

# Experience Rating Under State Unemployment Insurance Laws During 1948

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*In 1948, for the first time, all State unemployment insurance laws included experience-rating provisions. Under these provisions, variations from the standard contribution rate are made in the rates for individual employers on the basis of their experience with the risk of unemployment. The year's operations are summarized in this article.*

THE average tax rate paid during 1948 by employers subject to State unemployment insurance laws continued to decline, dropping to 1.2 percent for the year. Record low rates were achieved in 21 States. The national rate was the lowest since the first year of the program (1936), when States with unemployment insurance laws taxed employers at the flat rate of 0.9 percent. The 1.2-percent rate is expected to yield about \$970 million in contributions, or about 45 percent of the \$2 billion that would have been realized under the standard rate of 2.7 percent.<sup>1</sup>

By the end of 1946 all war-risk provisions in State laws had expired; thus no additional revenue was realized from this source.

The decline in the average contribution rate from the preceding year's rate of 1.4 percent occurred despite the increased benefit expenditures in 1946 and 1947. These expenditures in 1947 totaled more than \$775 million, which, although less than the 1946 amount (\$1,095 million), was well above expenditures for any year through 1945. The effect was offset, however, by the legislative changes in State experience-rating provisions of the past 2 years, which not only forestalled a rate increase but resulted in a lower rate.

## Legislative Changes

During 1948, only 10 State legisla-

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<sup>1</sup>The 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 State laws. It is 2.7 percent in all States except Michigan, where it is 3.0 percent.

tures met; as compared with 1947, the year was one of relatively few legislative changes in experience-rating provisions. Mississippi, the only State without experience rating in 1947, began on July 1, 1948, to assign reduced rates under a pay-roll-variation plan enacted early in the year.<sup>2</sup>

For the most part, all the other pertinent legislative changes established either lower rate schedules<sup>3</sup> or new reserve requirements that allow lower rates than formerly for a given reserve.

Missouri and South Carolina enacted new schedules allowing lower rates effective January 1, 1949.

A change in the New Jersey law also allows for lower rates and, in addition, shifts the rate year from January 1 to July 1 and permits voluntary contributions by employers. The amendment also provided that changes in rates, which would normally have become effective on July 1, 1948, should be suspended until January 1, 1949. This suspension was made because the agency did not have time to determine rates under the new schedule for the period July-December 1948. The rates that had been assigned as of January 1, 1948, were therefore continued until the beginning of 1949; when the new rates were finally determined, the agency issued tax credits to employers for use in payment of the 1949 tax.

Four States—Kentucky, Massachusetts, South Carolina, and Virginia—enacted new noncharging provisions. Under these provisions, employers' accounts are not charged in certain

<sup>2</sup>For an explanation of the Mississippi plan, see the *Bulletin*, August 1948, p. 4.

<sup>3</sup>Most State laws provide rate tables that assign specific rates to employers with the same "experience" (reserve-ratio, benefit-ratio, etc.).

circumstances with benefits paid to their former employees,<sup>4</sup> and to that extent the provisions assist the employer in avoiding the assignment of an increased rate. Kentucky also added a 0.9-percent rate class to its schedule, thus enabling some employers who would formerly have been taxed at 1.8 percent to attain the new lower rate, and Virginia lowered the minimum tax rate from 1.0 to 0.3 percent.

Louisiana changed the effective date of its rate year from October 1 to January 1 and provided that the schedule used to compute rates for the transition period October 1-December 31, 1948, should remain in force for the rate year beginning January 1, 1949.

New York added to its law a provision redefining "surplus." Formerly the surplus was calculated as the difference between the reserves on September 30 and three and one-half times the previous year's contributions at 2.7 percent. The amendment substitutes the provision that the surplus shall be the difference between (a) the funds available as of September 30 and (b) \$900 million, or three and one-half times the previous year's contributions, whichever is less. During a period of full employment and rising wages this provision has the effect of increasing the amount of surplus to be distributed to the employers as tax credits, thus reducing the effective tax rate.

Operations during 1948 also showed, for the first time, the full effect of the changes enacted in the 1947 legislative sessions. Many of the 1947 amendments were not in force until January 1, 1948, or had but limited application during 1947. This is especially true in Alaska, Rhode Island, Utah, and Washington, which began operating under experience-rating programs effective July 1, 1947.

<sup>4</sup>For a summary of State noncharging provisions see *Comparison of State Unemployment Insurance Laws as of October 1948* (Bureau of Employment Security), pp. 22-24.

## Rate Variation by State

In 1948, 32 States had average tax rates of less than 1.5 percent, 49 States had average rates of less than 2.0 percent, and only two States—Idaho and Mississippi—had rates of more than 2.0 percent. The following tabulation illustrates the shift to lower rates that has taken place since 1941:

Number of experience-rating States	1941	1942	1946	1947	1948
	Total	17	34	45	50
With average employer contribution rate <sup>1</sup> of—					
Less than 1.0	0	1	11	9	12
1.0-1.49	2	1	14	19	20
1.5-1.99	4	18	17	17	17
2.0-2.49	8	12	3	5	2
2.5 or more	3	2	0	0	0

<sup>1</sup> Includes effect of war-risk provisions on rates for 1946; 1948 rates exclude effect of voluntary contributions made that year.

Of the five States with 1947 rates of more than 2 percent, only Idaho continued to collect contributions at that relatively high level in 1948. The average rate in California dropped from 2.0 to 1.7 percent, mostly because a new tax schedule, effective January 1, 1948, provides for rates lower than the old minimum of 1.0 percent. Alaska and Rhode Island, each with 1947 rates of 2.1 percent, dropped to 1.7 and 1.5 percent, respectively. These decreases reflect the fact that in both States the experience-rating provisions were operative for only 6 months during 1947, while their full effects were felt for the entire year of 1948. In New York the drop from 2.2 percent in 1947 (the highest 1947 rate for any experience-rating State) to an average of 1.3 percent in 1948 was occasioned by the fact that during July-September 1947 all employers paid taxes at the standard rate of 2.7 percent, while in 1948 reduced rates were applicable during the entire year.<sup>5</sup>

Other States with notable rate decreases were Nebraska (1.4 to 0.6 percent), Wisconsin (1.0 to 0.5 percent), Virginia (1.2 to 0.7 percent), and Connecticut (1.0 to 0.3 percent). In each of these States the decrease was facilitated by legislative changes.

<sup>5</sup> New York enacted a major amendment to its experience-rating provisions in 1947 that changed the beginning of the rate year from July 1 to October 1. See the *Bulletin*, August 1948, p. 4.

In Nebraska,<sup>6</sup> Wisconsin, and Virginia, new schedules brought the rates down. In Connecticut a 1947 amendment provides that if on June 30 (the computation date) the fund balance exceeds 4¼ percent of the 3-year pay roll and if, in the preceding year, collections exceeded benefits, the excess of collections over benefits is to be returned to rated employers (except those paying at the standard rate) to be used as tax-credit offsets during the next calendar year. As a result of this amendment, Connecticut employers received tax credits during 1948 that reduced the effective rate to 0.3 percent.<sup>7</sup>

The average rate increased from 1947 to 1948 in only one of the States with legislative changes in experience rating effective after January 1, 1947. In Kentucky the average rate increased slightly, although the legislature adopted a lower rate schedule for 1948. On the other hand, of the States with no amending legislation, 11 had increased rates, five had lower rates, and nine had no appreciable change.

In Louisiana, where the average rate rose from 1.6 to 1.8 percent, the increase was due not to higher benefit outlays but rather to the provision in the State law requiring higher reserve ratios for specified rates in each successive year. In States where the rate trends were not affected by legislative or administrative changes (as in Nebraska), the prevailing economic conditions were able to exert their full influence.

The lowered tax rate resulted in contributions of about \$1.2 billion—or 55 percent—less than they would have been under the standard rate of 2.7 percent. Thus, for the first time since the beginning of the program, experience rating reduced revenue yields by more than half. It is estimated that 1948 contributions were \$970 million, as compared with \$1,027 million in

<sup>6</sup> The Nebraska schedule is set each year by administrative ruling.

<sup>7</sup> Since recent benefit expenditures in Connecticut have been running at about 0.7 percent of taxable wages, while the tax rate was only 0.3 percent in 1948, it is apparent that there will be no surplus for distribution in 1949, and the average rate for that year should be about 0.7 percent under the most favorable tax schedule.

