

Experience-Rating Operations in Wisconsin, 1942*

A review of experience rating in Wisconsin for the year 1940 was carried in an earlier issue of the Bulletin. The unique character of the Wisconsin provisions, the fact that experience rating has been in operation in that State for a longer period than in any other jurisdiction, and the availability of detailed statistical data lend special interest to this further analysis of operations in that State.

AT THE BEGINNING of 1942, 11,201 Wisconsin employers were eligible for modified contribution rates under the experience-rating provisions of the State unemployment compensation law. Approximately two-thirds of the rated accounts obtained reduced tax rates, more than one-fourth retained the standard rate of 2.7 percent, and rates above 2.7 percent were assigned to the remainder.

These assigned rates will produce an estimated State-wide average yield of 1.4 percent of pay rolls, substantially the same percentage as in 1941. Employers' contributions for 1942 have been estimated at \$14.7 million, 48 percent or \$13.7 million less than would have been obtained under a uniform 2.7-percent tax rate. Contributions will nevertheless be considerably greater than benefit expenditures, which were \$2.9 million in 1941 and probably will not exceed \$4.5 million in 1942. On this basis, approximately 32 cents will have been paid in benefits in 1942 for each \$1 of contributions.

The experience of numerous States where modified rates have been assigned since 1940 indicates

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

that factors such as size of pay roll, duration of employer coverage, and the payment of voluntary contributions affect the assignment of reduced rates, but the employer's industry appears to play the most important part. For example, the average rates for construction and mining have been consistently higher than the average rates for ordinarily stable industries such as trade and finance, insurance, and real estate. The proportion of Wisconsin employers in the normally stable industries who received reduced rates rose from 1939 to 1940, thus increasing the difference between the average rates of the stable and the irregular industries.¹ Similar findings have been drawn from the experience of other States.² As yet the evidence does not demonstrate an equally clear relationship between size of firm and rate variations.

Contribution Rates by Size of Pay Roll

The present analysis focuses attention on the

¹ "Experience Rating in Wisconsin, 1940," *Social Security Bulletin*, Vol. 4, No. 2 (February 1941), pp. 17-25.

² "Experience-Rating Operations in 1941," *Social Security Bulletin*, Vol. 5, No. 6 (June 1942), pp. 12-21.

Table 1.—Number and cumulative percentage of Wisconsin rated accounts in 1942, by date of eligibility for rate modification and average annual pay roll

Average annual pay roll	Total number rated accounts	Date of eligibility for rate modification											
		Number of accounts						Cumulative percentage					
		January 1938 ¹	January 1938 ²	January 1939	January 1940	January 1941	January 1942	January 1938 ¹	January 1938 ²	January 1939	January 1940	January 1941	January 1942
Total.....	11,201	3,856	515	2,572	1,132	1,501	1,625	34.4	39.0	62.0	72.1	85.5	100.0
Not classified.....	230	39	9	68	29	39	46	17.0	20.9	50.4	63.0	80.0	100.0
Less than \$5,000.....	1,559	163	31	282	101	368	529	10.7	23.4	30.7	42.8	66.3	100.0
5,000-9,999.....	2,591	234	74	652	373	600	658	9.0	20.9	37.1	51.4	74.0	100.0
10,000-19,999.....	2,794	590	149	954	381	396	324	21.1	26.4	60.6	73.0	88.4	100.0
20,000-29,999.....	1,152	518	96	350	86	61	41	45.0	53.3	83.7	91.2	96.5	100.0
30,000-39,999.....	697	467	56	114	34	14	12	67.0	75.0	91.4	96.3	98.3	100.0
40,000-49,999.....	395	279	23	62	15	9	4	70.6	77.2	92.9	96.7	99.0	100.0
50,000-99,999.....	840	694	49	68	16	12	7	82.0	87.8	95.9	97.8	99.2	100.0
100,000-999,999.....	816	767	24	22	7	2	4	92.8	95.7	98.4	99.3	99.5	100.0
1,000,000 or more.....	111	110	1	0	0	0	0	99.1	100.0	-----	-----	-----	-----

¹ Liable for benefit payments in July 1936.

² Liable for benefit payments in January 1937.

question whether large or small employers receive the greater proportion of reduced rates. The length of time a firm has been covered by the law influences rate reduction. Other things being equal, a firm's reserve balance, and its chances to get a reduced rate, would be highest if it had been paying contributions since 1934, the year in which the Wisconsin law became effective. Small firms were at a particular disadvantage because coverage was limited to employers of 10 or more workers until 1936, and it was not until 1939 that employers of 6 or more workers were subject to the law. Entering the system late, such firms could not receive modified rates for 3 years after they first began contributions; hence the distribution of 1942 rates includes some firms entering their fourth year of rate modification and others beginning their first year (table 1). No account was ineligible for rate modification in 1942 because of the coverage provision, but a complete analysis of the size-of-firm factor in rate modification can only be made when the coverage provision in the law has remained unchanged.

