

and prosperous Nation in the world, with vast interests and responsibilities abroad. It will play a leading role in the rehabilitation of countries ruined by the war and in industrialization of backward nations. Expansion of our foreign trade and investments abroad

will stimulate our production, enlarge our domestic market, open new frontiers to the industrial genius of this Nation.

Other favorable factors could be cited, but this list is enough to justify a reasonable and moderate amount

of optimism. It should not suggest, however, that lasting full employment is around the corner, whatever we do or fail to do. It suggests only that this goal is in our reach and that the struggle for durable prosperity can be won.

## Experience-Rating Operations in 1944\*

CONTRIBUTIONS DUE THE unemployment trust fund on 1944 wages were slightly below the amount paid on the preceding year's wages—the first such decrease in the program's history. While taxable pay rolls in employment covered by State unemployment compensation laws continued to rise, the States' experience-rating provisions reduced the average tax rate (combined employer-employee contribution) from 2.18 percent in 1943 to about 1.9 percent in 1944.<sup>1</sup>

Of the total of \$1.2 billion payable for 1944, employer contributions amounted to about \$1.1 billion and employee contributions to \$85 million. Employees were taxed in only four States—Alabama, California, New Jersey, and Rhode Island—at an average rate of 0.9 percent.

Alabama was the only State in which employee rates varied along with employer rates, falling to an average of 0.3 percent from the State's 1.0-percent standard employee rate; in California and New Jersey all employees were taxed at a 1.0-

percent rate despite reductions in employer rates; and in Rhode Island, which has no experience-rating plan, all employees contributed at the required 0.5-percent rate.

1.2 percent. Since Pennsylvania accounted for about 9 percent of the Nation's 1944 taxable wages, this drop affected the national average significantly.

Experience rating was in effect in 42 States during 1944.<sup>2</sup> Employers in these States accounted for about 81

Table 1.—Average employer and employee contribution rates, 1941-44

Year	Average contribution rate (percent)					
	All States			Experience-rating States		
	Combined employer-employee	Employer	Employee <sup>1</sup>	Combined employer-employee	Employer	Employee <sup>1</sup>
1941.....	2.72	2.58	1.0	2.50	2.17	1.0
1942.....	2.32	2.17	1.0	2.04	1.81	1.0
1943 <sup>1</sup> .....	2.18	2.04	.9	1.97	1.77	.9
1944 <sup>1,2</sup> .....	1.9	1.8	.9	1.7	1.6	.9

<sup>1</sup> Average rates for States with employee contributions.

<sup>2</sup> Excludes effects of war-risk contribution provisions.

<sup>3</sup> Preliminary.

For employers, the average rate for the country as a whole is estimated at 1.8 percent, compared with 2.04 percent in 1943. While rate declines were fairly general, the introduction of rate modifications in Pennsylvania and Tennessee contributed considerably to the decrease in the national average. Rate reductions were particularly sharp in Pennsylvania, where the benefit-wage-ratio type of experience-rating plan reduced the average rate from 2.7 to

percent of the country's taxable pay rolls and were taxed at an estimated average rate of 1.6 percent. Their contributions are estimated to have fallen \$569 million or 42 percent below the amount collectible at the

<sup>2</sup> For significant experience-rating provisions of State unemployment compensation laws, see the *Bulletin*, September 1944, pp. 12-13; for discussion of fund protection provisions in State unemployment compensation laws, see this *Bulletin*, pp. 35-38.

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

This article does not take account of the additional revenue collectible on 1944 taxable wages under war-risk contribution provisions, since sufficient data are not available at this time. Ten States (Alabama, Florida, Illinois, Iowa, Maryland, Minnesota, Missouri, Ohio, Oklahoma, Wisconsin) now provide for increased or additional contributions by employers with abnormally increased wartime pay rolls. In addition to war-risk contributions, Wisconsin also requires a contribution of 0.5 percent from all employers for a special "postwar reserve" fund.

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; September 1944, pp. 11-19, 48.

<sup>1</sup> These and following figures, unless otherwise indicated, exclude the effects of the special war-risk provisions and voluntary contributions paid by employers during 1944 in an effort to earn reduced rates for the succeeding year.

Table 2.—Effect of experience rating<sup>1</sup> on employer contributions in States with experience rating, 1941-44

Year	States with experience rating						All States	
	Number	Average employer contribution rate (percent)	Employer contributions (in millions)		Reduction in revenue			Reduction in revenue as percent of contributions at standard rate
			At average rate	At standard rate	Amount (in millions)	As percent of contributions at standard rate		
1941.....	17	2.17	\$220	\$274	\$54	20	5	
1942.....	34	1.81	528	797	269	34	20	
1943 <sup>2</sup> .....	40	1.77	748	1,154	406	35	25	
1944 <sup>3</sup> .....	42	1.6	776	1,345	569	42	35	

<sup>1</sup> Reflects only effect of ordinary experience-rating provisions; does not include effect of special war-risk provisions or of 0.5-percent "postwar reserve" contributions in Wisconsin.

<sup>2</sup> Includes preliminary estimate for Michigan; actual data not available.

<sup>3</sup> Data for 1944 estimated.

standard tax rate.<sup>3</sup> Experience rating will go into operation in Nevada and New York in July 1945 and in Louisiana, the forty-fifth jurisdiction, in October.

About 64 percent of the active employer accounts in the 42 experience-

<sup>3</sup> The standard rate is the rate all new employers must pay until they have acquired sufficient "experience" with the risk of unemployment to be eligible for rate modification under their State laws. It is 2.7 percent in all States except Michigan, where it is 3.0 percent. Rates above the standard were assigned in only 15 of the 42 experience-rating States in 1944.

rating States were eligible for rate modification in 1944, and rates were reduced for 85 percent of all rated accounts. Only 3 percent of all rated accounts had rates above the standard. In the 15 States which assigned rates above the standard, however, 9 percent of all rated accounts received higher than standard rates.

Before an employer is eligible for rate modification, certain requirements of the Federal Unemployment Tax Act must be met. These differ for States with different types of reserve funds. In some States, no em-

ployer can be a rated employer—i. e., eligible for rate modification—unless there is a record, covering at least 3 years, of his "experience" as an employer with the risk of unemployment. In States with another type of fund, an employer's account cannot be rated unless, for example, his individual reserve is at least five times the benefits paid from his account in the last 3 years and also equals 2.5 percent of his taxable pay roll for the last 3 years. In addition, some States make employer accounts ineligible

Table 3.—Percentage distribution of active accounts eligible for rate modification, by employer contribution rate<sup>1</sup> for each type of plan and State, 42 States, 1944

[Based on data reported by State agencies, corrected to Mar. 31, 1945]

