

Experience-Rating Operations in 1941*

DURING 1941, experience-rating provisions were operative under 17 of the 38 State unemployment compensation laws which provide for modification of employers' contribution rates on the basis of their experience with the risk of unemployment. Modified rates had been in effect in only 4 of these States in the preceding year; during 1942, experience rating will be in operation in 34 States.

Probably the most important result of experience rating in 1941 was the substantial decline in collections. It is estimated that employer collections based on 1941 wages were reduced by \$58.1 million, or 23 percent of the amount which would have been obtained under a uniform 2.7-percent contribution rate; for the country as a whole, the loss approximated 6 percent. In the 17 States where experience-rating provisions were operative, the State-wide average contribution rate varied from 1.3 to 2.6 percent. Reduced rates were assigned to 55 percent of all employers eligible for rate modification, and contribution rates above 2.7 percent,¹ to 13 percent. In 1939 these 17 States reported average monthly employment of 5.5 million, 26 percent of the total for the United States.

The experience-rating provisions in effect produced very different results in terms of the distribution of reduced and increased rates among employers. Even among States with the same type of experience-rating plan, variations of more than 500 percent in the proportion of employers with reduced rates are accounted for, in part, by differences in the date when an employer had to begin paying contributions in order to qualify for a rate reduction in 1941. Differences in rate schedules among these States accounted for variations of as much as 1.5 percent in the contribution rates assigned to employers with identical benefit experience.

Since the statistics on which this analysis is based do not indicate the employment practices of individual employers, the data do not reveal

whether efforts to stabilize employment affected contribution rates or not. Contrary evidence is offered by the fact that a far larger proportion of all employers in the industries normally characterized by stable employment obtained rate reductions than in industries which customarily have irregular or seasonal employment. No clear-cut relationship between contribution rates and size of firm (in terms of average annual pay roll) was found, although data available indicated that in some States rate reductions are more often obtained by employers in the high pay-roll groups.

Accounts Eligible for Rate Modification

Of the 184,000 active experience-rating accounts² in the 17 States, approximately 61,100 or 33 percent received reduced rates; 14,800 or 8 percent, rates in excess of 2.7 percent; the remaining 108,000 were assigned the 2.7-percent rate. As indicated by the following tabulation, almost 73,000 accounts were ineligible for rate modification under the experience-rating provisions of their State laws, because the employers had less than the required period of experience with the risk of unemployment, which is usually measured in terms of the number of years during which benefits paid to their former workers could be charged against their accounts; consequently, they retained the 2.7-percent contribution rate. Fifty-five percent of the accounts eligible for rate modification received reduced rates and 13 percent, rates in excess of 2.7 percent.

| Accounts | Total | | Contribution rate-- | | | | | |
|-----------------------|---------|---------|---------------------|---------|-------------|---------|-------------------|---------|
| | Number | Percent | Below 2.7 percent | | 2.7 percent | | Above 2.7 percent | |
| | | | Number | Percent | Number | Percent | Number | Percent |
| Total..... | 184,118 | 100.0 | 61,060 | 33.2 | 108,243 | 59.8 | 14,815 | 8.0 |
| Rated accounts.. | 111,132 | 100.0 | 61,060 | 55.0 | 35,257 | 31.7 | 14,815 | 13.3 |
| Unrated accounts..... | 72,986 | 100.0 | | | 72,986 | 100.0 | | |

The proportion of accounts eligible for rate modification ranged from 28 percent in California to as high as 90 percent in South Dakota. Sixty

² The terms "experience-rating account" and "employer" are used interchangeably in this discussion.

*Prepared in the Reports and Analysis Division, Bureau of Employment Security. A preliminary study of experience rating in 8 States appeared in the Bulletin for October 1941, pp. 25-28.

¹ The laws of only 5 States provided for assignment of rates in excess of 2.7 percent during 1941; approximately 27 percent of the employers in these 5 States received increased rates.

| State | Percent eligible for rate modification | State | Percent eligible for rate modification |
|------------------|----------------------------------------|--------------------|----------------------------------------|
| 17 States..... | 69 | Nebraska..... | 89 |
| Alabama..... | 59 | New Hampshire..... | 79 |
| California..... | 28 | Oregon..... | 65 |
| Connecticut..... | 68 | South Dakota..... | 90 |
| Hawaii..... | 68 | Texas..... | 64 |
| Indiana..... | 84 | Vermont..... | 62 |
| Kansas..... | 75 | Virginia..... | 60 |
| Kentucky..... | 85 | West Virginia..... | 72 |
| Minnesota..... | 73 | Wisconsin..... | 81 |

percent of all active experience-rating accounts were eligible for rate modification. Although the reasons for the difference in the proportion of eligible accounts varied from State to State, the principal cause may be found in the length of the period during which benefits and contributions had been payable before contribution rates were first modified (chart 1). Under most State laws, the prerequisite of 3 years' experience with unemployment risk required, in practice, that an employer's account be chargeable with benefits for 3 years before he could qualify for rate modification. In States where benefit payments were initiated in January 1938, an employer, to be eligible for rate modification, must have been subject to the State law early in 1937,² since otherwise no worker could have earned wages with him upon which the worker could have drawn benefits at the beginning of 1938. California employers of four to seven workers were not subject to the law until 1937 and were, therefore, ineligible for rate modification in January 1941 because of the prerequisite of 5 years of contribution experience. In Wisconsin, Nebraska, and other States⁴ which required that employers have only 1 year of compensation experience, relatively more employers were able to qualify for rate modification.

Many employers, especially in the trade and service industries, remain in business for less than 3 years; thus, on any given date, a large number of employers in any State have been subject to the law for only 1 or 2 years. The relatively high mortality rate of small firms indicates that the proportion of newly subject firms will be high in States which cover employers of less than eight workers. Thus, in the States which covered

² However, under statutory provisions for charging benefits to the worker's most recent employer, as in New Hampshire, an employer who became subject to the law late in 1937 would have been eligible for rate modification in 1941.

⁴ Indiana, Kentucky, South Dakota, and Vermont.

Table 1.—Number of rated experience-rating accounts and percent with reduced and increased rates, by type of experience-rating plan, 17 States, 1941

| State | All accounts | Rated accounts | | |
|-----------------------------------|--------------|----------------|----------------------------|------------------------------|
| | | Total | Percent with reduced rates | Percent with increased rates |
| Total..... | 184, 118 | 111, 132 | 54.9 | (¹) |
| Cliffe plan..... | 30, 035 | 19, 205 | 83.0 | ----- |
| Alabama..... | 5, 334 | 3, 165 | 79.4 | ----- |
| Texas..... | 16, 871 | 10, 868 | 80.7 | 19.3 |
| Virginia..... | 7, 830 | 5, 182 | 90.0 | ----- |
| Compensable-separations plan..... | 10, 973 | 7, 472 | 83.3 | ----- |
| Connecticut..... | 10, 973 | 7, 472 | 83.3 | ----- |
| Reserve-ratio plan..... | 110, 868 | 60, 787 | 41.2 | ----- |
| California..... | 50, 372 | 14, 136 | 28.0 | ----- |
| Hawaii..... | 4, 789 | 3, 248 | 70.3 | ----- |
| Indiana..... | 10, 028 | 8, 912 | 36.6 | ----- |
| Kansas..... | 4, 871 | 3, 410 | 49.1 | ----- |
| Kentucky..... | 7, 780 | 6, 594 | 16.4 | 18.5 |
| Nebraska..... | 3, 847 | 3, 188 | 51.8 | ----- |
| New Hampshire..... | 3, 010 | 2, 734 | 46.6 | ----- |
| Oregon..... | 9, 301 | 6, 031 | 33.7 | 35.4 |
| West Virginia..... | 4, 070 | 2, 915 | 53.8 | ----- |
| Wisconsin..... | 11, 895 | 9, 641 | 65.1 | 8.9 |
| Other ² | 32, 242 | 23, 068 | 66.0 | ----- |
| Minnesota..... | 28, 826 | 21, 049 | 60.6 | 40.4 |
| South Dakota..... | 1, 810 | 1, 637 | 36.3 | ----- |
| Vermont..... | 1, 597 | 982 | 34.8 | ----- |

¹ Includes 34 Kentucky accounts with rates not determined.

² Percent of accounts with increased rates amounted to 13.3 percent for all 17 States and 27.3 percent for 5 States providing for such rates.

³ In 1941, eligibility for rate modification in South Dakota and Vermont determined in accordance with reserve-ratio requirements, but rates modified according to ratio of benefits to pay roll.

employers of eight or more workers, 71 percent of the accounts were eligible for rate modification as compared to 55 percent in States with more inclusive coverage.