Table 2.—Percent of Wisconsin rated accounts with given 1942 contribution rates, by average annual pay roll

Average annual pay roll	Rated accounts	Percent of accounts with rates—		
		Below 2.7 percent	2.7 percent	Above 2.7 percent
Total.....	11,201	64.8	27.8	7.4
Not classified.....	230	66.1	33.9	
Less than \$5,000.....	1,569	64.4	33.8	11.8
5,000-9,999.....	2,591	60.7	31.0	7.7
10,000-19,999.....	2,794	58.8	26.2	5.0
20,000-49,999.....	2,244	72.8	21.4	5.8
50,000-99,999.....	846	73.4	19.9	6.7
100,000-999,999.....	816	69.3	25.9	4.8
1,000,000 or more.....	111	76.6	22.5	.9

There is no doubt that changes in the law have introduced a bias which overemphasizes the high rates of small firms. However, duration of coverage does not depend exclusively on the coverage provision; the births and deaths of firms are also a factor. It is well known that industries such as construction and trade are more likely to have a rapid turn-over of firms than enterprises like banking and insurance. Furthermore, the smaller firms are more prone to enter and leave the business world than are highly capitalized ventures. Therefore, it might be expected that, even apart from the broadening of the coverage provision,

Table 3.—Distribution of Wisconsin employer accounts eligible for rate modification in 1942 and amount of pay roll, by average annual pay roll

Average annual pay roll	Accounts eligible for rate modification		Pay roll of accounts eligible for rate modification	
	Number	Percentage distribution	Amount (in thousands)	Percentage distribution
Total.....	11,201	100.0	\$810,544	100.0
Not classified.....	230	2.1	907	.1
Less than \$5,000.....	1,569	14.0	5,043	.6
5,000-9,999.....	2,591	23.1	20,200	2.5
10,000-19,999.....	2,794	24.9	43,059	5.3
20,000-49,999.....	2,244	20.0	76,977	9.5
50,000-99,999.....	846	7.6	67,178	8.3
100,000-999,999.....	816	7.3	247,173	30.5
1,000,000 or more.....	111	1.0	349,493	43.1

the pattern indicated in table 2 would exist. Insofar as reduced rates are more easily obtained when the period of coverage has been long, the high turn-over rate of small firms makes their position less favorable than that of large firms, particularly in industries with stable operations.

Although large firms accounted for more than half of Wisconsin's pay roll, small firms comprised the bulk of all subject employers. A majority of the employers had an average annual pay roll of less than \$20,000 (table 3). Some 28 percent had pay rolls ranging from \$20,000 to \$99,999, 7 percent were in the \$100,000 to \$999,999 group, and only 1 percent were in the million-dollar class. However, about three-fourths of all taxable wages were paid by the few firms (8.3 percent) with pay rolls of \$100,000 or more, and only 8.5 percent of all wage payments were attributable to the 62 percent of the firms whose annual pay rolls were less than \$20,000.

Both the number and percent of Wisconsin employers eligible for rate modification have risen steadily since 1939 as the number of subject employers increased and additional employers accu-

Table 4.—Distribution of Wisconsin rated accounts with given contribution rate, 1939-42

Contribution rate	1939	1940	1941	1942
Number, total.....	7,113	8,121	9,641	11,201
Percent, total.....	100.0	100.0	100.0	100.0
Below 2.7.....	39.7	60.5	65.1	64.8
0.0.....	5.5	11.1	23.9	25.6
1.0.....	34.2	49.4	41.2	39.2
2.7.....	51.1	32.0	26.0	27.9
Above 2.7.....	60.2	7.5	8.9	7.4
3.2.....	9.2	4.7	5.2	5.4
3.7.....		2.8	2.3	2.4
4.0.....			1.4	1.6

mulated sufficient contribution experience to qualify (table 4). From 7,100 in 1939, the number of rated accounts rose to 8,100 in 1940, to 9,600 in 1941, and to 11,200 in 1942. Although the proportion of employers receiving reduced rates rose appreciably between 1939 and 1941, it remained at the same level in 1942. From 40 percent with rates below 2.7 in 1939, the proportion rose to 61 percent in 1940 and to 65 percent in 1941 and 1942. The percentage of employers with rates above 2.7 percent has been declining over the period, although the change has been less marked.