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>4</sup>	Rate above standard <sup>4</sup>		
					0.0	0.1-0.9	1.0-1.8	1.9-2.6 <sup>5</sup>	Total		Total	2.75-3.6 <sup>6</sup>	3.7-4.0
Total, 42 States.....	664, 542	7 421, 921	7 63.5	100.0	2.0	26.8	46.7	9.0	84.5	12.2	3.3	3.1	0.2
Reserve-ratio plan.....	295, 375	207, 245	70.2	100.0	3.9	26.6	35.1	11.1	78.7	21.1	2.2	2.1	.1
Arizona.....	4, 228	2, 653	62.8	100.0			44.9	26.6	71.5	22.0	6.5	6.5	
Arkansas.....	18, 143	9, 572	52.8	100.0			51.8	28.0	79.8	20.2			
California.....	50, 616	32, 147	63.5	100.0			32.7	18.1	50.8	49.2			
Colorado.....	3, 820	3, 017	79.0	100.0			55.1	25.5	81.6	13.5	4.9	4.9	
District of Columbia.....	15, 920	10, 684	67.1	100.0			88.7	7	91.6	8.4			
Georgia.....	8, 594	5, 620	65.4	100.0			66.6	19.9	86.5	13.5			
Hawaii.....	5, 628	2, 914	51.8	100.0	34.8	34.1	25.9	3.0	97.8	2.2			
Idaho.....	7, 928	6, 850	86.4	100.0			7.9	39.9	47.8	52.2			
Indiana.....	11, 857	9, 054	79.7	100.0			57.5	25.3	82.8	17.2			
Iowa <sup>7</sup> .....	7, 498	5, 809	77.5	100.0			54.7	28.0	82.7	11.1	6.2	6.2	
Kansas.....	5, 130	3, 548	69.2	100.0			48.0	35.8	83.8	16.2			
Kentucky.....	8, 576	5, 373	62.7	100.0	21.2		55.9		77.1	22.9			
Maine.....	3, 433	2, 878	83.8	100.0			53.4	18.5	71.9	28.1			
Missouri <sup>8</sup> .....	13, 398	8, 859	66.1	100.0	9.2	51.3	24.1		84.6	9.9	5.5	5.5	
Nebraska.....	4, 073	3, 279	80.5	100.0			55.1	14.6	84.4	15.6			
New Hampshire.....	3, 899	3, 014	77.3	100.0			19.6	50.1	76.2	23.8			
New Jersey.....	18, 650	14, 250	76.4	100.0			44.9	30.5	75.4	18.0	6.6	6.6	
New Mexico.....	5, 523	3, 067	55.5	100.0			41.9	30.8	72.7	20.5	6.8	6.8	
North Carolina.....	7, 938	6, 673	84.1	100.0			1.6	23.9	53.0	47.0			
North Dakota.....	1, 452	1, 024	70.5	100.0				57.9	82.8	17.2			
Ohio <sup>8</sup> .....	50, 245	36, 778	73.2	100.0			41.7	44.1	95.9	1.8	2.3	2.3	
Oregon.....	9, 457	6, 829	72.2	100.0				47.6	74.1	25.9	0	0	0
South Carolina.....	4, 318	2, 743	63.5	100.0			49.2	33.9	83.1	13.6	3.3	3.3	
Tennessee.....	7, 165	5, 185	72.4	100.0				14.4	73.3	9.1	17.6	17.6	
West Virginia.....	4, 347	3, 112	71.6	100.0			49.4	34.2	91.3	8.7			
Wisconsin <sup>8</sup> .....	14, 041	12, 313	87.7	100.0	41.6		33.6		75.2	21.5	3.3	1.1	2.2
Benefit-wage-ratio plan.....	285, 581	157, 092	55.0	100.0			28.3	5.1	94.7	2.8	2.5	2.5	0
Alabama <sup>9</sup> .....	6, 753	4, 259	63.1	100.0			78.0	1.5	99.2	.8			
Delaware.....	4, 790	3, 729	77.8	100.0			89.6	7.3	98.6		1.4	1.4	
Illinois <sup>9</sup> .....	39, 717	23, 714	59.7	100.0			42.4	29.5	83.8	16.2	16.2		
Massachusetts.....	71, 632	25, 855	36.1	100.0			60.9	23.6	91.5	8.5			
Oklahoma <sup>9</sup> .....	6, 514	4, 710	72.3	100.0			44.6	36.7	101.1	91.4	8.6		
Pennsylvania.....	129, 491	75, 667	58.4	100.0				95.0	3.1	98.1	1.9		
Texas.....	18, 264	12, 825	70.2	100.0			77.6	18.1	97.8	2.2			
Virginia.....	8, 420	6, 333	75.2	100.0				96.5	1.8	98.3	1.7		
Benefit-ratio plan.....	67, 020	45, 757	68.3	100.0			28.2	46.6	10.5	85.3	2.5	11.0	1.2
Florida <sup>9</sup> .....	7, 483	4, 556	60.9	100.0				79.4	5.1	84.5	15.5		
Maryland <sup>9</sup> .....	12, 836	7 5, 605	43.7	100.0			72.7	16.1	3.6	92.4	7.6		
Michigan <sup>9</sup> .....	18, 047	13, 886	76.9	100.0				87.8	6.7	94.5	5.5	1.6	3.9
Minnesota <sup>9</sup> .....	24, 650	19, 206	77.9	100.0			45.9	14.9	16.3	77.1	22.9	22.9	
Wyoming.....	4, 004	2, 504	62.5	100.0				69.9	12.6	82.5	17.5	17.5	
Combined reserve-ratio and benefit-ratio plan.....	3, 330	2, 689	80.8	100.0	14.0	24.3	31.7	4.6	74.6	25.4			
South Dakota.....	1, 760	1, 511	85.9	100.0	25.0	43.3	3.7	.3	72.3	27.7			
Vermont.....	1, 570	1, 178	75.0	100.0			67.4	10.1	77.5	22.5			
Compensable-separations plan: Connecticut.....	13, 236	9, 138	69.0	100.0				61.1	23.7	84.8	15.2		

<sup>1</sup> Assigned for rate years beginning in 1944, as of computation date of 1944 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 1944 rates.  
<sup>3</sup> Represents all rated and unrated accounts; excludes accounts newly subject subsequent to computation date of 1944 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 assigned 2.8 percent rate in Michigan. See footnote 4.  
<sup>6</sup> Excludes accounts assigned 2.8 percent rate in Michigan. See footnote 4.  
<sup>7</sup> Excludes 3,382 Maryland accounts assigned standard rate under war-risk provisions.  
<sup>8</sup> Data for these States do not include effect of war-risk contribution provisions.  
<sup>9</sup> Excludes 1,980 accounts with insufficient experience to receive rate reduction, although such accounts were rated under provisions of Tennessee law.

for rate modification if there is any delinquency in payment of taxes.

### Experience Rating, 1941-44

Experience rating has been operating in a period when the demands for unlimited war production have raised employment and pay rolls to unprecedented levels. While total collections during 1944 were near the all-time record, the reduction in revenue from experience-rating provisions (exclusive of the special war-risk provisions) was more than 10 times that in 1941, when 17 States modified rates, and more than twice as great as in 1942, when 34 States permitted employer rate reductions (table 2). The percentage reduction in revenue in the States with experience-rating provisions in effect more than doubled between 1941 and 1944; for all 51 States combined, the percentage reduction was 5 percent in 1941 and 35 percent in 1944.

The steady decline in the average employer contribution rate in experience-rating States is attributable primarily to the low volume of benefit payments during the war period. The many new war firms which started in business probably kept the decline from being even sharper. These firms frequently had large pay rolls subject to the standard 2.7-percent contribution rate, since they were not yet eligible for rate modification. On the other hand, some firms with greatly expanded wartime pay rolls paid contributions at rates which had been reduced because of their prewar experience.

