll variations. Alaska and Washington measure unemploy-

²The standard rate is the contribution rate that all new employers must pay until their "experience" with the risk of unemployment is sufficient to serve as a basis for rate modification under the experience-rating provisions of State laws. It is 2.7 percent in all States except Michigan, where it is 3.0 percent. In 1947, rates in excess of the standard were assigned in only 13 of the 50 experience-rating States.

ment risk by annual taxable pay-roll declines. Montana's formula combines annual taxable pay-roll declines 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 measure of unemployment risk. Utah combines annual pay-roll variations with quarterly variations and age of firm to compute the tax rate. Utah's plan is experimental and is to operate from January 1, 1947, to the end of 1949, when a benefit-ratio plan,³ enacted at the same time as the pay-roll-variation formula, will go into effect. In the interim, the Legislative Council, in cooperation with the State Industrial Commission, is to study both pay-roll-variation and benefit-ratio systems and make recommendations to the Governor and the 1949 legislature on both these rate reduction devices.

Except for Montana's law, the new experience-rating systems avoid the difficult problem of assessing liability for a particular spell of unemployment of a specific worker by omitting provisions for charging benefits to the account of a former employer. Instead, the stability of an employer's work force is measured by percentage declines (annual and/or quarterly) in

³A benefit ratio is the ratio between benefits paid to workers of an employer in a given period of time and the employer's pay roll during that period.

TABLE 1.—Estimated average employer and employer-employee contribution rates, 1941-47

[Based on data reported by State agencies; corrected to Jan. 8, 1948]

Year	Average contribution rate (percent)			
	All States		Experience-rating States	
	Combined employer-employee	Employer	Combined employer-employee	Employer
1941.....	2.72	2.58	2.50	2.17
1942.....	2.32	2.17	2.04	1.81
1943.....	2.24	2.09	2.05	1.85
1944.....	2.06	1.92	1.90	1.73
1945.....	1.85	1.72	1.81	1.68
1946.....	1.49	1.42	1.45	1.38
1947 ¹	1.4	1.4	1.4	1.4

¹Preliminary; excludes voluntary contributions made during year.

his pay rolls for the preceding 3 to 5 consecutive years; thus in the final index of experience equal weight is given to both stable and rising pay rolls.

Alaska and Washington, which use annual pay-roll fluctuations, are the only pay-roll-variation States in which seasonal unemployment will not adversely affect an employer's contribution rate. These two State systems, like New York's, grant 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 during a 1-year period. The Utah plan also uses a surplus distribution scheme, but instead of the tax-credit device it determines a constant tax rate, based on the available surplus for each employer during the rate year.

Rates in Montana must be assigned by an array method⁴ so as to yield contributions approximately equal to 1.8 percent of the State's taxable pay roll. The Rhode Island law established two alternate rate schedules depending on the ratio of the amount in the fund each April 1 to the taxable wages for the preceding year. The lowest tax schedule, with rates ranging from 1.3 to 2.7 percent, is applicable when the reserve is 9 percent or more of taxable pay rolls, and a range from 2.1 to 2.7 percent is put into effect when the reserve is 8-9 percent. No rates below the 2.7-percent standard are permitted when the reserve drops to less than 8 percent.

New York made a major change in its experience-rating formula by substituting the benefit-wage ratio⁵ for annual pay-roll declines. No change was made in the other two factors—quarterly pay-roll declines and the number of years in which contributions have been paid (age of firm). In

⁴ Employers are listed in the order of the percentage declines, and the list is then divided into five classes, to which rates ranging from 1 to 2.7 percent are assigned. Employers with the lowest percentage declines fall into the 1-percent class, and those with the highest receive the 2.7-percent rate. The midclass is assigned a rate of 2 percent.

⁵ The benefit-wage ratio is the proportion which the taxable wages paid to workers who become unemployed and receive benefits are of total taxable wages paid by that employer.

addition, the State moved the date on which the rate year begins from July 1 to October 1; during the third quarter of 1947, therefore, all employers paid the standard 2.7-percent rate. The surplus accumulated during this third quarter will be distributed in 1948.

Significant amendments to existing rate-variation plans were also passed by Connecticut, Pennsylvania, Nebraska, and South Dakota. The last two States adopted pooled-fund provisions in place of the individual employer's reserve accounts. Only Kentucky and North Carolina now have reserve accounts, for which the requirements in the Federal act are more stringent than for pooled funds.

Connecticut enacted an amendment providing for distribution of tax credits to employers when the balance in the State fund exceeds 4¼ percent of the preceding 3 years' pay roll and current contributions (plus interest) are greater than benefit payments. The "surplus" of the contributions over benefit payments comprises the amount to be distributed in the form of credit memoranda. These credits are good for each current year only and are distributed to all employers (except those not eligible for rate variations) in proportion to the amount which their contributions bear to the total contributions during the preceding 12 months. The first credits to be issued will apply to wages earned during the calendar year 1948.

Pennsylvania's experience-rating system, which became effective in 1944, was to operate only for the duration of the war. The 1947 State legislature established a permanent system, effective January 1, 1948, and still patterned on the benefit-wage-ratio concept.

Mississippi, like Alaska and Washington, measures experience by annual pay-roll declines. This factor is more advantageous to the seasonal employer than the quarterly factor, which takes account of pay-roll fluctuations from quarter to quarter. Like Rhode Island's law, Mississippi's provides for three alternate rate schedules, depending on the ratio of the amount in the fund each April 1 to the aggregate of taxable wages for the preceding year. If the State re-

serve ratio is 12 percent or more, the minimum rate is 0.9 percent, and there are six additional rate classes. If the reserve is 10 percent but less than 12 percent, the seven contribution rates range from 1.59 to 2.7 percent, and if the reserve is 8 percent but less than 10 percent, the contribution rates range from 1.8 to 2.7 percent. Should the fund fall below \$20 million, no modified rates may be granted. The qualifying-experience period before rates can be reduced is the same as Rhode Island's, namely, 5 years for established firms and 3 for new employers.

Employee Contributions

As mentioned above, only Alabama and New Jersey collected employee contributions for unemployment insurance in 1947. In Alabama, where experience rating affects the employee tax, there was no change from the 1946 average rate of 0.2 percent. In New Jersey the rate is fixed at 1 percent. On June 1, 1948, however, New Jersey enacted provisions for temporary disability benefits, and on and after that date three-fourths of the employee contribution is to go into the temporary disability fund and the balance into the unemployment fund.

Average Tax Rates

Although benefit expenditures during 1946 totaled \$1.1 billion—more than twice the amount paid during any previous year—there was no significant change from 1946 to 1947 in the average tax rate for experience-rating States. What kept the average rate from going higher was primarily the fact that five States enacted experience-rating plans which granted reduced rates for the first time for part or all of 1947, and 19 States adopted rate schedules with lower minimum contribution rates.

As may be seen from the tabulation below,⁶ 1947 was the first year during which there was a decrease in the number of States with average rates of less than 1 percent. This decline was largely the result of the increase in the number of new businesses established by ex-servicemen returning to civilian life. In each of the four

⁶ It should be noted that the rates for 1943 through 1946 include effect of war-risk taxes.

