

## Experience-Rating Operations in 1943\*

THE ESTIMATED average contribution rate of employers in States with experience-rating plans in operation in 1943 was about the same as in 1942—1.8 percent.<sup>1</sup> Tax rates were modified during part or all of 1943 in 40 States,<sup>2</sup> 6 more than in 1942 and 23 more than in 1941. Introduction of experience rating in these additional States contributed to the decline in the national average employer tax rate from 2.58 percent in 1941 to 2.18 percent in 1942 and to an estimated 2 percent in 1943.<sup>3</sup>

While the unprecedented wartime rise in pay rolls brought State tax collections to an all-time high of \$1.3 billion in 1943, ordinary experience-rating provisions in State laws reduced employer contributions by an estimated \$416 million, bringing the total reduction for the past 3 years to about \$740 million. The \$416 million represents a relative reduction in employer contributions of approximately one-fourth of the amount collectible at the standard rate. The total amount of revenue lost through experience rating in 1943 was equal to about four-fifths of the amount of benefits paid in 1940, the year of highest benefit payments. The loss amounted to about 7.5 percent of total funds available for benefits at the end of June 1944. For the 40 experience-rating States, employer contributions were reduced by an estimated 36 percent; comparable revenue reductions were 20 percent in 17 States during 1941 and 34 percent in 34 States during 1942.

During 1944, employers in 2 addi-

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<sup>1</sup> This and the following figures do not include the effects of special war-risk provisions which raised additional revenue during 1943 in 9 States (Alabama, Florida, Illinois, Iowa, Maryland, Minnesota, Missouri, Oklahoma, Wisconsin). Additional collections from a "post-war reserve" tax of 0.5 percent in Wisconsin are also excluded. Ohio's war-risk provisions were not in effect in 1943.

For previous years' data on the operation of experience rating, see the *Bulletin*, October 1941, pp. 25-28; June 1942, pp. 12-24; February 1943, pp. 9-21.

<sup>2</sup> Experience-rating provisions did not become effective until July 1, 1943, in 4 States—District of Columbia, Idaho, Maine, and Maryland.

<sup>3</sup> Final figures may increase the 1943 average slightly.

tional States—Pennsylvania and Tennessee—have modified rates for the first time. Preliminary estimates indicate that the national average employer tax rate for 1944 may decline to 1.8 percent. In 1945, when employers become eligible for reduced rates in Louisiana and Nevada, experience-rating plans will be in effect in all 44 States<sup>4</sup> which now have such provisions in their laws.

Two-thirds of the active employer accounts in experience-rating States were eligible for rate modification in 1943, about the same proportion as in 1942. Reduced contribution rates were assigned to three-fourths of all rated accounts in 1943, as compared with approximately two-thirds in 1942. Rates above the standard<sup>5</sup> were received by 5.3 percent of all rated accounts in 1943, in contrast to 8.5 percent in 1942.

Three experience-rating States collected employee contributions during 1943. Only Alabama, however, modified employee contribution rates. Such modifications reduced the State's revenue by an estimated \$4.0 million, or 60 percent of the amount which would have been collected at the standard employee rate of 1 percent. Since California and New Jersey collected contributions from workers at the standard rate, the reduction

<sup>4</sup> Louisiana included experience-rating provisions in its law in July 1944. The plan is of the reserve-ratio type and rate reductions become effective October 1, 1945.

<sup>5</sup> The standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent. Fifteen States assigned rates above the standard in 1943.

in revenue from employees in the 3 States combined is estimated to be only 5 percent.

Contributions for 1943 from employers and employees in the 40 experience-rating States are estimated at 1.9 percent of total taxable pay rolls in those States. Modification of employer and employee rates reduced contributions by an estimated \$420 million, or by approximately 34 percent of the amount which would have been collected at the standard employer and employee rates.

State	Estimated 1943 average contribution rate	Estimated contributions <sup>1</sup> (in thousands)		Estimated reduction in revenue	
		At average rate	At standard rate <sup>2</sup>	Amount (in thousands)	Percent
Employer and employee					
Total, 40 States..	1.9	\$329,090	\$1,248,778	\$410,688	34
Employer					
Total, 40 States..	1.8	\$747,316	\$1,163,083	\$416,767	36
Employee					
Total, 3 States..	1.0	\$81,774	\$85,695	\$3,921	5
Alabama.....	.4	2,614	6,535	3,921	60
California.....	1.0	51,479	51,479	0	0
New Jersey....	1.0	27,681	27,681	0	0

<sup>1</sup> Contributions based on estimated 1943 taxable wages.

<sup>2</sup> Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.

### War-Risk Provisions

The figures on estimated average employer contribution rates and reduction in revenue in 1943 measure only the effects of ordinary experience-rating operations. They do not

Table 1.—Effect of experience rating<sup>1</sup> on employer contributions in States with experience rating, 1941-43<sup>2</sup>

Year	Number of States	Taxable pay roll (in millions)	Average employer contribution rate	Employer contributions (in millions)		Reduction in revenue		
				At average rate	At standard rate	Amount (in millions)	As percent of contributions at standard rate in—	
							States with experience rating	All States
1941.....	17	\$10,137	2.17	\$221	\$274	\$54	20	5
1942.....	34	29,197	1.81	532	707	269	34	20
1943.....	40	42,638	1.8	747	1,163	410	30	26

<sup>1</sup> Reflects only effect of ordinary experience-rating provisions; does not include effects of special war-risk provision.

<sup>2</sup> Data for 1943 estimated.

Table 2.—Significant experience-rating provisions of unemployment compensation laws, 44 States, as of August 1, 1944

State	Type of fund <sup>1</sup>	Effective date	Index of "experience with unemployment risk"	Employers charged for compensable unemployment	Method of computing employer's contribution rate	Rate schedule			War-risk contribution provision effective <sup>2</sup>
						Maximum rate in percent	Minimum rate in percent	Number of rate classes	
Alabama.....	P	April 1941.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Benefit wage ratio correlated with State experience factor.	2.7	0.6	6	Apr. 1, 1943-Mar. 31, 1946.
Arizona.....	P	January 1942.....	Reserve ratio.....	.....do.....	Schedule of reserve ratios..	3.0	1.0	4	
Arkansas.....	P	April 1942.....	.....do.....	Base-period employers in inverse order.	.....do.....	2.7	1.0	3	
California.....	P	January 1941.....	.....do.....	All base-period employers proportionately.	.....do.....	2.7	1.0	5	
Colorado.....	P	January 1942.....	.....do.....	Base period employers in inverse order.	.....do.....	3.0	.0	4	
Connecticut.....	P	April 1941.....	Ratio of pay roll to weekly benefit amounts.	Employers in 8 weeks preceding compensable unemployment.	Schedule of compensable separation ratio classes each containing an equal amount of pay roll.	2.7	1.6	13	
Delaware.....	P	January 1942.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Schedule of benefit wage ratio correlated with State experience factor.	3.0	.5	7	
District of Columbia.....	P	July 1943.....	Reserve ratio.....	.....do.....	Schedule of reserve ratios..	2.7	.1	0	
Florida.....	P	January 1942.....	Ratio of benefits to pay roll.	All base-period employers, who paid workers \$15 or more, proportionately.	Schedule of benefit ratios..	2.7	1.7	3	July 1, 1943. <sup>3</sup>
Georgia.....	P	.....do.....	Reserve ratio.....	All base-period employers proportionately.	Schedule of reserve ratios..	2.7	1.0	0	
Hawaii.....	P	April 1941.....	.....do.....	.....do.....	.....do.....	2.7	0	7	
Idaho.....	P	July 1943.....	.....do.....	Most recent base-period employer. <sup>4</sup>	.....do.....	2.7	1.5	4	
Illinois.....	P	January 1943.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Schedule of benefit wage ratio correlated with State experience factor.	3.0	.5	8	July 1, 1943-Dec. 31, 1945.
Indiana.....	O	January 1940.....	Reserve ratio.....	Base-period employers in inverse order, proportionately.	Schedule of reserve ratios..	2.7	.135	4	
Iowa.....	P	January 1942.....	.....do.....	Base-period employers in inverse order.	.....do.....	3.0	.0	4	July 1, 1943-Dec. 31, 1945.
Kansas.....	P	January 1941.....	.....do.....	All base-period employers proportionately.	.....do.....	2.7	.0	3	
Kentucky.....	E	.....do.....	.....do.....	.....do.....	.....do.....	2.7	0	3	
Louisiana.....	P	October 1945.....	.....do.....	.....do.....	.....do.....	2.7	.0	7	
Maine.....	P	July 1943.....	.....do.....	Base-period employers in inverse order, proportionately.	.....do.....	2.7	1.5	5	
Maryland.....	P	.....do.....	Ratio of benefits to pay roll.	Principal base-period employer.	.....do.....	2.7	.0	7	July 1, 1943, and thereafter.
Massachusetts.....	P	January 1942.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Schedule of benefit wage ratio correlated with State experience factor.	2.7	.5	6	
Michigan.....	P	.....do.....	Ratio of benefits to pay roll.	All base-period employers, who paid workers \$50 or more, proportionately.	Schedule of benefit ratios..	4.0	1.0	12	
Minnesota.....	P	January 1941.....	.....do.....	All base-period employers proportionately.	Schedule of benefit ratio classes each containing an equal amount of pay roll.	3.25	.5	7-11	Jan. 1, 1943-June 30, 1945.