In 1941 no experience-rating State had an average rate of less than 1.0 percent, but in 1944 four States (Delaware, the District of Columbia, Massachusetts, and South Dakota) had such averages. In 1941 almost two-thirds of the experience-rating States, but in 1944 only slightly more than one-third, had average rates of 2.0 percent or more. Estimated aver-

ranged from 0.4 percent in the District of Columbia to 2.6 percent in Tennessee.

### Rate Modification by State, 1944

Although almost two-thirds of all active employer accounts in the 42 States were eligible for rate modification for rate years starting in 1944, the proportion ranged from 36 percent in Massachusetts to 88 percent in Wisconsin (table 3).

Much of the variation among the States is the result of differences in industrial composition, in the average size of firm, and in the general provisions of the State laws; to a limited extent, it also is related to the size-of-firm coverage of State laws. All States which rated less than 60 percent of their employer accounts covered the small firms. Arkansas, Hawaii, Massachusetts, and Pennsylvania included firms with one or more employees; New Mexico, firms with two or more; and Maryland, firms with four or more workers. Among the States which rated at least 80 percent of their employer accounts, only Idaho covered firms with as few as one worker. Of the remaining States in this group, Wisconsin limited coverage to firms with at least six employees, while Indiana, Maine, Nebraska, North Carolina, and South Dakota limited coverage to firms of eight or more workers. On the other hand, States with the same size-of-firm provisions had widely differing proportions of rated accounts; for example, Florida and South Dakota both limited coverage to employers of eight or more workers, but only 61 percent of Florida's employers were eligible for rate modification while 86 percent of South Dakota's employers were rated.

The extremely low proportions of accounts eligible for rate modification in Maryland and Massachusetts cannot be attributed to the States' size-of-firm coverage. The Maryland figures are affected by the omission of employers who were subject to the State's special war-risk provision. Under that provision, employers whose pay rolls rose sharply during the war were taxed at the standard 2.7-percent rate; how many of those employers would have been eligible for rate modification in the absence of the war-risk provision unfortunately is not known. The Massachusetts figures are affected by a recent change in its law extending

coverage to small firms. At the beginning of 1943, firms employing one, two, and three workers were made subject to the unemployment compensation law for the first time; none of these newly subject employers has been covered long enough to qualify for rate modification.

Of the accounts eligible for rate modification, 85 percent received reduced rates while only 3 percent had rates above the standard. The proportion obtaining reductions ranged from 48 percent in Idaho to 99 percent in Alabama. In every State except Idaho, more than half the eligible employers received rate reductions; in 33 States, more than 75 percent; and in 13 States, more than 90 percent. In all but 9 States, each succeeding year has seen an increase in the proportion of rated employers with reduced rates.

The proportion of rated accounts to which higher than standard rates were assigned ranged from 1 percent in Delaware to 23 percent in Minnesota. These wide variations are due primarily to State differences in experience-rating provisions and in benefit-payment experience, and to some extent to the uneven impact of the war on the States' economies.

A greater proportion of employers obtained rate reductions under laws of the benefit-wage-ratio type (the "Cliffe plan") than under any other type of experience rating. Ninety-five percent of all employers eligible for reduced rates in the eight States with this type of plan obtained reductions; in each of these States, at least 84 percent received reduced rates, and in five of them, 98 percent or more.

Under the benefit-ratio plan used in five States, 85 percent of all rated accounts received rate reductions and each State assigned rate reductions to more than 77 percent of its rated accounts. Connecticut, which uses a compensable-separations plan, gave reduced rates to 85 percent of all eligible employers.

In the 26 States with reserve-ratio plans, 77 percent of the rated employers obtained reduced rates; in all except 1 of these States, more than half the rated accounts got reduced rates. In 7 of the 25 States, reductions were given to between one-half and three-fourths of the eligible employers and in the other 18 States, to more than three-fourths. Under the combined reserve-ratio and bene-

Average employer contribution rate (percent)	Number of experience-rating States			
	1941	1942	1943	1944
All rates.....	17	34	40	42
Less than 1.0.....	0	1	1	4
1.0-1.4.....	2	1	8	8
1.5-1.9.....	4	18	14	15
2.0-2.4.....	8	12	14	14
2.5 or more.....	3	2	3	1

age State-wide contribution rates in experience-rating States in 1944

fit-ratio plan used in 2 States, 75 percent of the rated employers received reduced rates.

The high proportion of eligible employers receiving reduced rates in States with the benefit-wage-ratio and benefit-ratio types of experience rating demonstrates the relative ease with which employers can qualify for reduced rates under these plans during periods of low benefit payments. Under the benefit-wage-ratio plan the State-wide contributions in any year are designed, roughly, to replenish the State fund for the average annual amount of benefit disbursements during the 3 preceding years. In States using the benefit-ratio type of plan, employer contribution rates are modified in accordance with the employer's ratio of benefit charges to taxable wages for the preceding 3-year pe-

riod. Both plans relate the employer's tax rate directly to benefit payments; in States with benefit-ratio plans, eligible employers have a further advantage during periods of increasing pay rolls, since higher pay rolls would result in lower benefit ratios even if there were no decline in benefit charges.

Declining benefit payments and rising pay rolls have caused a steady decrease in employer contribution rates under both benefit-wage-ratio and benefit-ratio plans. In Alabama, Texas, and Virginia, which have had benefit-wage-ratio plans in effect since 1941, the combined average tax rate dropped about 33 percent between 1941 and 1944; the average rate declined steadily each successive year, from 1.74 percent in 1941 to approximately 1.2 percent in 1944. In

Minnesota, the only State with a benefit-ratio plan in effect since 1941, the average tax rate declined 22 percent, from 2.05 percent in 1941 to an estimated 1.6 percent in 1944. Throughout the period 1941-44, the average employer contribution rate decreased each successive year of the plan's operation in every State with a benefit-wage-ratio or benefit-ratio plan except Minnesota, where there was no significant change between 1943 and 1944.

Under the reserve-ratio type of experience-rating plan, on the other hand, tax rates tend to be less sensitive to changes in business conditions. The greater inherent stability of employer contribution rates under this plan results from the fact that an employer's rate is modified on the basis of the ratio of his reserve-ac-

Table 4.—Percentage distribution of active accounts eligible for rate modification, by employer contribution rate<sup>1</sup> and by industry division and significant major industry group, for rate years beginning in 1944, total 42 States

[Based on data reported by State agencies, corrected to Mar. 31, 1945]