Variations in Employers' Rates

Differences in experience-rating formulas, in benefit provisions, in actual benefit-payment experience, and in the dates when benefit payments began account for the variations between States in the number of employers obtaining reduced and increased rates during 1941. The proportion of rated accounts with reduced rates varied from 16 percent in Kentucky to 90 percent in Virginia (table 1).

There was a marked difference between the proportion of employers with rate reductions under the laws of the reserve-ratio type⁵ and those under laws of the Cliffe⁶ and compensable separations⁷

⁵ California, Hawaii, Indiana, Kansas, Kentucky, Nebraska, New Hampshire, Oregon, West Virginia, and Wisconsin. In South Dakota and Vermont, eligibility for rate modification was determined in accordance with reserve-ratio requirements, but rates were modified according to the ratio of benefits to pay roll. In these two States, the objective of the rating plan was to replenish employers' reserves for average annual benefit expenditures.

⁶ Alabama, Texas, and Virginia. Although the Minnesota law closely resembles laws of the Cliffe-plan type, it is not exactly comparable, and therefore is omitted from the following comparison.

⁷ Connecticut.

types. While 41 percent of all employers eligible for rate modification under laws of the reserve-ratio type obtained reduced rates, nearly 85 percent obtained rate reductions in the four other States. This difference in experience may be traced to two reasons. While the reserve-ratio type laws are not designed to produce a given State-wide yield, the laws of the Cliffe-plan type are intended to replenish the State fund for the average annual amount of benefits disbursed during the 3 preceding years. Since 1938-40 benefit disbursements in these three States averaged 1.4 percent of average annual pay rolls, the relatively small yield required under the formula permitted the assignment of reduced rates to most employers. The Connecticut law contains no provision for rates in excess of 2.7

percent and is designed to produce an average State-wide yield of 2.1 percent of pay rolls. As a result, a majority of all the employers who were eligible for rate modification obtained reduced rates.

In addition, the Cliffe and compensable-separation plans take account of the employer's experience during only the 3 preceding years, while most reserve-ratio type laws take account of all cumulative benefit and contribution experience. Although an employer had to have at least 3 years of contribution and benefit experience in order to be eligible for rate modification under laws of the reserve-ratio type, he needed several additional years of contribution experience if his account had been charged with a substantial amount of benefits. As indicated by table 2, an employer would have had to pay contributions

Chart 1.—Significant experience-rating provisions of unemployment compensation laws, 17 States, 1941¹

| State | Effective date | Type of fund | Re-quired years of experience with unemployment risk | Index of experience with unemployment risk | Employer charged for compensable unemployment | Method of rate computation | Contribution rates | |
|------------------|-------------------|---------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------|
| | | | | | | | Minimum | Maximum |
| Alabama..... | April 1941..... | Pooled..... | 3 | Benefit wages for past 3 years divided by pay roll for same period. | All base-period employers in proportion to wages. | Benefit-wage ratio correlated with State experience factor. | 0.5..... | 2.7 |
| California..... | January 1941..... | Pooled..... | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 years. | All base-period employers in proportion to wages. | Schedule of reserve ratios. | 1.0..... | 2.7 |
| Connecticut..... | April 1941..... | Pooled..... | 3 | Wages for last 3 calendar years divided by sum of weekly benefit amounts of benefit recipients. | Employer who employed claimant in 4 of 8 weeks preceding compensable period. | Schedule of compensable-separation ratio classes each containing an equal amount of pay roll and dependent upon the condition of the fund. | 1.5..... | 2.7 |
| Hawaii..... | Apr. 1, 1941..... | Pooled..... | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 years. ¹ | All base-period employers in proportion to wages. | Schedule of reserve ratios. | 0..... | 2.7 |
| Indiana..... | January 1940..... | Combined employer-reserve and pooled. | 4 | $\frac{1}{6}$ of 1936-38 contributions and all other past contributions over 0.135 percent of annual pay roll minus all past benefits, divided by pay roll for preceding year. | Base-period employers in inverse order. | Schedule of reserve ratios. | 0.135..... | 2.7 |
| Kansas..... | January 1941..... | Pooled..... | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 years. ¹ | All base-period employers in proportion to wages. | Schedule of reserve ratios. | 0.9..... | 2.7 |
| Kentucky..... | January 1941..... | Employer-reserve..... | 4 | All past contributions minus all past benefits divided by pay roll for preceding year. | All base-period employers in proportion to wages. | Schedule of reserve ratios. | 0..... | 3.7 |
| Minnesota..... | January 1941..... | Pooled..... | 3 | Benefit wages for past 3 years divided by pay roll for same period. | All base-period employers in proportion to wages. | Schedule of benefit-wage ratio classes each containing an equal amount of pay roll. | 0.5..... | 3.25 |
| Nebraska..... | January 1940..... | Employer-reserve..... | 1 | All past contributions minus all past benefits divided by pay roll for preceding year. ² | Base-period employers in inverse order. | Schedule of modified reserve ratios. ³ | Not specified. ⁷ | 2.7 |

See footnotes at end of table.

for at least 4 years in order to qualify for a reduced contribution rate in some States, assuming that no benefits had been charged to his account; consequently, a longer period of contribution experience would be necessary in order to offset whatever benefits had been charged to his account.

In Hawaii, Minnesota, Nebraska, West Virginia, and Wisconsin, more than 50 percent of the rated employers were assigned rates below 2.7 percent (table 1). The relatively small proportion of Kentucky employers with reduced rates (10 percent) was due primarily to the State's experience-rating formula, which required employers to have an unusually high reserve ratio to qualify for rate reductions.

Comparison of the experience-rating provisions of the 10 laws of the reserve-ratio type indicates

that differences in the number of employers with reduced rates and in the distribution of such rates are due, in part, to the date when employers first became liable for contributions and to differences in the rate schedules.⁸ Among these States, the dates when employers would have had to begin paying contributions in order to qualify for reduced rates varied by as much as 2 years; this difference accounts, in part, for the fact that the percentage of all subject employers who obtained reduced rates varied from 8 to 53 percent (table 2). In addition, contribution rates varying from 0.45

⁸ The discussion immediately following is restricted to plans of the reserve-ratio type which took account of cumulative benefit and contribution experience. In Alabama, Connecticut, Minnesota, Texas, Virginia, and Vermont, assignment of contribution rates was based on experience during the 3 preceding years only. In South Dakota, rates were modified on the basis of experience during the 2 preceding years.

Chart 1.—Significant experience-rating provisions of unemployment compensation laws, 17 States, 1941¹—Con.

| State | Effective date | Type of fund | Re-quired years of experience with unemployment risk | Index of experience with unemployment risk | Employer charged for compensable unemployment | Method of rate computation | Contribution rates | |
|---------------|----------------|---------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------|-------------------|
| | | | | | | | Minimum | Maximum |
| New Hampshire | January 1941 | Pooled | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 or 6 years, whichever is greater. | Most recent employer. | Schedule of reserve ratios. | ¹⁰ 0.5 | 2 |
| Oregon | July 1941 | Pooled | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 years. | Base-period employers in inverse order. ⁹ | Schedule of reserve ratios. | 1.0 | ¹⁰ 4.0 |
| South Dakota | January 1940 | Employer-reserve | ⁶ 2 | Benefits for preceding 2 years divided by pay roll for preceding year. ¹¹ | Base-period employers in inverse order. | Schedule of benefit ratios. ¹² | Not specified. ¹³ | 2.7 |
| Texas | January 1941 | Pooled | 3 | Benefit wages for past 3 years divided by pay roll for same period. | All base-period employers in proportion to wages. | Schedule of benefit-wage ratios correlated with State experience factor. | 0.5 | 4.0 |
| Vermont | January 1941 | Combined employer-reserve and pooled. | ⁶ 3 | Benefits for preceding 3 years divided by pay roll for same period. ⁸ | Base-period employers in inverse order. | Schedule of benefit ratios. ⁹ | ¹¹ 0.54 | 2.7 |
| Virginia | January 1941 | Pooled | 3 | Benefit wages for past 3 years divided by pay roll for same period. | All base-period employers in proportion to wages. | Schedule of benefit-wage ratios correlated with State experience factor. ¹¹ | ¹⁰ 0.7 | 2.7 |
| West Virginia | January 1941 | Pooled | 3 | All past contributions minus all past benefits divided by average annual pay roll for past 3 years. | All base-period employers in proportion to wages. | Schedule of reserve ratios. | 0.9 | 2.7 |
| Wisconsin | January 1938 | Employer-reserve | 1 | All past contributions minus all past benefits divided by pay roll for preceding year or average for past 3 years, whichever is higher. | Most recent employers in inverse order. | Schedule of reserve ratios. | 0 | 4.0 |

¹ Applicable to 1941 contribution rates.
² To be eligible for a reduced rate for the first 6 months of 1941, an employer was also required to have had 5 years of contribution experience.