TABLE 2.—Percentage distribution of active accounts eligible for rate modification, by employer contribution rate, for each type of experience-rating plan and State, rate years beginning in 1947¹

[Corrected to Apr. 7, 1948]

Type of plan and State ²	Total number of active accounts ³	Active accounts eligible for rate modification											
		Number	Percent 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 (as percent of taxable pay roll)						
							0.0	0.1-0.9	1.0-1.8	1.9-2.6	+ 2.7	2.75-3.6	3.7-4.5
Total, 50 States.....	1,179,987	627,047	53.1	93.8	5.4	0.8	1.8	58.7	27.3	6.0	5.4	0.7	0.1
Reserve-ratio plan.....	483,663	235,644	48.7	88.0	11.0	.9	4.6	46.4	29.8	7.3	11.0	.9	(⁵)
Arizona.....	5,412	3,009	55.6	90.4	7.9	1.7			56.9	3.6	7.9	1.7	
Arkansas.....	22,728	11,465	50.4	90.1	9.9			43.3	41.2	5.5	7.9		
California.....	158,620	34,289	21.6	72.3	27.7				49.6	22.7	27.7		
Colorado ⁶	4,731	2,955	62.5	96.3	3.3	.4			18.1	.4	3.3	.4	
District of Columbia.....	17,000	11,261	66.2	97.0	3.0				78.2	2.7	3.0		
Georgia ¹	10,302	7,143	69.3	98.9	1.1				93.9	2.7	3.0		
Hawaii.....	7,507	3,572	47.6	97.9	2.1			59.8	73.4	1.2	2.1		
Idaho.....	11,550	4,392	38.0	91.4	8.6				32.8	5.3	8.6		
Indiana ⁷	13,295	9,988	75.1	92.0	8.0				54.7	36.7	8.0		
Iowa ⁸	8,737	6,298	72.1	90.1	8.4	1.5			4.8	.8	8.4	1.5	
Kansas.....	5,771	3,939	68.3	97.0	3.0				69.6	26.0	3.0		
Kentucky ⁹	10,014	7,257	72.5	77.8	22.2			28.5	49.4	1.5	22.2		
Louisiana ¹⁰	12,088	7,775	64.3	96.6	3.4				76.8	15.6	3.4		
Maine.....	4,302	3,037	70.6	88.7	11.3				37.4	44.7	6.7	3.4	
Missouri ¹¹	13,853	10,119	73.0	93.1	5.9	1.0	18.6	51.4	23.1	4.2	11.3		
Nebraska ¹²	4,953	3,730	75.3	89.7	10.3			59.8	16.4	13.5	10.3	1.0	
Nevada.....	3,862	1,553	40.2	92.4	7.6				48.3	37.1	7.0	7.6	
New Hampshire ¹	4,634	3,118	67.3	95.3	4.7				62.3	22.2	10.7	4.7	
New Jersey.....	33,862	16,010	47.3	71.0	22.9	6.1			42.3	28.7	22.9	6.1	
New Mexico.....	7,045	3,019	42.9	92.1	7.1	.8			54.1	37.9	7.1	.8	
North Carolina ¹³	10,634	8,032	75.5	85.9	14.1				20.5	50.4	15.0	14.1	
North Dakota.....	1,661	1,134	68.3	93.0	7.0				32.1	50.0	10.9	7.0	
Ohio ¹	60,869	38,803	63.7	99.1	.9				92.3	5.9	.9		
Oregon.....	13,505	7,757	57.4	82.5	17.5				14.4	43.0	25.1	17.5	
South Carolina ¹⁴	4,687	3,245	69.2	97.2	2.3	.5			68.2	27.5	1.6	2.3	.5
Tennessee.....	9,317	5,900	63.3	95.8	4.2				36.9	52.3	6.5	4.2	
West Virginia.....	5,687	3,405	59.9	94.9	5.1				55.3	32.4	7.2	5.1	
Wisconsin ¹⁵	17,037	13,439	78.9	79.0	14.9	6.1	35.3	1.8	42.0		14.9	5.4	.7
Benefit-wage-ratio plan.....	344,609	186,371	54.1	96.8	2.9	.4		80.9	14.0	1.8	2.9	.4	
Alabama.....	7,812	5,133	65.7	99.2	.8				79.6	17.4	2.2	.8	
Delaware.....	5,450	3,639	66.8	99.7	0	.3			95.5	3.2	.3		
Illinois.....	49,258	32,754	66.5	97.8	0	2.2			78.9	16.4	2.5	0	2.2
Massachusetts.....	82,945	29,795	35.9	95.4	4.6				68.3	20.9	6.3	4.6	
Oklahoma.....	7,249	4,947	68.2	98.1	1.9				58.3	34.7	5.2	1.9	
Pennsylvania ¹	158,310	87,812	55.5	95.8	4.2				91.4	4.4	4.2		
Texas.....	24,026	15,291	63.6	99.0	1.0				90.9	7.2	.9	1.0	
Virginia.....	9,559	7,000	73.2	100.0	(⁵)				99.6	.4	(⁵)		
Benefit-ratio plan.....	98,410	54,425	55.3	94.4	1.5	4.2		55.8	32.7	5.8	6.1	5.8	3.3
Florida ¹	11,408	5,664	49.6	98.4	1.6				94.9	2.8	.7	1.6	
Maryland.....	35,004	10,804	30.9	95.0	5.0				80.6	11.4	2.9	5.0	
Michigan ⁶	20,428	15,499	75.9	95.4	(⁵)	4.6			88.5	6.9	(⁵)	1.5	3.1
Minnesota ⁷	24,982	18,535	74.2	91.7	0	8.3			74.0	8.6	9.1	8.3	
Vermont.....	1,829	1,236	67.6	86.5	13.5				81.4	5.1	13.5		
Wyoming.....	4,759	2,687	56.5	99.5	0	.5			96.2	2.9	.4	.5	
Pay-roll-variation plan.....	63,557	36,167	56.9	97.3	2.7			15.0	78.1	4.2	2.7		
Alaska.....	2,097	831	39.6	97.1	2.9				91.2	5.9	2.9		
Rhode Island.....	7,888	5,484	69.5	99.0	1.0				99.0		1.0		
Utah.....	10,732	5,509	51.3	99.8	.2				84.5	15.3	.2		
Washington.....	42,840	24,343	56.8	96.4	3.6				90.1	6.2	3.6		
Compensable-separations plan: Connecticut.....	15,821	11,182	70.7	98.3	1.7				98.3		1.7		
Combination plans:													
Reserve-ratio and benefit-ratio, South Dakota ⁸	2,071	1,507	72.8	84.1	15.9		19.8	61.0	3.2	.1	15.9		
Pay-roll-variation and benefit-wage-ratio, New York.....	160,832	94,903	59.0	99.9	.1			63.1	25.4	11.4	.1		
Pay-roll-variation and benefit-ratio, Montana.....	11,024	6,848	62.1	95.3	4.7				71.3	24.0	4.7		

¹ Florida, Georgia, New Hampshire, Ohio, and Pennsylvania amended their experience-rating provisions and assigned new rate years to employers during the rate year; these data reflect the rates assigned for the latter part of the rate year. In Alaska, New York, and Washington, where rate variations are achieved through the use of tax-credit offsets, employer accounts are classified by rate for rate years beginning in 1947 on the assumption that each employer's taxable pay roll would remain the same as in 1946.

² Classified by type of plan in effect at end of 1947.
³ All rated and unrated accounts; excludes accounts newly subject after State cut-off dates for preparation of report.
⁴ Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.

⁵ Includes accounts assigned 2.8-percent rate in Michigan. See footnote 4.
⁶ Rated accounts are not assigned the standard rate of 3.0 percent in Michigan. See footnote 4.
⁷ Excludes accounts assigned 2.8-percent rate in Michigan. See footnotes 4 and 6.
⁸ Less than 0.05 percent.
⁹ Excludes voluntary contributions made during rate years beginning in 1947.
¹⁰ Data reflect rates assigned to employers for rate year beginning Oct. 1, 1946.
¹¹ Includes extra 0.5-percent tax payable by accounts eligible for rate modification whose 1946 pay rolls were \$50,000 or more and at least 20 percent greater than 1945 pay rolls.