Industrial classification	Total number of active accounts	Active accounts eligible for rate modification													
		Number	Percent of all active accounts	Percentage distribution by employer contribution rate <sup>1</sup>									Stand-ard rate <sup>2</sup>	Rate above standard <sup>2</sup>	
				All rates	Rate below standard <sup>2</sup>					Total	Total	2.75-3.6 <sup>4</sup>		3.7-4.0	
					0.0	0.1-0.9	1.0-1.8	1.9-2.6 <sup>3</sup>	Total						
Total, all industries.....	664,542	421,921	63.5	100.0	2.0	26.8	46.7	9.0	84.5	12.2	3.3	3.1	0.2		
Mining.....	14,163	8,570	60.5	100.0	.7	19.2	42.2	9.9	72.0	19.3	8.7	8.3	.4		
10 Metal mining.....	1,254	680	54.2	100.0	.6	7.8	23.1	14.1	45.6	47.5	6.9	6.2	.7		
12 Bituminous and other soft-coal mining.....	4,180	2,003	47.9	100.0	.2	7.1	42.8	10.1	60.2	19.6	20.2	20.2	( <sup>5</sup> )		
13 Crude-petroleum and natural-gas production.....	5,713	4,022	70.4	100.0	.5	29.2	45.6	8.2	83.5	13.0	3.5	3.2	.3		
Construction.....	53,578	28,199	52.6	100.0	1.6	13.7	34.7	12.0	62.0	25.4	12.6	11.9	.7		
15 Building construction—general contractors.....	13,317	7,483	56.2	100.0	1.6	11.4	31.5	13.0	57.5	30.9	11.6	10.9	.7		
16 General contractors, other than building.....	7,142	3,970	55.6	100.0	.9	9.1	24.0	11.1	45.1	35.1	19.8	17.4	2.4		
17 Construction—special trade contractors.....	33,119	16,746	50.6	100.0	1.7	15.8	38.8	11.7	68.0	20.7	11.3	11.0	.3		
Manufacturing.....	107,304	76,523	71.3	100.0	1.8	24.6	45.6	10.4	82.4	14.0	3.6	3.4	.2		
19 Ordnance and accessories.....	515	376	73.0	100.0	0	24.7	51.6	12.8	89.1	9.0	1.9	1.9	0		
20 Food and kindred products.....	18,947	14,813	78.2	100.0	2.2	27.0	47.1	9.6	85.9	12.3	1.8	1.7	.1		
22 Textile-mill products.....	4,898	3,940	80.4	100.0	.5	15.5	41.5	11.8	69.3	26.2	4.5	4.3	.2		
24 Lumber and timber basic products.....	13,745	7,363	53.6	100.0	1.1	15.8	38.3	16.1	71.3	25.1	3.6	3.3	.3		
26 Paper and allied products.....	2,145	1,801	84.0	100.0	2.4	30.5	51.9	6.6	91.4	7.4	1.2	1.0	.2		
28 Chemicals and allied products.....	5,293	4,111	77.7	100.0	2.1	33.1	47.1	7.6	89.9	8.8	1.3	1.3	0		
31 Leather and leather products.....	2,274	1,708	75.1	100.0	1.8	22.0	42.3	11.7	77.8	19.4	2.8	2.7	.1		
33 Iron and steel and their products.....	7,221	5,642	78.1	100.0	1.5	24.8	54.3	10.4	91.0	6.9	2.1	1.8	.3		
34 Transportation equipment (except automobiles).....	1,570	761	48.5	100.0	.9	17.1	49.0	15.0	82.0	16.0	2.0	1.9	.1		
36 Electrical machinery.....	1,863	1,280	68.7	100.0	.9	24.4	49.6	13.6	88.5	9.0	2.5	2.4	.1		
37 Machinery (except electrical).....	8,703	5,204	59.8	100.0	1.4	27.4	54.8	9.0	92.6	6.6	.8	.8	( <sup>5</sup> )		
38 Automobiles and automobile equipment.....	813	657	80.8	100.0	1.8	15.2	54.7	12.8	84.5	12.6	2.9	1.5	1.4		
Transportation, communication, and other public utilities.....	27,125	17,309	63.8	100.0	1.4	27.7	49.2	9.1	87.4	10.6	2.0	1.9	.1		
Wholesale and retail trade.....	283,703	181,592	64.0	100.0	2.3	28.7	48.3	8.6	87.9	10.1	2.0	1.9	.1		
50 Full-service and limited-function wholesalers.....	35,804	26,012	72.7	100.0	2.7	34.7	47.9	7.0	92.3	6.5	1.2	1.1	.1		
51 Wholesale distributors, other than full-service and limited-function wholesalers.....	33,665	25,476	75.7	100.0	2.7	39.4	43.7	5.7	91.5	7.3	1.2	1.0	.2		
52 Wholesale and retail trade combined, not elsewhere classified.....	15,241	12,291	80.6	100.0	2.7	31.6	50.7	7.0	92.0	6.4	1.6	1.4	.2		
53 Retail general merchandise.....	13,386	9,656	72.1	100.0	2.4	25.2	49.9	10.4	87.9	10.9	1.2	1.2	( <sup>5</sup> )		
Finance, insurance, and real estate.....	51,745	35,320	68.3	100.0	2.8	36.8	47.1	5.6	92.3	6.2	1.5	1.4	.1		
Service.....	121,838	71,842	59.0	100.0	1.6	25.8	48.2	8.9	84.5	12.3	3.2	2.9	.3		
Miscellaneous <sup>6</sup> .....	5,086	2,566	50.5	100.0	1.6	15.9	38.3	11.5	67.3	24.9	7.8	6.7	1.1		

<sup>1</sup> Assigned for rate years beginning in 1944, as of computation date of 1944 rates. Contribution rates are stated as a percent of taxable pay roll.

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

<sup>3</sup> Includes Michigan accounts assigned 2.8 percent rate. See footnote 2.

<sup>4</sup> Excludes Michigan accounts assigned 2.8 percent rate. See footnote 2.

<sup>5</sup> Less than 0.05 percent.

<sup>6</sup> Represents industry division agriculture, forestry, and fishing, and establishments not elsewhere classified.



count balance to his pay roll. In the first place, the employer's reserve account reflects his full cumulative "experience," in contrast to the limited period used to measure "experience" under the benefit-wage-ratio

and benefit-ratio plans. The reserve-ratio plan, unlike the others, minimizes the effect of short-run changes in the volume of benefit payments. Moreover, to the extent that changes in the volume of benefit payments affect employer tax rates, those changes are combined with pay rolls in such a way that their usually opposite trends tend to offset each other.

Table 5.—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 1944, by industry division and selected major industry group, 42 States, as of computation date of 1944 rates—Continued