**Table 1.—Average employer and employer-employee contribution rates, 1941-48**

[Based on data reported by State agencies, corrected to Feb. 1, 1949]

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 <sup>1</sup>	2.24	2.09	2.05	1.85
1944 <sup>1</sup>	2.06	1.92	1.90	1.73
1945 <sup>1</sup>	1.85	1.72	1.81	1.68
1946 <sup>1</sup>	1.49	1.43	1.45	1.38
1947	1.46	1.41	1.45	1.40
1948 <sup>2</sup>	1.2	1.2	1.2	1.2

<sup>1</sup> Includes war-risk contributions.  
<sup>2</sup> Preliminary; excludes voluntary contributions made during year.

1947—a decrease of 6 percent, as compared with a 15-percent drop in contribution rates over the same period. The smaller percentage decline in amount of contributions is explained by the substantial rise in taxable wages from 1947 to 1948, which afforded a broader base subject to unemployment taxes.

## Employee Contributions

Employee taxes had no discernible effect on the contributions for the Nation as a whole. Only two States—Alabama and New Jersey—taxed employees during 1948. In Alabama, where the employee rate varies with the employer's rate, workers were taxed at an average of 0.3 percent; in New Jersey they paid at a flat rate of 1.0 percent for unemployment insurance through May, and thereafter the rate was 0.25 percent for unemployment insurance and 0.75 percent for temporary disability insurance. The estimated employee tax rate for unemployment insurance in New Jersey during 1948 was 0.5 percent.

## Rate Variation by Type of Plan

Since experience-rating plans<sup>8</sup> first became effective, those States operating under benefit-wage-ratio plans

<sup>8</sup> For an explanation of the various types of experience-rating plans see Rachel Gallagher, "State Differences in Unemployment Compensation Employer Taxes," *Social Security Bulletin*, October 1945.

**Table 2.—Average contribution rate,<sup>1</sup> by type of experience-rating plan, 1941-48**

Year	Rate, all States	All experience-rating States		States with—									
				Reserve-ratio plan		Benefit-wage-ratio plan		Benefit-ratio plan		Pay-roll-variation plan		Other plan <sup>2</sup>	
				Number	Rate	Number	Rate	Number	Rate	Number	Rate	Number	Rate
1941	2.58	17	2.17	9	2.33	4	1.81	2	1.76	—	—	4	2.18
1942	2.17	34	1.81	20	1.90	7	1.59	7	1.72	—	—	5	2.03
1943	2.04	40	1.78	25	1.97	7	1.35	7	1.38	—	—	1	2.09
1944	1.79	42	1.59	26	1.89	8	1.16	7	1.38	—	—	1	2.12
1945	1.60	45	1.56	27	1.69	8	1.05	6	1.65	1	1.99	3	2.05
1946	1.41	45	1.37	28	1.45	8	.97	5	1.34	1	1.81	3	1.98
1947	1.41	50	1.40	28	1.41	8	.98	6	1.44	4	1.97	4	2.00
1948	1.20	51	1.20	28	1.30	8	1.00	6	1.50	5	1.70	4	1.30

<sup>1</sup> Excludes war-risk contributions.

<sup>2</sup> In 1948, includes Connecticut (compensable-separations), Montana (combined pay-roll-variation and benefit-ratio), South Dakota (combined reserve-ratio and benefit-ratio), and New York (combined pay-roll-variation and benefit-wage-ratio).

have always had the lowest average employer tax rates (table 2). In 1948 the average rate for the benefit-wage-ratio States as a whole—even though it did not change from the 1947 average—continued to be substantially lower than the rate under the other plans. The sharp drop in the average rate for the "other" group was due mainly to rate declines in Connecticut and New York, which are explained above.

The only category to show increased rates in 1948 was the benefit-ratio group of States. Only two States using this plan—Florida and Maryland—were affected by legislative changes.<sup>9</sup> The remaining four States made no changes in their laws, with the result that for the group as a whole the average rate increased under the impact of the higher benefit expenditures in 1946 and 1947.

Six of the eight benefit-wage-ratio States were unaffected by legislative changes, and in only one of the six, Texas, did the 1948 rate drop from its 1947 level. In the remaining two States—Pennsylvania and Virginia—new schedules facilitated the assignment of lower rates.

The average rate for the five pay-roll-variation States decreased from 2.0 to 1.7 percent, mainly because in 1947 four of the States assigned reduced rates for only the second half of the year, while in 1948 reduced rates were in effect for the entire 12-month period. The experience of the fifth State, Mississippi, did not affect

<sup>9</sup> New schedules allowing lower rates were put into effect in Florida in July 1947 and in Maryland in March 1947.

the 1947 average rate for this group.

The average rate for the reserve-ratio States fell from 1.4 percent in 1947 to an estimated 1.3 percent in 1948. Twelve of the 28 States comprising this category showed declines; nine showed increases; and the remaining seven had no appreciable changes in their rates. Again the decrease for the group as a whole seems to have been due to the legislative changes in many of the States.

### Accounts Eligible for Rate Reduction

There was no appreciable change in the proportion of active accounts eligible for rate reductions, except in Massachusetts. In that State, 63.8 percent (58,000) of the 91,000 active employers were "rated" (assigned modified rates) in 1948 as compared with 35.9 percent in 1947, when about 30,000 out of a total of 83,000 accounts were eligible for rate reductions. This marked increase in both the number and proportion of rated accounts is the result of the extension of coverage, effective January 1, 1943, to employers of less than four workers. These small firms were eligible for rate reduction beginning January 1, 1948.

For the Nation as a whole the total number of active accounts increased by about 11 percent and rated accounts by about 10 percent between 1947 and 1948. In only four States—Alaska, Florida, Idaho, and South Dakota—were there decreases in the total number of active accounts, and these were minor. The number of

rated accounts decreased in six States—Alaska, Idaho, Maine, Nebraska, Oregon, and South Dakota—and again the changes were slight. Florida was the only State with divergent trends, with the number of rated accounts increasing and the total number of accounts dropping. In general, the rise in the number of active accounts was sharper than the corresponding rise in the number of rated accounts, which seems to indicate that there are still many new firms being established. These firms are not yet eligible for rate reductions.

California reported the largest increase in the total number of accounts. The extraordinary growth in the number of new businesses in that State brought about an increase of 37 percent—from 158,600 to 217,000—in the number of active accounts; rated accounts increased only 4,637.

### Distribution of Rated Firms by Rate Class

The 1948 distribution of rated accounts falls in a somewhat different pattern from that in 1947. While in 1947 more than 3 out of 5 rated employers were taxed at less than 1 percent, in 1948 only a little more than half the firms received so low a rate. Although it seems paradoxical that a smaller proportion of rated employers were in the lower rate classes in 1948 than in 1947 while the average rate dropped from 1.4 to 1.2 percent, the apparent inconsistency is explained by the nature of the data and the situation in New York.

While the tax rates shown in table 3 are computed on a calendar-year basis—by dividing taxable pay roll by contributions—the distribution of firms by rate groups is shown in terms of the new contribution rates taking effect in 1948 (table 4). Thus, where the rate year begins on a date other than January 1, the data in the two tables do not cover the same period. This situation is well illustrated in New York where, since the rate year begins on October 1, the distribution of rated accounts for 1948 will be more closely related to the 1949 tax rate than to the 1948 rate shown in table 3.