See footnotes on next page.

include the effects on rates and on revenue of the special war-risk provisions, under which nine States collected additional contributions in 1943.<sup>5</sup> The resulting additional revenue on 1943 wages is estimated at slightly more than \$30 million, or an increase, for those States, of somewhat less than 20 percent. In individual States, employer contributions were increased from about 5 to 50 percent. For the country as a whole, the war-risk provisions increased contributions by about 2.5 percent. The following discussion and tables do not include the effects of war-risk provisions in 1943.

<sup>5</sup> See footnote 1. For discussion of war-risk contribution provisions, see the *Bulletin*, May 1944, pp. 2-8.

### Effects of the War on Experience Rating

The war has had conflicting effects on experience rating. In some States, expanding pay rolls and declining benefit expenditures have resulted in sharp rate reductions. In others, expanded pay rolls used in computing reserve ratios have overcompensated the drop in benefit payments and have caused higher rates. Some small firms have grown suddenly to huge proportions but have continued to pay taxes at low rates assigned on the basis of their pre-war experience. On the other hand, new firms have been created in response to wartime demands, and their large pay rolls have been taxed at the standard rate, since they were ineligible for rate re-

ductions because of insufficient "experience with the risk of unemployment."

As in 1942, Delaware was the only State with an estimated average contribution rate below 1 percent. In 9 States, the average was between 1.0 and 1.5 percent; in 14 States, between 1.6 and 2.0 percent; and in 14 additional States between 2.1 and 2.5 percent (table 3). The 2 remaining States—Idaho and North Carolina—modified rates for the first time in 1943 and had average rates of 2.6 percent. The District of Columbia, Idaho, Maine, and Maryland first modified employer contribution rates on July 1, 1943. Average 1943 rates for these States, therefore, are somewhat higher than they would have

Table 2.—Significant experience-rating provisions of unemployment compensation laws, 44 States, as of August 1, 1944—Continued

State	Type of fund <sup>1</sup>	Effective date	Index of "experience with unemployment risk"	Employers charged for compensable unemployment	Method of computing employer's contribution rate	Rate schedule			War-risk contribution provision effective <sup>2</sup>
						Maximum rate in percent	Minimum rate in percent	Number of rate classes	
Missouri.....	P	January 1942..	Reserve ratio.....	Most recent employer in inverse order.	Schedule of reserve ratios..	4.1	0	5	July 1, <sup>3</sup> 1943-June 30, 1945.
Nebraska.....	E	January 1940..	Reserve ratio <sup>4</sup> .....	Base-period employers in inverse order.	Schedule of reserve ratios <sup>4</sup>	2.7	4.5	6	
Nevada.....	P	January 1945..	Not specified.....	Not specified.....	Not specified.....	(8)	1.0	(?)	
New Hampshire.....	P	January 1941..	Reserve ratio.....	Most recent employer.....	Schedule of reserve ratios..	2.7	.5	8	
New Jersey.....	P	January 1942..	do.....	All base-period employers proportionately.	do.....	3.0	.9	4	
New Mexico.....	P	do.....	do.....	do.....	do.....	3.0	.9	4	
North Carolina.....	C	January 1943..	do.....	do.....	do.....	2.7	.27	8	
North Dakota.....	P	January 1942..	do.....	do.....	do.....	2.7	1.0	3	
Ohio.....	P	do.....	do.....	Base-period employers in inverse order.	do.....	3.5	1.7	13	
Oklahoma.....	P	do.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Benefit wage ratio correlated with State experience factor.	2.7	.5	6	
Oregon.....	P	July 1941.....	Reserve ratio.....	Base-period employers in inverse order. <sup>4</sup>	Schedule of reserve ratios..	4.0	1.0	7	Jan. 1, 1943, and thereafter.
Pennsylvania.....	P	January 1944..	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Benefit wage ratio correlated with State experience factor.	2.7	1.0	5	
South Carolina.....	P	January 1942..	Reserve ratio.....	Most recent employer.....	Schedule of reserve ratios..	3.0	.9	4	
South Dakota.....	E	January 1940..	Ratio of benefits to pay roll. <sup>4</sup>	Base-period employers in inverse order.	Schedule of benefit ratios <sup>4</sup>	2.7	1.0	6	
Tennessee.....	P	July 1944.....	Reserve ratio.....	All base-period employers proportionately.	Schedule of reserve ratios..	3.3	1.0	9	
Texas.....	P	January 1941..	Ratio of benefit wages to pay roll.	do.....	Benefit wage ratio correlated with State experience factor.	2.7	.5	6	
Vermont.....	P	do.....	Ratio of benefits to pay roll. <sup>4</sup>	Most recent base-period employer.	Schedule of benefit ratios <sup>4</sup>	2.7	1.5	4	
Virginia.....	P	do.....	Ratio of benefit wages to pay roll.	All base-period employers proportionately.	Benefit wage ratio correlated with State experience factor.	2.7	1.0	5	
West Virginia.....	P	do.....	Reserve ratio.....	do.....	Schedule of reserve ratios..	2.7	.9	6	
Wisconsin.....	E	January 1938..	do.....	Most recent employer in inverse order.	do.....	4.0	0	6	July 1, 1943-Dec. 31, 1945. <sup>10</sup>
Wyoming.....	P	January 1942..	Ratio of benefits to pay roll.	All base-period employers proportionately.	Schedule of benefit ratios..	3.5	.5	7	

<sup>1</sup> As used in this column, "P" indicates a pooled fund, "C" a combined pooled and employer reserve, and "E" an employer-reserve type.

<sup>2</sup> See Friedman, Gladys R., "War-Risk Contribution Provisions in State Laws," *Social Security Bulletin*, Vol. 7, No. 5 (May 1944), pp. 2-8.

<sup>3</sup> Whenever State-wide reserve fund as of the end of any calendar quarter does not exceed \$85 per insured worker.

<sup>4</sup> By regulation.

<sup>5</sup> 3.7 percent effective 1945 and thereafter.

<sup>6</sup> No provision.

<sup>7</sup> Not specified.

<sup>8</sup> If balance in fund as of January 1 of any calendar year is less than benefits paid out during 2 preceding calendar years, rates increased 0.5 percent.

<sup>9</sup> 4 percent effective 1945 and thereafter.

<sup>10</sup> War-risk contribution provision will cease to be effective on the earlier of the 2 following dates: Dec. 31, 1945, or the close of the 3d month following the 1st calendar quarter for which the total of all taxable pay rolls is less than \$200 million as determined by the commission and published in an official State paper.

been if reductions had been in effect throughout the year. The average rate for the District of Columbia for the second half of 1943 was 0.4 percent compared with an average of 1.5 percent for the year. The corresponding rates in Idaho were 2.5 and 2.6 percent; in Maine, 2.3 and 2.5 percent; and in Maryland, 1.6 and 2.1 percent.

Experience during 1942 in Hawaii and South Dakota furnishes examples of the operation of experience rating in a total war economy. In both States, average contribution rates were strongly affected by newly subject employers engaged in war work who were not eligible for rate reductions and paid contributions on large pay rolls at the standard 2.7-percent rate. In Hawaii, it was estimated that more than 40 percent of all 1942 taxable pay roll was concentrated in three large newly subject

firms engaged in war construction, which contributed at the standard 2.7-percent rate and accounted for more than 75 percent of all contributions in the Territory in that year. Undoubtedly, Hawaii's average rate would have been substantially lower were it not for the influence of these newly subject employers.

A similar condition prevailed in South Dakota in 1942. Taxable wages during the first 9 months of 1942 totaled \$41 million, \$10 million more than in the corresponding period of 1941. About \$7 million of this increase represented pay rolls of newly subject employers engaged in governmental construction activities, who contributed at the standard 2.7-percent rate. But for the contributions and pay rolls of such employers, the average State-wide rate in 1942 would have been an estimated 1.28 percent instead of 1.6 percent.