Industrial classification	Percent of rated accounts with rates below standard rate <sup>3</sup>												
	Ala.	Ark.	Calif.	Conn.	D.C.	Fla.	Ga.	Hawaii	Idaho	Ind.	Kans.	Ky.	Maine
Total, all industries.....	99.2	79.8	50.8	84.8	91.6	84.5	86.5	97.8	47.8	82.8	83.8	77.1	71.9
Mining.....	99.0	59.6	46.4	66.7	-----	82.9	82.0	(*)	30.0	56.9	63.0	55.7	(*)
10.....	(*)	(*)	21.6	(*)	-----	0	(*)	-----	31.0	-----	(*)	(*)	(*)
12.....	98.6	(*)	(*)	(*)	-----	(*)	(*)	-----	(*)	42.6	23.1	49.4	(*)
13.....	(*)	73.3	57.1	-----	-----	73.8	-----	-----	-----	74.4	69.4	74.3	-----
Construction.....	95.0	58.9	36.8	53.9	84.4	73.8	58.0	96.2	22.2	43.0	29.7	56.8	38.7
15.....	93.2	43.9	27.4	48.2	91.8	50.9	53.1	94.6	19.0	34.8	18.2	45.5	41.3
16.....	93.3	39.5	25.5	29.5	90.0	84.2	48.1	(*)	17.3	21.9	12.9	(*)	30.0
17.....	97.0	72.4	43.8	61.9	82.3	83.3	66.7	98.7	26.8	53.3	61.4	62.7	40.2
Manufacturing.....	99.0	73.7	54.4	83.6	96.2	81.5	81.2	97.9	39.7	80.0	83.9	75.3	62.5
19.....	(*)	0	(*)	0	-----	(*)	(*)	-----	(*)	(*)	(*)	(*)	(*)
20.....	99.0	69.6	47.1	91.7	93.8	82.2	87.2	99.2	60.8	87.7	84.2	76.1	55.2
22.....	100.0	(*)	21.3	63.8	-----	(*)	78.9	0	(*)	(*)	(*)	(*)	50.0
24.....	99.7	72.6	36.5	(*)	(*)	85.8	84.5	(*)	12.2	69.5	91.7	49.1	55.0
26.....	(*)	(*)	69.8	82.8	(*)	(*)	(*)	(*)	(*)	90.6	(*)	(*)	89.7
28.....	100.0	45.9	67.5	93.8	(*)	85.7	74.2	(*)	(*)	93.6	91.9	83.0	(*)
31.....	(*)	0	54.1	81.8	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	58.6
33.....	100.0	(*)	73.9	94.5	(*)	(*)	95.0	(*)	(*)	69.2	(*)	70.6	77.8
34.....	(*)	(*)	79.3	84.6	(*)	92.6	(*)	(*)	(*)	(*)	(*)	(*)	(*)
36.....	(*)	(*)	75.6	94.2	(*)	(*)	(*)	(*)	(*)	78.3	(*)	(*)	(*)
37.....	(*)	(*)	79.4	93.2	(*)	(*)	93.8	(*)	(*)	81.7	(*)	75.7	(*)
38.....	(*)	(*)	70.6	(*)	(*)	(*)	(*)	(*)	(*)	54.7	(*)	(*)	(*)
Transportation, communication, and other public utilities.....	99.4	77.6	62.5	92.9	95.5	86.4	87.4	99.1	44.3	85.1	90.6	62.1	83.1
Wholesale and retail trade.....	99.6	81.5	49.7	90.0	92.5	87.0	92.2	98.1	49.4	87.7	90.6	80.8	82.9
50.....	99.0	87.6	69.7	93.6	95.0	95.4	88.7	99.1	57.0	90.7	93.8	87.4	83.1
51.....	99.0	88.8	54.4	96.0	98.0	80.2	94.8	98.1	59.1	93.4	92.2	87.8	86.5
52.....	100.0	83.1	67.7	92.2	92.4	91.2	89.0	100.0	67.7	91.9	94.3	84.8	80.6
53.....	100.0	79.6	43.6	89.8	88.2	87.4	90.0	98.9	55.6	93.0	92.4	78.4	90.9
Finance, insurance, and real estate.....	100.0	91.7	64.2	93.9	93.0	91.9	96.2	98.8	72.3	95.6	95.0	87.4	77.0
Service.....	100.0	80.5	48.7	87.5	90.9	81.3	88.2	96.9	48.5	82.2	87.4	79.1	63.8
Miscellaneous <sup>4</sup> .....	(*)	55.1	41.9	64.2	94.4	87.1	(*)	(*)	38.9	(*)	(*)	(*)	(*)

While there was a downward trend during 1941-44 in the average employer tax rates in the 10 States<sup>4</sup> with reserve-ratio plans in effect throughout those years, the decline was less pronounced than in States with other types of experience-rating plans. Although the combined average tax rate for these 10 States shows a slight decline in each successive year, the average rate for the group decreased only 15 percent, from 2.31 percent in 1941 to approximately 2.0 percent in 1944. In Indiana, Nebraska, and Wisconsin, the averages actually increased from 1942 to 1943. In the latter 2 States, the increases were relatively large and may be attributed in part to the use of the last year's pay roll for most employers as an alternative "reserve percentage divisor."<sup>5</sup>

If there is any sizable unemployment during the postwar years, with resulting declines in pay roll and increases in benefit payments, the average tax rates under the benefit-wage-ratio and benefit-ratio plans will quickly be forced upward. Under similar conditions, average tax rates in the reserve-ratio States, if they rise at all, may be expected to do so moderately and gradually.

While some of the experience-rating plans now in effect may achieve relative stability of rates under

Industrial classification	Md.	Mass.	Nebr.	N. H.	N. C.	N. Dak.	Okla.	Oreg.	Pa.	S. Dak.	Tex.	Vt.	Va.	W. Va.
	Total, all industries.....	92.4	91.5	84.4	76.2	53.0	82.8	91.4	74.1	98.1	72.3	97.8	77.5	98.3
Mining.....	65.2	88.2	(*)	(*)	19.1	(*)	79.5	51.4	96.1	36.7	93.2	(*)	93.8	83.5
10.....	(*)	(*)	-----	-----	(*)	(*)	89.5	(*)	(*)	(*)	(*)	0	(*)	-----
12.....	(*)	(*)	-----	-----	(*)	(*)	29.3	(*)	95.3	(*)	(*)	-----	92.3	82.5
13.....	(*)	(*)	(*)	-----	-----	-----	82.5	0	99.0	(*)	93.1	-----	(*)	86.3
Construction.....	88.9	75.2	30.8	35.1	40.0	14.1	75.8	45.8	92.7	14.9	96.4	22.2	95.6	62.4
15.....	90.8	75.1	18.2	29.6	37.7	(*)	69.6	40.4	93.7	15.4	96.3	20.0	96.9	61.5
16.....	84.0	77.3	18.2	36.4	13.1	6.5	75.8	25.9	93.4	9.5	96.3	(*)	98.0	45.6
17.....	88.8	75.0	52.6	39.0	49.1	(*)	80.3	55.3	92.4	21.2	97.3	(*)	94.3	84.4
Manufacturing.....	90.1	90.8	84.7	71.6	42.0	89.5	92.8	64.7	98.6	77.6	98.0	68.8	98.3	84.9
19.....	(*)	100.0	0	(*)	(*)	(*)	(*)	0	100.0	0	0	(*)	(*)	0
20.....	93.1	94.3	86.1	(*)	59.8	90.9	94.1	78.0	99.3	78.9	98.8	78.3	98.4	95.9
22.....	80.0	96.2	(*)	39.7	24.5	0	(*)	(*)	97.9	(*)	100.0	(*)	97.4	(*)
24.....	98.5	95.0	(*)	71.9	41.7	(*)	90.9	44.2	99.3	(*)	96.1	79.4	99.6	79.8
26.....	92.0	99.1	(*)	96.0	36.7	(*)	(*)	(*)	99.6	(*)	(*)	(*)	97.1	(*)
28.....	100.0	97.5	85.7	(*)	35.2	(*)	87.2	83.3	99.8	(*)	94.3	(*)	100.0	100.0
31.....	(*)	80.2	(*)	43.6	(*)	(*)	(*)	(*)	100.0	(*)	(*)	(*)	(*)	(*)
33.....	92.7	98.4	(*)	(*)	76.0	0	90.5	84.6	99.5	(*)	97.8	(*)	100.0	97.5
34.....	(*)	92.6	(*)	(*)	(*)	-----	(*)	(*)	100.0	-----	(*)	(*)	100.0	(*)
36.....	0	100.0	(*)	(*)	(*)	-----	(*)	(*)	100.0	-----	(*)	(*)	100.0	(*)
37.....	(*)	99.8	(*)	90.9	66.1	(*)	95.9	85.1	99.8	(*)	100.0	70.4	100.0	(*)
38.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	100.0	(*)	(*)	(*)	(*)	(*)
Transportation, communication, and other public utilities.....	92.6	95.4	92.8	89.3	50.4	87.5	92.5	79.1	99.0	77.4	95.9	82.2	100.0	95.6
Wholesale and retail trade.....	93.3	94.2	87.5	85.2	64.2	88.3	95.4	80.8	98.7	75.4	99.1	89.8	98.8	98.2
50.....	88.8	96.5	94.5	89.8	64.6	93.5	96.8	90.9	99.5	84.9	99.0	95.5	95.4	99.6
51.....	96.9	97.2	91.7	87.1	74.5	85.4	97.2	91.4	98.9	64.3	97.9	90.6	100.0	98.3
52.....	95.0	95.4	92.2	93.1	57.6	95.0	97.7	88.8	99.3	87.5	98.9	92.0	100.0	97.8
53.....	93.0	93.1	100.0	88.7	55.3	97.6	97.1	79.2	98.3	84.0	99.0	91.4	100.0	98.0
Finance, insurance, and real estate.....	98.6	95.4	94.5	96.9	75.3	98.8	95.1	91.0	98.3	87.0	98.0	96.9	100.0	98.6
Service.....	90.4	89.9	83.0	69.7	47.1	85.3	93.2	77.0	98.1	79.3	98.2	68.7	98.5	91.1
Miscellaneous <sup>4</sup> .....	97.2	69.2	(*)	(*)	(*)	(*)	58.7	75.0	96.4	(*)	93.9	(*)	86.2	(*)