States⁷ where average rates for 1947 rose from less than 1 percent to the next category (1.0-1.49 percent), there was some increase in new employer unrated accounts (subject to 2.7-percent tax). In two of these States, Hawaii and Massachusetts, increase in the total volume of benefits from 1946 to 1947 also led to higher employer rates. For the rate range of 1.0-1.49 percent, there was a continuation of the shift from a higher to a lower rate class; 23 States in 1947

⁷ Hawaii, Massachusetts, Nebraska, and South Dakota. Conversely, Ohio's average rate went down from 1.26 percent in 1946 to 0.8 percent in 1947.

fell in this group as compared with 14 in 1946. In contrast to the three States in 1941, no experience-rating State from 1945 through 1947 had average rates as high as 2.5 percent.

Average employer contribution rate ¹ (percent)	Number of experience-rating States					
	1941	1942	1943	1945	1946	1947
All rates.....	17	34	40	45	45	50
Less than 1.0.....	0	1	1	4	11	8
1.0-1.49.....	2	1	6	11	14	23
1.5-1.99.....	4	18	13	15	17	15
2.0-2.49.....	8	12	17	15	3	4
2.5 or more.....	3	2	3	0	0	0

¹ Includes effect of war-risk provisions on rates for years 1943-46; 1947 rates exclude effect of voluntary contributions made in that year.

The slight decrease in the average employer tax for the entire Nation, from 1.42 percent in 1946 to an estimated 1.4 percent for 1947, was caused primarily by the increase in the number of States with experience rating. For most States with experience rating in effect in 1946 and 1947, average rates for 1947 show a leveling-off of the trend toward markedly lower tax rates (table 1).

Increase in Unrated Accounts

Of the 1,180,000 active employer accounts in the 50 experience-rating States, slightly more than half or 627,000 were eligible for rate modification for rate years beginning in 1947 (table 2). During the preceding year, 65 percent of the accounts were eligible. Both economic and legal factors were responsible for the increase in unrated accounts in 1947. In addition to other experience-rating provisions of a State law, newly established firms must be in business and pay contributions for 3 to 5 years—depending on the State law—before they are eligible for a modified tax rate; during this preliminary period, such accounts are classified as "unrated." A number of States, including Arizona, California, Kansas, Vermont, and Wyoming, reported significant increases in new employer accounts because of general business expansion. Moreover, the extension of coverage to employers of one or more workers in California in 1946 was reflected in an increase of employer accounts from 55,100 to 158,600; as a result, 22 percent of the accounts were rated in 1947 as compared with 63 percent in the preceding year. Similarly, New Jersey's extension of coverage to employers of four or more workers in 1946 raised the number of employer accounts from 19,200 to 33,900 and reduced the percentage of rated employers from 82 in 1946 to 47 in 1947.

Almost all (93.8 percent) of the rated accounts in the 50 States received reductions from the 2.7-percent standard rate, 5.4 percent were assigned the standard rate, and 0.8 percent were taxed at penalty rates above 2.7 percent. Three out of 5 eligible employers paid at a rate of less than 1 percent.

TABLE 4.—Industrial distribution of active and rated accounts and employer contribution rates assigned under experience-rating provisions, 50 States, rate years beginning in 1947

[Corrected to Apr. 7, 1948]

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
Active accounts ³	1,179,987	17,314	95,329	148,096	39,733	429,015	70,480	205,344	13,844
Rated accounts ³	627,047	9,924	36,131	94,021	22,471	229,153	43,127	94,700	2,608
Rated as percent of active ³	53.1	57.3	37.9	63.5	56.6	53.4	61.2	46.1	18.8
Number with reduced rates ^{3,4}	587,986	8,751	31,149	84,638	20,986	215,427	41,754	88,279	2,193
Percent of rated accounts with reduced rates ^{3,4}	93.8	88.2	88.2	90.0	93.4	94.0	96.8	95.2	84.1
Rate assigned: ⁵									
0.0.....	11,128	196	691	2,054	430	4,939	1,111	1,666	41
0.1-0.9.....	307,868	5,501	17,356	49,479	12,451	136,671	29,669	55,429	1,312
1.0-1.8.....	147,344	2,545	10,473	27,697	6,851	63,034	9,915	26,165	664
1.9-2.6.....	26,838	509	2,629	5,409	1,254	10,783	1,059	5,019	176
2.7 ⁶	33,879	955	3,916	7,813	1,373	12,474	1,227	5,778	343
2.75-3.6.....	4,503	203	1,007	1,270	104	1,141	139	575	64
3.7-4.5.....	576	15	59	300	8	111	7	68	8
Percentage distribution of rated accounts by industry division									
Rate assigned: ⁵									
0.0.....	100.0	1.8	6.2	18.5	3.9	44.4	10.0	15.0	0.4
0.1-0.9.....	100.0	1.8	5.6	16.1	4.0	44.4	9.6	18.0	.4
1.0-1.8.....	100.0	1.7	7.1	18.8	4.6	42.8	6.7	17.8	.5
1.9-2.6.....	100.0	1.9	9.8	20.2	4.7	40.2	3.9	18.7	.7
2.7 ⁶	100.0	2.8	11.6	23.1	4.1	36.8	3.6	17.1	1.0
2.75-3.6.....	100.0	4.5	22.4	28.2	2.3	25.3	3.1	12.8	1.4
3.7-4.5.....	100.0	2.6	10.2	52.1	1.4	19.3	1.2	11.8	1.4
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.....	2.1	2.0	1.9	2.2	1.9	2.2	2.6	1.8	1.6
0.1-0.9.....	57.9	55.4	48.0	52.6	55.4	59.6	68.8	58.5	50.3
1.0-1.8.....	27.7	25.6	29.0	29.5	30.5	27.5	23.0	27.6	25.5
1.9-2.6.....	5.0	5.1	7.3	5.8	5.6	4.7	2.5	5.3	6.7
2.7 ⁶	6.4	9.6	10.8	8.3	6.1	5.4	2.8	6.1	13.2
2.75-3.6.....	.8	2.0	2.8	1.4	.5	.5	.3	.6	2.5
3.7-4.5.....	.1	.2	.2	.3	(?)	(?)	(?)	.1	.3

¹ Percent of taxable pay roll.

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. Latter rate included for comparability with other States.

⁷ Less than 0.05 percent.

Rate Variation by Type of Plan

As in earlier years, employers in the eight States using the benefit-wage-ratio⁸ system obtained lower rates, on the average, than employers in States that reduce rates under other types of experience rating. The average rate for employers under benefit-wage-ratio plans was 0.9 percent in 1947; contributions at that rate were therefore only one-third of the amount collectible at the standard rate. In the 28 reserve-ratio⁹ States and the six benefit-ratio¹⁰ States, the average rate for employers was 1.4 percent, the same as the estimated national average. Employers under reserve-ratio and benefit-ratio systems paid half the contributions which would have been due under the standard rate. The four pay-roll-variation States taxed employers at an average rate of 1.9 percent in 1947. Since these four plans did not become effective until July 1, employers were eligible for tax reductions during the second half of 1947 only, and their total contributions amounted to about three-fourths of the standard yield.