It is not likely, however, that these circumstances will continue, since many of the new firms were engaged primarily in construction of military cantonments, barracks, and war plants and the demand for this type of activity has largely been filled. In South Dakota, taxable wages attributable to building construction decreased 82 percent between 1942 and 1943, and, at the same time, the average State-wide contribution rate declined from 1.6 to 1.2 percent. In addition, as the war continues, these "new" firms accumulate sufficient experience to become eligible for rate reductions.

In Nebraska and Wisconsin, the upward trend in average rates was due to the combined effect of rising pay rolls and the type of reserve-ratio formula used in assigning modified rates. Nebraska's method of assigning modified rates for 1943 used the

ratio of an employer's reserve balance at the beginning of 1943, less the highest annual amount of benefits paid during any calendar year from 1940 through 1942, to whichever is the higher of (1) the employer's average annual pay roll for the 3 years or (2) the 1942 annual pay roll. The Wisconsin law likewise provides for the use of an alternative "reserve percentage divisor," in determining employers' tax rates. In Wisconsin, an employer's reserve percentage is

based on the ratio of his reserve balance to the highest of the following amounts: (1) his pay roll for the year ending on the computation date or (2) his average annual pay roll for the 3 years ending on such date or (3) 60 percent of his largest pay roll for any 1 of those 3 years. Thus, during a period of rising pay rolls such as 1940-42, the use of this type of provision for an alternative "reserve percentage divisor" results in a lower reserve-ratio and higher contribu-

tion rate for an employer than he would have in a period of stable or declining pay rolls.

### Accounts Eligible for Rate Modification

Of nearly 500,000 active accounts in the 40 States with experience-rating provisions in effect, 248,000 or almost half received reduced rates. The standard rate was assigned to approximately 233,000 or 47 percent of the active accounts; 72 percent of

Table 3.—Selected experience-rating data, 1941-1943

[Corrected to June 19, 1944]

State	Percent of rated accounts with reduced rates			Average employer contribution rate <sup>1</sup>			Reduction in revenue <sup>1, 2</sup>					
							Amount (in thousands)			Percent		
	1941 (17 States)	1942 (34 States)	1943 (40 States)	1941 (17 States)	1942 (34 States)	1943 (40 States)	1941 (17 States)	1942 (34 States)	1943 (40 States)	1941 (17 States)	1942 (34 States)	1943 (40 States)
Total.....	54.9	67.4	74.7	2.17	1.81	1.8	\$54,123	\$268,668	\$415,767	20	34	36
Alabama.....	70.4	87.1	95.2	2.08	1.59	1.2	2,550	6,702	9,803	23	41	56
Arizona.....		42.7	55.7		2.51	2.3		298	717		7	15
Arkansas.....		51.5	70.4		2.47	2.2		603	1,242		9	10
California.....	28.0	29.6	37.0	2.48	2.45	2.3	5,912	9,785	20,592	8	9	15
Colorado <sup>3</sup> .....		67.9	72.1		1.98	2.0		2,105	2,092		26	26
Connecticut.....	88.3	84.8	85.5	2.20	2.09	2.1	4,078	8,120	9,000	15	23	22
Delaware.....		95.2	50.8		.98	.9		2,400	3,003		64	67
District of Columbia.....			90.0			1.5			3,579			44
Florida.....		68.5	70.9		2.27	2.2		1,797	2,873		16	19
Georgia.....		80.3	80.4		2.07	2.1		3,423	4,060		23	22
Hawaii.....	70.3	97.5	97.6	1.65	1.54	1.7	1,179	2,035	1,567	39	43	37
Idaho.....			65.0			2.6			118			4
Illinois.....			80.2			1.3			62,047			52
Indiana <sup>4</sup> .....	36.6	57.4	66.0	2.29	1.91	1.9	4,733	11,899	14,977	15	29	30
Iowa.....		65.9	72.0		1.85	1.9		3,535	3,835		31	30
Kansas.....	49.1	42.3	72.0	2.07	2.20	2.0	1,433	2,069	3,799	23	19	26
Kentucky <sup>5</sup> .....	16.4	36.0	72.7	2.68	2.32	2.2	73	1,731	2,625	1	14	19
Maine.....			78.2			2.5			748			7
Maryland.....			81.5			2.1			9,914			22
Massachusetts.....		75.1	70.5		1.52	1.2		25,630	37,118		44	56
Michigan <sup>6</sup> .....			88.9		1.60	1.6		30,338	55,337		44	47
Minnesota.....	50.0	57.3	77.3	2.05	1.95	1.7	3,480	5,116	8,124	24	28	37
Missouri.....		81.5	81.6		1.51	1.6		12,996	13,797		44	41
Nebraska <sup>4</sup> .....	51.8	63.0	66.0	1.38	1.56	2.0	1,795	2,412	1,783	40	42	26
New Hampshire.....	46.5	61.2	66.9	2.54	2.38	2.3	235	520	681	6	12	15
New Jersey.....		70.5	68.1		1.64	1.9		24,679	22,144		30	30
New Mexico.....		58.0	60.6		2.17	2.2		409	421		19	19
North Carolina <sup>4</sup> .....			24.6			2.6			750			4
North Dakota.....		67.7	74.7		1.95	1.8		273	358		28	33
Ohio <sup>4</sup> .....		90.2	92.7		1.25	1.4		51,812	57,600		54	48
Oklahoma.....		75.3	80.1		1.69	1.5		3,866	5,760		37	44
Oregon.....	33.7	45.3	60.7	2.65	2.41	2.3	165	1,591	2,947	2	11	15
South Carolina.....		68.0	75.7		1.98	1.8		2,254	3,026		27	33
South Dakota <sup>4</sup> .....	36.3	59.1	72.4	1.65	1.57	1.2	450	639	801	30	42	56
Texas.....	80.7	87.0	91.1	1.60	1.56	1.4	11,224	10,023	23,144	41	42	48
Vermont.....	34.8	50.5	54.0	2.46	2.10	2.3	177	536	398	9	22	15
Virginia.....	90.0	88.4	92.6	1.75	1.59	1.5	5,272	8,232	8,715	35	41	44
West Virginia.....	53.8	64.6	85.6	2.42	2.14	1.6	1,374	3,306	7,307	10	21	41
Wisconsin <sup>7</sup> .....	65.1	64.8	66.8	1.49	1.55	1.8	9,975	12,408	11,667	45	43	33
Wyoming.....		39.2	65.6		2.66	2.3		27	274		2	15

<sup>1</sup> Data for 1941 and 1942 represent actual employer contributions as a percent of taxable wages; 1943 data are preliminary estimates (1943 contribution rates weighted by the amount of 1942 pay roll of employers assigned specified 1943 rates); however, average rate for States with rates effective April 1 or July 1 adjusted to calendar-year basis. Estimates of average rate and revenue reduction for given year do not include effect of employee contributions or voluntary contributions from employers collected during that year. Effect of war-risk contribution provisions also excluded; estimates of average rate and revenue reduction for 1943 may be materially affected in States which provide for war-risk contributions. See footnote 3.

<sup>2</sup> Data for 1941 and 1942 represent the difference between yield at the standard rate and actual contributions collected; data for 1943 are based on estimated 1943 contribution rate and taxable pay roll. No allowance made for additional revenue collected under special war-risk provisions. See footnotes 3 and 8.

<sup>3</sup> State law provides for war-risk contributions in 1943.

<sup>4</sup> An additional loss of \$1.2 million in 1941 and \$2.8 million in 1942 occurred as result of reduction in average employee contribution rate from standard rate of 1.0 percent to 0.7 and 0.5 percent, respectively, in each of these 2 years. It is estimated that an additional loss of \$3.9 million will occur in 1943 as the result of reduction in employee rate from 1.0 to 0.4 percent.

<sup>5</sup> State law permits voluntary contributions. See footnote 1.

<sup>6</sup> Additional losses were sustained in 1941 and 1942 as the result of reductions in average employee contribution rates; the amounts lost, however, were insignificant in both years. Employee contributions were suspended July 1, 1942.

<sup>7</sup> Estimated.

<sup>8</sup> Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.

<sup>9</sup> Law provides for war-risk contributions effective January 1944.

the accounts at the standard rate were ineligible for rate modification because they had insufficient "experience." Rates above the standard were assigned to 17,700 accounts, only 3.6 percent of all active accounts.