There was considerable variation in the rates received by firms of different size in 1942; except for one group (\$100,000-999,000), the proportion receiving reduced rates increased for each successively larger size-of-pay-roll category (table 2). Only 54 percent of the firms with average annual pay rolls of less than \$5,000 received reduced rates, as compared with 77 percent of the million-dollar pay-roll class.

The relationship between size of pay roll and increased rates was not very clear, although relatively few large employers had rates above 2.7 percent. The highest proportion (12 percent) was found among those with pay rolls of less than \$5,000, while only 1 of the 111 employers in the million-dollar group received this rate. From 5 to 8 percent of the employers in the other pay-roll classes had rates above 2.7 percent. The normal rate (2.7 percent) was distributed more haphazardly. Employers with pay rolls of less than \$5,000 had the highest proportion, while the lowest was found in the \$50,000-99,999 class.

The minimum (zero) rate was obtained by 26

percent of all Wisconsin employers eligible for rate modification in 1942, but the percentage of employers with this rate varied from 19 to 34 percent among the various size-of-pay-roll groups. The highest proportion was found in the \$20,000-49,999 class, and the lowest was in the million-dollar class. While 39 percent of all employers obtained the 1-percent rate, 58 percent of the largest firms and only 34 percent of the smallest obtained this rate. Unlike the zero rate, the proportion of employers with the 1-percent rate rose as average annual pay rolls increased.

Rates in excess of 2.7 percent were assigned to 7.4 percent of all eligible employers; the majority received such rates because the balance in their accounts was less than 4 percent of their average annual pay roll, while others received high rates because benefits charged to their accounts exceeded credited contributions. The smallest firms had the highest percentage of accounts with rates above 2.7 percent.

Contribution Rates by Industry

As in previous years, reduced rates occurred with relatively greatest frequency in the finance, insurance, and real estate, wholesale and retail trade, and service industries (table 5). From 65 to 85 percent of the firms in each of these three industry divisions had reduced rates, in contrast to only 24 percent of the construction firms. This distribution of reduced rates among the industry divisions conforms to findings for other States. Except for construction, no more than 12 percent of the employers in the remaining industry divisions received rates above 2.7 percent, and in

Table 5.—Percent of Wisconsin rated accounts with given contribution rates in 1942 and percent with specified average annual pay roll, by industry division

Industry division	Rated accounts							
	Number	Percentage distribution	Percent with contribution rates of—			Percent with average annual pay roll of 1—		
			Below 2.7 percent	2.7 percent	Above 2.7 percent	Less than \$10,000	\$10,000-49,999	\$50,000 or more
Total.....	11,201	100.0	64.8	28.5	6.7	37.9	46.0	10.1
Construction.....	1,078	9.6	23.5	48.2	28.3	40.0	50.5	9.5
Manufacturing.....	2,505	23.2	61.5	32.8	5.7	17.4	45.4	37.2
Transportation, communication, and other public utilities.....	466	4.2	64.8	30.3	4.9	38.1	42.4	10.5
Wholesale and retail trade.....	4,724	42.2	73.3	23.8	2.9	44.4	46.7	8.9
Finance, insurance, and real estate.....	722	6.4	85.0	13.2	1.8	36.3	53.0	10.7
Service industries.....	1,495	13.3	65.3	22.9	11.8	53.3	37.8	8.9
Not elsewhere classified.....	121	1.1	37.2	38.0	24.8	33.3	56.7	10.0

¹ Excludes 230 rated accounts not classified by size of pay roll.

finance and trade the percentage was less than 3.0. On the other hand, 28 percent of the construction employers received rates in excess of 2.7 percent, as compared with 7 percent of all employers.

The 2.7-percent rate was assigned to 48 percent of the construction employers, but to only 13 percent of the finance, insurance, and real estate employers and to 23 percent of those in the service groups—an indication that the 2.7-percent rate was actually a high rate for employers in the stable industries.

Slightly more than half of the employers in finance, insurance, and real estate were exempt from paying contributions during 1942, in contrast to 5 percent of the construction employers. The wholesale and retail trade group had 29 percent of its employers at the zero rate, and the remaining industry divisions ranged from 21 to 27 percent. At the other extreme, the 4-percent maximum rate was assigned to almost 6 percent of the construction employers but to less than 1 percent of the employers in wholesale and retail trade and finance, insurance, and real estate.