Of the six States with benefit-ratio plans, all but Michigan either maintained the same average rate as in 1946 or had a lower rate. Six of the eight States with benefit-wage-ratio plans had the same or lower rates, while the rates in the other two were higher (tables 2 and 3).¹¹ In both Alabama and Massachusetts the proportion of accounts with the 2.7-percent rate increased—from 0.1 to 0.8 percent in Alabama and from 1.3 to 4.6 percent in Massachusetts. The latter State reported that the upward trend in rates reflects the impact of heavy lay-offs following the end of the war. One reason for the same or lower rates in most of the benefit-ratio and benefit-wage-ratio States was that all but two of them

⁸ See footnote 5, page 5.

⁹ A reserve ratio is the ratio between all contributions credited to an employer's account minus all benefits debited to his account and his annual pay roll for a recent year or averaged over recent years.

¹⁰ See footnote 3, page 4.

¹¹ It should be noted that the data for 1943-46 in table 3, reflecting average contribution rates and percentage reduction in revenue due to experience rating, include war-risk taxes.

TABLE 5.—Average employer rate¹ for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1947

[Corrected to Jan. 5, 1948]

Industry division	All rated ac- counts	Rated accounts with 12-month pay roll 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 and over
Arkansas								
Total, all industries	1.05	1.01	1.13	1.14	1.02	1.04	1.08	1.08
Mining	1.17	.95	1.33	1.23	.96	1.46	1.35	-----
Contract construction	1.27	1.17	1.42	1.30	1.33	1.40	.90	-----
Manufacturing	1.07	.99	1.05	1.13	1.01	1.15	1.15	1.06
Transportation, communication, and other public utilities	1.09	.97	1.24	1.17	1.14	1.15	1.06	1.13
Wholesale and retail trade	1.06	1.04	1.13	1.12	1.02	.89	.94	1.00
Finance, insurance, and real estate .....	.77	.78	.78	.77	.72	.67	.73	-----
Service industries	1.08	1.02	1.22	1.28	1.05	.99	1.03	-----
Miscellaneous ²	1.16	1.13	1.25	1.24	1.21	1.10	-----	-----
California								
Total, all industries	1.82	1.91	1.83	1.77	1.80	1.81	1.85	1.89
Mining	1.67	1.85	1.68	1.47	1.63	1.68	1.70	1.41
Contract construction	1.73	1.88	1.67	1.69	1.70	1.72	1.82	1.86
Manufacturing	1.97	2.21	2.06	1.90	1.93	1.90	2.00	2.11
Transportation, communication, and other public utilities	1.84	1.85	1.87	1.75	1.90	1.83	1.82	1.80
Wholesale and retail trade	1.81	1.92	1.86	1.81	1.79	1.79	1.75	1.64
Finance, insurance, and real estate	1.48	1.74	1.63	1.40	1.42	1.41	1.27	1.20
Service industries	1.86	1.88	1.83	1.79	1.88	1.89	1.96	1.96
Miscellaneous ²	1.93	2.03	1.80	1.85	1.88	2.37	2.00	2.70
Colorado								
Total, all industries	1.13	1.11	1.08	1.07	1.10	1.24	1.22	1.09
Mining	1.38	1.26	1.50	1.24	1.11	1.80	1.45	.90
Contract construction	1.43	1.73	1.29	1.61	1.24	1.47	1.43	1.80
Manufacturing	1.16	.96	1.22	1.14	1.08	1.26	1.20	1.04
Transportation, communication, and other public utilities	1.27	1.98	1.24	.99	1.25	1.38	1.24	1.35
Wholesale and retail trade	1.07	1.01	1.08	1.03	1.09	1.15	1.13	.90
Finance, insurance, and real estate	1.01	1.01	.96	.97	1.00	1.04	1.14	-----
Service industries	1.17	1.38	1.03	1.09	1.14	1.19	1.19	-----
Miscellaneous ²	1.41	-----	.90	.90	1.50	2.70	-----	-----
Connecticut								
Total, all industries	0.43	0.41	0.39	0.39	0.44	0.47	0.51	0.55
Mining .....	.37	.25	.25	.41	.31	.52	.65	-----
Contract construction .....	.54	.61	.58	.46	.53	.55	.60	.45
Manufacturing .....	.54	.58	.43	.50	.54	.56	.54	.59
Transportation, communication, and other public utilities .....	.39	.42	.40	.36	.40	.41	.44	.33
Wholesale and retail trade .....	.38	.37	.36	.37	.40	.42	.45	.51
Finance, insurance, and real estate .....	.30	.29	.32	.30	.30	.30	.31	.34
Service industries .....	.40	.45	.38	.37	.41	.40	.46	-----
Miscellaneous ² .....	.52	.50	.75	.57	.38	.44	.37	-----
District of Columbia								
Total, all industries	0.22	0.25	0.20	0.19	0.17	0.22	0.17	0.10
Mining .....	.10	.10	-----	.30	.26	.44	.36	-----
Contract construction .....	.41	.57	.44	.30	.26	.44	.36	-----
Manufacturing .....	.19	.23	.20	.20	.17	.16	.19	.10
Transportation, communication, and other public utilities .....	.27	.29	.18	.26	.24	.37	.31	.10
Wholesale and retail trade .....	.22	.27	.20	.20	.17	.15	.16	.10
Finance, insurance, and real estate .....	.19	.21	.15	.14	.13	.20	.12	.10
Service industries .....	.21	.23	.18	.16	.15	.20	.11	.10
Miscellaneous ² .....	.35	.27	.75	-----	.10	-----	-----	-----

See footnotes at end of table.

had higher taxable pay rolls in 1946 and five reduced the minimum contribution rate.

More than half the accounts in the benefit-wage-ratio and benefit-ratio groups and almost half of those in the reserve-ratio States were eligible for rate variation. In the benefit-wage-ratio group, 97 percent of the rated employers paid contributions at less than the standard rate—81 percent paying less than 1 percent—and 0.4 percent paid penalty rates. In the benefit-ratio group, with 94 percent of the rated employers subject to below-standard tax rates, 56 percent paid contributions at less than 1 percent, and 4 percent paid above-standard rates.

In eight of the 28 States with reserve-ratio systems, the average contribution rate went up in 1947; in the remaining 20 States the averages remained constant or went down. The peak benefits paid in 1946, which were reflected in 1947 rates, were a primary factor in this increase. In addition, seven of the eight States with higher rates had increases in taxable pay rolls in 1946. Under the reserve-ratio system, an increasing pay roll tends to increase individual employer rates because the employer's individual reserve ratio (excess of contributions over benefits divided by pay roll) is lowered by reason of the larger denominator. Of the eligible reserve-ratio group, 88 percent paid contributions at less than the 2.7-percent rate, 11 percent paid the standard tax, and 1 percent paid penalty rates.

More than half the employers in the four States with newly enacted pay-roll-variation plans were eligible for reduced rates for the second half of 1947. While almost all (97.3 percent) of the eligible accounts in these States were taxed at rates below the standard, only 15 percent received rates of less than 1 percent; more than three-fourths were assigned rates in the 1.0-1.8 percent range, and 3 percent paid the standard tax. Since the legal maximum in all four States is 2.7 percent, no penalty rates are possible.

The increase in the average rate in New York from 1.78 percent in 1946 to 2.1 percent in 1947 is explained by the fact that during the third quarter of 1947 all employers had to pay the standard 2.7-percent rate.