Although two-thirds of all active accounts in the 40 States were eligible for rate modification, the proportion ranged widely, from 35 percent in New Mexico to 88 percent in Wisconsin (table 4). In Maryland, with the second smallest proportion, more

than half of all active accounts were eligible for rate modification. The small percentage of employers eligible for rate modification in New Mexico is attributable to the extension of coverage on July 1, 1939, to employers having 2 or more workers or a pay roll of \$450 or more in a calendar quarter. Since to qualify for rate modification an employer's account must have been chargeable with benefits during the 36 months preceding the computation date (June 30), New

Mexico's newly covered employers of 2-3 workers could not have become eligible for modified rates for 1943.

**Modification of Employers' Rates**

The proportion of rated accounts with reduced rates for 1943 ranged from 25 percent in North Carolina to 98 percent in Hawaii. These wide variations result from State differences in the type of experience-rating provisions, the length of time during which rate modifications have been

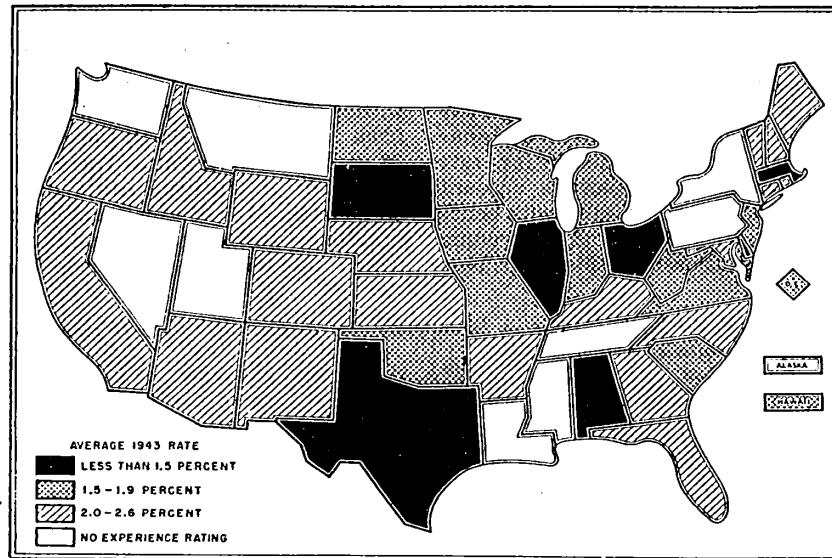
Table 4.—Percentage distribution of active accounts eligible for rate modification, by employer contribution rate<sup>1</sup> for each type of plan and State, 40 States, 1943

Type of plan and State <sup>2</sup>	Total number of active accounts <sup>3</sup>	Number	Percent of all active accounts	Active accounts eligible for rate modification									
				All rates	Rate below standard <sup>4</sup>					Standard rate <sup>5</sup>	Rate above standard <sup>4</sup>		
					0.0	0.1-0.9	1.0-1.8	1.9-2.0 <sup>6</sup>	Total		Total	2.75-3.0 <sup>7</sup>	3.7-4.0
Total, 40 States.....	498,553	733,897	760.6	100.0	1.8	27.8	32.2	13.0	74.8	19.0	5.3	4.7	0.0
Reserve-ratio plan.....	289,409	193,903	67.0	100.0	2.0	25.5	28.0	11.7	69.0	28.1	2.9	2.7	2.2
Arizona.....	4,096	2,715	66.3	100.0			33.1	22.0	55.7	30.5	13.8	13.8	
Arkansas.....	17,827	10,238	57.4	100.0			46.1	24.3	70.4	29.0			
California.....	59,574	32,569	64.4	100.0			19.3	17.7	37.0	63.0			
Colorado.....	4,108	2,950	71.8	100.0			50.1	22.0	72.1	10.2	8.7	8.7	
District of Columbia.....	15,941	10,136	63.6	100.0			86.3	2.0	90.0	10.0			
Georgia.....	8,703	4,850	55.8	100.0			68.1	22.3	80.4	19.0			
Hawaii.....	4,528	2,740	60.6	100.0	42.0	34.0	17.2	3.5	97.0	2.4			
Idaho.....	7,322	4,392	60.0	100.0				65.6	65.0	34.4			
Indiana.....	11,227	9,284	82.7	100.0			46.2	19.8	60.0	34.0			
Iowa.....	7,832	5,947	75.0	100.0			46.5	20.1	72.0	16.5	10.9	10.9	
Kansas.....	4,783	3,289	68.8	100.0			40.9	31.1	72.0	28.0			
Kentucky.....	8,636	4,453	51.0	100.0	9.1		63.6		72.7	27.3			
Maine.....	3,420	2,486	72.7	100.0			52.3	25.0	78.2	21.8			
Missouri.....	12,939	8,931	69.0	100.0	3.4	55.3	22.0		81.6	13.7	4.7	4.7	
Nebraska.....	4,016	3,053	76.0	100.0			13.1	13.0	66.6	33.4			
New Hampshire.....	4,072	3,018	74.1	100.0			41.0	25.0	66.0	33.1			
New Jersey.....	18,802	12,410	66.0	100.0			40.1	28.1	68.2	23.5	8.3	8.3	
New Mexico.....	5,277	1,804	35.3	100.0			38.0	22.0	60.0	28.2	11.2	11.2	
North Carolina.....	7,946	0,348	79.0	100.0			2	1.5	24.0	75.4			
North Dakota.....	1,439	934	64.9	100.0			51.6	23.1	74.7	25.3			
Ohio.....	54,823	37,060	69.2	100.0			41.5	39.5	92.7	2.8	4.5	4.5	
Oregon.....	9,060	6,437	71.0	100.0			38.8	21.0	60.7	39.3	0	0	0
South Carolina.....	4,070	2,325	57.0	100.0			47.4	28.2	75.0	18.2	6.2	6.2	
West Virginia.....	4,521	2,800	62.1	100.0			43.6	32.4	85.0	14.4			
Wisconsin.....	13,432	11,750	87.5	100.0	31.1		35.7		60.8	20.5	6.7	3.1	3.0
Cliffe plan.....	122,247	80,078	65.5	100.0			37.8	34.1	84.5	8.8	6.7	6.1	0
Alabama.....	6,146	3,560	57.9	100.0			43.8	42.1	95.2	4.8			
Delaware.....	5,162	3,700	71.7	100.0			75.1	16.9	90.8	0	3.2	1.0	1.0
Illinois.....	42,355	22,842	53.9	100.0			33.3	30.4	80.2	0	19.8	19.8	
Massachusetts.....	35,868	27,266	75.9	100.0			30.8	25.3	79.5	20.5			
Oklahoma.....	6,155	4,268	69.3	100.0			25.3	30.9	80.1	19.0			
Texas.....	17,717	12,398	70.0	100.0			51.6	36.1	94.1	10.0	5.0	2.5	3.4
Virginia.....	8,844	6,104	69.0	100.0			86.6	6.1	92.6	7.4			
Benefit-ratio plan.....	70,275	46,815	66.6	100.0			25.0	40.1	80.6	5.0	14.4	12.0	2.4
Florida.....	7,470	4,207	56.3	100.0			63.2	7.7	70.9	29.1			
Maryland.....	14,591	7,348	50.4	100.0			53.7	24.2	84.5	15.5			
Michigan.....	17,721	13,416	75.7	100.0			77.4	11.5	88.0	0	11.1	2.8	8.3
Minnesota.....	26,423	19,305	73.1	100.0			42.5	13.6	77.3	0	22.7	22.7	
Wyoming.....	4,070	2,530	62.4	100.0			51.1	14.5	65.6	0	34.4	34.4	
Combined reserve-ratio and benefit-ratio plan.....	3,500	2,639	76.7	100.0	12.3	20.8	26.2	4.8	61.1	35.0			
South Dakota.....	1,850	1,475	79.5	100.0	22.5	37.0	9.8	2.2	72.4	27.6			
Vermont.....	1,650	1,214	73.6	100.0			46.0	8.0	54.0	46.0			
Compensable-separations plan.....	13,125	8,412	64.1	100.0			44.5	41.0	85.5	14.5			
Connecticut.....	13,125	8,412	64.1	100.0			44.5	41.0	85.5	14.5			

<sup>1</sup> Assigned for rate years beginning in 1943, as of computation date of 1943 rates. Contribution rates are stated as a percent of taxable pay roll.  
<sup>2</sup> States classified by type of plan in effect as of computation date of 1943 rates.  
<sup>3</sup> Represents all rated and unrated accounts; excludes accounts newly subject subsequent to computation date of 1943 rates.  
<sup>4</sup> Standard rate is 2.7 percent in all States except Michigan where it is 3.0 percent.  
<sup>5</sup> Includes accounts of employers assigned 2.8 percent rate in Michigan. See footnote 4.