³ Since benefit-payment experience was available only for 1939 and 1940, experience with separations during 1938 constituted the third year of experience with the risk of unemployment.

⁴ 3 years of contribution experience also required.

⁵ Maximum rate of 2.7 percent applicable in 1941.

⁶ Established by agency rule.

⁷ Minimum rate of 0.5 percent in 1941 established by agency rule.

⁸ No lower rate than 1.0 percent in effect in 1941.

⁹ Regulation 14-01, adopted Apr. 24, 1941.

¹⁰ Rates in excess of 2.7 percent not applicable during October-December 1941.

¹¹ Zero minimum based upon reserve ratio established by agency rule.

¹² Minimum rate of 1.5 percent for 1941 established by agency rule.

¹³ Minimum rate of 1.0 percent applicable in 1941.

¹⁴ All employers with pay roll below \$10,000 in each of 3 preceding years treated as single employer.

Table 2.—Contribution rates that would have been assigned if employer had qualified for rate reduction,¹ and percent of active accounts to which rates below 2.7 percent were assigned in 1941, 10 States with reserve-ratio plans

| State ² | Year employer must have begun paying contributions, to qualify for reduced rate in 1941 ³ | Contribution rate which would be assigned if employer qualified for rate reduction ⁴ | Percent of active accounts to which rates below 2.7 percent were assigned in 1941 |
|--------------------|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| California..... | 1936 | 1.5 | 8 |
| Hawaii..... | 1937 | .45 | 48 |
| Indiana..... | 1937 | 1.7 | 31 |
| Kansas..... | 1937 | 1.8 | 37 |
| Kentucky..... | 1936 | 1.8 | 14 |
| Nebraska..... | 1938 | .5 | 46 |
| New Hampshire..... | 1937 | 2.0 | 32 |
| Oregon..... | 1937 | 2.0 | 22 |
| West Virginia..... | 1937 | 1.8 | 30 |
| Wisconsin..... | 1938 | 1.0 | 53 |

¹ Statutory provisions governing eligibility for rate modification are stated in terms of years during which benefits could have been charged to an employer's account, but they have been converted to contribution liability, to make the data more comparable.

² South Dakota and Vermont excluded because 1941 rates assigned on basis of benefit-ratio formula provided by agency rule.

³ It is assumed that the employer's account has not been charged with benefits and that his pay roll has been uniform throughout the period under consideration.

to 2.0 percent would have been assigned to employers with identical benefit experience under experience-rating plans of different State laws. Thus, a New Hampshire employer who first became liable for contributions in 1937 would have qualified for the 2.0-percent rate in 1941 if no benefits had been charged to his account, assuming that his pay rolls had remained uniform from year to year; a Hawaii employer with similar experience could have obtained a rate of 0.45 percent. Moreover, a Kentucky employer had to be liable for contributions in 1936 in order to obtain any rate reduction and would have qualified only for the 1.8-percent rate, but Wisconsin and Nebraska employers could have obtained rates of 1.0 and 0.5 percent, respectively, even if they had first become liable for contributions during 1938. It follows that employers in the two latter States who had been subject to the law since 1936 obtained very low rates even though some benefits had been charged to their accounts.

Contribution rates in most States tended to be concentrated at the minimum or maximum, rather than distributed evenly over the entire rate schedule.⁹ Approximately half of rated Virginia employers and more than one-fourth of those in Connecticut, Minnesota, Nebraska, Texas, and Vermont obtained the minimum rate in 1941.

⁹ See the Bulletin, October 1941, p. 25.

Reserve-ratio requirements coupled with brief contribution experience may account for the concentration of employers at the maximum in some States. Under the Indiana law, for example, an employer could obtain a reduced rate only if he had become liable for contributions in 1937 and had been charged with only a small amount of benefits in the succeeding years,¹⁰ had experienced a substantial reduction in pay roll in 1940, or had made a voluntary contribution. Because they failed to meet these or similar requirements, 72 percent of all rated California employers, more than 60 percent of Indiana, South Dakota, and Vermont employers, and between 46 and 54 percent of those in Kansas, New Hampshire, and West Virginia were assigned the maximum rate in 1941 (table 3).

In Minnesota and Nebraska, 34 and 45 percent of the rated employers, respectively, obtained the minimum rate and approximately the same proportion received the maximum rate. Minnesota employers are arrayed according to their beneficiary-wage ratios and assigned rates based on a division of the array into 13 pay-roll groups. Employers with pay rolls of less than \$5,000 constituted more than 40 percent of the State total and were responsible for the bi-modal distribution, for they were almost equally divided into the minimum and maximum rate classes. Provisions peculiar to the Nebraska plan for rating employers resulted in a clustering of employers at the minimum and maximum in 1941.

In 8 of the 11 States which permit employers' contribution rates of less than 1.0 percent, more than one-fifth of the rated employers were assigned

¹⁰ The reserve account of an Indiana employer whose taxable pay roll had remained uniform since 1937 would have been credited with about 8.0 percent of his annual pay roll at the close of 1940, provided that no benefits had been charged to his account, and he would have qualified for a reduced rate in that he met the 7.5-percent reserve-ratio requirement. If benefits charged to his account during 1938-40 were more than half the amount of his annual contribution during any one of these years, he would have had a reserve balance of less than 7.5 percent and would have been ineligible for a rate reduction.

| Year | Contributions paid (percent of annual pay roll) | Contributions credited to employer's account (percent of annual pay roll) |
|------------|-------------------------------------------------|---------------------------------------------------------------------------|
| Total..... | 0.9 | 8.880 |
| 1937..... | 1.8 | 1.500 |
| 1938..... | 2.7 | 2.250 |
| 1939..... | 2.7 | 2.665 |
| 1940..... | 2.7 | 2.665 |

such rates in 1941; approximately one-half of the Nebraska accounts and three-fifths of those in Hawaii obtained rates below 1.0 percent.

Voluntary contributions¹¹ were of significance in the assignment of modified rates in 1941 in at least 2 of the 6 States in which such payments were made. In Indiana, 997, or almost one-third of the 3,266 employers who obtained reduced rates, made voluntary payments. Only 570 employers had qualified for rate reductions prior to making these payments and obtained even lower rates as a result. Of the 1,108 Kentucky employers obtaining rates lower than 2.7 percent, 162 or 15 percent had made voluntary payments. Only 48 of this group would have received reduced rates had voluntary contributions not been permitted. Forty-four additional employers made such payments but did not qualify for rate reductions.

Wisconsin and Nebraska experience, 1939-41.— Examination of the experience of Wisconsin and Nebraska employers with modified rates during 1939-41 and 1940-41, respectively, may throw some light on the future operation of experience-rating provisions in the States where modified rates first took effect in 1941. The fact that the relative number of employers obtaining reduced rates in these two States increased markedly during the second year of experience-rating operations, along with the generally low level of benefit

¹¹ Voluntary contributions are designed to maintain a high reserve ratio by offsetting the drain of benefit payments upon individual accounts. Rate reductions resulting therefrom obviously do not measure experience with the risk of unemployment.

Table 4.—Distribution of Nebraska and Wisconsin rated accounts with given contribution rates, 1939-41

| Contribution rate | Nebraska | | Wisconsin | | |
|--------------------|----------|-------|-----------|-------|-------|
| | 1940 | 1941 | 1939 | 1940 | 1941 |
| Number, total..... | 3,533 | 3,158 | 7,113 | 8,121 | 9,641 |
| Percent, total.... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Below 2.7..... | 31.4 | 51.8 | 39.7 | 60.5 | 65.1 |
| 0.0..... | | | 5.5 | 11.1 | 23.9 |
| 0.5..... | | 45.1 | | | |
| 1.0..... | 27.1 | 3.0 | 34.2 | 40.4 | 41.2 |
| 2.7..... | 68.6 | 48.2 | 61.1 | 32.0 | 28.0 |
| Above 2.7..... | | | 9.2 | 7.5 | 8.9 |
| 3.2..... | | | 9.2 | 4.7 | 5.2 |
| 3.7..... | | | | 2.8 | 2.3 |
| 4.0..... | | | | | 1.4 |

¹ Includes 143 accounts with contribution rates between 1.5 and 2.5 percent, inclusive, in 1940, and 87 in 1941.

expenditures during 1941, would indicate that the general level of contribution rates will decline during 1942. While 40 percent of Wisconsin employers obtained reduced rates in 1939, the proportion rose to 61 percent in 1940 and 65 percent in 1941 (table 4). In Nebraska, 31 percent obtained reduced rates in 1940 and 52 percent in 1941.