A comparison of the distribution of rated accounts for 1947 and 1948 (excluding New York) shows that in each

Table 3.—Selected experience-rating data, by type of plan and State, specified years, 1941-48

[Corrected to Feb. 4, 1949]

Type of plan and State <sup>1</sup>	Date experience rating became effective	Maximum rate (per-cent)	Minimum rate (per-cent)	Percent of rated accounts with reduced rates <sup>2</sup>					Average employer contribution rate (percent) <sup>3,4</sup>					Reduction in revenue (percent) <sup>5,6</sup>					
				1941, 17 States	1942, 34 States	1946, 45 States	1947, 50 States	1948, 51 States	1941, 17 States	1942, 34 States	1946, 45 States	1947, 50 States	1948, 51 States	1941, 17 States	1942, 34 States	1946, 45 States	1947, 50 States	1948, 51 States	
Total, 51 States									2.58	2.17	1.43	1.41	1.2	5	20	47	48	55	
Total, States with experience rating				54.9	67.4	94.7	93.8	92.0	2.17	1.81	1.38	1.40	1.2	20	34	49	48	55	
<b>Reserve-ratio plan:</b>																			
Arizona	Jan. 1942	2.7	0.5	42.7	92.6	90.4	97.9	97.9	2.51	1.69	1.69	1.4			7	37	37	49	
Arkansas	Apr. 1942	2.7	5	51.5	93.4	90.1	88.3		2.47	1.71	1.51	1.6			9	37	44	42	
California	Jan. 1941	2.7	0	28.0	29.6	74.0	72.3	71.2	2.48	2.45	2.00	2.04	1.7	8	9	26	24	37	
Colorado <sup>6</sup>	Jan. 1942	3.6	9	67.9	94.4	95.3	95.6		1.98	1.53	1.47	1.4			26	43	46	64	
District of Columbia	July 1943	2.7	1		93.6	97.0	95.3			1.52	1.39	1.4				51	86	62	
Georgia	Jan. 1942	2.7	5		80.3	96.0	98.9	98.2		2.07	1.55	1.25	1.0		23	43	64	63	
Hawaii	Apr. 1941	2.7	0	70.3	97.5	99.0	97.9	97.2	1.55	1.54	1.32	1.01	1.1	39	43	70	63	59	
Idaho	July 1943	2.7	1		91.9	91.4	93.4			2.09	2.02	2.0	2.0			23	25	26	
Indiana <sup>6</sup>	Jan. 1940	2.7	1.1	36.6	57.4	94.0	92.0	97.1	2.29	1.91	1.54	1.54	1.6	15	23	70	80	81	
Iowa <sup>6</sup>	Jan. 1942	3.6	0		65.9	92.4	90.1	92.9		1.85	1.30	1.42	1.2		31	52	47	56	
Kansas	Jan. 1941	2.7	0	49.1	42.3	95.4	97.0	96.1	2.07	2.20	1.51	1.27	1.4	23	19	44	43	40	
Kentucky <sup>6</sup>	do.	2.7	0	16.4	36.6	79.4	77.8	75.4	2.68	2.32	1.51	1.53	1.6	1	14	44	43	44	
Louisiana	Oct. 1945	2.7	9		96.6	98.6	98.7	97.7		1.42	1.55	1.55	1.8			28	36	34	
Maine	July 1943	2.7	9		93.6	88.7	90.1			1.93	1.74	1.6	1.6			47	43	41	
Missouri	Jan. 1942	3.6	0		81.5	94.0	93.1	83.4		1.52	1.17	1.36	1.4			57	49	48	
Nebraska <sup>6</sup>	Jan. 1940	2.7	2	51.8	63.6	97.4	89.7	99.1	1.38	1.56	1.59	1.40	1.6	49	42	63	48	76	
Nevada	July 1945	2.7	2		61.2	88.3	92.4	91.5		1.93	1.68	1.7	1.7			28	38	38	
New Hampshire	Jan. 1941	2.7	5		70.5	84.2	71.0	60.9	2.54	2.38	1.48	1.30	1.4		12	45	62	60	
New Jersey	Jan. 1942	3.6	9	46.5	61.2	90.6	95.3	92.9		1.64	1.65	1.83	1.9	6	39	39	32	31	
New Mexico	do.	3.6	3		58.0	91.3	92.1	90.4		2.17	1.83	1.60	1.8		19	32	30	35	
North Carolina <sup>6</sup>	Jan. 1943	2.7	27		67.7	94.5	93.0	93.0		1.95	1.63	1.52	1.7			40	44	38	
North Dakota	Jan. 1942	2.7	5		90.2	99.0	99.1	96.7		1.25	1.26	82	7			54	73	75	
Ohio <sup>6</sup>	do.	2.7	3		45.3	90.2	82.5	87.9	2.65	2.41	1.73	1.81	1.7	2	11	36	33	38	
Oregon	July 1941	2.7	5	33.7	68.0	96.6	97.2	97.1		1.98	1.29	1.29	1.3		27	62	62	53	
South Carolina <sup>6</sup>	Jan. 1942	3.6	5		88.0	95.8	97.6			1.85	1.61	1.4	1.4			32	40	49	
Tennessee	July 1944	2.7	5		88.0	95.8	97.6			1.24	1.32	1.3	1.3	10	21	54	51	52	
West Virginia	Jan. 1941	2.7	0	53.8	64.6	96.7	94.9	94.0	2.42	2.14	1.24	1.32	1.3			43	80	63	
Wisconsin <sup>6</sup>	Jan. 1938	4.0	0	65.1	64.8	92.4	79.0	98.8	1.49	1.55	.54	.99	.5	45	43	80	63	81	
<b>Benefit-wage-ratio plan:</b>																			
Alabama	Apr. 1941	2.7	5	78.4	87.1	99.9	99.2	97.1	2.08	1.59	.80	1.04	1.2	23	41	71	61	56	
Delaware	Jan. 1942	3.0	2		95.2	100.0	99.7	99.2		.98	.73	.60	.6		64	73	78	78	
Illinois	Jan. 1943	3.6	5		97.1	97.8	94.8			.79	.85	1.0	1.0			71	68	63	
Massachusetts	Jan. 1942	2.7	5		75.1	98.7	95.4	88.0		1.52	.88	1.13	1.3		44	67	58	64	
Oklahoma	do.	2.7	5		75.3	99.6	98.1	92.6		1.69	1.01	1.06	1.2		37	62	61	64	
Pennsylvania	Jan. 1944	2.7	5		98.9	95.8	93.5			1.22	.99	.9	.9			55	63	68	
Texas	Jan. 1941	2.7	5	80.7	87.0	99.4	99.0	98.7	1.60	1.66	.89	.95	.9	41	42	67	65	65	
Virginia	do.	2.7	3	90.0	88.4	100.0	100.0	98.4	1.75	1.59	1.18	1.18	.9	35	41	56	56	76	
<b>Benefit-ratio plan:</b>																			
Florida	Jan. 1942	2.7	1		68.5	98.4	98.4	95.8		2.27	1.77	1.24	.9		16	34	54	66	
Maryland	July 1943	2.7	3		97.2	95.0	92.8			1.21	1.21	1.2	1.2			55	55	57	
Michigan <sup>10</sup>	Jan. 1942	4.0	1.0		87.5	89.6	95.4	90.0		1.69	1.28	1.65	1.9		44	67	45	38	
Minnesota <sup>6</sup>	Jan. 1941	2.75	5	59.6	57.3	86.1	91.7	89.3	2.05	1.95	1.64	1.09	1.0	24	28	39	60	64	
Vermont	Jan. 1941	2.7	8	34.8	50.5	91.5	86.5	83.1	2.46	2.10	1.76	1.59	1.5	9	22	35	41	44	
Wyoming	Jan. 1942	3.0	5		38.2	98.6	99.5	98.9		2.66	1.42	1.09	1.2		2	47	59	55	
<b>Pay-roll-variation plan:</b>																			
Alaska	July 1947	2.7	(11)				97.1	96.4				2.09	1.7				23	39	
Mississippi	July 1948	2.7	9					99.9					2.1					24	
Rhode Island	July 1947	2.7	1.3					99.0				2.11	1.5				22	44	
Utah	do.	2.7	8					99.8				1.91	1.1				29	59	
Washington	do.	2.7	(11)					96.4				1.92	1.8				29	33	
<b>Compensable-separations plan, Connecticut</b>																			
	Apr. 1941	2.7	.25	88.3	84.8	96.1	98.3	97.3	2.29	2.09	2.05	.95	.3	15	23	24	65	89	
<b>Combination plans:</b>																			
<b>Reserve-ratio and benefit-ratio, South Dakota<sup>6</sup></b>																			
	Jan. 1940	2.7	0	36.3	59.1	87.9	84.1	96.0	1.65	1.57	.93	1.18	.9	39	42	66	56	67	
<b>Pay-roll-variation and benefit-wage-ratio, New York</b>																			
	July 1945	2.7	(11)					99.9			1.81	2.17	1.3			33	20	51	
<b>Pay-roll-variation and benefit-ratio, Montana</b>																			
	Jan. 1947	2.7	1.0					95.3				1.73	1.7				36	37	

<sup>1</sup> Type of plan and minimum and maximum rates in effect as of Dec. 31, 1948.  
<sup>2</sup> Computed on rate-year basis. Excludes effect of war-risk contributions.  
<sup>3</sup> Computed on calendar-year basis.  
<sup>4</sup> Preliminary estimates for 1948; 1948 data do not include effect of voluntary contributions from employers collected during the year. Effect of war-risk contributions included in rates for 1946. See footnotes 6 and 7.  
<sup>5</sup> Preliminary estimates for 1948. For States, represents difference between estimated yields at the average rate and at the standard rate as a percent of estimated yield at the standard rate. Includes effect of additional revenue under war-risk provisions.