<sup>1</sup> Contribution rates are stated as a percent of taxable pay roll; effects of war-risk provisions excluded.

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

<sup>3</sup> Based on data which exclude 1,980 employers with insufficient experience to be eligible for rate reduction. These accounts were rated, however, and were assigned either standard or increased rate.

<sup>4</sup> Excludes 3,382 accounts affected by war-risk provisions of State law. No data available on "normal" contribution rates which would have been assigned had war-risk provisions not been in effect.

<sup>5</sup> Not computed; less than 25 rated accounts.

<sup>6</sup> Represents industry division agriculture, forestry, and fishing, and establishments not elsewhere classified.

<sup>4</sup> California, Hawaii, Indiana, Kansas, Kentucky, Nebraska, New Hampshire, Oregon, West Virginia, Wisconsin.

<sup>5</sup> In Nebraska modified rates for 1944 were based on the ratio of an employer's reserve balance at the beginning of 1944, less the highest annual amount of benefits paid during any calendar year from 1941 through 1943, to whichever was the higher of (1) the employer's average annual pay roll for the 3 years or (2) the 1943 annual pay roll. In Wisconsin an employer's reserve percentage was 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. Most other reserve-ratio plans use only the average or the total pay roll of the last 3 or 5 years.

changing economic conditions, none are so constructed as to ensure that tax rates will rise with rising pay rolls and decline with declining pay rolls.

#### *Rate Modification by Industry, 1944*

Because of the considerable variation in the individual State experience-rating plans, geographic location frequently plays a larger part in determining an individual employer's rate than his industrial activity. Nevertheless, employers in certain industries generally have a much better chance than those in others to obtain tax reductions; conversely, employers in some lines of business are much more likely to be taxed at standard rates or above. The general relationships between rate modification and industry may be seen in table 4, which contains data for employers in all experience-rating States.

A higher proportion of employers in manufacturing (71 percent) than in any other industry division was eligible for rate modification in 1944. Among employers determined eligible, however, the highest proportion with rate reductions was in the finance, insurance, and real-estate division (92 percent). Employers in this division also had rates above the standard less frequently than employers in others. Except for the miscellaneous group, construction firms were eligible for rate modification least frequently (53 percent). Even when rated, they received relatively fewer reductions (62 percent) than any other group.

Bituminous and other soft-coal mining firms and general contractors, other than building, fared least well. In the first major industry group slightly less than half, and in the other slightly more than half, of all employers were rated; of those rated, as many as one-fifth got rates above the standard.

In all industry divisions and in all but two of the major industry groups shown, the tax rates most frequently assigned were between 1.0 and 1.8 percent. The exceptions are the major groups of metal mining and general contractors, other than building, in which employers received the standard rate most frequently.

More than one-third of all rated employers in finance, insurance, and real estate and more than one-fourth of all in manufacturing, in transportation, communication, and other public utilities, in trade, and in serv-

ice received rates below 1.0 percent. In every major industry group shown except ordnance and accessories, some employers were excused entirely from State taxation for unemployment compensation purposes. At the same time, some employers in every industry shown had rates above the standard.

Recently New York adopted an experience-rating plan which embodies, among other more important factors, the principle that there is a direct relationship between the age of a firm and the amount of unemployment of its workers. Unfortunately, practically no data are available for testing this relationship. The figures in table 4, however, throw some light on the subject, although they are sharply limited because they reflect the peculiar effects of the wartime economy and because experience-rating indexes are an inadequate measure of the real incidence of unemployment.

That some relationship between firm stability and employment stability does exist is indicated by the experience of the construction division, which had the smallest proportion of employers rated and the smallest proportion with reduced rates (exclusive of the miscellaneous group). At the other extreme, the paper and allied-products industry had the highest proportion of rated accounts (84 percent) and close to the highest proportion of rated accounts with reduced rates (91 percent).

On the other hand, whereas the manufacturing division had the highest proportion of firms with sufficient experience to qualify for rate modification, four other industry divisions had relatively more firms whose experience entitled them to rate reductions. These were the divisions of transportation, communication, and other public utilities; wholesale and retail trade; finance, insurance, and real estate; and service. And in major industry group 34 (manufacture of transportation equipment, except automobiles), for example, less than half the firms were eligible for rate modification, but more than four-fifths of those eligible received reduced rates. An important reason for this difference is the inclusion in this major industry group of many war-created aircraft and shipbuilding firms that have not been in existence long enough to qualify for rate modifications under State laws. In each of the major industry groups 22,

38, and 52 (manufacture of textile-mill products; manufacture of automobiles and automobile equipment; and combined wholesale-retail trade establishments, respectively) about 80 percent of all employers were rated; but in major group 22, only 69 percent of the rated employers received reduced rates, while in group 38 the proportion was 84 percent, and in group 52, 92 percent.

This lack of regularity between proportions of accounts eligible for rate modification and proportions receiving rate reductions indicates that the relationship between firm stability and employment stability is, at best, relatively weak.