Changes in the distribution of contribution rates assigned Wisconsin accounts in 1939, 1940, and 1941 may be made clearer by an examination of the distribution of rates among the 6,971 accounts eligible for rate modification during each of the 3 years (table 5). Of 3,682 accounts with the 2.7 rate in 1939, only 36 percent had the same rate in 1940 and only 23 percent in 1941, while 58 percent obtained reduced rates in 1940 and 70

Table 3.—Percentage distribution of rated experience-rating accounts by 1941 contribution rate, 17 States

| State | Rated accounts | 1941 contribution rate (percent of taxable pay roll) | | | | | | | | | |
|-------------------------------------|----------------|------------------------------------------------------|--------|-----------|---------|---------|-----------------|--------|-----------------|----------|---------|
| | | Total | 0.0 | 0.135-0.9 | 1.0-1.8 | 1.9-2.0 | Total below 2.7 | 2.7 | Total above 2.7 | 2.75-3.0 | 3.7-4.0 |
| Total number of rated accounts..... | 1,111,088 | | | | | | | | | | |
| Percent, total..... | 100.0 | 2,007 | 18,085 | 24,805 | 15,203 | 61,060 | 35,223 | 14,815 | 10,787 | 4,018 | |
| | | 2.6 | 16.3 | 22.3 | 13.8 | 55.0 | 31.7 | 13.3 | 9.7 | 3.6 | |
| Alabama..... | 3,165 | 100.0 | | 21.7 | 30.1 | 18.0 | 79.4 | 20.6 | | | |
| California..... | 14,135 | 100.0 | | | 5.8 | 22.2 | 28.0 | 72.0 | | | |
| Connecticut..... | 7,472 | 100.0 | | | 40.2 | 48.1 | 88.3 | 11.7 | | | |
| Hawaii..... | 3,248 | 100.0 | 11.4 | 46.7 | 0.7 | 2.5 | 70.3 | 20.7 | | | |
| Indiana..... | 8,012 | 100.0 | | 20.8 | 15.0 | | 36.7 | 63.3 | | | |
| Kansas..... | 3,410 | 100.0 | | 11.7 | 37.4 | | 40.1 | 59.9 | | | |
| Kentucky..... | 16,590 | 100.0 | 1.9 | | 14.5 | | 16.4 | 83.6 | | 18.0 | |
| Kentucky..... | 21,049 | 100.0 | | 38.7 | 12.1 | 8.8 | 69.0 | 31.0 | 40.4 | | |
| Minnesota..... | 3,158 | 100.0 | | 45.1 | 0.3 | | 61.8 | 38.2 | | | |
| Nebraska..... | | | | | | | | | | | |
| New Hampshire..... | 2,734 | 100.0 | | | 0.5 | 40.0 | 40.5 | 59.5 | | | |
| Oregon..... | 6,031 | 100.0 | | | 11.5 | 22.2 | 33.7 | 66.3 | 35.4 | 18.6 | |
| South Dakota..... | 1,637 | 100.0 | 0.7 | 20.6 | 7.7 | 1.3 | 36.3 | 63.7 | | | |
| Texas..... | 10,858 | 100.0 | | 20.7 | 34.7 | 16.4 | 80.8 | 19.2 | 7.0 | 11.6 | |
| Vermont..... | 982 | 100.0 | | | 32.3 | 2.5 | 34.8 | 65.2 | | | |
| Virginia..... | 5,182 | 100.0 | | | 56.5 | 33.5 | 90.0 | 10.0 | | | |
| West Virginia..... | 2,915 | 100.0 | | 17.5 | 36.3 | | 63.8 | 36.2 | | | |
| Wisconsin..... | 9,641 | 100.0 | 23.9 | | 41.2 | | 65.1 | 34.9 | 8.0 | 3.7 | |

¹ Excludes 34 Kentucky accounts with rates not determined.

² Rates above 2.7 percent effective only during July-September 1941.

percent in 1941. On the other hand, only about 6 percent of these accounts were assigned increased rates in 1940 and 1941.

In contrast, of the 2,691 accounts with reduced rates in 1939, 87 percent obtained reduced rates both in 1940 and 1941, while about 11 percent were assigned the 2.7-percent rate in these years; only about 2 percent had rates above 2.7 percent. While employers with reduced rates tended to retain such rates, more than half of those with increased rates in 1939 shifted into the 2.7-percent rate bracket in subsequent years. This change may be attributed, in part, to the low level of benefit expenditures during 1939 and 1940, as well as to the operation of the formula for rate assignment; these factors tended to move an increasingly large number of employers each year out of the 2.7-percent rate group into reduced rate classes, as cumulative contributions exceeded the amount of benefits charged to their accounts by an increasingly large amount.

The same tendency for employers with the 2.7-percent rate in 1940 to obtain reduced rates in 1941 and for employers with reduced rates to retain such rates is also evident in the experience of 2,716 Nebraska employers eligible for rate modification both in 1940 and 1941 (table 6). The proportion of such accounts with reduced rates increased from 36 percent in 1940 to 57 percent in 1941. Of the 1,749 accounts paying contributions at the 2.7 rate in 1940, 43 percent obtained rate reductions in 1941. On the other hand, almost 80 percent of the accounts which were subject to the minimum rate in 1940 continued to be at the minimum in 1941; many of the remaining employers who had rate reductions in 1940 had even lower rates in 1941. Of 1,159 employers with the 2.7 rate in 1941, 86 percent had been paying contributions at this rate in 1940; 46 per-

Table 6.—1941 contribution rates of Nebraska employers with given 1940 rates¹

| 1941 contribution rate | Rated accounts | 1940 contribution rate (percent) | | | | |
|--------------------------------------|----------------|----------------------------------|-------|-------|-------|-------|
| | | 2.7 | 2.5 | 2.0 | 1.5 | 1.0 |
| Number | | | | | | |
| Total..... | 2,716 | 1,749 | 20 | 30 | 75 | 836 |
| 2.7..... | 1,159 | 696 | 12 | 12 | 12 | 127 |
| 2.5..... | 0 | 0 | 0 | 0 | 0 | 0 |
| 2.0..... | 13 | 9 | 1 | 0 | 2 | 1 |
| 1.5..... | 70 | 57 | 0 | 0 | 3 | 10 |
| 1.0..... | 119 | 66 | 0 | 3 | 11 | 39 |
| 0.6..... | 1,355 | 621 | 7 | 21 | 47 | 659 |
| Percentage distribution by 1941 rate | | | | | | |
| Total..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2.7..... | 42.6 | 59.9 | 60.0 | 33.3 | 16.0 | 15.2 |
| 2.5..... | 0 | 0 | 0 | 0 | 0 | 0 |
| 2.0..... | .5 | .5 | 5.0 | 0 | 2.7 | .1 |
| 1.5..... | 2.6 | 3.3 | 0 | 0 | 4.0 | 1.2 |
| 1.0..... | 4.4 | 3.8 | 0 | 8.3 | 14.7 | 4.7 |
| 0.6..... | 49.9 | 35.5 | 35.0 | 58.4 | 62.6 | 78.8 |
| Percentage distribution by 1940 rate | | | | | | |
| Total..... | 100.0 | 64.4 | 0.7 | 1.3 | 2.8 | 30.8 |
| 2.7..... | 100.0 | 86.0 | 1.0 | 1.0 | 1.0 | 11.0 |
| 2.5..... | 100.0 | 69.2 | 7.7 | 0 | 15.4 | 7.7 |
| 2.0..... | 100.0 | 81.4 | 0 | 0 | 4.3 | 14.3 |
| 1.5..... | 100.0 | 55.5 | 0 | 2.5 | 0.2 | 32.8 |
| 1.0..... | 100.0 | 45.8 | .5 | 1.6 | 3.5 | 48.6 |

¹ Excludes all accounts from which benefits were not payable for entire calendar years 1939 and 1940.

cent of the 1,355 employers with the 0.5-percent minimum rate in 1941 had been subject to the 2.7 rate in 1940.

Rates in excess of 2.7 percent.—The laws of 5¹² of the 17 States provided for the assignment of contribution rates in excess of 2.7 percent to employers who had adverse employment experience. As was the case with rate reductions, the proportion of employers receiving increased rates varied considerably from State to State—from 9

¹² Kentucky, Minnesota, Oregon, Texas, and Wisconsin. In Indiana, the 3.7-percent maximum rate does not become applicable until 1943.