<sup>6</sup> State law provides for voluntary contributions.  
<sup>7</sup> State law provides for war-risk contributions.  
<sup>8</sup> Data reflect rates assigned to employers for rate year beginning Oct. 1 of preceding year.  
<sup>9</sup> Alabama amended its law to exclude the war-risk contribution provision, effective Apr. 1, 1946.  
<sup>10</sup> Standard rate is 3.0 percent in Michigan; in all other States, 2.7 percent.  
<sup>11</sup> No specified minimum rate; determined by the amount of surplus distributed each year.

**Table 4.—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 1948<sup>1</sup>**

[Corrected to Jan. 17, 1949]

Type of plan and State <sup>2</sup>	Total number of active accounts <sup>3</sup>	Active accounts eligible for rate modification											
		Number	Percent of all active accounts	Percentage distribution by employer contribution rate									
				Rate below standard <sup>4</sup>	Standard rate <sup>4</sup>	Rate above standard <sup>4</sup>	Contribution-rate interval						
							0.0	0.1-0.9	1.0-1.8	1.9-2.6	*2.7	7.0-9	3.7-4.5
Total, 51 States.....	1,329,628	698,030	52.5	92.0	6.9	1.1	3.1	49.4	31.8	*7.6	*6.9	7.0-9	0.2
<b>Reserve-ratio plan</b> .....	574,236	249,561	43.5	87.1	12.1	.9	8.3	47.3	25.1	6.3	12.1	.8	( <sup>5</sup> )
Arizona.....	6,151	3,082	50.1	97.9	2.1	.....	.....	40.3	51.4	6.2	2.1	.....	.....
Arkansas.....	24,737	12,379	50.0	88.3	11.7	.....	.....	38.8	40.8	8.7	11.7	.....	.....
California.....	217,543	38,926	17.9	71.2	28.8	.....	17.9	20.8	19.2	13.3	28.8	.....	.....
Colorado <sup>6</sup> .....	5,294	3,077	58.1	96.6	3.2	.2	.....	76.5	20.1	.....	.....	.....	.....
District of Columbia.....	17,868	11,671	65.3	95.3	4.7	.....	.....	88.9	5.4	1.0	4.7	.....	.....
Georgia.....	11,417	7,441	65.2	98.2	1.8	.....	.....	70.7	26.3	1.3	1.8	.....	.....
Hawaii.....	7,928	3,713	46.8	97.2	2.8	.....	58.4	.....	32.1	6.7	2.8	.....	.....
Idaho.....	11,540	4,159	36.0	93.4	5.6	.....	.....	.....	57.3	36.1	6.6	.....	.....
Indiana <sup>7</sup> .....	13,696	9,988	72.9	97.1	2.9	.....	.....	81.7	14.1	1.3	2.9	.....	.....
Iowa <sup>8</sup> .....	9,371	6,546	69.9	92.9	5.5	1.6	14.3	54.2	24.3	.....	5.5	1.6	.....
Kansas.....	7,225	4,102	57.6	96.1	3.9	.....	.....	61.8	31.0	3.3	3.9	.....	.....
Kentucky <sup>9</sup> .....	11,592	7,831	67.6	75.4	24.6	.....	21.3	24.1	30.1	.....	24.6	.....	.....
Louisiana <sup>10</sup> .....	14,320	8,663	60.5	78.7	21.3	.....	.....	44.3	22.8	11.6	21.3	.....	.....
Maine.....	4,488	2,985	66.5	90.1	9.9	.....	.....	34.2	47.1	8.8	9.9	.....	.....
Missouri.....	15,504	11,224	72.4	83.4	15.1	1.5	12.9	43.6	27.0	.....	15.1	1.5	.....
Nebraska <sup>11</sup> .....	5,305	3,612	68.1	99.1	.9	.....	.....	95.1	3.0	1.0	.9	.....	.....
Nevada.....	4,092	1,614	39.4	91.5	8.5	.....	.....	39.8	38.2	13.5	8.5	.....	.....
New Hampshire.....	4,896	3,274	66.9	92.9	7.1	.....	.....	53.1	24.3	15.6	7.1	.....	.....
New Jersey.....	36,758	16,450	44.8	60.9	28.9	10.2	.....	34.0	26.9	.....	28.9	10.2	.....
New Mexico.....	8,649	3,472	40.1	90.4	9.0	.6	.....	53.3	37.1	.....	9.0	.6	.....
North Carolina <sup>12</sup> .....	11,174	8,441	75.5	83.1	16.9	.....	.....	14.5	61.8	16.8	16.9	.....	.....
North Dakota.....	1,883	1,206	64.0	93.9	6.1	.....	.....	28.0	52.2	13.6	6.1	.....	.....
Ohio.....	67,691	40,771	60.2	96.7	3.3	.....	.....	85.2	10.1	1.4	3.3	.....	.....
Oregon.....	15,243	7,664	50.3	87.9	12.1	.....	.....	18.8	50.8	18.3	12.1	.....	.....
South Carolina <sup>13</sup> .....	5,403	3,422	63.3	97.1	2.9	( <sup>5</sup> )	.....	66.0	28.6	2.5	2.9	( <sup>5</sup> )	.....
Tennessee.....	10,076	6,163	61.2	97.6	2.4	.....	.....	47.7	45.3	4.7	2.4	.....	.....
West Virginia.....	5,970	3,580	60.0	94.0	6.0	.....	10.8	39.2	35.6	8.4	6.0	.....	.....
Wisconsin <sup>14</sup> .....	18,422	14,045	76.2	98.8	0	1.2	51.2	17.9	24.1	5.7	0	.8	.4
<b>Benefit-wage-ratio plan</b> .....	374,871	231,399	61.8	93.0	6.2	.8	.....	76.2	13.2	3.5	6.2	.8	.....
Alabama.....	8,397	5,217	62.1	97.1	2.9	.....	.....	64.3	27.4	5.4	2.9	.....	.....
Delaware.....	6,077	3,781	62.2	99.2	0	.8	.....	93.4	4.7	1.1	0	.8	.....
Illinois.....	52,323	33,704	64.4	94.8	0	5.2	.....	59.8	28.5	6.5	0	5.2	.....
Massachusetts.....	90,864	57,999	63.8	88.0	12.0	.....	.....	61.5	18.3	8.1	12.0	.....	.....
Oklahoma.....	8,084	5,138	63.6	92.6	7.4	.....	.....	42.5	40.6	9.5	7.4	.....	.....
Pennsylvania.....	171,496	101,677	59.3	93.5	6.5	.....	.....	59.4	4.1	1.4	6.5	.....	.....
Texas.....	26,763	16,393	61.1	98.7	1.3	.....	.....	83.9	13.0	1.8	1.3	.....	.....
Virginia.....	10,867	7,520	69.2	98.4	1.6	.....	.....	91.3	5.8	1.3	1.6	.....	.....
<b>Benefit-ratio plan</b> .....	106,768	55,525	52.0	91.2	2.2	6.5	.....	54.2	29.6	*7.3	*2.2	7.4-4	2.1
Florida.....	11,376	5,963	52.4	95.8	4.2	.....	.....	80.1	5.5	1.2	4.2	.....	.....
Maryland.....	37,623	10,838	28.8	92.8	7.2	.....	.....	77.6	11.7	3.5	7.2	.....	.....
Michigan <sup>15</sup> .....	22,620	15,987	70.7	90.0	( <sup>5</sup> )	10.0	.....	.....	79.8	*10.2	( <sup>5</sup> )	*2.7	7.3
Minnesota <sup>16</sup> .....	27,200	18,619	68.5	89.3	0	10.7	.....	70.2	8.7	10.4	0	10.7	.....
Vermont.....	2,040	1,278	62.6	83.1	16.9	.....	.....	59.2	22.3	1.6	16.9	.....	.....
Wyoming.....	5,909	2,840	48.1	98.9	0	1.1	.....	90.4	7.0	1.6	0	1.1	.....
<b>Pay-roll-variation plan</b> .....	74,312	43,313	58.3	96.8	3.2	.....	.....	20.1	66.5	10.2	3.2	.....	.....
Alaska <sup>17</sup> .....	2,088	799	38.3	96.4	3.6	.....	.....	88.0	7.5	.....	3.6	.....	.....
Mississippi.....	5,560	3,498	62.9	99.9	.....	.....	.....	79.3	19.6	.9	.....	.....	.....
Rhode Island.....	8,295	5,720	69.0	98.2	1.8	.....	.....	.....	98.2	.....	1.8	.....	.....
Utah.....	11,620	6,185	53.2	99.8	.2	.....	.....	84.6	15.1	.....	.2	.....	.....
Washington <sup>18</sup> .....	46,749	27,111	58.0	95.5	4.5	.....	.....	.....	79.3	16.2	4.5	.....	.....
Compensable-separations plan, Connecticut.....	17,072	11,545	67.6	97.3	2.7	.....	.....	97.3	.....	.....	2.7	.....	.....
<b>Combination plans:</b>													
Reserve-ratio and benefit-ratio, South Dakota <sup>19</sup> .....	2,225	1,416	63.6	96.0	4.0	.....	51.3	43.3	1.3	.1	4.0	.....	.....
Pay-roll-variation and benefit-wage-ratio plan, New York <sup>20</sup> .....	168,112	97,856	58.2	99.8	.2	.....	.....	.....	80.5	19.3	.2	.....	.....
Pay-roll-variation and benefit-ratio plan, Montana.....	12,032	7,415	61.6	94.2	5.8	.....	.....	.....	65.4	28.9	5.8	.....	.....