#### *Rate Modification by State and Industry, 1944*

The data on rate modifications by State and industry (table 5) reflect the pervasive effect of the war on the Nation's economy. Elimination of all but an almost negligible amount of unemployment during the war has enabled employers in all industries and areas to build up favorable experience-rating records. In State after State and industry after industry, higher proportions of rated accounts than ever before received reduced rates in 1944.

Despite this general trend, however, basic differences among industries and State laws are still reflected in the data. As in prior years, the finance, insurance, and real-estate industry division led all others in the proportion of rated accounts allowed lower tax rates in the great majority of States.<sup>9</sup> This division had the highest proportion of rate reductions in 30 of the 42 experience-rating States; it was tied for highest in 3 States; in 5 States it had the second highest proportion; in 3 States, the third highest; and in 2 States, the fourth highest.

Employers engaged in wholesale and retail trade generally had the second best chance of getting reduced rates. In 2 States they had the best chance; in 21, the second best; and in 13, third best. The construction industry fared least favorably in 30 States; it was tied for last place in 1 State, and it was next to last in 10 States and second from last in one. In 11 States where construction employers did not have the smallest pro-

<sup>9</sup> Miscellaneous industry division not considered in rankings in this and following paragraph.

portion of rate reductions, mining firms did.

Differences among State laws, rather than in employment conditions, underlie the extreme variations within the same industry divisions as we move across State lines. In mining, 99 percent of Alabama's rated employers but only 19 percent of North Carolina's received reduced rates; in construction, 96 percent of Texas' rated employers but merely 14 percent of North Dakota's were entitled to below-standard rates; in manufacturing, the range was from almost 100 percent for Delaware to 40 percent for Idaho; in transportation, communication, and other public utilities, from 100 percent for Virginia to 44 percent for Idaho; in trade, from almost 100 percent for Alabama to 50 percent for Idaho; in finance, insurance, and real estate, from 100 percent in Alabama and Virginia to 64 percent in California; and in service, from 100 percent in Alabama to 47 percent in North Carolina.

Alabama, Delaware, Pennsylvania, and Virginia—with the highest proportions of rated employers assigned reduced rates—are all benefit-wage-ratio States. Arizona, California, Idaho, Maine, and North Carolina—with the lowest proportions—are all reserve-ratio States. This factor, plus the specific provisions of the ex-

perience-rating plans in these States, accounts for the different treatment accorded employers whose actual experience with the risk of unemployment probably differs relatively little.

Only 15 States assigned rates above the standard during 1944. The proportion of rated employers subject to penalty rates was generally small in those States—reaching a maximum of 23 percent in Minnesota and exceeding 10 percent in only 3 others—Illinois, Tennessee, and Wyoming. In some industry divisions, however, relatively large numbers of employers received above-standard rates. Seventy-seven percent of Minnesota's and 58 percent of Illinois' rated construction firms and 64 percent of Illinois' and 54 percent of Iowa's rated mining firms got penalty rates. Penalty rates were even more frequent in some major industry groups. In Illinois, 82 percent of the rated firms engaged in bituminous and other soft-coal mining, and in Minnesota 84 percent of the rated general contractors in building construction and 90 percent of the rated general contractors in other construction had to pay taxes at above-standard rates.

**Rate Modification by Size of Pay Roll, 1944**

Twenty-one States submitted data

for 1944 indicating the effects of experience-rating on firms of different sizes. Eighty-two percent of all rated accounts in these States received reduced rates, and only 3.2 percent had rates above 2.7 percent (table 6). For the 21 States combined, the proportion of accounts with reduced rates was greater among the large firms than among the small ones. Rate reductions went to 78 percent of all rated accounts with average annual pay rolls of less than \$5,000, to 84 percent of those with annual pay rolls between \$10,000 and \$20,000, and to almost 90 percent of those with pay rolls of \$1 million or more. This general pattern was repeated in about half the 21 States.

The data show an inverse relationship between the proportion of rated accounts with rates above 2.7 percent and the size of the average annual pay roll. The proportion with penalty rates decreased as size of firm increased; 7 percent of the rated accounts with average pay rolls of less than \$5,000, but only 0.6 percent of those in the \$1 million class, received rates above 2.7 percent.

Only 1.4 percent of all rated employers in Delaware received rates above 2.7 percent, and 98.6 percent of all such employers received tax reductions. At least 98 percent of the rated Delaware employers in every size class received reductions, and all

Table 6.—Percent of rated experience-rating accounts assigned employer contribution rates below and above 2.7 percent,<sup>1</sup> for rate years beginning in 1944, by average annual pay roll, 21 States,<sup>2</sup> as of computation date of 1944 rates

[Based on data reported by State agencies, corrected to Mar. 31, 1945]

State	Percent of rated accounts with rates below and above 2.7 percent by average annual pay roll															
	All rated accounts		Less than \$5,000		\$5,000-9,999		\$10,000-19,999		\$20,000-49,999		\$50,000-99,999		\$100,000-999,999		\$1,000,000 or more	
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
Total, 21 States.....	81.6	3.2	77.6	6.9	78.9	2.6	83.5	1.9	85.3	1.6	85.7	1.5	85.6	1.2	89.5	0.6
Arizona.....	71.5	6.5	65.0	9.5	72.2	4.5	77.7	1.1	81.3	3.4	83.3	1.5	74.4	3.4	88.9	0
Colorado.....	81.7	4.9	80.6	8.9	81.3	3.1	81.5	3.2	84.2	4.7	87.4	3.5	70.7	7.6	81.8	0
Delaware.....	98.6	1.4	98.0	2.0	99.6	.4	99.8	.2	99.6	.4	100.0	0	100.0	0	100.0	0
Michigan <sup>1</sup> .....	93.5	6.5	88.9	11.1	90.0	10.0	92.3	7.7	95.1	4.9	95.0	5.0	95.9	4.1	97.7	2.3
Minnesota <sup>3</sup> .....	77.1	22.9	73.5	26.5	77.2	22.8	82.3	17.7	84.0	16.0	85.0	15.0	90.6	9.4	95.7	4.3
Ohio.....	95.9	2.3	91.9	4.8	96.0	2.0	97.3	1.5	98.0	1.1	98.4	1.0	98.3	.9	99.1	0
Wisconsin.....	75.2	3.3	72.1	4.4	77.7	3.0	81.3	1.8	81.7	2.3	79.1	1.7	77.0	1.7	72.0	1.8
Wyoming.....	82.5	17.5	80.0	20.0	84.8	15.2	88.4	11.6	87.9	12.1	85.2	14.8	91.1	8.9	100.0	0
Arkansas.....	79.8	.....	78.0	.....	81.8	.....	86.4	.....	84.7	.....	83.0	.....	77.4	.....	92.9	.....
California.....	50.8	.....	35.1	.....	42.8	.....	53.4	.....	57.4	.....	61.0	.....	65.6	.....	79.9	.....
District of Columbia.....	91.6	.....	87.8	.....	94.5	.....	97.0	.....	98.2	.....	98.8	.....	98.8	.....	100.0	.....
Georgia.....	86.5	.....	81.8	.....	83.5	.....	89.2	.....	89.3	.....	85.1	.....	83.3	.....	89.3	.....
Indiana.....	82.8	.....	80.6	.....	79.9	.....	84.2	.....	84.9	.....	83.5	.....	80.3	.....	73.4	.....
Maryland <sup>4</sup> .....	92.4	.....	87.9	.....	91.6	.....	95.2	.....	95.4	.....	95.6	.....	94.8	.....	0	.....
Massachusetts.....	91.5	.....	79.3	.....	92.8	.....	95.7	.....	96.1	.....	96.7	.....	96.3	.....	98.4	.....
New Hampshire.....	76.2	.....	68.0	.....	79.5	.....	84.4	.....	83.9	.....	85.5	.....	69.3	.....	73.1	.....
North Carolina.....	53.0	.....	44.7	.....	45.9	.....	56.5	.....	61.3	.....	56.9	.....	44.4	.....	45.6	.....
Oregon.....	74.1	.....	66.6	.....	73.8	.....	76.1	.....	80.0	.....	75.1	.....	70.7	.....	84.6	.....
Texas.....	97.8	.....	94.9	.....	98.3	.....	99.1	.....	99.1	.....	99.3	.....	99.5	.....	99.2	.....
Vermont.....	77.5	.....	73.3	.....	66.9	.....	80.4	.....	79.4	.....	81.4	.....	84.7	.....	72.7	.....
West Virginia.....	91.3	.....	85.1	.....	89.7	.....	94.2	.....	92.9	.....	89.9	.....	89.1	.....	97.7	.....