Table 5.—Number and percent of Wisconsin experience-rating accounts assigned given 1940 and 1941 contribution rates, by 1939 contribution rates

| Contribution rate | Accounts with rates below 2.7 percent in 1939 | | | | Accounts with 2.7-percent rate in 1939 | | | | Accounts with 3.2-percent rate in 1939 | | | |
|-------------------|-----------------------------------------------|---------|--------|---------|----------------------------------------|---------|--------|---------|----------------------------------------|---------|--------|---------|
| | 1940 | | 1941 | | 1940 | | 1941 | | 1940 | | 1941 | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Total..... | 2,691 | 100.0 | 2,691 | 100.0 | 3,682 | 100.0 | 3,682 | 100.0 | 598 | 100.0 | 598 | 100.0 |
| Below 2.7..... | 2,353 | 87.4 | 2,339 | 86.9 | 2,110 | 58.1 | 2,597 | 70.5 | 10 | 1.7 | 10 | 1.7 |
| 2.7..... | 293 | 10.9 | 281 | 10.5 | 1,322 | 35.9 | 843 | 22.9 | 309 | 51.7 | 337 | 56.3 |
| Above 2.7..... | 45 | 1.7 | 71 | 2.6 | 220 | 6.0 | 241 | 6.6 | 289 | 48.3 | 251 | 42.0 |

percent in Wisconsin to 40 percent in Minnesota. These variations may be attributed to the type of rate structure and the nature of industrial activity in each State. For example, the relatively high proportion of Minnesota accounts with rates higher than 2.7 percent resulted from the requirement that the same amount of pay roll as taxed at less than 2.0 percent be taxed at higher rates. The influence of the nature of State industrial activity upon the proportion of accounts with increased rates may be indicated by the fact that in Oregon almost 20 percent of all employers were engaged in the highly seasonal construction and lumber industries and approximately 72 percent of them received rates above 2.7 percent (table 9).

In Wisconsin the number of accounts with rate increases remained fairly constant during the 3-year period 1939-41. Almost half the accounts with increased rates in 1939 retained these rates in the 2 succeeding years, and the remainder moved into the 2.7 bracket.¹³ Approximately 40 percent of the accounts paying contributions at increased rates in 1940 and 1941 had been subject to the 2.7 rate in 1939.

Effect of Modified Rates Upon Yield

It is estimated that the operation of experience rating in 1941 reduced the yield from employer contributions in the 17 States under consideration by \$58.1 million or 23 percent (table 7); for the country as a whole the loss approximated 6 percent. In Hawaii, Nebraska, South Dakota, Texas, Virginia, and Wisconsin, the reduction exceeded 40 percent. In addition, modification of employee contribution rates in Alabama reduced the yield by \$1.1 million.¹⁴ Although 1941 collections understate the effect of these rate reductions, because a portion of them consisted of contributions at the higher 1940 rates, it is interesting to observe that 1941 benefit expenditures were less than half of 1941 collections in all States except California, Minnesota, and Nebraska; in the latter States, benefit payments were less than two-thirds of collections.

Assuming that the distribution of 1941 pay roll by employer contribution rates was the same as in 1940, it was estimated that the collections based on 1941 wages were reduced to less than 2.0

¹³ Ten of the 508 accounts subject to increased rates in 1939 obtained rate reductions in 1941.

¹⁴ Kentucky also modified employee contribution rates, but the resulting loss in revenue was insignificant.

Table 7.—Estimated effect of experience rating on employer contributions, 17 States,¹ 1941, as of May 1, 1942

[Amounts in thousands]

| State | Estimated 1941 taxable wages | Average contribution rate | Estimated contributions at rate of 2.7 | Estimated contributions at average contribution rate | Loss in revenue | |
|-------------------------------|------------------------------|---------------------------|----------------------------------------|------------------------------------------------------|-----------------|---------|
| | | | | | Amount | Percent |
| Total..... | \$9,482,300 | 2.1 | \$256,022 | \$197,957 | \$58,065 | 23 |
| Alabama ² | 370,000 | 2.0 | 10,152 | 7,520 | 2,632 | 26 |
| California ¹ | 2,510,000 | 2.4 | 67,770 | 60,240 | 7,530 | 11 |
| Connecticut..... | 883,000 | 2.2 | 23,841 | 19,426 | 4,415 | 19 |
| Hawaii..... | 105,000 | 1.4 | 2,835 | 1,470 | 1,365 | 48 |
| Indiana..... | 1,100,000 | 2.2 | 29,700 | 24,200 | 5,500 | 19 |
| Kansas..... | 213,000 | 2.0 | 5,751 | 4,200 | 1,491 | 26 |
| Kentucky ¹ | 355,000 | 2.0 | 6,685 | 9,230 | 355 | 4 |
| Minnesota..... | 512,000 | 2.1 | 13,824 | 10,752 | 3,072 | 22 |
| Nebraska..... | 131,000 | 1.3 | 3,637 | 1,703 | 1,934 | 52 |
| New Hampshire..... | 139,000 | 2.5 | 3,753 | 3,475 | 278 | 7 |
| Oregon..... | 320,000 | 2.6 | 8,502 | 8,476 | 26 | 4 |
| South Dakota..... | 41,000 | 1.6 | 1,123 | 686 | 437 | 41 |
| Texas..... | 924,000 | 1.5 | 24,945 | 13,890 | 11,055 | 44 |
| Vermont..... | 69,700 | 2.4 | 1,882 | 1,673 | 209 | 11 |
| Virginia..... | 510,000 | 1.6 | 14,013 | 8,304 | 5,709 | 41 |
| West Virginia..... | 481,000 | 2.4 | 12,987 | 11,544 | 1,443 | 11 |
| Wisconsin..... | 797,000 | 1.4 | 21,519 | 11,158 | 10,361 | 48 |

¹ Estimated average contribution rates based on distribution of 1940 taxable wages by contribution rates assigned in 1941. Modified rates effective Jan. 1 in all States but Alabama, Connecticut, and Hawaii (Apr. 1), and Oregon (July 1).

² Alabama, California, and Kentucky laws provide for employee contributions at normal rate of 1 percent. In Alabama, where average employee rate was 0.7 percent, yield was reduced by an additional \$1.1 million. Kentucky also modified employee rates, but the resulting loss in revenue was insignificant.

percent of pay rolls in Hawaii, Nebraska, South Dakota, Texas, Virginia, and Wisconsin; to 2.0-2.2 percent in Alabama, Connecticut, Indiana, Kansas, and Minnesota; and to 2.4-2.6 percent in California, Kentucky, New Hampshire, Oregon, Vermont, and West Virginia.

The 1940 pay rolls of employers with contribution rates below 1 percent amounted to approximately \$770 million and represented about one-fifth of the total taxable pay roll in the 11 States where such rates were effective and one-tenth of the 17-State total (table 8). In contrast, about \$317 million in pay roll was taxed at rates above 2.7 percent. The latter sum represented 4.2 percent of the pay roll for all 17 States, and 13 percent for the 5 States whose laws provided for rates above 2.7 percent.

The proportion of pay roll subject to these rates varied considerably among States. Pay roll subject to contribution rates of less than 1.0 percent ranged from 0.5 percent of the total in Kentucky to 60 percent in Hawaii; pay roll taxed at increased rates varied from 5.5 percent of the total in Wisconsin to 27 percent in Minnesota. About one-fourth of Wisconsin pay roll was tax

exempt during 1941, and an additional two-fifths was taxed at the 1-percent rate. One-third of the total pay roll of Texas employers was taxed at contribution rates below 1 percent and less than one-tenth at rates above 2.7 percent.

Analysis of Rates by Industry

The proportion of accounts in given industries with reduced rates varies considerably among States because of differences in rate schedules, the number of years in which experience-rating provisions have been effective, and employment patterns. A greater proportion of the employers in the industries normally characterized by stable employment—finance and trade—obtained rate reductions than in any other industry; reduced rates were least common among employers in the irregular and seasonal industries—mining and construction (table 9).

In the five States which assigned contribution rates above 2.7 percent, there were wide variations among industries within a State as well as between States. The fact that increased rates were assigned to nearly 50 percent of Oregon manufacturers, compared to 6.7 percent in Wisconsin, may be explained in terms of the irregular operations of the lumber industry, which accounted for about

two-fifths of the Oregon manufacturers. In Wisconsin, on the other hand, lumber manufacturers represented only 6 percent of all manufacturing employers.

Mining.—The proportion of mining employers with reduced rates in 1941 varied from 6.5 percent in Kentucky to 61 percent in Texas.¹⁶ In the 17 States, rate reductions among mining employers averaged 33 percent, compared with an average of 55 percent for all industries. The relatively small proportion of rate reductions in mining may be explained, in part, by the industry's high ratio of benefits to contributions. In 1940, for example, benefit payments for all industries equaled 61 cents for each \$1 of contributions, while the mining industry paid 91 cents for each \$1 of contributions.