TABLE 5.—Average employer rate¹ for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1947—Continued

[Corrected to Jan. 5, 1948]

Industry division	All rated accounts	Rated accounts with 12-month pay roll 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 and over
Florida								
Total, all industries	0.24	0.22	0.27	0.24	0.23	0.23	0.28	0.22
Mining	.21	.57	.28	.10	.11	.10	.24	.10
Contract construction	.18	.37	.16	.17	.14	.15	.19	.10
Manufacturing	.30	.33	.30	.25	.27	.27	.39	.27
Transportation, communication, and other public utilities	.17	.25	.17	.15	.20	.17	.13	.11
Wholesale and retail trade	.26	.19	.29	.26	.25	.30	.30	.11
Finance, insurance, and real estate	.14	.13	.24	.13	.13	.13	.12	-----
Service industries	.23	.20	.24	.26	.22	.18	.22	.10
Miscellaneous ²	.22	.28	.30	.11	.11	.12	.10	-----
Georgia								
Total, all industries	0.75	0.64	0.70	0.75	0.76	0.80	0.79	0.62
Mining	.70	.60	.67	.94	.68	.61	.77	-----
Contract construction	.85	.80	.95	.89	.86	.85	.80	-----
Manufacturing	.79	.63	.72	.75	.81	.86	.84	.61
Transportation, communication, and other public utilities	.83	1.03	.73	.90	.77	.88	.86	.75
Wholesale and retail trade	.71	.61	.68	.73	.74	.77	.73	.65
Finance, insurance, and real estate	.59	.59	.60	.61	.58	.60	.58	.50
Service industries	.77	.70	.75	.80	.77	.78	.76	.50
Miscellaneous ²	1.00	.50	.83	1.06	1.25	.83	-----	-----
Illinois								
Total, all industries	0.71	0.99	0.81	0.71	0.65	0.65	0.66	0.69
Mining	1.39	1.42	1.35	1.63	1.35	1.35	1.38	.66
Contract construction	1.23	2.10	1.52	1.23	.98	.99	1.06	1.65
Manufacturing	.71	1.17	.97	.74	.71	.66	.66	.72
Transportation, communication, and other public utilities	.61	.72	.65	.66	.61	.57	.53	.50
Wholesale and retail trade	.63	.76	.72	.65	.58	.58	.56	.52
Finance, insurance, and real estate	.58	.65	.63	.58	.55	.53	.52	.50
Service industries	.65	.93	.71	.66	.60	.58	.59	.50
Miscellaneous ²	.71	.88	1.01	.66	.67	.64	.62	-----
Iowa								
Total, all industries	1.37	1.39	1.29	1.30	1.41	1.44	1.41	1.11
Mining	2.28	2.78	2.65	2.36	2.10	1.74	2.60	-----
Contract construction	2.03	2.09	1.95	2.00	2.03	2.06	2.07	1.80
Manufacturing	1.36	1.77	1.18	1.24	1.37	1.41	1.41	1.07
Transportation, communication, and other public utilities	1.23	.95	1.02	1.25	1.45	1.32	1.02	.90
Wholesale and retail trade	1.29	1.26	1.24	1.24	1.33	1.40	1.33	1.35
Finance, insurance, and real estate	1.16	1.12	1.17	1.16	1.18	1.16	1.09	.90
Service industries	1.39	1.54	1.26	1.36	1.42	1.35	1.41	-----
Miscellaneous ²	1.49	.90	1.08	1.20	1.68	1.62	1.58	-----
Massachusetts								
Total, all industries	0.85	0.91	0.86	0.81	0.81	0.83	0.89	0.87
Mining	.62	.62	.50	.50	.61	.56	.90	-----
Contract construction	1.02	1.28	1.06	.93	.95	1.02	.98	1.44
Manufacturing	.98	1.14	.95	.92	.98	.98	1.02	.93
Transportation, communication, and other public utilities	.84	.99	.91	.85	.81	.73	.78	.55
Wholesale and retail trade	.80	.88	.85	.80	.74	.70	.69	.72
Finance, insurance, and real estate	.64	.74	.65	.63	.61	.56	.53	.54
Service industries	.80	.86	.84	.76	.75	.76	.72	.50
Miscellaneous ²	1.00	1.24	1.14	.86	.76	.86	.50	-----

See footnotes at end of table.

Rate Modification by Industry

The expansion of business in every industrial category, which increased the percentage of unrated accounts from 35 in 1946 to 47 in 1947¹² (table 4), was most marked in contract construction. The increase in new business in this industry more than doubled the number of unrated accounts, from 27,357 in 1946 to 59,198 in 1947. The total number of active accounts in construction showed a 62-percent increase—from 58,963 to 95,329.

The effect of lower rate schedules legislated in a number of States is shown by the large cluster of accounts paying less than 1 percent in 1947; 3 out of 5 employers had rates of less than 1 percent in 1947 as compared with about 2 out of 5 in 1946.

Firms with above-standard rates went down from 6,916 in 1946 to 5,079 in 1947, or 27 percent. However, there was a shift among industries in the relative incidence of the penalty rates. Of all firms paying at above-standard rates during 1947, 21 percent were in construction and 31 percent in manufacturing, as compared with 27 and 23 percent, respectively, during 1946. In manufacturing, the number of firms assessed above-standard rates remained almost constant in the 2 years—1,585 in 1946 and 1,570 in 1947. In construction, however, the number dropped substantially, from 1,839 to 1,066.

Two factors—the legal provisions for tax modification and the type of industry—affected the rates assigned to employers. As in the past, a stable industry with a fairly constant work force—finance, insurance, and real estate, for example—usually enjoyed the lowest average rate for all industrial categories. In 17 of the 19 States shown in table 5, companies engaged in finance, insurance, or real estate paid the lowest average tax—below 1 percent in two-thirds of the States. Wholesale and retail trade firms tied with finance for the lowest rate in one State, and mining employers ranked lowest in two States.

As in previous years, the highest average tax was assigned to seasonal

¹² Accounts for New York are included only in the totals in table 4, since distribution by industry is not available.

TABLE 5.—Average employer rate¹ for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1947—Continued

[Corrected to Jan. 5, 1948]