<sup>6</sup> Excludes accounts of employers assigned 2.8 percent rate in Michigan. See footnote 4.  
<sup>7</sup> Excludes 2,999 Maryland accounts assigned standard rate under war-risk provisions of State law.  
<sup>8</sup> Data for these States do not include effect of war-risk contribution provisions of State law.  
<sup>9</sup> Maximum rate reduced from 4.0 to 3.0 percent, effective Mar. 12, 1943.  
<sup>10</sup> Maximum rate reduced from 4.0 to 2.7 percent, effective July 1, 1943.

Chart 1.—Estimated average 1943 employer contribution rates under experience-rating provisions<sup>1</sup> of State unemployment compensation laws



<sup>1</sup> Does not include effect of special war-risk provisions.

in effect, benefit payment experience, and economic activity. The relatively small proportion of North Carolina employers eligible for reduced rates results from a provision in the State law which credits an employer's account with only a part of his contributions. In computing reserve ratios, no credit is given for contributions prior to 1938, and only 50 percent of 1938 contributions, 75 percent of 1939 contributions, and 90 percent of contributions in subsequent years are credited.

Under the Connecticut compensable-separations plan, 86 percent of rated employers obtained reduced rates in 1943. States with laws of the Cliffe-plan type reduced rates for about the same proportion. In each of the 7 States with this type of law, 80 percent or more of the rated accounts received rate reductions—in 4 of them, more than 90 percent. Under the benefit-ratio plan used in 5 States, reduced rates were assigned to 80 percent of the eligible employers and approximately two-thirds or more of the rated employers in each State received rate reductions. In the 25 States with reserve-ratio plans, only 69 percent of the rated employers obtained reduced rates; in 2 of these States, less than half the eligible employers obtained rate reductions, while in 15 additional States be-

tween half and three-fourths had reductions. Under the combined reserve-ratio and benefit-ratio plan used in 2 States,<sup>7</sup> 64 percent of all rated employers obtained reduced rates.

The Cliffe-plan type of experience-rating provision, which relates tax rates in any year to average benefit payments in the 3 immediately preceding years, is particularly sensitive to fluctuations in the volume of benefit payments. When unemployment and benefit payments increase, tax rates in States with such provisions may be expected to rise; when unemployment and benefit payments drop, a subsequent decline in average tax rates usually follows. The large proportion of eligible employers receiving reduced rates in 1943 in all States with Cliffe-plan type of experience rating illustrates the relative advantage of this type of plan to employers when benefit payments are at a low level. The defense program beginning in 1940 and the transition to a full-scale war economy in 1942 and

<sup>7</sup> South Dakota and Vermont use a reserve-ratio formula for determining an employer's eligibility for rate modification but assign reduced rates in accordance with an employer's ratio of benefit charges to pay roll. Eligibility for a zero rate in South Dakota, however, is based on a reserve-ratio requirement.

1943 resulted in a sharp decline in benefits and an increase in covered employment and pay rolls to unprecedented levels. As a result, average annual benefit expenditures in the 7 Cliffe-plan States combined, during the 3 years 1940-42, equaled only 1 percent of the corresponding average annual taxable pay roll during these years.

Likewise, eligible employers in States with benefit-ratio plans have a greater advantage than under reserve-ratio plans during periods of sharply declining benefit payments and rapidly increasing pay rolls. Under the benefit-ratio plan, an employer's experience with the risk of unemployment is measured directly in terms of his ratio of benefit charges to pay roll during 3 years. Low benefit charges and high pay rolls yield low benefit ratios and low tax rates.

Under reserve-ratio type of experience-rating plans, tax rates fluctuate less violently than under the Cliffe or benefit-ratio plans. There are two basic reasons for greater stability of tax rates under reserve-ratio plans. First, there is automatic counterbalancing of benefits and pay rolls in the reserve-ratio procedure. Under such plans, an employer's rate is modified on the basis of the ratio of his reserve account balance (i. e., excess of contributions over benefits) to his pay roll. High reserve ratios mean low tax rates; low reserve ratios, high tax rates. Other things being equal, declining benefit payments would give lower tax rates; similarly, increasing pay rolls would yield higher tax rates. Since declining benefit payments are usually accompanied by rising pay rolls, the two movements tend to offset one another and leave tax rates relatively unaffected. The same situation exists when the trends are reversed and rising benefit payments accompany declining pay rolls. In the other types of plans, declining benefit payments and rising pay rolls both have the effect of reducing tax rates; rising benefit payments and declining pay rolls both operate to increase tax rates.

The second reason for greater stability of tax rates under reserve-ratio plans is the difference in the length of the experience period on which rates are based. Most reserve-ratio formulas take account of an employer's full cumulative benefit and contribution

experience in modifying rates, whereas the Cliffe and benefit-ratio plans consider an employer's experience during only the 3 preceding years.

The 1942 taxable pay roll of the active accounts in the 40 States totaled \$34 billion; employers accounting for approximately 69 percent of this amount received 1943 rates below the standard, while those accounting for 29 percent of the ag-

gregate pay roll were taxed at the standard rate. Employers with rates above the standard accounted for only 2 percent of total taxable pay roll (table 5). In 32 of the 40 States, employers receiving reduced rates paid more than half of the 1942 State taxable wages. In 11 States, employers accounting for more than three-fourths of the State's 1942 taxable pay roll had rates below the standard

in 1943. The proportion of State-wide 1942 taxable pay roll attributable to employers with rate reductions in 1943 ranged widely—from 14 percent in North Carolina to 91 percent in Michigan, Ohio, and West Virginia. In 7 States, employers who accounted for more than half the State's total taxable pay roll in 1942 contributed at the standard rate in 1943.

In the 15 States which assigned

Table 5.—Amount and percentage distribution of 1942 taxable pay roll of 1943 active accounts by State and specified contribution rates for rate years beginning in 1943, 40 States

[Amounts in thousands]