Between 37 and 61 percent of the mining employers in Cliffe-plan States obtained rate reductions. If these States and Connecticut are omitted from consideration because the operation of their laws, as previously explained, resulted in the assignment of an unusually high proportion of reductions for all employers, 18 percent of the mining employers eligible for rate modification in

¹⁶ In Connecticut 74 percent of the mining employers obtained rate reductions, but the industry employed a relatively insignificant proportion of the State's covered workers.

Table 8.—Estimated average 1941 contribution rate and distribution of 1940 pay roll at specified 1941 contribution rates, 17 States

[Amounts in thousands]

| State | Estimated average 1941 contribution rate | 1940 pay roll for all experience-rating accounts | | Distribution of 1940 pay roll at specified 1941 contribution rate | | | | | | | | | | | | |
|--------------------------------|------------------------------------------|--------------------------------------------------|----------|-------------------------------------------------------------------|-------------------------|----------|-------------|-------------------|-----------------|-------------------|------------------------|----------|------------------|-----------------|--------------------------|------|
| | | | | Below 2.7 percent | | | | 2.7 percent | | Above 2.7 percent | | | | | | |
| | | | | Amount | Percentage distribution | | 0.0 percent | 0.135-0.9 percent | 1.0-1.8 percent | 1.9-2.6 percent | Total at reduced rates | | 2.7 percent | | Total at increased rates | |
| By State | By rate | Amount | Per cent | | Amount | Per cent | | | | | Amount | Per cent | 2.75-3.6 percent | 3.7-4.6 percent | | |
| Total..... | | \$7,519,226 | 100.0 | 100.0 | 2.3 | 7.0 | 21.7 | 18.2 | \$3,770,005 | 50.1 | \$3,431,897 | 45.7 | \$317,201 | 4.2 | 2.7 | 1.6 |
| Alabama ¹ | 2.0 | 267,967 | 3.6 | 100.0 | | 11.3 | 29.3 | 33.0 | 197,300 | 73.6 | 70,001 | 20.4 | | | | |
| California..... | 2.4 | 2,016,336 | 26.8 | 100.0 | | | 1.0 | 25.5 | 534,783 | 20.5 | 1,480,553 | 73.5 | | | | |
| Connecticut ² | 2.2 | 740,229 | 10.0 | 100.0 | | | 28.2 | 68.5 | 640,238 | 86.7 | 99,991 | 13.3 | | | | |
| Hawaii ² | 1.4 | 60,565 | .9 | 100.0 | 24.2 | 35.5 | 12.4 | 2.4 | 51,807 | 74.5 | 17,758 | 25.5 | | | | |
| Indiana..... | 2.2 | 814,737 | 10.8 | 100.0 | | 14.5 | 15.8 | | 246,989 | 30.3 | 567,748 | 69.7 | | | | |
| Kansas..... | 2.0 | 169,477 | 2.3 | 100.0 | | 11.4 | 53.4 | | 109,741 | 64.8 | 60,736 | 35.2 | | | | |
| Kentucky..... | 2.6 | 277,072 | 3.7 | 100.0 | .6 | | 17.0 | | 48,525 | 17.5 | 198,985 | 71.8 | 29,469 | 10.7 | | 10.7 |
| Minnesota..... | 2.1 | 454,771 | 6.0 | 100.0 | | 13.5 | 26.9 | 20.7 | 278,027 | 61.1 | 65,885 | 12.3 | 120,859 | 26.0 | 26.0 | |
| Nebraska..... | 1.3 | 117,965 | 1.6 | 100.0 | | 52.2 | 13.7 | .6 | 78,365 | 66.5 | 30,540 | 33.5 | | | | |
| New Hampshire..... | 2.5 | 108,215 | 1.4 | 100.0 | | | 3.5 | 37.2 | 44,060 | 40.7 | 64,149 | 59.3 | | | | |
| Oregon ³ | 2.0 | 246,941 | 3.3 | 100.0 | | | 4.1 | 28.5 | 80,392 | 32.0 | 166,549 | 68.0 | 60,704 | 24.6 | 13.6 | 11.0 |
| South Dakota..... | 1.6 | 38,926 | .5 | 100.0 | 1.7 | 35.4 | 18.0 | 1.0 | 22,310 | 57.3 | 16,616 | 42.7 | | | | |
| Texas..... | 1.5 | 777,912 | 10.3 | 100.0 | | 32.3 | 35.3 | 10.4 | 606,501 | 78.0 | 100,469 | 12.9 | 70,942 | 9.1 | 4.2 | 4.0 |
| Vermont..... | 2.4 | 50,410 | .8 | 100.0 | | | 21.0 | 2.8 | 13,707 | 24.4 | 42,643 | 75.6 | | | | |
| Virginia..... | 1.6 | 364,227 | 4.8 | 100.0 | | | 61.4 | 9.6 | 209,463 | 74.0 | 64,764 | 20.0 | | | | |
| West Virginia..... | 2.4 | 345,851 | 4.6 | 100.0 | | 4.5 | 20.5 | | 117,560 | 31.0 | 228,292 | 66.0 | | | | |
| Wisconsin..... | 1.4 | 644,685 | 8.6 | 100.0 | 24.2 | | 41.1 | | 421,160 | 65.3 | 188,302 | 29.2 | 35,107 | 5.5 | 2.2 | 3.3 |

¹ Includes \$63,000 pay roll for accounts with rate not determined.

² Modified rates effective Apr. 1, 1941.

³ Modified rates effective July 1, 1941. Rates above 2.7 percent effective only during 3d quarter of 1941.

⁴ Based on average annual pay roll.

the remaining States obtained rates below 2.7 percent. In Indiana, Kentucky, and Oregon, reduced rates were assigned to less than 10 percent of the employers engaged in mining. In Indiana, employers in mining had benefit charges of \$1.34 for each \$1 of contributions in 1940, as compared with 43 cents for all employers in the State (table 10). Again omitting the Cliffe-plan States and Connecticut, the proportion of mining employers with reduced rates was less than half of the average for all industries in every State except California,¹⁶ Kansas, and South Dakota (table 9).

In the five States where contribution rates above 2.7 percent were effective, such rates were assigned to between 30 and 73 percent of mining employers. In Kentucky, Texas, and Wisconsin, the relative number of mining employers with increased rates was more than twice the average for all industries.

¹⁶ The relatively favorable experience of mining employers in California is largely due to the fact that the principal activity classified in that industry division, petroleum production, is characterized by relatively stable employment.

Construction.—In 14 States, construction employers obtained relatively fewer rate reductions than employers in any other industry division;¹⁷ this difference is attributable to the unstable character of the industry. During 1940, \$1.55 in benefits was charged to employers in construction for each \$1 of contributions, as compared with 61 cents per \$1 for all industries. While more than 50 percent of the rated construction accounts in Connecticut, Hawaii, and Virginia obtained rates below 2.7 percent, less than 10 percent in 9 other States¹⁸ received rate reductions; more than 95 percent of the Indiana employers in this industry and all of those in Vermont continued to pay contributions at the 2.7-percent rate. Only in Hawaii, where the defense program occasioned accelerated construction activity, did the proportion of construction employers with reduced rates approximate that of the average for all industries.

¹⁷ In Oregon the same proportion of mining and construction accounts received reduced rates.

¹⁸ California, Indiana, Kansas, Kentucky, Nebraska, New Hampshire, Oregon, South Dakota, and Vermont.

Table 9.—Percent of rated experience-rating accounts with 1941 contribution rates below and above 2.7 percent,¹ by industry division, 17 States

| Industry division | Percent of accounts with rates below and above 2.7 percent | | | | | | | | | | | | |
|-------------------------------------------------------------------|------------------------------------------------------------|-------|------------------|-----------------|------------------|------------------|------------------|------------------|-----------------------|-------|-----------|-------|------------------|
| | Total ² | | Ala- bama | Cal- ifornia | Con- necticut | Hawaii | Indiana | Kansas | Kentucky ³ | | Minnesota | | Ne- braska |
| | Below | Above | Below | Below | Below | Below | Below | Below | Below | Above | Below | Above | Below |
| Total..... | 55.0 | 13.3 | 70.4 | 28.0 | 88.3 | 70.3 | 36.6 | 40.1 | 10.4 | 18.6 | 59.0 | 40.4 | 51.8 |
| Mining..... | 33.4 | 22.1 | 37.4 | 19.4 | 74.1 | (⁴) | 8.2 | 28.2 | 0.5 | 50.0 | 26.8 | 73.2 | (⁴) |
| Construction..... | 23.1 | 34.0 | 47.4 | 0.4 | 60.2 | 35.4 | 3.5 | 5.5 | 0.0 | 49.1 | 11.4 | 88.6 | 6.5 |
| Manufacturing..... | 49.7 | 11.1 | 07.0 | 22.3 | 83.5 | 75.8 | 33.3 | 57.7 | 20.7 | 13.9 | 54.1 | 45.0 | 50.1 |
| Transportation, communication, and other public utilities..... | 54.8 | 11.8 | 82.1 | 32.9 | 92.9 | 07.3 | 32.2 | 49.8 | 11.2 | 10.5 | 57.0 | 43.0 | 47.8 |
| Wholesale and retail trade..... | 60.7 | 11.1 | 92.1 | 32.0 | 95.7 | 68.2 | 42.7 | 53.7 | 17.2 | 13.5 | 01.1 | 38.9 | 55.5 |
| Finance, insurance, and real estate..... | 74.1 | 0.0 | 00.2 | 47.1 | 97.2 | 82.0 | 60.0 | 80.1 | 26.8 | 5.0 | 80.1 | 19.9 | 74.8 |
| Service industries..... | 68.2 | 12.7 | 00.7 | 24.5 | 90.7 | 71.0 | 34.2 | 30.5 | 10.1 | 14.4 | 71.1 | 28.9 | 40.0 |
| Establishments not elsewhere classified..... | 45.7 | 25.0 | (⁴) | 19.2 | 74.7 | (⁴) | (⁴) | (⁴) | 10.7 | 14.3 | 44.3 | 55.7 | (⁴) |