Contribution Rates in Relation to Size of Pay Roll and Industry

The contribution rates of employers in the various industry divisions may be related not only to the stability of the industries' operations but also to the size of firms and the length of time they have been covered by the law. Using pay roll as a measure,³ the size of the enterprises among the industry groups appears to differ considerably. While only 2.4 percent of the construction employers, 3 percent of the employers in service, 4 percent in wholesale and retail trade, and 5 percent in finance, insurance, and real estate had average annual pay rolls of \$100,000-999,999, 24 percent of the employers in manufacturing were in that pay-roll group. On the other hand, the smallest firms, with annual pay rolls below \$5,000, were most prevalent among service and trade employers. Small pay rolls were most characteristic of service, wholesale and retail trade, and construction. Large pay rolls were found chiefly in manufacturing; 37 percent of all manufacturing employers, but only 16 percent of all employers, had average

³ For the purpose of this analysis, it is assumed that hours of work, level of wages, composition of the labor force, and ratio of human to machine labor do not vary widely among the several industries.

annual pay rolls of \$50,000 or more (table 5). Transportation had higher-than-average percentages of both small and large pay rolls, but relatively few \$10,000-49,999 pay rolls. Since there is such a wide variation in the characteristic size of firms from one industry to another, a comparison of the distribution of rates by size of firm among the industry groups should not assume the same definition of "small" and "large" firms in each industry.

The relation of size of pay roll to modified rates was not uniform within each industry. While a definite relationship could be seen in finance and trade, it was not so sharply defined in transportation, manufacturing, and service. Nevertheless, in each of these industries, the larger employers were most likely to obtain reduced rates. No direct relationship between size of pay roll and reduced rates existed in construction, where proportionately few of the largest and smallest employers had reduced rates. By and large, employers with pay rolls under \$10,000 tended to have the lowest proportions of reduced rates. However, the experience of the small firms varied among the industry divisions, and the difference cannot be attributed entirely to changes in the coverage provisions of the Wisconsin law. Probably the varying mortality rates of firms in different industries and pay-roll categories account, in part, for the experience of the small firms.

The distribution of the rates above 2.7 percent was less orderly, even for the stable industries. The larger firms again were least likely to have high rates, regardless of industry. The notable exception was construction, where one-fourth of the largest employers (\$100,000-999,999) received rates above 2.7 percent. The instability of operations in the construction industry probably exposes the larger firms to the most severe fluctuations of employment between contracts. Size appears to influence the assignment of increased rates less than it does reduced rates, for the range among the size-of-pay-roll classes in the proportion receiving increased rates was slight even in the stable industries.

The assignment of the standard rate reversed the pattern of the reduced rates, especially in the stable industries. For example, in trade, the percentage of employers with reduced rates increased steadily from 60 to 100 percent from the smallest to the largest size-of-pay-roll class, but

Table 6.—Distribution of Wisconsin rated accounts by industry division and average annual pay roll, and percentage distribution of accounts in each industry and pay-roll division by contribution rate ¹

Industry division and contribution rate	Average annual pay roll								
	Total	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	Not classified
	Number of rated accounts								
Total.....	11,201	1,569	2,591	2,794	2,244	846	816	111	230
Construction.....	1,078	112	281	294	203	70	24	-----	94
Manufacturing.....	2,595	125	321	505	603	350	520	87	24
Wholesale and retail trade.....	4,724	787	1,283	1,297	885	255	149	10	58
Service industries.....	1,495	409	307	336	214	79	49	1	40
Finance, insurance, and real estate.....	722	52	209	227	164	44	29	4	3
	Percentage distribution by contribution rate								
All accounts:	64.8	54.4	60.7	68.8	72.8	73.4	69.3	76.6	0.0
Below 2.7.....	28.5	33.8	31.6	26.2	21.4	19.9	25.9	22.5	66.1
Above 2.7.....	6.7	11.8	7.7	6.0	5.8	6.7	4.8	.9	33.9
Construction:	23.5	17.8	29.9	22.5	30.0	27.1	12.5	-----	0
Below 2.7.....	48.2	43.7	45.2	54.7	39.9	35.8	62.5	-----	66.0
Above 2.7.....	28.3	38.5	24.9	22.8	30.1	37.1	25.0	-----	34.0
Manufacturing:	61.5	45.6	44.5	62.6	64.8	68.0	61.3	71.3	0
Below 2.7.....	32.8	39.2	36.2	34.5	30.6	27.1	34.2	27.0	66.6
Above 2.7.....	5.7	15.2	19.3	2.9	4.6	4.9	4.5	1.1	33.3
Wholesale and retail trade:	73.3	59.6	66.5	78.1	85.1	87.8	95.2	100.0	0
Below 2.7.....	23.8	34.6	30.3	20.0	13.0	11.8	3.4	0	60.0
Above 2.7.....	2.9	5.8	3.2	1.0	1.9	.4	1.4	0	31.0
Finance, insurance, and real estate:	85.0	42.9	50.0	100.0	0	95.5	66.6	100.0	0
Below 2.7.....	13.2	57.1	50.0	0	0	4.5	3.4	0	66.6
Above 2.7.....	1.8	0	0	0	100.0	0	0	0	33.3
Service industries:	65.3	54.7	60.5	75.5	82.3	77.2	81.7	0	0
Below 2.7.....	22.9	20.4	26.7	17.6	13.5	7.6	10.2	100.0	60.0
Above 2.7.....	11.8	15.9	12.8	6.9	4.2	15.2	8.1	0	40.0