Industry division	All rated accounts	Rated accounts with 12-month pay roll 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 and over
Minnesota								
Total, all industries.....	0.93	0.71	0.93	1.01	1.27	1.45	1.40	1.42
Mining.....	1.65	.91	.69	1.79	1.83	1.79	2.12	2.38
Contract construction.....	1.62	1.33	1.49	1.70	1.93	2.07	2.05	.50
Manufacturing.....	1.19	.89	.90	.96	1.29	1.50	1.36	1.37
Transportation, communication, and other public utilities.....	1.09	.88	1.01	1.10	1.20	1.52	1.16	1.25
Wholesale and retail trade.....	.92	.73	.90	1.01	1.21	1.38	1.45	1.64
Finance, insurance, and real estate.....	.69	.63	.79	.66	.86	.86	.86	.94
Service industries.....	.75	.62	.84	.89	1.25	1.25	1.38	.75
Miscellaneous ².....	.99	.75	1.71	1.17	1.61	.50	1.45	-----
Missouri								
Total, all industries.....	1.07	0.93	0.96	1.00	1.09	1.13	1.18	1.17
Mining.....	1.70	1.16	1.54	1.92	2.02	1.57	1.44	-----
Contract construction.....	1.45	1.78	1.42	1.26	1.43	1.39	1.46	1.35
Manufacturing.....	1.16	1.00	.99	1.08	1.10	1.18	1.24	1.26
Transportation, communication, and other public utilities.....	1.21	.66	.98	1.03	1.39	1.38	1.15	.97
Wholesale and retail trade.....	.97	.69	.90	.96	1.03	1.02	1.02	1.11
Finance, insurance, and real estate.....	.79	.85	.74	.76	.77	.83	.91	.64
Service industries.....	1.14	1.16	1.08	1.07	1.15	1.16	1.22	.90
Miscellaneous ²	1.21	.49	1.01	1.52	1.52	.90	1.58	-----
Montana								
Total, all industries.....	1.58	1.63	1.49	1.54	1.52	1.59	1.57	1.50
Mining.....	1.82	1.85	1.73	1.99	1.65	1.92	1.58	1.50
Contract construction.....	1.81	1.91	1.76	1.67	1.75	2.07	1.80	-----
Manufacturing.....	1.67	1.79	1.66	1.55	1.64	1.66	1.60	-----
Transportation, communication, and other public utilities.....	1.61	1.74	1.56	1.50	1.56	1.50	1.50	-----
Wholesale and retail trade.....	1.54	1.61	1.45	1.50	1.43	1.43	1.49	-----
Finance, insurance, and real estate.....	1.50	1.52	1.40	1.51	1.63	1.77	1.67	-----
Service industries.....	1.59	1.63	1.49	1.51	1.49	1.54	1.50	-----
Miscellaneous ²	1.93	1.90	-----	2.00	2.00	-----	-----	-----
New Jersey								
Total, all industries.....	1.74	1.67	1.70	1.65	1.71	1.83	1.83	1.69
Mining.....	1.35	2.25	.90	1.13	1.37	1.54	1.26	.90
Contract construction.....	1.98	2.26	2.07	1.95	1.93	1.97	1.86	2.10
Manufacturing.....	1.93	1.93	1.95	1.95	1.89	2.04	1.92	1.72
Transportation, communication, and other public utilities.....	1.63	1.44	1.49	1.52	1.71	1.61	1.67	1.75
Wholesale and retail trade.....	1.55	1.61	1.55	1.52	1.55	1.56	1.60	1.37
Finance, insurance, and real estate.....	1.24	1.25	1.39	1.24	1.21	1.18	1.22	1.20
Service industries.....	1.72	1.57	1.70	1.63	1.73	1.85	1.93	1.46
Miscellaneous ²	2.39	1.60	2.30	2.48	2.67	2.40	1.95	-----
Ohio								
Total, all industries.....	0.51	0.50	0.52	0.52	0.52	0.50	0.49	0.47
Mining.....	.70	.64	.81	.68	.79	.64	.63	.49
Contract construction.....	.63	.83	.65	.64	.61	.63	.55	.40
Manufacturing.....	.51	.66	.51	.51	.52	.50	.50	.49
Transportation, communication, and other public utilities.....	.51	.48	.54	.54	.52	.47	.48	.55
Wholesale and retail trade.....	.51	.49	.53	.52	.50	.40	.44	.37
Finance, insurance, and real estate.....	.37	.38	.37	.37	.38	.38	.37	.33
Service industries.....	.52	.50	.51	.52	.53	.52	.45	.45
Miscellaneous ².....	.62	.33	.42	.84	.81	.44	.58	-----

See footnotes at end of table.

industries in most States.¹³ In nine of the 19 States in table 5, construction firms were rated highest, with average employers in this industry in four States paying a tax below 1 percent. Mining companies were assessed the top average rate in seven States, with rates below 1 percent in two of the seven. The average manufacturing firm in California and Florida was assigned the highest average rate, while in Connecticut the average manufacturing and construction firms were tied for the highest rate.

The extreme variation in average rates among the States is illustrated in the following examples. The average manufacturing firm in Florida paid a tax of 0.30 percent, which was the highest average rate in that State but only slightly more than half the lowest average rate in Texas—the 0.55 percent assigned to trade employers. Similarly, in Montana the average financial firm paid the lowest rate—1.5 percent—but that rate was more than twice the highest tax—0.70 percent—assigned the average mining firm in Ohio.

Similar State-to-State variations occur in average rates for employers in the same industry, chiefly because of differing statutory provisions. Finance, insurance, and real estate firms had the lowest tax in 17 of the 19 States in the sample. A financial firm in Florida, however, paid a tax of only 0.14 percent while its competitors in California and Montana were assessed ten times that figure, or 1.48 and 1.50 percent, respectively. In 14 other States the tax fell between these levels, as shown below:

State	Average rate for finance, insurance, and real estate industry (percent)	State	Average rate for finance, insurance, and real estate industry (percent)
Florida	0.14	Arkansas	0.77
Connecticut	.30	Missouri	.79
Ohio	.37	Colorado	1.01
Texas	.55	Iowa	1.16
Pennsylvania	.58	New Jersey	1.24
Illinois	.58	Oregon	1.25
Georgia	.59	California	1.48
Minnesota	.69	Montana	1.50
Wisconsin	.75		

¹³ The miscellaneous category is not included in the analysis of average tax rates.

Rate Modification by Size of Firm

While specific relationships between a company's size and its average rate are not evident for all States, it is noteworthy that in eight States the

largest firms were clustered at the lowest rate level and in three States the smallest businesses enjoyed the lowest taxes. In another eight States the smallest firms were concentrated

TABLE 5.—Average employer rate¹ for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1947—Continued

[Corrected to Jan. 5, 1948]

Industry division	All rated accounts	Rated accounts with 12-month pay roll 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 and over
Oregon								
Total, all industries	1.62	1.32	1.56	1.64	1.69	1.67	1.66	1.55
Mining	1.47	1.23	1.43	1.41	1.72	1.17	1.50	
Contract construction	1.84	1.37	1.86	1.93	1.97	1.81	1.81	2.70
Manufacturing	1.70	1.44	1.61	1.70	1.75	1.79	1.69	1.68
Transportation, communication, and other public utilities	1.60	1.15	1.47	1.68	1.65	1.68	1.72	1.30
Wholesale and retail trade	1.58	1.29	1.57	1.63	1.67	1.56	1.50	1.46
Finance, insurance, and real estate	1.25	1.11	1.20	1.29	1.29	1.26	1.37	1.50
Service industries	1.65	1.39	1.60	1.69	1.70	1.72	1.79	
Miscellaneous ²	1.43	1.07	1.21	1.33	1.77	1.40	1.50	
Pennsylvania								
Total, all industries	0.63	0.68	0.62	0.57	0.56	0.57	0.58	0.66
Mining	.77	.78	.85	.79	.79	.75	.68	.51
Contract construction	.69	.83	.69	.61	.63	.58	.61	.82
Manufacturing	.63	.71	.64	.60	.60	.61	.61	.73
Transportation, communication, and other public utilities	.64	.74	.67	.58	.66	.56	.54	.52
Wholesale and retail trade	.62	.69	.61	.55	.52	.52	.62	.53
Finance, insurance, and real estate	.56	.59	.53	.52	.51	.51	.51	.51
Service industries	.62	.65	.60	.56	.53	.53	.53	.72
Miscellaneous ²	.72	.71	.80	.63	.73	.55	.50	.50
Texas								
Total, all industries	0.58	0.76	0.60	0.58	0.54	0.55	0.55	0.57
Mining	.60	.80	.60	.68	.57	.56	.56	.50
Contract construction	.63	.97	.68	.61	.55	.55	.58	.62
Manufacturing	.62	.86	.69	.65	.58	.61	.60	.66
Transportation, communication, and other public utilities	.59	.91	.75	.63	.51	.57	.53	.50
Wholesale and retail trade	.55	.66	.58	.56	.52	.53	.51	.51
Finance, insurance, and real estate	.55	.80	.57	.54	.50	.50	.50	.50
Service industries	.57	.76	.58	.58	.53	.53	.52	.50
Miscellaneous ²	.77	.98	.80	.79	.83	.50	.67	
Wisconsin								
Total, all industries	1.06	0.59	0.88	1.07	1.21	1.36	1.15	0.63
Mining	1.30	1.12	.40	1.24	1.37	1.38	1.93	0
Contract construction	1.62	.70	1.22	1.64	1.78	2.15	2.12	
Manufacturing	.91	.41	.69	.81	1.02	1.12	.93	.54
Transportation, communication, and other public utilities	1.05	.43	.94	1.05	1.24	1.09	1.18	.86
Wholesale and retail trade	1.05	.49	.83	1.08	1.21	1.44	1.37	1.09
Finance, insurance, and real estate	.75	.28	.53	.76	.84	1.14	1.09	1.00
Service industries	1.11	.86	1.13	1.11	1.17	1.39	1.20	2.10
Miscellaneous ²	1.21	.74	.33	.93	1.23	3.20	2.80	

¹ Computed by weighting the different rates by number of accounts assigned these rates. The average rates used in this table assign equal importance to all employers, regardless of size, and represent the rate of the average employer.