| Industry division | Percent of accounts with rates below and above 2.7 percent | | | | | | | | | | |
|-------------------------------------------------------------------|------------------------------------------------------------|--------|-------|------------------|-------|-------|------------------|------------------|------------------|-----------|-------|
| | New Hamp- shire | Oregon | | South Dakota | Texas | | Vermont | Vir- ginia | West Virginia | Wisconsin | |
| | Below | Below | Above | Below | Below | Above | Below | Below | Below | Below | Above |
| Total..... | 40.5 | 33.7 | 35.4 | 30.3 | 80.7 | 19.3 | 34.8 | 00.0 | 53.8 | 65.1 | 8.9 |
| Mining..... | (⁴) | 0.4 | 59.4 | 10.4 | 01.3 | 38.7 | (⁴) | 44.0 | 25.5 | 20.0 | 29.7 |
| Construction..... | 7.4 | 0.4 | 72.2 | 0.0 | 43.7 | 50.3 | 10 | 70.1 | 12.2 | 20.9 | 35.7 |
| Manufacturing..... | 33.9 | 22.0 | 48.0 | 32.0 | 70.3 | 23.7 | 19.8 | 84.5 | 41.0 | 03.0 | 0.7 |
| Transportation, communication, and other public utilities..... | 58.3 | 40.4 | 24.7 | 42.0 | 74.0 | 25.4 | 41.5 | 04.8 | 50.0 | 08.0 | 0.9 |
| Wholesale and retail trade..... | 57.2 | 40.0 | 20.2 | 40.0 | 90.5 | 0.5 | 50.0 | 90.7 | 08.4 | 74.1 | 3.2 |
| Finance, insurance, and real estate..... | 87.7 | 05.0 | 12.0 | 52.1 | 93.2 | 0.8 | 78.8 | 00.7 | 80.2 | 85.0 | 2.1 |
| Service industries..... | 35.2 | 38.2 | 20.4 | 31.3 | 88.2 | 11.8 | 22.8 | 06.1 | 50.8 | 04.0 | 13.4 |
| Establishments not elsewhere classified..... | (⁴) | 10.4 | 42.0 | (⁴) | 50.0 | 43.4 | (⁴) | (⁴) | (⁴) | 50.0 | 25.0 |

¹ Rates above 2.7 percent effective during 1941 only in Kentucky, Minnesota, Oregon, Texas, and Wisconsin; in Oregon, effective only in July-September 1941.

² Excludes 34 Kentucky accounts with rate not determined.

³ Not computed; less than 25 rated accounts in industry division.

⁴ 48 rated accounts in construction assigned rate of 2.7 percent

Table 10.—Ratio of benefits to contributions in 1940 and percent of rated accounts with reduced rates in 1941, for construction industry and all industries, 17 States

| State | Ratio (percent) of benefits to contributions | | Percent of rated accounts with reduced rates | |
|--------------------|----------------------------------------------|--------------|----------------------------------------------|--------------|
| | All industries | Construction | All industries | Construction |
| Alabama..... | 48 | 118 | 79 | 47 |
| California..... | 87 | 130 | 28 | 9 |
| Connecticut..... | 26 | 98 | 88 | 60 |
| Hawaii..... | 15 | 17 | 70 | 65 |
| Indiana..... | 43 | 178 | 37 | 4 |
| Kansas..... | 44 | 188 | 40 | 5 |
| Kentucky..... | 45 | (1) | 16 | 0 |
| Minnesota..... | 80 | 476 | 60 | 11 |
| Nebraska..... | 74 | 334 | 52 | 6 |
| New Hampshire..... | 77 | 137 | 46 | 7 |
| Oregon..... | 62 | 164 | 34 | 0 |
| South Dakota..... | 36 | 187 | 38 | 7 |
| Texas..... | 41 | 119 | 81 | 44 |
| Vermont..... | 50 | 213 | 35 | 0 |
| Virginia..... | 58 | 96 | 90 | 70 |
| West Virginia..... | 38 | 110 | 54 | 12 |
| Wisconsin..... | 39 | 131 | 65 | 21 |

¹ Data by industry not reported.

In the 3 Cliffe-plan States and in Connecticut, the proportion was more than 50 percent of the State-wide average. In Indiana, Kansas, Minnesota, Nebraska, New Hampshire, South Dakota, and Vermont, the proportion of construction accounts with reduced rates was less than 20 percent of the State-wide average for all industries.

The proportion of construction accounts with rates above 2.7 percent was more than twice the average for all industries. In Minnesota and Oregon, more than 70 percent of these employers were assigned such rates. Wisconsin, with 36 percent, reported the lowest proportion of construction accounts with increased rates. It is safe to assume that in the States where the maximum rate was 2.7 percent a large proportion of the employers in this industry would have had rates above 2.7 percent if such rates had been provided by law.

Finance, insurance, and real estate.—In contrast to the experience of the mining and construction industries, employers in finance, insurance, and real estate had the largest proportion of accounts with reduced contribution rates in each of the 17 States; in eight States the proportion was 50 percent greater than the State-wide average for all industries. Among employers in the finance group, the proportion of accounts with reduced rates varied from 27 percent in Kentucky to approximately 100 percent in Alabama and Virginia and was less than 50 percent only in

Kentucky and California. In 10 States, contribution rates below 2.7 percent were assigned to more than 80 percent of the finance accounts eligible for rate modification. As might have been expected, relatively fewer employers in this group had contribution rates in excess of 2.7 percent than in any other industry. While 20 percent of the Minnesota accounts in this group had rates above 2.7 percent, less than 7 percent of those in Kentucky, Texas, and Wisconsin obtained such rates.

Wholesale and retail trade.—The experience of trade employers had an important influence in determining the State-wide experience with respect to rate modification, in that between one-third and one-half of all subject employers were in this industry division; 61 percent of employers in trade who were eligible for rate modification obtained reduced rates in 1941, as compared with 55 percent for all industries. The proportion of trade employers with reduced rates ranged from 17 percent in Kentucky to 97 percent in Virginia and reached 60 percent or more in eight States. In all States except Hawaii, the proportion of employers who obtained rate reductions was higher than for the State as a whole. On the other hand, the number of employers in this division with rates above 2.7 percent ranged from 3.2 percent in Wisconsin to 39 percent in Minnesota. The proportion (11 percent) of all trade employers with rates above 2.7 percent was slightly below the average for all industries. The ratio of benefits to contributions for employers in the trade division was 56 cents for each \$1 of 1940 contributions, only slightly less than the all-industry figure of 61 cents.

Manufacturing.—Employers in manufacturing, although not as numerous as those in trade, accounted for a substantial portion of State pay rolls; consequently, their rate-modification experience has an important bearing upon the total yield to the unemployment compensation fund. Examination of the experience of individual States indicates that the proportion of manufacturing accounts with rate reductions ranged from 20 percent in Vermont to 84 percent in Virginia; in nine States, more than half of all rated employers in manufacturing obtained rates below 2.7 percent. Only in four States, however, did the proportion of rate reductions among manufacturing employers exceed the State-wide average for employers in all industries.

Since many activities comprised within this industry division are characterized by unstable employment, it is not surprising that the proportion of manufacturing employers with rates above 2.7 percent exceeded the average for all industries in three of the five States which assigned such rates.¹⁹ The proportion of Kentucky and Wisconsin manufacturers with increased rates was only slightly below the State-wide average.