<sup>1</sup> In 3 States (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 1948 on the assumption that each employer's taxable pay roll would remain the same as in 1947.

<sup>2</sup> Classified by type of plan in effect at end of 1948.

<sup>3</sup> All rated and unrated accounts; excludes accounts newly subject after State cut-off dates for preparation of report.

<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 assigned 2.8-percent rate in Michigan. See footnote 4.

<sup>6</sup> In Michigan, rated accounts are not assigned the standard rate. See footnote 4.

<sup>7</sup> Excludes accounts assigned 2.8-percent rate in Michigan. See footnotes 4 and 6.

<sup>8</sup> Less than 0.05 percent.

<sup>9</sup> Excludes voluntary contributions made during rate years beginning in 1948.

<sup>10</sup> Data reflect rates assigned to employers for rate year beginning Oct. 1, 1947.

year about 60 percent of the rated firms were taxed less than 1.0 percent. The lower average tax rate for 1948 is probably accounted for by a greater concentration of firms with large pay rolls in the low rate groups.

In New York the distribution of rated accounts exhibited marked differences in the 2 years—wholly as a result of the difference in the surplus reserves available for distribution on September 30, 1947, and on September 30, 1948. The surplus on the first date was \$148.6 million, which—distributed to employers in the form of tax-credit offsets—permitted reduction of the employer tax rate to as low as 0.69 percent. The surplus available for distribution on September 30, 1948, was \$126.7 million, and the lowest tax rate possible for the 12-month period beginning October 1, 1948, was 1.09 percent. Thus, while in 1947 more than 3 out of every 5 rated firms in New York were taxed at less than 1.0 percent, in 1948 no employer paid taxes at a rate of less than 1.0 percent. The smaller surplus acted to concentrate the eligible firms in the two groups paying rates of 1.0-1.8 and 1.9-2.6 percent (99.8 percent of the firms). In 1947, only about 37 percent of the rated employers were assigned rates falling in these two classes.

In other States the shift towards lower rates is reflected in the proportions of rated employers in each tax class. In eight States some employers enjoyed zero rates in 1948. In three of these States—Hawaii, South Dakota, and Wisconsin—more than half the rated employers did not pay any contributions into the unemployment insurance fund. California, Iowa, and West Virginia, with no zero rates in their 1947 schedules, in 1948 assigned zero rates for the first time to substantial proportions of their rated employers. In 13 States—four of them with benefit-wage-ratio plans—more than 80 percent of the rated employers were taxed less than 1 percent. More than 90 percent of the rated employers in five States paid taxes at a rate of less than 1 percent; two of the five are benefit-wage-ratio States. In only 10 States did more than 10 percent of the rated employers pay at the standard rate.

The increase in the number of rated

accounts in Massachusetts changed the distribution of rated accounts in that State. More than half the newly rated accounts were assigned rates between 0.1 and 0.9 percent; 20 percent the standard rate of 2.7 percent; about 15 percent rates between 1.0 and 1.8 percent; and 10 percent rates between 1.9 and 2.6 percent. Thus, while in 1947 almost 90 percent of the rated accounts in Massachusetts paid rates of less than 1.9 percent, in 1948 the newly rated accounts reduced the proportion of the rated employers in this category to slightly less than 80 percent. At the other end of the rate schedule the proportion of rated firms taxed at 2.7 percent was 12 percent in 1948 as compared with 4.6 percent in 1947.

## Active Accounts by Industry

There was a general increase in the number of firms, both rated and unrated, from 1947 to 1948. The total number of active accounts (excluding those in New York) increased by 14 percent, while the number of rated accounts increased by only 13 percent. Mississippi, which began operating under its experience-rating law during 1948, contributed but 5,600 new active accounts to the national increase of 142,000.

This increase in the number of accounts was reflected in each industry division, but to different degrees. Wholesale and retail trade showed the greatest numerical expansion—an increase of 12 percent in the num-

**Table 5.—Industrial distribution of active and rated accounts and employer contribution rates assigned under experience rating, 50 States,<sup>1</sup> rate years beginning in 1948**

Employer contribution rate <sup>2</sup>	Total	Mining	Contract construction	Manufacturing	Transportation, communication, and other public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Service industries	Miscellaneous <sup>3</sup>
Active accounts.....	1,161,516	18,713	117,760	162,469	43,812	479,941	74,834	232,079	31,888
Rated accounts.....	600,174	10,699	41,374	101,153	24,849	259,794	47,969	111,080	3,256
<i>Rated as percent of active<sup>4</sup></i>	<i>51.7</i>	<i>57.2</i>	<i>35.1</i>	<i>62.3</i>	<i>56.7</i>	<i>54.1</i>	<i>64.1</i>	<i>47.9</i>	<i>10.2</i>
Number with reduced rates <sup>5</sup>	544,609	9,133	34,853	87,286	22,760	239,789	46,054	102,102	2,632
<i>Percent of rated accounts with reduced rates<sup>5</sup></i>	<i>90.7</i>	<i>85.4</i>	<i>84.2</i>	<i>86.3</i>	<i>91.6</i>	<i>92.3</i>	<i>96.0</i>	<i>91.9</i>	<i>80.8</i>
Rate assigned:									
0.0.....	20,775	429	1,497	3,511	755	8,773	2,381	3,299	130
0.1-0.9.....	345,965	5,748	19,432	50,193	13,677	154,632	33,998	66,622	1,663
1.0-1.8.....	143,421	2,310	10,422	27,111	6,751	62,001	8,387	25,805	634
1.9-2.6 <sup>6</sup> .....	34,448	646	3,502	6,471	1,577	14,383	1,288	6,376	205
2.7 <sup>5</sup> .....	48,027	1,265	5,299	11,037	1,933	18,161	1,715	8,096	521
2.75-3.6 <sup>6</sup> .....	6,317	282	1,142	2,163	145	1,558	186	758	83
3.7-4.5.....	1,221	19	80	667	11	285	14	124	20
	Percentage distribution of rated accounts by industry division								
Rate assigned:									
0.0.....	100.0	2.1	7.2	16.9	3.6	42.2	11.5	15.9	0.6
0.1-0.9.....	100.0	1.7	5.6	14.5	4.0	44.7	9.8	19.3	.5
1.0-1.8.....	100.0	1.6	7.3	18.9	4.7	43.2	5.8	18.0	.4
1.9-2.6 <sup>6</sup> .....	100.0	1.9	10.2	18.8	4.6	41.8	3.7	18.5	.6
2.7 <sup>5</sup> .....	100.0	2.6	11.0	23.0	4.0	37.8	3.6	16.9	1.1
2.75-3.6 <sup>6</sup> .....	100.0	4.5	18.1	34.2	2.3	24.7	2.9	12.0	1.3
3.7-4.5.....	100.0	1.6	6.6	54.6	.9	23.4	1.1	10.2	1.6
	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:									
0.0.....	3.5	4.0	3.6	3.5	3.0	3.4	5.0	3.0	4.0
0.1-0.9.....	57.6	53.7	47.0	49.6	55.0	59.5	70.9	60.0	51.1
1.0-1.8.....	23.9	21.6	25.2	26.8	27.2	23.9	17.5	23.2	19.5
1.9-2.6 <sup>6</sup> .....	5.7	6.0	8.5	6.4	6.3	5.5	2.7	5.7	6.3
2.7 <sup>5</sup> .....	8.0	11.8	12.8	10.9	7.8	7.0	3.6	7.3	16.0
2.75-3.6 <sup>6</sup> .....	1.1	2.6	2.8	2.1	.6	.6	.4	.7	2.5
3.7-4.5.....	.2	.2	.2	.7	(?)	.1	(?)	.1	.6

<sup>1</sup> Excludes accounts for New York; distribution by industry not available.