<sup>1</sup> Standard rate in all States except Michigan, where it is 3.0 percent.

<sup>2</sup> Data available for only 21 States since reporting of average annual pay roll of experience-rating accounts is on voluntary basis for duration of the war.

<sup>3</sup> Based on 1942 pay roll.

<sup>4</sup> Excludes 3,382 accounts assigned war-risk rate of 2.7 percent; no data available as to distribution.



Table 7.—Effect of war-risk provisions on employer contribution rates and revenue, by State, 1943

[Based on data reported by State agencies, corrected to Mar. 31, 1945]

State	Effective date of war-risk contribution provisions	Average employer contribution rate (percent)		Reduction in revenue under normal experience-rating provisions		Additional revenue from war-risk contributions <sup>2</sup>		Net reduction in revenue	
		Excluding war-risk contributions <sup>1</sup>	Including war-risk contributions	Amount (in thousands)	Per cent	Amount (in thousands)	Per cent	Amount (in thousands)	Per cent
Total, 9 States <sup>3</sup>		1.59	1.87	\$122,053	41	\$31,281	18	\$90,772	30
Alabama	Apr. 1943	1.25	1.42	9,475	54	1,116	14	8,359	47
Florida	July 1943	2.24	2.33	2,632	17	523	4	2,109	14
Illinois	July 1943	1.36	1.53	57,695	50	7,142	12	50,553	43
Iowa	July 1943	1.92	2.20	3,786	29	1,385	15	2,401	18
Maryland	July 1943	2.01	2.49	7,799	26	5,487	24	2,312	8
Minnesota	Jan. 1943	1.56	2.29	9,296	42	5,961	47	3,335	15
Missouri	July 1943	1.57	1.68	14,241	42	1,400	7	12,841	38
Oklahoma	Jan. 1943	1.58	1.80	5,400	41	1,052	14	4,348	33
Wisconsin	July 1943	1.79	2.53	11,729	34	7,215	31	4,514	13

<sup>1</sup> Average employer contribution rate excluding war-risk contributions represents actual ratio of employer contributions to taxable wages (in percent) reported by State agency and adjusted to exclude estimated additional contributions from war-risk provisions.

<sup>2</sup> Estimated increase in revenue over amount col-

lectible on 1943 taxable wages in absence of war-risk contribution provisions.

<sup>3</sup> War-risk provision became effective in tenth State (Ohio), January 1944.

<sup>4</sup> Includes effect of special "postwar reserve" contribution of 0.5 percent.

rated employers in the State with average annual pay rolls of \$50,000 or more received reduced rates.

Although the data indicate that no rated employers in the \$1 million class received rate reduction in Maryland, this is attributable to the fact that the Maryland data exclude 3,382 accounts to which a war-risk rate of 2.7 percent was assigned. It is likely that a large proportion of these employers had average annual pay rolls of \$1 million or more and would have

been entitled to a reduced rate but for the State's war-risk provisions.

#### War-Risk Contributions in 1943<sup>7</sup>

During 1943, 10 States, recognizing that increased wartime pay rolls foreshadowed greater future benefit liabilities and that tax rates were being reduced just when it was easiest for employers to absorb higher rates,

<sup>7</sup> For discussion of war-risk contribution provisions, see the *Bulletin*, May 1944, pp. 2-8.

adopted special war-risk provisions. New employers and those whose pay rolls had increased sharply over pre-war levels were taxed at higher rates under these provisions than they would have been under the normal experience-rating provisions. Although data on the effects of the war-risk provisions are not yet available for 1944, estimates for 1943 may serve to give some indication of the probable effect in 1944.

The war-risk provisions raised an estimated \$31.3 million additional revenue on 1943 wages in the nine States in which the provisions were in effect at some time during 1943 (table 7). The estimated relative increase in revenue resulting from these provisions ranged from 4 percent in Florida to 47 percent in Minnesota; for the nine war-risk States combined, the revenue was 18 percent more than the amount which would have been collected in the absence of the war-risk provisions. The combined average employer contribution rate for the nine States under the "normal" experience-rating provisions (excluding war-risk contributions) was an estimated 1.59 percent; the corresponding figure including war-risk contributions was 1.87 percent. For the country as a whole, the additional revenues collected under the war-risk provisions raised the average employer contribution rate in 1943 from 2.04 to 2.09 percent.

## Tripartite Hearings on Benefit Determinations

By James G. Bryant\*

THE CALIFORNIA unemployment compensation law permits (sec. 67) reconsideration of an initial determination on benefit rights before an appeal is taken to the referee, the first appeal authority. The Chief of the Division of Public Employment Offices and Benefit Payments (more commonly known as the Benefits Division) has recently instituted a new procedure for handling this readjustment process by means of tripartite committee hearings on benefit determinations before the appeals process begins. While this procedure is still in a de-

\*Chairman, California Employment Stabilization Commission.

velopmental stage, the agency believes that the preliminary results of its operation are encouraging, that wider use of tripartite hearings committees will result in considerable reduction in the volume of appeals, and that appeals from the tripartite hearings committee can be taken directly to the highest appeals authority. The use of these tripartite hearings committees should serve to acquaint interested employers and labor groups in the community with problems with which the agency deals daily, which will become even more difficult as the country switches from a war to a peacetime economy.

The Chief of the Benefits Division, who is responsible for the payment of benefits under the California Unemployment Insurance Act, asked local labor organizations and trade and business organizations to submit names of individuals who would be willing to assist the Department of Employment in reviewing disputed determinations at the local office level. As a result, panels composed of an equal number of representatives of labor and management have been established in several California cities. Hearing committees (consisting of either three or five members) will be selected equally from the labor panel and the management panel. The third or fifth member of the committee will be a representative of the Department and the committee will be known as the Tripartite Hearing Committee.

In each city where labor and man-