Type of plan <sup>1</sup> and State	1942 taxable pay roll														
	All rates		Amount at—			Percentage distribution									
	Amount	Percentage distribution	Rate below standard rate	Standard rate	Rate above standard rate	All rates	Rate below standard rate <sup>2</sup>					Standard rate <sup>3</sup>	Rate above standard rate <sup>4</sup>		
							0.0	0.1-0.9	1.0-1.8	1.9-2.6 <sup>5</sup>	Total		Total	2.75-3.0 <sup>6</sup>	3.7-4.0
Total, 40 States	\$33,080,383	100.0	\$23,301,897	\$9,800,680	\$706,806	100.0	0.7	21.0	34.4	12.1	08.8	20.1	2.1	1.8	0.3
Reserve-ratio plan	10,135,892	50.3	11,075,687	7,271,074	189,131	100.0	1.2	10.8	32.9	10.1	01.0	38.0	1.0	.9	.1
Arizona	152,938	.4	64,158	84,861	3,010	100.0			15.2	26.8	42.0	55.4	2.6	2.0	
Arkansas <sup>7</sup>	258,454	.8	110,282	148,172		100.0			21.7	21.0	42.7	57.3			
California	\$ 3,863,000	11.5	1,010,600	2,240,400		100.0			19.9	21.9	41.8	58.2			
Colorado	305,418	.9	105,842	126,138	13,438	100.0			29.4	24.0	54.3	41.3	4.4	4.4	
District of Columbia <sup>8</sup>	287,678	.8	256,464	31,214		100.0			87.2	1.5	.4	89.1	10.9		
Georgia	534,130	1.6	350,428	183,702		100.0			37.2	28.4	05.0	34.4			
Hawaii	174,984	.5	89,003	84,991		100.0	18.3	20.4	11.0	1.7	61.4	48.6			
Idaho	138,301	.4	50,429	87,872		100.0					36.5	30.5	63.5		
Indiana	1,527,105	4.6	766,285	760,910		100.0			23.7	26.5	50.2	49.8			
Iowa	410,472	1.2	201,454	143,131	11,837	100.0			31.7	31.0	62.7	34.4	2.9	2.9	
Kansas	410,907	1.2	220,085	100,912		100.0			19.8	33.7	63.5	40.5			
Kentucky	453,428	1.3	241,590	211,838		100.0	3.0		49.7		63.3	40.7			
Maine	301,492	.9	157,745	143,747		100.0			31.6	20.8	62.3	47.7			
Missouri	931,428	2.7	672,590	238,391	20,438	100.0			62.0	19.0	72.2	25.0	2.2	2.2	
Nebraska	210,522	.6	105,375	105,147		100.0			23.1	9.3	50.1	49.9			
New Hampshire	164,135	.5	101,489	62,940		100.0			27.1	34.7	61.8	38.2			
New Jersey	2,331,506	6.9	1,638,151	656,717	36,638	100.0			25.7	44.5	70.2	28.2	1.0	1.0	
New Mexico	70,044	.2	34,150	32,103	4,652	100.0			22.2	25.9	48.1	45.3	0.0	0.0	
North Carolina	581,236	1.7	81,095	502,231		100.0			(*)	1.9	12.1	14.0	80.0		
North Dakota	36,571	.1	24,814	11,757		100.0			42.1	25.8	67.9	32.1			
Ohio	\$ 3,570,000	10.5	3,231,975	309,512	28,513	100.0			26.4	53.0	11.1	00.5	.8	.8	
Oregon	534,229	1.6	205,105	329,124		100.0			21.0	17.4	38.4	61.0			
South Carolina	310,603	.9	215,607	89,070	5,020	100.0			28.3	41.1	69.4	28.7	1.9	1.9	
West Virginia	489,018	1.4	443,574	46,344		100.0			17.4	61.2	11.9	00.5	9.5		
Wisconsin	1,077,313	3.2	609,492	444,125	63,696	100.0	16.4				62.9	41.2	5.9	4.1	1.8
Cliffe plan	0,101,048	26.8	7,120,204	1,661,082	318,802	100.0			40.0	30.4	7.2	78.2	18.3	3.4	.1
Alabama <sup>9</sup>	595,502	1.8	467,742	127,850		100.0			43.0	33.0	2.5	78.5	21.5		
Delaware	120,199	.4	111,304	17,142	603	100.0			70.0	8.8	1.4	80.2	13.3	.5	.1
Illinois	3,684,314	10.8	2,014,326	437,318	302,670	100.0			40.9	20.2	9.8	79.9	11.9	8.2	8.2
Massachusetts	2,174,480	6.4	1,761,734	409,752		100.0			47.4	25.1	8.7	81.2	18.8		
Oklahoma	381,832	1.1	265,540	110,286		100.0			33.1	28.2	8.2	69.5	30.5		
Texas	1,387,166	4.1	987,441	384,286	15,439	100.0			49.4	19.8	2.0	71.2	27.7	1.1	.7
Virginia	748,450	2.2	570,111	169,348		100.0			73.9	3.5	77.4	22.6			
Benefit-ratio plan	4,282,992	12.6	3,354,017	729,202	198,873	100.0			9.4	51.0	18.0	78.4	17.0	4.6	3.1
Florida	412,797	1.2	217,874	194,023		100.0			48.1	4.7	62.8	47.2			
Maryland <sup>11</sup>	911,355	2.8	540,297	394,428		100.0			31.4	21.6	5.1	68.1	41.9		
Michigan <sup>10</sup>	2,337,561	6.9	2,115,569	78,194	143,801	100.0			60.4	24.1	90.5	3.3	0.2	3.4	2.8
Minnesota	540,576	1.6	443,158	52,825	44,593	100.0			19.5	37.3	25.2	62.0	9.8	8.2	8.2
Wyoming	60,700	.1	31,380	8,832	10,470	100.0			40.0		12.9	17.4	20.7	20.7	
Combined reserve-ratio and benefit-ratio plan	144,178	.4	67,083	77,095		100.0			6.3	13.2	22.5	4.5	40.5	53.5	
South Dakota	55,826	.2	35,613	20,315		100.0	16.4		34.0		11.5	63.6	30.4		
Vermont	88,362	.2	31,570	56,782		100.0					29.5	35.7	64.3		
Compensable-separations plan	1,325,273	3.9	1,173,940	151,327		100.0					32.9	55.7	88.0	11.4	
Connecticut <sup>8</sup>	1,325,273	3.9	1,173,940	151,327		100.0					32.9	55.7	88.0	11.4	

<sup>1</sup> Type of plan in effect as of computation date of 1943 rates.  
<sup>2</sup> Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.  
<sup>3</sup> Includes pay roll of employers assigned 2.8 percent rate in Michigan. See footnote 2.  
<sup>4</sup> Excludes pay roll of employers assigned 2.8 percent rate in Michigan. See footnote 2.  
<sup>5</sup> Rate year began April 1 in Alabama, Arkansas, and Connecticut, and July 1

in the District of Columbia, Idaho, Maine, and Maryland.  
<sup>6</sup> Estimated by State agency.  
<sup>7</sup> State law provides for war-risk contributions; data in this table do not include effect of these provisions.  
<sup>8</sup> Less than 0.05 percent.  
<sup>9</sup> Distribution of pay roll by tax rate estimated.  
<sup>10</sup> Based on average annual pay roll, 1940-42.

Table 6.—Percent of rated experience-rating accounts assigned employer contribution rates<sup>1</sup> below and above standard rate<sup>2</sup> for rate years beginning in 1943, by industry division and selected major industry group, 40 States, as of computation date of 1943 rates

[Based on data reported by State agencies, corrected to June 20, 1944]