<sup>2</sup> Percent of taxable pay roll.

<sup>3</sup> Agriculture, forestry, and fishing, and establishments not elsewhere classified.

<sup>4</sup> Includes Michigan accounts assigned 2.8-percent rate. See footnote 5.

<sup>5</sup> Standard rate for all States except Michigan, where it is 3.0 percent.

<sup>6</sup> Excludes Michigan accounts assigned 2.8-percent rate. See footnotes 4 and 5.

<sup>7</sup> Less than 0.05 percent.

ber of active accounts; the mining industry showed the least. The service industries had 27,000 new accounts—13 percent more than in 1947; and the 22,000 new construction firms constituted a 24-percent increase. There were 32,000 firms classified as "miscellaneous" in 1948, more than double the number in this group in 1947. California was primarily responsible for the increase. Many of the State's new firms were reported as "not elsewhere classified," though they will later be assigned definitive industrial classification codes.

The additional accounts did not cause a material change from 1947 in the industrial distribution of active accounts; in both years about three-fifths of all the active accounts were in the wholesale and retail trade and the service industries.

The fact that the year's relative increase of active accounts hardly exceeded that of the rated accounts indicates that the postwar influx of new firms into the economy, though still substantial, is, for the most part, leveling off. In several industries the percentage increase in the number of rated accounts from 1947 to 1948 was greater than that of the active accounts. In fact, in the finance, insurance, and real estate industry division there were 4,842 newly rated accounts as compared with 4,374 new active accounts. In the transportation, trade, and service industries, as well as in finance, the number of rated firms grew at a faster rate than the number of active accounts during the past year; in the manufacturing industry the increase in rated accounts kept pace with that in active accounts. Thus, it would seem that many of the firms that were established immediately after the end of the war are becoming eligible for rate reductions in increasingly greater numbers, while the influx of new firms is not of the same magnitude as formerly.

### Accounts by Rate Group and by Industry

The industry distribution of rated accounts in each rate group does not deviate to any great extent from the distribution of the total number of rated accounts. What differences there are show up, for the most part,

in the rate groups over 2.7 percent—the penalty rates. Of the 7,500 firms taxed at penalty rates, more than one-third were manufacturing firms, although this industry comprises only

17 percent of all rated accounts. Three States—Illinois, Michigan, and New Jersey—reported the greatest number of manufacturing firms in this rate category.

Table 6.—Average employer rate<sup>1</sup> for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 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
<b>Arkansas</b>								
Total, all industries .....	1.16	1.04	1.28	1.30	1.30	1.24	1.27	1.28
Mining .....	1.07	.85	1.12	1.08	1.14	.86	1.45	-----
Contract construction .....	1.45	1.10	1.50	1.63	1.59	1.63	1.62	-----
Manufacturing .....	1.27	1.00	1.32	1.39	1.42	1.44	1.34	1.41
Transportation, communication, and other public utilities .....	1.24	1.00	1.40	1.48	1.36	1.43	1.14	1.13
Wholesale and retail trade .....	1.17	1.09	1.31	1.27	1.30	1.12	1.10	1.00
Finance, insurance, and real estate .....	.86	.80	.88	.98	.93	.74	.85	-----
Service industries .....	1.12	1.03	1.29	1.36	1.25	1.12	1.17	-----
Miscellaneous <sup>2</sup> .....	.97	.86	1.09	1.11	1.61	1.33	-----	-----
<b>California</b>								
Total, all industries .....	1.45	1.56	1.54	1.42	1.43	1.43	1.39	1.36
Mining .....	1.00	1.35	.83	.95	.85	1.16	.98	.63
Contract construction .....	1.27	1.39	1.35	1.22	1.26	1.26	1.22	1.39
Manufacturing .....	1.62	1.97	1.81	1.62	1.67	1.59	1.66	1.54
Transportation, communication, and other public utilities .....	1.38	1.33	1.53	1.40	1.43	1.37	1.28	1.25
Wholesale and retail trade .....	1.48	1.65	1.64	1.51	1.44	1.38	1.34	1.23
Finance, insurance, and real estate .....	.94	1.20	1.08	.79	.86	.93	.85	.60
Service industries .....	1.48	1.46	1.44	1.41	1.49	1.60	1.59	1.68
Miscellaneous <sup>2</sup> .....	1.66	1.57	1.81	1.43	1.77	1.75	1.29	2.70
<b>Colorado</b>								
Total, all industries .....	1.14	1.05	1.05	1.05	1.14	1.25	1.23	1.18
Mining .....	1.35	1.24	1.16	1.29	1.26	1.50	1.38	1.50
Contract construction .....	1.40	1.28	.90	1.28	1.35	1.46	1.50	2.25
Manufacturing .....	1.16	1.15	1.03	1.02	1.16	1.23	1.19	1.03
Transportation, communication, and other public utilities .....	1.31	1.58	1.26	1.01	1.30	1.42	1.32	1.13
Wholesale and retail trade .....	1.10	.98	1.07	1.05	1.12	1.20	1.19	1.13
Finance, insurance, and real estate .....	1.01	.97	.98	.99	.97	1.20	1.04	-----
Service industries .....	1.15	1.24	1.04	1.08	1.14	1.21	1.18	-----
Miscellaneous <sup>2</sup> .....	1.65	-----	.90	1.35	1.80	2.25	-----	-----
<b>Connecticut</b>								
Total, all industries .....	.46	.46	.42	.42	.47	.51	.56	.57
Mining .....	.46	.25	.25	.74	.33	.46	.68	-----
Contract construction .....	.59	.64	.65	.53	.68	.56	.60	.57
Manufacturing .....	.62	.74	.58	.53	.64	.65	.63	.60
Transportation, communication, and other public utilities .....	.40	.33	.45	.37	.42	.41	.43	.33
Wholesale and retail trade .....	.40	.40	.39	.39	.41	.43	.45	.49
Finance, insurance, and real estate .....	.32	.38	.33	.31	.30	.29	.36	.33
Service industries .....	.42	.49	.38	.41	.40	.41	.46	-----
Miscellaneous <sup>2</sup> .....	.63	.86	.60	.72	.53	.51	.50	-----
<b>District of Columbia</b>								
Total, all industries .....	.31	.30	.33	.31	.29	.31	.30	.10
Mining .....	.10	.10	-----	-----	-----	-----	-----	-----
Contract construction .....	.48	.69	.48	.33	.35	.45	.64	-----
Manufacturing .....	.24	.20	.31	.34	.25	.18	.18	.10
Transportation, communication, and other public utilities .....	.45	.29	.64	.46	.35	.68	.45	.10
Wholesale and retail trade .....	.33	.37	.35	.32	.31	.26	.25	.10
Finance, insurance, and real estate .....	.23	.24	.25	.24	.20	.27	.13	.10
Service industries .....	.29	.28	.28	.30	.28	.33	.32	.10
Miscellaneous <sup>2</sup> .....	.39	.25	.97	.10	1.50	.10	-----	-----

See footnotes at end of table.

The 1948 distribution of rated firms in each industry division by rate group differed in one important respect from the 1947 distribution. In each industry the proportion of rated firms taxed at rates between 1.0 and 1.8 percent decreased as a result of the decline in the number of firms in this rate group in 1948. Many of the legislative changes enacted since January 1, 1947, substituted new rate schedules that allowed lower rates than formerly. The effect has been, in many States, to shift firms formerly taxed at rates between 1.0 and 1.8 percent to lower rate groups.