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

TABLE 6.—Effect of war-risk tax provisions on employer contribution rates and revenue, 1943-46

[Based on data reported by State agencies; corrected to Jan. 12, 1948]

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
1946.....	1.41	1.42	829,517	48	8,028	1	821,489	48
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
1946.....	1.36	1.38	829,517	50	8,028	1	821,489	49
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
1946.....	1.17	1.28	107,288	57	8,028	10	99,260	62

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.

in the top tax bracket. In 11 States, however, there was a dispersion of either highest or lowest rates, or both, among various pay-roll groups.

Employers with wage bills of \$1 million or more ranked lowest on the tax scale in four of the eight industry divisions in Georgia, Iowa, and New Jersey; in five industry divisions in the District of Columbia, Florida, Illinois, and Texas; and in six industry divisions in Ohio.

On the other hand, firms with the smallest pay rolls—less than \$5,000—paid the top average rate in four of the eight industry divisions in Iowa, Montana, and Pennsylvania; in five industry divisions in California, the District of Columbia, and Massachusetts; in six industry divisions in Illinois; and in seven industry divisions in Texas. However, companies with equally small pay rolls in Minnesota (in five industry divisions) and in Oregon and Wisconsin (in six industry divisions) were taxed at the lowest average rates for all firms in their respective States. The top tax in Wisconsin for five industry divisions is concentrated at the \$50,000-\$99,999 pay-roll range.

Many factors, in addition to economic activity, may be responsible

for the tax position of a majority of the largest or smallest firms in the States shown in table 5. Moreover, so many variables influence the rate structure that the same factor may exist in two States that have exactly opposite relationships of taxes to size of firm as measured by pay roll.

Other factors that may influence rate assignment are size-of-firm coverage provisions, the type of experience-rating formula, the size of the employer reserve required for reduced rates, the legal provisions for noncharging of benefits, the disqualification provisions, and the conditions under which voluntary contributions may be made.

For example, of the eight States in which the smallest employers pay the highest average tax in most industries, employers of one to six workers are subject to coverage in six States (California, the District of Columbia, Illinois, Massachusetts, Montana, and Pennsylvania). Turn-over among firms with one to six employees is likely to be frequent and have a far greater effect, percentagewise, on the benefit accounts of those employers than among firms with million-dollar pay rolls.

Four of these eight States—the District of Columbia, Illinois, Massachusetts, and Pennsylvania—make no provision for noncharging of benefits to a former employer's account in special circumstances, such as when benefit awards are reversed as the result of employer appeals, when interstate claims are paid, or when the employee quits voluntarily or is discharged for misconduct.

On the other hand, five States—Florida, Georgia, Iowa, New Jersey, and Ohio—where the largest firms received the lowest average rates in most industries, do not charge benefits to the former employers' accounts in one or all of the situations listed above, thus possibly giving the largest employers an advantage in obtaining low rates.

War-Risk Contributions in 1946

During 1946, five States—Alabama,¹⁴ Florida, Georgia, Ohio, and Oklahoma—of the 12 that had war-risk provisions in effect in 1945 continued to collect the special war-risk taxes.¹⁵ The additional rates were imposed on the assumption that employers whose pay rolls increased substantially during the war would probably lay off large numbers of workers at the end of the war and cause a severe drain on the unemployment trust funds. The provisions were designed, therefore, to collect additional contributions from such employers when they were best able to make such payments.

Wisconsin's repeal of its war-risk provision was effective in 1946, but it kept its special 0.5-percent postwar-reserve tax, making it a regular part of its rate structure for the 1947 rate year.¹⁶ This tax was assessed on firms that were eligible for rate variation and whose taxable pay roll in 1946 was

¹⁴ The war-risk tax was repealed after the first quarter of 1947.

¹⁵ The seven States that terminated their war-risk taxes after 1945 were Illinois, Iowa, Kansas, Maryland, Minnesota, Missouri, and Wisconsin. For a discussion of war-risk laws during 1944, see the *Bulletin*, May 1944, pp. 2-8. For an analysis of 1943 and 1944 war-risk operations see the September 1946 issue, pp. 9-15. For a discussion of 1945 war-risk provisions, see *Employment Security Activities*, January 1947, pp. 43-49.

¹⁶ The special provision was then repealed as of January 1, 1948.

TABLE 7.—Number and percent of employer accounts assessed war-risk taxes and effect of war-risk provisions on employer contribution rates and revenue, 5 States, 1946

[Based on data reported by State agencies; corrected to Jan. 12, 1948]

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.....				1.41	1.42	\$829,517	48	\$8,028	1	\$821,489	48
All experience-rating States.....	865,118	10,219	1.2	1.36	1.38	829,517	50	8,028	1	821,489	49
All war-risk States.....	82,768	10,219	12.3	1.17	1.28	107,288	57	8,028	10	99,260	52
Alabama ³	6,536	99	1.5	.76	.80	12,829	72	216	4	12,613	71
Florida.....	8,529	2,543	29.8	1.39	1.77	8,654	48	2,513	27	6,141	34
Georgia.....	8,974	33	.4	1.55	1.55	9,292	43	27	(4)	9,265	43
Ohio.....	52,230	6,483	12.0	1.16	1.26	67,622	57	4,449	9	63,174	53
Oklahoma.....	6,499	1,061	16.0	.84	1.01	8,890	69	823	20	8,067	62

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 1946 taxable wages in absence of war-risk contribution provisions.

³ Amount of war-risk contributions estimated. Contributions were payable during first quarter of 1946 only.

⁴ Less than 0.5 percent.

\$50,000 or more and at least 20 percent more than the 1945 pay roll. If an employer had no pay roll in 1945 or 1946, his reserve ratio was computed on the basis of his most recent pay roll, with a 1-percent minimum tax. In 1947, 1,663 employers, or 1 out of every 10 subject employers, paid the special tax.

In 1947 the Florida Legislature enacted an amendment allowing the State Industrial Commission to recompute rates and credit any excess on future tax payments for certain employers who had paid war-risk taxes in 1943-46. The affected employers were those who, during 1939 (the base for the computation of war-risk taxes), had paid wages not for regular "commercial operations" but rather for preliminary organization of the businesses and whose 1946 taxable pay rolls were more than 50 percent of their highest taxable pay rolls in any one of the years 1943-45.

During the 4 years that war-risk provisions were in effect, the 12 war-risk States collected \$184 million in additional revenue from this special tax. The largest special collections were received in 1944, when employers in 10 States paid \$75.6 million, or 7 percent of the "normal" contributions.

"Normal" revenue represents the amount of contributions due under the experience-rating systems assuming that

About half as many accounts were covered by war-risk laws in 1946 as in the preceding year. These 10,200 accounts paid only \$8 million in special contributions, a drop of \$59.8 million from the 1945 amount (table 6). This decrease was due partly to the termination of the tax in several of the States as well as to the fact that many firms were either dissolved or so reduced in size that they were no longer liable for the war-risk tax. Of the five States that collected the special contribution, only Ohio taxed employers on their total pay roll; the other four assessed the tax on that part of the pay roll in excess of a stated amount or percentage. For all five States the \$8 million in additional revenue represented one-tenth of the amount collected under "normal" experience rating; in 1945 the war-risk revenue represented one-third of "normal" experience-rating contributions.