Industrial classification	Percent of accounts with rates below and above standard rate <sup>1</sup>															
	Total, 40 States		Ariz.		Colo.		Del.		Ill.		Iowa		Mich. <sup>3</sup>		Minn.	
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
Total, all industries.....	74.7	5.3	55.7	13.8	72.1	8.7	90.8	3.2	80.2	10.8	72.0	10.9	88.0	11.1	77.3	22.7
Mining.....	54.1	17.0	22.0	43.0	23.7	45.0	( <sup>4</sup> )	0	29.8	70.2	8.3	76.9	50.7	40.3	50.2	40.8
10 Metal mining.....	42.0	12.0	21.4	46.7	18.6	37.2	( <sup>4</sup> )	0	( <sup>4</sup> )	0	( <sup>4</sup> )	0	82.1	17.0	84.2	15.8
12 Bituminous and other soft-coal mining.....	35.5	34.3	( <sup>4</sup> )	( <sup>4</sup> )	7.0	66.7	( <sup>4</sup> )	0	15.2	84.8	4.7	85.2	0	( <sup>4</sup> )	( <sup>4</sup> )	0
13 Crude-petroleum and natural-gas production.....	66.0	11.2	0	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	47.5	52.5	( <sup>4</sup> )	( <sup>4</sup> )	50.2	40.8	( <sup>4</sup> )	( <sup>4</sup> )
Construction.....	40.4	17.6	19.7	30.6	30.2	41.0	80.6	13.4	42.7	57.3	13.8	50.2	61.8	38.2	23.0	76.1
15 Building construction—general contractors.....	42.0	15.3	11.3	20.0	21.0	40.6	93.7	6.3	41.8	58.2	4.7	63.0	63.6	36.4	21.0	70.0
Manufacturing.....	72.1	5.3	53.9	9.4	72.1	7.2	96.5	3.5	70.1	20.0	72.9	6.0	80.0	10.1	81.3	18.7
20 Food and kindred products.....	74.5	3.0	40.4	0.3	70.3	4.1	97.8	2.2	85.2	14.8	76.5	0.0	95.6	4.4	90.2	0.8
22 Textile-mill products.....	40.6	0.3	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	75.0	25.0	( <sup>4</sup> )	0	66.0	34.0	70.0	30.0
24 Lumber and timber basic products.....	50.0	4.0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	100.0	0	80.0	20.0	75.0	11.1	66.5	33.5	56.0	44.0
26 Paper and allied products.....	83.8	2.2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	90.4	0.6	( <sup>4</sup> )	( <sup>4</sup> )	90.5	0.5	85.0	15.0
28 Chemicals and allied products.....	81.4	3.7	( <sup>4</sup> )	( <sup>4</sup> )	88.5	3.8	100.0	0	91.3	8.7	75.0	3.7	94.4	5.0	93.7	6.3
29 Products of petroleum and coal.....	85.5	4.4	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	87.2	12.8	( <sup>4</sup> )	( <sup>4</sup> )	92.3	7.7	( <sup>4</sup> )	( <sup>4</sup> )
33 Iron and steel and their products.....	83.8	3.2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	88.5	11.5	72.8	1.1	90.6	0.4	91.6	8.6
34 Transportation equipment (except automobiles).....	72.8	3.5	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	74.2	25.8	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0
35 Nonferrous metals and their products.....	81.0	4.2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	83.0	17.0	( <sup>4</sup> )	0	88.0	12.0	93.3	6.7
36 Electrical machinery.....	79.0	5.4	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	83.5	16.5	( <sup>4</sup> )	( <sup>4</sup> )	80.4	13.6	91.0	8.1
37 Machinery (except electrical).....	87.2	1.4	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	95.8	4.2	77.3	2.7	98.3	1.7	93.5	6.5
38 Automobiles and automobile equipment.....	74.2	5.8	( <sup>4</sup> )	0	( <sup>4</sup> )	0	( <sup>4</sup> )	0	92.3	7.7	( <sup>4</sup> )	0	85.6	14.4	( <sup>4</sup> )	( <sup>4</sup> )
Transportation, communication, and other public utilities.....	78.3	3.8	55.2	13.1	68.4	8.8	92.5	7.5	90.3	9.7	83.3	1.7	91.0	8.1	79.1	20.9
48 Utilities: Electric and gas.....	87.4	1.6	80.8	3.8	( <sup>4</sup> )	0	( <sup>4</sup> )	0	95.5	4.5	69.8	0	94.0	5.1	82.5	17.5
Wholesale and retail trade.....	79.0	3.2	59.7	12.3	70.3	3.1	97.0	2.1	87.5	12.5	83.6	2.0	93.0	7.0	81.4	18.0
50 Full-service and limited-function wholesalers.....	80.3	1.9	74.4	5.1	85.6	.5	100.0	0	92.0	8.0	85.3	1.5	95.2	4.8	88.4	11.6
51 Wholesale distributors, other than full-service and limited-function wholesalers.....	87.4	1.8	80.2	8.6	80.3	1.7	95.2	4.8	95.1	4.9	82.4	2.8	95.4	4.6	92.6	7.4
53 Retail general merchandise.....	70.4	1.9	62.0	4.1	67.3	3.8	98.8	1.2	91.0	9.0	91.9	2.2	92.8	7.2	87.6	12.4
54 Retail food (includes liquor stores).....	79.5	3.2	58.0	10.0	76.5	1.2	97.9	2.1	87.1	12.9	91.5	( <sup>4</sup> )	93.3	6.7	81.0	18.4
Finance, insurance, and real estate.....	87.2	2.3	86.1	2.0	90.6	3.0	99.3	.7	89.0	11.0	80.3	8	96.3	3.7	89.0	11.0
63 Insurance carriers.....	94.4	.8	91.4	0	96.7	1.1	100.0	0	95.7	4.3	92.6	0	98.6	1.4	96.6	3.4
Service.....	73.8	5.6	64.8	12.8	65.5	11.0	98.4	1.6	78.0	22.0	74.4	9.2	85.4	14.6	82.8	17.2
Miscellaneous.....	51.3	11.4	64.8	9.7	( <sup>4</sup> )	( <sup>4</sup> )	98.1	1.0	60.6	39.4	47.1	17.6	55.4	44.6	50.4	40.6
	Mo.		N. J.		N. Mex.		Ohio		S. C.		Tex. <sup>3</sup>		Wis.		Wyo.	
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
Total, all industries.....	81.6	4.7	68.1	8.3	60.6	11.2	92.7	4.5	75.7	0.2	94.1	5.9	66.8	6.7	65.0	34.4
Mining.....	31.5	47.0	75.4	3.3	45.5	26.1	66.5	24.9	( <sup>4</sup> )	( <sup>4</sup> )	82.8	17.2	31.5	27.4	50.0	50.0
10.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	0	0	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
12.....	0.8	80.3	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	45.6	42.6	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	21.6	78.4
13.....	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	55.8	17.7	77.0	15.1	( <sup>4</sup> )	( <sup>4</sup> )	82.3	17.7	( <sup>4</sup> )	( <sup>4</sup> )	68.2	31.8
Construction.....	39.7	22.6	37.6	18.2	25.5	42.7	72.8	18.7	30.6	24.0	84.5	16.5	20.2	25.6	27.3	72.7
15.....	35.5	22.6	30.6	13.3	21.3	35.1	79.2	12.9	20.0	27.4	84.2	15.8	27.5	23.0	24.2	75.8
Manufacturing.....	82.3	3.1	61.0	13.1	51.2	16.5	95.4	3.0	67.0	7.2	92.6	7.4	63.0	5.4	63.8	36.2
20.....	84.4	1.9	78.2	4.5	56.5	3.2	95.0	2.0	85.3	.9	95.9	4.1	97.8	2.0	61.7	38.3
22.....	72.0	0	38.0	21.9	( <sup>4</sup> )	( <sup>4</sup> )	89.9	6.7	67.2	5.3	97.2	2.8	67.0	12.1	( <sup>4</sup> )	( <sup>4</sup> )
24.....	70.2	3.6	88.9	0	22.6	45.2	94.0	3.6	59.3	8.7	89.4	10.0	56.0	4.2	44.4	55.0
26.....	95.0	0	79.2	.8	( <sup>4</sup> )	( <sup>4</sup> )	96.4	0	( <sup>4</sup> )	( <sup>4</sup> )	0	0	89.0	0	( <sup>4</sup> )	( <sup>4</sup> )
28.....	90.2	1.2	88.8	1.1	( <sup>4</sup> )	( <sup>4</sup> )	97.8	.7	46.7	17.8	64.7	35.3	83.3	3.3	( <sup>4</sup> )	0
29.....	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	92.3	2.0	( <sup>4</sup> )	0	94.5	5.5	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )
33.....	88.1	1.3	85.1	1.1	( <sup>4</sup> )	0	98.4	.7	( <sup>4</sup> )	0	95.7	4.3	55.0	4.1	( <sup>4</sup> )	0
34.....	( <sup>4</sup> )	0	48.2	3.6	( <sup>4</sup> )	( <sup>4</sup> )	98.6	0	( <sup>4</sup> )	0	( <sup>4</sup> )	0	48.1	25.9	( <sup>4</sup> )	( <sup>4</sup> )
35.....	92.0	2.0	82.1	.6	( <sup>4</sup> )	0	98.2	1.2	( <sup>4</sup> )	0	100.0	0	53.5	7.0	( <sup>4</sup> )	( <sup>4</sup> )
36.....	87.5	0	59.7	1.7	( <sup>4</sup> )	0	98.7	0	( <sup>4</sup> )	0	0	0	42.3	0.6	( <sup>4</sup> )	( <sup>4</sup> )
37.....	92.3	0	84.0	1.4	( <sup>4</sup> )	0	99.7	0	( <sup>4</sup> )	0	90.2	.8	45.5	5.7	0	( <sup>4</sup> )
38.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0	( <sup>4</sup> )	0	97.5	2.5	( <sup>4</sup> )	0	( <sup>4</sup> )	( <sup>4</sup> )	34.3	14.3	( <sup>4</sup> )	( <sup>4</sup> )
Transportation, communication, and other public utilities.....	84.2	4.0	77.8	2.5	65.8	5.0	95.7	2.3	71.4	0.2	89.8	10.2	64.8	4.1	62.8	37.2
48.....	100.0	0	( <sup>4</sup> )	0	80.3	0	100.0	0	( <sup>4</sup> )	0	99.0	1.0	73.3	0	79.3	20.7
Wholesale and retail trade.....	88.2	1.5	79.7	2.6	68.7	5.6	95.1	2.5	86.4	2.9	97.9	2.1	75.4	2.7	70.7	29.3
50.....	91.5	1.3	88.6	1.3	70.3	3.8	97.9	1.0	88.9	4.6	97.1	2.9	82.0	1.4	70.3	23.7
51.....	94.6	.7	91.6	2.0	85.1	2.0	98.4	.9	88.5	4.7	97.1	2.9	78.1	4.7	86.2	13.8
53.....	92.3	1.2	74.7	1.4	68.6	2.9	96.9	1.3	81.1	3.0	98.1	1.9	78.3	.4	73.8	26.2
54.....	87.9	2.0	77.0	1.6	64.5	11.4	98.0	.8	91.8	2.0	98.2	1.8	76.0	1.4	74.0	26.0
Finance, insurance, and real estate.....	91.0	0	85.0	2.1	85.4	0	98.1	1.1	97.0	0	97.0	2.4	87.0	1.0	92.0	8.0
63.....	95.3	0	95.3	0	( <sup>4</sup> )	0	99.3	.3	( <sup>4</sup> )	0	97.4	2.0	93.5	0	( <sup>4</sup> )	( <sup>4</sup> )
Service.....	78.5	5.0	64.6	0	55.0	8.6	92.7	4.3	85.0	3.0	96.8	3.2	64.9	9.8	63.0	37.0
Miscellaneous.....	30.6	24.5	50.0	20.7	20.7	27.0	70.9	22.4	( <sup>4</sup> )	( <sup>4</sup> )	82.8	17.2	44.0	18.0	( <sup>4</sup> )	( <sup>4</sup> )

See footnotes on next page.