The inclusion of New York data would change the national picture considerably. Since an industry distribution of these data by rate group is not now available, the totals for New York have also been omitted from the "total" column of table 5. Table 4 shows the total distribution of rated accounts, including New York.

More than half the rated accounts in each industry division were taxed less than 1 percent in 1948. Firms in the finance, insurance, and real estate industry division fared best, with more than 75 percent being assigned such rates. Sixteen percent of the firms classified as "miscellaneous" and about 13 percent of the construction firms were taxed at the standard rate of 2.7 percent. Firms in the construction industry were least successful in achieving rates of less than 1 percent, and relatively more of them—3 percent—paid at penalty rates.

### Rate Modification by Industry

Table 6 shows for selected States<sup>10</sup> the rates for the average employer in each industry, classified by size of firm. These rates should not be com-

<sup>10</sup> Since space limitations make it impracticable to list the data for all States, the following criteria were used in selecting representative States: (1) rate year beginning either January 1 or April 1, (2) type of experience-rating plan, (3) type of industries predominating in a State, and (4) geographic location. Data for all States are available in the Bureau of Employment Security.

Table 6.—Average employer rate<sup>1</sup> for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1948—Continued

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
Florida								
Total, all industries.....	.39	.35	.45	.42	.36	.38	.42	.40
Mining.....	.38	.46	.54	.13	.56	.15	.22	.20
Contract construction.....	.26	.43	.32	.35	.23	.25	.20	.70
Manufacturing.....	.57	.77	.78	.60	.49	.51	.64	.60
Transportation, communication, and other public utilities.....	.28	.29	.42	.26	.28	.25	.30	.13
Wholesale and retail trade.....	.40	.30	.38	.42	.38	.44	.43	.18
Finance, insurance, and real estate.....	.16	.16	.15	.19	.15	.14	.18	.20
Service industries.....	.37	.21	.56	.42	.34	.30	.38	1.03
Miscellaneous <sup>2</sup> .....	.29	.10	.70	.16	.19	.29	.15	-----
Georgia								
Total, all industries.....	.78	.64	.73	.76	.80	.82	.84	.68
Mining.....	.73	.63	1.25	1.00	.70	.67	.77	.75
Contract construction.....	.91	.87	.83	.93	.95	.95	.85	1.13
Manufacturing.....	.84	.65	.77	.81	.86	.95	.90	.67
Transportation, communication, and other public utilities.....	.82	.96	.83	.81	.82	.82	.82	.72
Wholesale and retail trade.....	.73	.61	.70	.73	.77	.75	.79	.68
Finance, insurance, and real estate.....	.63	.58	.62	.65	.62	.63	.66	.50
Service industries.....	.78	.72	.80	.75	.80	.77	.74	.63
Miscellaneous <sup>2</sup> .....	1.07	.50	1.38	.88	1.59	1.25	.50	-----
Illinois								
Total, all industries.....	.94	1.31	1.14	.96	.87	.84	.87	.94
Mining.....	1.99	1.79	2.43	1.86	2.23	2.26	1.80	.84
Contract construction.....	1.43	2.32	1.98	1.54	1.25	1.09	1.18	1.41
Manufacturing.....	1.02	1.80	1.47	1.17	1.01	.93	.93	1.03
Transportation, communication, and other public utilities.....	.79	1.00	.98	.98	.81	.69	.64	.53
Wholesale and retail trade.....	.83	1.07	1.04	.88	.76	.71	.70	.75
Finance, insurance, and real estate.....	.69	.86	.76	.73	.66	.59	.56	.52
Service industries.....	.87	1.18	1.02	.88	.78	.77	.81	.67
Miscellaneous <sup>2</sup> .....	.97	1.33	1.01	.93	1.02	.72	.80	-----
Iowa								
Total, all industries.....	1.74	1.62	1.51	1.71	1.77	1.93	1.77	1.72
Mining.....	2.34	2.90	2.65	2.32	2.37	1.86	1.90	-----
Contract construction.....	2.03	2.58	1.97	1.96	1.96	2.02	1.91	2.40
Manufacturing.....	1.86	2.43	1.97	1.93	1.76	2.02	1.81	1.60
Transportation, communication, and other public utilities.....	1.66	1.41	1.47	1.39	1.71	1.61	1.84	2.90
Wholesale and retail trade.....	1.65	1.43	1.45	1.60	1.74	1.90	1.71	1.40
Finance, insurance, and real estate.....	1.71	1.22	1.16	2.02	1.68	2.31	1.74	.00
Service industries.....	1.72	1.98	1.44	1.68	1.80	1.69	1.56	-----
Miscellaneous <sup>2</sup> .....	1.82	1.12	.45	1.53	1.86	2.57	1.12	-----
Massachusetts								
Total, all industries.....	1.03	.96	1.05	1.06	1.08	1.14	1.22	1.13
Mining.....	.87	.54	1.03	.93	.91	.94	.96	-----
Contract construction.....	1.37	1.49	1.31	1.30	1.28	1.39	1.40	1.00
Manufacturing.....	1.36	1.29	1.23	1.33	1.39	1.43	1.44	1.27
Transportation, communication, and other public utilities.....	1.16	1.28	1.22	1.11	1.14	.98	.95	.57
Wholesale and retail trade.....	1.00	1.00	1.04	1.01	.95	.94	.85	.72
Finance, insurance, and real estate.....	.76	.78	.73	.77	.71	.70	.59	.56
Service industries.....	.89	.84	.97	.94	1.01	.99	1.04	.90
Miscellaneous <sup>2</sup> .....	.97	.85	1.28	1.20	1.01	.91	1.25	-----

See footnotes at end of table.



**Table 6.—Average employer rate<sup>1</sup> for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1948—Continued**

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
Minnesota								
Total, all industries.....	1.01	0.75	0.95	1.08	1.27	1.47	1.43	1.28
Mining.....	1.76	.88	1.03	1.94	2.21	1.96	1.93	1.94
Contract construction.....	1.63	1.35	1.47	1.58	1.79	1.92	1.99	1.50
Manufacturing.....	1.30	1.02	1.06	1.19	1.40	1.53	1.33	1.18
Transportation, communication, and other public utilities.....	1.16	1.11	1.03	1.05	1.21	1.40	1.23	1.03
Wholesale and retail trade.....	1.01	.80	.93	1.06	1.24	1.41	1.50	1.57
Finance, insurance, and real estate.....	.71	.65	.75	.76	.81	.84	.94	.95
Service industries.....	.81	.65	.89	1.00	1.16	1.34	1.48	1.38
Miscellaneous <sup>2</sup> .....	1.21	.93	1.38	1.80	1.61	2.19	1.94	-----
Missouri								
Total, all industries.....	1.34	1.05	1.21	1.28	1.37	1.44	1.44	1.25
Mining.....	1.95	1.96	1.56	2.44	2.30	1.88	1.44	1.35
Contract construction.....	1.82	1.97	1.77	1.60	1.75	1.81	1.93	2.10
Manufacturing.....	1.43	1.31	1.30	1.35	1.43	1.50	1.46	1.27
Transportation, communication, and other public utilities.....	1.50	1.28	1.22	1.56	1.57	1.69	1.39	1.07
Wholesale and retail trade.....	1.24	.81	1.14	1.24	1.32	1.33	1.27	1.28
Finance, insurance, and real estate.....	.95	.76	.91	.93	.99	1.04	1.01	.51
Service industries.....	1.38	1.08	1.36	1.36	1.38	1.43	1.60	1.80
Miscellaneous <sup>2</sup> .....	1.45	.90	1.05	1.35	1.72	1.50	2.02	-----
Montana								
Total, all industries.....	1.62	1.69	1.56	1.55	1.52	1.62	1.72	1.50
Mining.....	1.88	1.84	1.84	2.05	1.81	1.91	1.92	1.50
Contract construction.....	1.80	1.91	1.88	1.64	1.66	1.75	2.21	1.50
Manufacturing.....	1.69	1.74	1.69	1.65	1.64	1.70	1.75	1.50
Transportation, communication, and other public utilities.....	1.70	1.89	1.62	1.50	1.60	1.69	1.63	1.50
Wholesale and retail trade.....	1.61	1.72	1.55	1.53	1.44	1.52	1.52	1.50
Finance, insurance, and real estate.....	1.46	1.47	1.41	1.41	1.47	1.56	1.60	-----
Service industries.....	1.61	1.65	1.53	1.51	1.54	1.61	1.65	-----
Miscellaneous <sup>2</sup> .....	2.02	1.93	2.70	-----	2.00	-----	-----	-----
New Jersey								
Total, all industries.....	1.94	1.91	1.93	1.90	1.91	2.01	2.00	1.78
Mining.....	1.43	.90	1.62	1.53	1.48	1.54	1.25	.90
Contract construction.....	2.21	2.49	2.28	2.20	2.15	2.12	2.16	2.08
Manufacturing.....	2.20	2.56	2.46	2.25	2.20	2.28	2.10	1.81
Transportation, communication, and other public utilities.....	1.76	1.91	1.80	1.73	1.77	1.76	1.70	1.98
Wholesale and retail trade.....	1.72	1.77	1.75	1.74	1.69	1.69	1.74	1.65
Finance, insurance, and real estate.....	1.33	1.32	1.26	1.35	1.35	1.47	1.25	.90
Service industries.....	1.89	1.61	1.82	1.84	1.92	2.05	2.08	1.50
Miscellaneous <sup>2</sup> .....	2.59	1.90	2.49	2.76	2.87	2.25	2.31	.90
Ohio								
Total, all industries.....	.64	.92	.59	.61	.61	.58	.57	.50
Mining.....	.84	.96	.91	.71	.89	.82	.76	.54
Contract construction.....	.93	2.01	.78	.75	.74	.77	.74	.61
Manufacturing.....	.60	1.03	.57	.59	.62	.60	.57	.51
Transportation, communication, and other public utilities.....	.61	.83	.54	.61	.61	.53	.57	.49
Wholesale and retail trade.....	.63	.82	.60	.62	.59	.53	.53	.45
Finance, insurance, and real estate.....	.44	.55	.41	.42	.43	.46	.44	.35
Service industries.....	.64	.90	.58	.59	.61	.61	.57	.49
Miscellaneous <sup>2</sup> .....	.94	1.47	.47	.95	.85	.55	.89	-----