The effect of war-risk taxes in 1946 on the average employer contribution rate for the country as a whole was negligible, increasing the rate from 1.41 percent to 1.42 percent. For the 45 experience-rating States the increase was only slightly greater, from

war-risk provisions were not in effect. Similarly, "normal" tax rate is the contribution rate that would be in effect in the absence of war-risk levies.

1.36 percent to 1.38 percent. For the five war-risk States, on the other hand, there was an increase from 1.17 percent to 1.28 percent. In these States the reduction in revenue under "normal" experience-rating provisions would have been 57 percent; the collection of war-risk taxes resulted in a net reduction of 52 percent. For all States combined, the percentage reduction in revenue (48 percent) effected by experience rating in 1946 was unchanged by war-risk contributions, while for the experience-rating States a 49-percent reduction was credited to employers in place of the 50-percent "normal" reduction.

Effect of War-Risk Tax Among the States

Florida had the largest proportion of employers covered by war-risk provisions in 1946—almost 1 out of every 3 active accounts (table 7). The State's high percentage of coverage was due primarily to the inclusion of small firms (excluded in some States); also, pay-roll increases were measured against 1939 wages—a year of low wage levels. The average employer rate in the State was raised from 1.39 percent to 1.77 percent by the wartime tax, which yielded \$2.5 million in additional revenue. Conversely, in Georgia, only 0.4 percent

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"Government Relief and Social Welfare." *New South Wales Industrial Gazette*, Sydney, Vol. 88, Feb. 1948, pp. 313-321. 5s.

HOEY, JANE M. "Public Assistance as a Community Resource." *Public Health Nursing*, New York, Vol. 40, July 1948, pp. 339-342. 45 cents.

A comprehensive picture of the public assistance program—its benefits, scope, and administration.

HUNT, MAURICE O. "New Aids in Determining Needs." *Public Welfare in Indiana*, Indianapolis, Vol. 58, Apr. 1948, pp. 4-5 f.

Explains the budgetary guide or standard used in determining the need of public assistance recipients in Indiana.

KRUSE, ARTHUR H. "The Future Role of Public Assistance and Social Insurance." *Public Welfare*, Chicago, Vol. 6, May-June 1948, pp. 98-101. 50 cents.

NATIONAL SOCIAL WELFARE ASSEMBLY. SOCIAL CASE WORK COUNCIL. *Public Assistance Today*. New York: The Assembly, May 1948. 11 pp. 15 cents.

A discussion guide for citizen groups.

WALLS, OTTO F. "Indiana Re-enacts Its Lien Law." *Public Welfare*, Chicago, Vol. 6, May-June 1948, pp. 108-111. 50 cents.

Explains why Indiana reinstated the lien and recovery clause in State old-age assistance legislation.

Maternal and Child Welfare

CAGE, LYDIA H. "County Board and Child-Welfare Services." *The Child*, Washington, Vol. 12, June 1948, pp. 194-195 ff. 10 cents.

Describes how the county child welfare boards operate in Texas.

EMERY, MARGARET A. "For Children Who Need Foster Care." *The Child*, Washington, Vol. 12, June 1948, pp. 198-201. 10 cents.

KERBY, C. EDITH. "What Causes Blindness in Children?" *Sight-Saving Review*, New York, Vol. 18, Spring 1948, pp. 21-33. 50 cents.

A report showing eye conditions among pupils in schools for the blind in the United States during 1945 and 1946.

LENROOT, KATHARINE F. "The American Scene as a Background for a 1950 Conference on Children." *The Child*, Washington, Vol. 12, June 1948, pp. 196-197. 10 cents.

"National Health Assembly Looks at Health of Mothers and Children." *The Child*, Washington, Vol. 12, June 1948, pp. 202-207. 10 cents.

Health and Medical Care

CANADA. DOMINION BUREAU OF STATISTICS. VITAL STATISTICS DIVISION. *Health Reference Book, 1946*. Ottawa: Edmond Cloutier, Govt. Printer, 1947. 80 pp.

Contains revised proposals for the establishment of a national health insurance system.

COBB, W. MONTAGUE. *Medical Care and the Plight of the Negro*. New York: National Association for the Advancement of Colored People, 1947. 38 pp. 10 cents.

Describes the struggle of the Negroes to obtain a medical education.

GALTON, LAWRENCE. "Fighting the Unseen Plague." *Hygeia*, Chicago, Vol. 26, June 1948, pp. 412-413 ff. 25 cents.

Discusses how one institution provides the essentials of hospital care

for the chronically ill in their own homes, for less than \$3 a day for each patient.

LINTON, M. ALBERT. "Social Security for the Totally Disabled." *American Economic Security* (Chamber of Commerce of the U. S. A.), Washington, Vol. 5, May 1948, pp. 8-12. 15 cents.

Opposes any Federal system of total and permanent disability insurance and recommends the development of State assistance programs providing for Federal grants-in-aid. Urges that the primary emphasis of State plans be on vocational and medical rehabilitation rather than on benefits.

MOSCROP, MARTHA. "British Columbia's New Hospital Insurance Plan." *Canadian Welfare*, Ottawa, Canada, Vol. 24, June 1948, pp. 11-14. 30 cents.

Considers the terms of the new Hospital Insurance Act with respect to benefits and beneficiaries, finances, and administration.

"The Rhode Island Plan." *Rhode Island Medical Journal*, Providence, Vol. 31, May 1948, p. 312 ff. 25 cents.

"Questions and answers concerning the program for voluntary prepaid non-occupational surgical and obstetrical insurance sponsored by the Rhode Island Medical Society in cooperation with insurance companies."

RIPPETO, ROBERT D. "A County's Medical Program." *Public Welfare*, Chicago, Vol. 6, May-June 1948, pp. 112-114 f. 50 cents.

Describes the origin and development of the plan for providing medical care and treatment for persons residing in Buchanan County, Mo., who are unable to pay the necessary expenses.

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of the accounts paid the special tax, in comparison with 0.5 percent in 1945. Georgia's law excluded firms with a pay roll of less than \$150,000, and the year used for comparison, 1941, reflected relatively high wage levels. The employer rate of 1.55 percent was unchanged by the special tax, which brought in \$27,000 additional revenue.

Oklahoma assessed the special tax on 16 percent of its active accounts, as compared with 11 percent in 1945. War-risk contributions dropped, how-

ever, from \$2.3 million in 1945 to \$823,000 in 1946, partly because, contrary to the national trend, Oklahoma's taxable pay rolls decreased in 1946.

In Ohio the relative number of employers liable for the wartime tax decreased from 18 percent to 12 percent, and revenue went down from \$7.9 million to \$4.4 million. Ohio's average rate without war risk would have been 1.16 percent; war-risk provisions increased the rate to 1.26 percent.

Alabama's war-risk law, which was

in effect for the first quarter of 1946 only, covered 1.5 percent of the active accounts and yielded \$216,000 in additional contributions for the quarter. In 1945, 1.6 percent of all employers were affected, and the additional revenue was about \$859,000 for the entire year. Alabama excluded firms with pay rolls of less than \$100,000, and since the base period included war years with high wage levels, most of the other employers were exempt from the tax. The war-risk levy increased Alabama's average employer rate from 0.76 percent to 0.80 percent.