Table 6.—Percent of rated experience-rating accounts assigned employer contribution rates<sup>1</sup> below and above standard rate<sup>2</sup> for rate years beginning in 1943, by industry division and selected major industry group, 40 States, as of computation date of 1943 rates—Continued

Table with 12 columns for states (Ala., Ark., Calif., Conn., D. C., Fla., Ga., Hawaii, Idaho, Ind., Kans., Ky.) and 12 columns for states (Maine, Md., Mass., Nebr., N. H., N. C., N. Dak., Okla., Oreg., S. Dak., Vt., Va., W. Va.). Rows include Total, all industries, Mining, Construction, Manufacturing, Transportation, Wholesale and retail trade, Finance, Insurance, and real estate, Service, and Miscellaneous.

1 Contribution rates are stated as a percent of taxable pay roll.
2 Standard rate 2.7 percent in all States except Michigan, where it is 3.0 percent.
3 Rates above 2.7 percent effective through June 30, 1943; 2.7 percent in maximum thereafter.
4 Excludes accounts affected by war-risk provisions of State law.

5 Not computed; less than 25 rated accounts.
6 Less than 0.05 percent.
7 Includes industry division agriculture, forestry and fishery, and establishments not elsewhere classified.

rates above the standard in 1943, the 1942 pay rolls of employers with such rates exceeded 20 percent of the total only in Wyoming and ranged from 0.5 percent of State-wide pay roll in Delaware to 21 percent in Wyoming.

Analysis of Rates by Industry

The proportion of employer accounts with rate reductions in 1943 differed sharply from industry to industry, primarily because of characteristic differences among industries in stability of employment and in rate of business turn-over. Clearly defined relationships between industry and reduced tax rates cannot be established, however, because all industries are not distributed proportionately among the States and because State experience-rating provisions differ considerably. The very different types of experience-rating provisions in individual States therefore affect the separate industries unevenly. Geographic location frequently is of greater importance in determining an employer's tax rate than his industrial activity.

The addition of 1942 experience to that of previous years resulted in higher proportions of eligible employer accounts with reduced rates in each industry division. The benefits of wartime "full employment" spread to employers in all industry divisions in the form of rate reductions. As in 1941 and 1942, the finance, insurance, and real estate division, including about 8 percent of all rated employers in 1943, had the highest proportion of accounts with reduced rates—87 percent (table 6). In all but 6 States this industry division had a greater proportion of employers with reduced rates than any other. Among insurance carriers, rates were reduced for 94 percent of all employer accounts. At the other extreme was the construction division, which included only a slightly smaller proportion of all rated employers but in which only 46 percent of the employers were entitled to reductions, with a range from 3 percent in Vermont to 98 percent in Hawaii. In every State except Hawaii, construction employers had relatively fewer rate reductions than employers as a whole.

Four industry divisions—manufacturing; transportation, communication, and public utilities; finance, insurance, and real estate; and service—had the largest number of accounts with reduced rates. (Continued on page 48)

careful that it does not replace free enterprise in the shape of voluntary insurance, but that it is operated as a cooperative, supplementary plan."

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The work of the Health Institute of the United Automobile Workers in Detroit.

"The Health Controversy." *The Economist*, London, Vol. 147, No. 5267 (Aug. 5, 1944), pp. 176-177. 1s.

Outlines the main differences between British organized medicine and the Ministry of Health proposals for a national health service.

IRONS, ERNEST E. "Evolution in Medicine." *Journal of the American Medical Association*, Chicago, Vol. 125, No. 13 (July 13, 1944), pp. 881-883. 25 cents.

Argues for evolutionary development of present medical care pro-

grams as a substitute for the "intervention of governmental bureaucracy."

LIVERIGHT, DOROTHY J. "Tuberculosis Mortality Among Residents of the 92 Cities of 100,000 or More Population: United States, 1931-41." *Public Health Reports*, Washington, Vol. 59, No. 29 (July 21, 1944), pp. 942-955. 5 cents.

MAGNUSON, LEIFUR. *Workmen's Compensation for Public Employees; An Analysis of State and Federal Legislation*. Chicago: Public Administration Service, 1944. 43 pp. (Publication No. 88.) \$1.50.

MASUR, J. "Physical Restoration in the Vocational Rehabilitation Program." *Public Welfare*, Chicago, Vol. 2, No. 8 (August 1944), pp. 200-203. 50 cents.

"A National Health Service; Report of the Council of the B. M. A. to the Representative Body." *British Medical Journal*, London, May 13, 1944, pp. 643-652. 1s. 6d.

Criticisms and "constructive proposals" on the Government's White Paper on a National Health Service.

SANDERS, BARKEV S. "Disability Insurance." *U. C. C. Quarterly* (Unemployment Compensation Commission of North Carolina), Raleigh, Vol. 2, No. 2 (Spring 1944), pp. 51-52 ff.

The need for compensation for temporary disability, with suggested standards for a satisfactory program and comment on administrative problems.

SIGERIST, HENRY E. "Medical Care for All the People." *Canadian Journal of Public Health*, Toronto, Vol. 35, No. 7 (July 1944), pp. 253-267. 35 cents.

A review of medical needs in the United States and of the public services, particularly health insurance, regarded as necessary to meet them. Considers voluntary versus compulsory insurance, centralized or decentralized administration, and remuneration of physicians.

(Continued from page 19)

tion, and other public utilities; wholesale and retail trade; and service—comprised the great bulk of employers eligible for rate modification—approximately four-fifths of the total. In each of these divisions, roughly three-fourths of all rated employers received reduced contribution rates. The proportion of eligible accounts with rate reductions varied greatly from State to State, but in each of these divisions North Carolina had a lower proportion with reductions than any other State, and for each except service, Hawaii had a higher proportion. In the service division, rate reductions were most frequent in Alabama. All eligible employers in the transportation, communication, and other public utilities division in Hawaii had rate reductions in 1943.

In the mining industry division, which includes only 2 percent of all rated accounts, slightly more than half of all employers determined eligible for rate modification were assigned reduced rates. In Alabama, almost 90 percent of all rated employers engaged in mining had reductions, but in Maine no employers in this industry received rate reductions. In every State except New Jersey, the mining division was below the average

in the proportion of rated employers for whom rates were reduced.

Only 15 States assigned 1943 rates above the standard. In the mining and construction divisions, slightly less than one-fifth of all rated accounts received "penalty" rates. In no other industry division did the proportion exceed 5.5 percent. Although Delaware and South Carolina assigned penalty rates, the former assessed none on employers in the mining division and the latter, none on employers in the finance, insurance, and real estate division. On the other hand, Iowa required 77 percent of its rated mining employers, and Minnesota 76 percent of its construction employers, to pay contributions at more than the standard rate.

#### Major Legislative Changes Affecting Experience Rating

Although 10 States adopted "war-risk" contribution provisions in 1943, various other changes in State laws may have more permanent and far-reaching effects on financing unemployment benefits. Idaho, Maine, Maryland, Pennsylvania, and Tennessee adopted experience-rating provisions for the first time in 1943, and 31 additional States amended exist-

ing provisions. The effective date of the District of Columbia experience-rating provision was advanced from July 1, 1944, to July 1, 1943. Rate modifications became effective July 1, 1943, in all these 5 States except Pennsylvania and Tennessee, where the effective dates are January 1, and July 1, 1944, respectively. By October 1945, when experience-rating provisions are to be in effect in Louisiana and Nevada, employers in 44 of the 51 jurisdictions may become eligible for rate reductions.

Seven States lowered the maximum effective contribution rate under experience rating by legislative amendment in 1943. Maximum rates were reduced from 4.0 to 2.7 percent in Arkansas, the District of Columbia, and Texas, from 4.0 to 3.0 percent in Delaware, and from 3.6 to 3.5 percent in Wyoming; while in Indiana and Oklahoma all rates above 2.7 percent were suspended until January 1945.

Of the 6 States which adopted experience-rating provisions for the first time in 1943 or 1944, only Tennessee provides for a maximum rate above 2.7 percent. Twenty-seven experience-rating States now set 2.7 percent as the maximum, 16 have maximums above 2.7 percent, and 1 (Nevada) has no statutory maximum.