The low proportion of reduced rates obtained by Vermont employers can be attributed to the seasonal nature of two manufacturing industries—lumber, and stone, clay, and glass—which comprised two-fifths of all rated manufacturing accounts. Only 11 of the 142 rated employers in these industries obtained reduced rates in 1941.

In New Hampshire, the experience of the shoe, textile, and lumber-manufacturing industries, which together accounted for more than two-fifths

¹⁹ As has been noted above, the low proportion of Oregon manufacturing employers with reduced rates and the high proportion with increased rates reflect the experience of the lumber-manufacturing industry, which accounted for approximately two-fifths of all employers in this industry division.

of the manufacturing employers eligible for rate modification, contributed to the fact that only one-third of all manufacturers obtained rate reductions; only one-fifth of the employers in these three groups obtained reduced rates in 1941.

Other industries.—From 11 (Kentucky) to 95 percent (Virginia) of the transportation and other utilities accounts had reductions in 1941; in nine States, 50 percent or more of the accounts in this industry had such reductions. A high proportion of public-utilities accounts obtained rate reductions, but their experience was offset by the relatively poor experience of the more numerous transportation accounts. In seven States, the proportion of accounts in all industries with reduced rates exceeded that in transportation and other public utilities. The proportion of such accounts with increased rates varied from approximately 7 percent in Wisconsin to 43 percent in Minnesota.

In the service industry, the proportion of employers with reduced rates ranged from 16 percent

Table 11.—Percent of rated experience-rating accounts with 1941 contribution rates below and above 2.7 percent,¹ by average annual pay roll, 17 States

| Average annual pay roll | Percent of accounts with rates below and above 2.7 percent | | | | | | | | | | |
|-------------------------|------------------------------------------------------------|------------------|------------------|------------------|---------|------------------|-----------------------|----------|---------------|-----------|------------------|
| | Alabama | California | Connecticut | Hawaii | Indiana | Kansas | Kentucky ² | | Minnesota | | Nebraska |
| | Below | Below | Below | Below | Below | Below | Below | Above | Below | Above | Below |
| Total..... | 70.4 | 28.0 | 88.3 | 70.3 | 30.0 | 40.1 | 10.4 | 18.0 | 59.0 | 40.4 | 51.8 |
| Not classified..... | 0 | 0 | 0 | 0 | 0 | 0 | 4.2 | 31.4 | 48.0 | 51.4 | 5.1 |
| Classified..... | 70.4 | 28.0 | 88.3 | 70.3 | 30.7 | 40.1 | 17.1 | 17.9 | 00.4 | 30.0 | 58.0 |
| Below \$5,000..... | 67.8 | 25.2 | 75.0 | 65.8 | 32.2 | 40.2 | 12.1 | 20.5 | 59.7 | 40.3 | 59.9 |
| 5,000-9,999..... | 78.7 | 21.1 | 88.0 | 71.0 | 28.9 | 37.1 | 13.0 | 17.2 | 58.5 | 41.5 | 49.3 |
| 10,000-19,999..... | 86.0 | 27.5 | 90.4 | 83.0 | 34.5 | 51.9 | 19.0 | 11.4 | 60.1 | 39.9 | 51.0 |
| 20,000-49,999..... | 83.4 | 20.0 | 91.8 | 82.2 | 43.1 | 54.4 | 23.9 | 12.3 | 64.1 | 35.9 | 62.7 |
| 50,000-99,999..... | 70.5 | 28.0 | 88.8 | 84.3 | 40.4 | 54.8 | 28.1 | 15.4 | 64.0 | 36.0 | 71.7 |
| 100,000-999,999..... | 71.4 | 29.1 | 87.9 | 84.8 | 40.0 | 58.2 | 21.4 | 10.3 | 67.3 | 32.7 | 75.1 |
| 1,000,000 or more..... | 75.1 | 32.1 | 92.9 | (³) | 42.5 | (³) | 23.1 | 0 | 80.0 | 20.0 | (³) |
| | Percent of accounts with rates below and above 2.7 percent | | | | | | | | | | |
| | New Hampshire | Oregon | | South Dakota | Texas | | Vermont | Virginia | West Virginia | Wisconsin | |
| | Below | Below | Above | Below | Below | Above | Below | Below | Below | Below | Above |
| Total..... | 40.5 | 33.7 | 35.4 | 36.3 | 80.7 | 19.3 | 34.8 | 00.0 | 63.8 | 65.1 | 8.9 |
| Not classified..... | (⁴) | 0 | 0 | 0 | 33.7 | 66.3 | 0 | 84.4 | 0 | 35.7 | 30.3 |
| Classified..... | 40.5 | 33.7 | 35.4 | 36.3 | 82.3 | 17.7 | 34.8 | 00.2 | 63.8 | 65.5 | 8.5 |
| Below \$5,000..... | 45.3 | 27.8 | 50.8 | 35.3 | 75.8 | 24.2 | 47.0 | 09.0 | 68.1 | 40.8 | 18.0 |
| 5,000-9,999..... | 47.6 | 31.0 | 35.9 | 29.0 | 77.5 | 22.5 | 30.2 | 93.7 | 48.0 | 57.4 | 10.0 |
| 10,000-19,999..... | 48.3 | 36.5 | 27.2 | 30.0 | 83.1 | 16.9 | 34.5 | 88.9 | 60.1 | 68.7 | 5.5 |
| 20,000-49,999..... | 48.0 | 36.0 | 27.2 | 41.7 | 85.1 | 14.9 | 34.7 | 00.1 | 59.3 | 72.9 | 7.5 |
| 50,000-99,999..... | 50.9 | 40.4 | 24.0 | 45.7 | 84.8 | 15.2 | 40.9 | 87.0 | 62.2 | 73.9 | 8.0 |
| 100,000-999,999..... | 40.3 | 30.0 | 32.2 | 60.0 | 84.2 | 15.8 | 28.0 | 78.5 | 38.3 | 70.1 | 5.4 |
| 1,000,000 or more..... | (⁴) | (⁴) | (⁴) | (⁴) | 93.8 | 6.2 | (⁴) | 78.4 | 37.0 | 74.2 | 3.2 |

¹ Rates above 2.7 percent effective during 1941 only in Kentucky, Minnesota, Oregon, Texas and Wisconsin; in Oregon, effective only in July-September 1941.

² Excludes 34 accounts with rate not determined.

³ All accounts not classified by size of pay roll were ineligible for rate modification.

⁴ Not computed; less than 25 rated accounts in pay-roll interval.

in Kentucky to 96 percent in Virginia; in eight States, it exceeded 50 percent. In another eight States, the proportion of service employers with reduced rates exceeded the State-wide average for all industries. The proportion with rates above 2.7 percent varied from 12 percent in Texas to 29 percent in Oregon.

Analysis of Rates by Size of Pay Roll

Analysis of the data on rate modification by size of pay roll failed to reveal a uniform pattern of experience among the 17 States (table 11). Variations among States in the proportion of accounts in given pay-roll groups with reduced rates are in part attributable to the nature of the industrial activity of these firms. Thus, Hawaii employers with average annual pay rolls of \$100,000-1,000,000 had a greater proportion of reduced rates than employers in any other pay-roll group, while New Hampshire employers in the same group had the smallest proportion. Most of the Hawaii employers in this group were in the relatively stable sugar-manufacturing industry, while many of the New Hampshire employers were in the highly seasonal textile and shoe-manufacturing industries.

The data indicate that in California, Hawaii, Kansas, Minnesota, Nebraska, South Dakota, Texas, and Wisconsin there was a general tendency for the proportion of accounts with reduced rates to increase with a rise in the size of pay roll; in Virginia, however, the tendency was in the op-

posite direction. In Indiana, Kentucky, and West Virginia, employers with pay rolls between \$20,000 and \$100,000 tended to have a greater proportion of reduced rates than employers in any other pay-roll groups.

In nine States, rate reductions were relatively fewer among employers with pay rolls of less than \$10,000. In each of the five States which assigned rates above 2.7 percent, the small concerns had the largest proportion of increased rates. In contrast, employers in Vermont and Virginia with pay rolls below \$5,000 were more successful in obtaining rate reductions than employers with larger pay rolls. The provision in the Virginia law requiring the treatment of all employers with pay rolls of less than \$10,000 in each of the 3 preceding calendar years as one employer and the assignment of a rate based upon their combined experience enabled all in this group to qualify for reduced rates. Apart from this special group, less than 80 percent of the employers with pay rolls below \$10,000 obtained rate reductions.

In 5 of the 10 States in which there were more than 25 employers with pay rolls of \$1 million and over, these employers were more successful in obtaining reduced rates than employers in any other pay-roll group. In Virginia and West Virginia, however, such employers were the least successful in obtaining rate reductions. Employers with pay rolls of \$1 million or more had the smallest proportion of accounts with rates above 2.7 percent.