See footnotes at end of table.

pared with those in table 3, which are weighted by size of pay rolls. In evaluating the data contained in table 6, their limitations should be carefully considered.<sup>11</sup>

In all but one of the States listed in table 6 the average firm in the finance division was taxed less than the average employer in other industries.<sup>12</sup> In Iowa the average employer in wholesale and retail trade paid at the lowest tax rate. The industries with the least favorable tax rates were the mining and the construction industries; in five States, these two industries paid at the highest rates. In Florida the average manufacturing firm paid at the highest rate—0.57 percent. It is interesting to note that, though this was the highest rate for any Florida industry, it was still less than the average for employers in any industry in 13 of the 19 selected States. In the middle group—paying neither the highest nor the lowest rates—were firms in the relatively stable industries, such as transportation, communication, and other public utilities, and to a lesser degree, trade and service.

Analysis of the data in table 6 suggests that the rate for any one firm is influenced by two factors; first, the legislation in a particular State, and second, the type of industry to which the firm belongs. Firms in seasonal industries—mining and construction, as well as certain manufacturing firms—tend toward higher rates than firms in the industries that offer more steady employment.

<sup>11</sup> For example, in an industry pay-roll group with very few firms the rate for the average firm would be a less reliable figure than the rate in a group containing a large number of firms. Some of the categories contain only a single firm. The averages computed for these groups, therefore, are not necessarily representative, and care should be taken in drawing conclusions from these figures without referring to the number of firms in each group.

<sup>12</sup> The mining industry in the District of Columbia is omitted from the present discussion because it is represented in only one pay-roll group.

## Influence of Size of Firm

Although it seems clear that the rates for employers will be lower in certain industries than in others, there is no definite indication that the size of firm plays an important role in determining the ultimate rate of an employer. In seven States the average employer with an annual pay roll of less than \$5,000 received the most favorable rates, and in five other States these small employers received the least favorable rates. In seven States, employers with pay rolls of \$1 million and over received, on the average, the lowest rates; in only one State, Connecticut, did the very large employers pay at the highest rate. In four States, however, employers with pay rolls of \$100,000-999,999 were assigned the least favorable rates.

There is some indication that within an industry the size of firm plays some part in determining rates. In almost all industries, for the 19 States examined, the smallest firms (those with pay rolls of less than \$5,000) and the extremely large firms (those with pay rolls of \$1 million and over) were generally concentrated at either end of the rate scale. The "medium-sized" firms generally were assigned rates somewhere between the high and the low. Thus, for the mining, construction, and service industries, the number of States assigning low rates to the smallest firms was about the same as the number assigning low rates to the largest firms. In the manufacturing, transportation, trade, and finance industries there seemed to be a tendency, in most States, for the largest firms to receive the lowest rates; in all industries in which the small firms paid at the high rates, these small firms tended to fall in the very lowest pay-roll group.

**Table 6.—Average employer rate<sup>1</sup> for rated employers, by size of pay roll and industry, in 19 States, rate years beginning in 1948—Continued**

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
Oregon								
Total, all industries .....	1.44	1.33	1.39	1.44	1.50	1.47	1.48	1.31
Mining .....	1.46	1.85	1.49	1.44	1.56	1.17	1.33	-----
Contract construction .....	1.66	1.34	1.69	1.63	1.80	1.70	1.65	2.70
Manufacturing .....	1.50	1.42	1.30	1.50	1.55	1.58	1.51	1.38
Transportation, communication, and other public utilities .....	1.38	1.05	1.15	1.42	1.48	1.38	1.59	1.08
Wholesale and retail trade .....	1.42	1.35	1.42	1.43	1.47	1.39	1.34	1.25
Finance, insurance, and real estate .....	1.12	1.03	1.14	1.11	1.15	1.10	1.23	1.00
Service industries .....	1.46	1.35	1.41	1.48	1.52	1.48	1.56	-----
Miscellaneous <sup>2</sup> .....	1.33	.94	1.53	1.17	1.52	1.33	1.50	-----
Pennsylvania								
Total, all industries .....	.68	.73	.66	.61	.60	.61	.64	.70
Mining .....	.92	.92	1.04	.97	.91	.93	.78	.57
Contract construction .....	.82	1.04	.83	.73	.69	.63	.67	.80
Manufacturing .....	.72	.82	.73	.67	.71	.70	.70	.77
Transportation, communication, and other public utilities .....	.70	.84	.72	.66	.56	.57	.57	.63
Wholesale and retail trade .....	.66	.74	.64	.57	.53	.52	.52	.51
Finance, insurance, and real estate .....	.58	.62	.54	.53	.51	.50	.50	.50
Service industries .....	.65	.69	.61	.58	.54	.52	.52	.50
Miscellaneous <sup>2</sup> .....	.82	.81	.92	.70	.82	.53	.94	.50
Texas								
Total, all industries .....	.64	.92	.70	.65	.60	.59	.60	.62
Mining .....	.67	1.11	.63	.64	.65	.61	.60	.50
Contract construction .....	.68	1.25	.71	.70	.57	.58	.60	.78
Manufacturing .....	.74	1.15	.89	.77	.71	.68	.71	.73
Transportation, communication, and other public utilities .....	.66	.97	.76	.75	.67	.59	.58	.50
Wholesale and retail trade .....	.60	.75	.67	.62	.57	.54	.53	.53
Finance, insurance, and real estate .....	.56	.81	.56	.56	.52	.50	.50	.50
Service industries .....	.63	.97	.72	.64	.57	.58	.55	.50
Miscellaneous <sup>2</sup> .....	.92	1.36	.77	1.22	.56	1.00	.80	-----
Wisconsin								
Total, all industries .....	.53	.39	.41	.53	.63	.57	.49	.38
Mining .....	.74	.90	.00	.77	.83	.84	.65	.50
Contract construction .....	.81	.48	.44	.81	.91	1.03	.88	1.50
Manufacturing .....	.45	.53	.37	.47	.52	.44	.42	.35
Transportation, communication, and other public utilities .....	.54	.27	.42	.48	.64	.56	.63	.36
Wholesale and retail trade .....	.52	.32	.38	.54	.63	.58	.52	.58
Finance, insurance, and real estate .....	.32	.08	.32	.27	.39	.40	.38	.17
Service industries .....	.57	.48	.55	.60	.67	.52	.44	.33
Miscellaneous <sup>2</sup> .....	.77	1.06	.00	.50	.00	1.50	1.33	-----

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

<sup>2</sup> Agriculture, forestry, and fishing, and establishments not elsewhere classified.