the proportions with the 2.7-percent rate moved in the opposite direction—from 35 percent to zero (table 6). Among the less stable industries there was a less clearly marked tendency for a higher percentage of firms with small pay rolls to have the normal rate. This analysis suggests that a large wage bill is not in itself a guarantee of low contribution rates. Furthermore, the industry in which a firm operates limits the extent to which a large firm's experience will differ from that of a smaller one. Where operations are normally steady and the industry enjoys a fairly low average contribution rate, the advantage of the larger employers appears to be greatest. In addition, differences in rates may be due to voluntary contributions, which large firms are more likely to make, and to employment stabilization programs, which large firms are better able to undertake.

Contribution rates within the major industry groups were also analyzed. In construction, general building contractors had relatively the greatest number of large firms, but special trade contractors had a higher proportion of employers with reduced rates. The experience of the general

building contractors was, however, better than that of the remaining construction group (general contractors other than building), for only 9 percent of the employers in the latter group had reduced rates and 59 percent had rates above 2.7 percent. Since about one-fourth of all construction employers were found in this industry group, its experience was reflected in the average for the entire industry division. Unlike all other industries, the large firms not only failed to show conspicuously higher percentages of reduced rates, but, in the case of building construction and general contractors (other than building), their experience was noticeably less favorable than that of the small firms. Whether this situation is peculiar to the employers in the Wisconsin construction industry or is due to the characteristics of the industry itself is difficult to determine.

A high proportion of the large firms obtained reduced rates in other major industries where the industry as a whole had regular operations and a high proportion of reduced rates. Thus, 84 percent of the paper manufacturers and 88 percent of the employers in printing and publishing re-

Table 7.—Number and percent of 8,075 identical Wisconsin experience-rating accounts with given contribution rates, 1940-42

Year	All accounts	Accounts receiving rates of—						
		0 per cent	1.0 per cent	2.7 per cent	3.2 per cent	3.7 per cent	4.0 per cent	
Number								
1940.....	8,075	820	3,957	2,708	377	207	(1)	
1941.....	8,075	2,225	3,451	1,780	280	213		120
1942.....	8,075	2,718	3,001	1,794	210	178		174
Percent								
1940.....	100.0	10.2	49.0	33.5	4.7	2.6		
1941.....	100.0	27.6	42.7	22.0	3.5	2.6		1.6
1942.....	100.0	33.7	37.2	22.2	2.6	2.2		2.1

¹ 4-percent rate not effective until 1941.

ceived reduced rates, in contrast to 62 percent of all manufacturing employers. In these two industry groups, all employers with pay rolls above \$1 million, as well as all with pay rolls over \$100,000 in printing, received reduced rates. For man-

ufacturing as a whole, only 71 percent of the \$1 million employers obtained reduced rates. Similarly, in two major industry groups in the transportation division—utilities and communications—which had high percentages of employers at reduced rates, all the firms with pay rolls of \$1 million or over received reduced rates.

Rates for Identical Employers, 1940-42

An analysis of the contribution rates assigned to 8,100 Wisconsin employers who were eligible for experience rating in the 3 years, 1940, 1941, and 1942, reveals that the rates of individual employers did not fluctuate sharply over the period, in spite of the fact that the average rate for all employers declined (table 7). The percentage of accounts at the minimum rate more than tripled from 1940 through 1942, while those at the 1.0-percent and 2.7-percent rates declined. The numbers at the rates above 2.7 percent remained fairly constant through the 3 years, although the group receiving

Table 8.—Number and percent of 8,075 identical Wisconsin rated accounts with given 1940, 1941, and 1942 contribution rates ¹

Contribution rates		Number of rated accounts with—						Percent of rated accounts with 1942 rates of—						
1940	1941	1940 and 1941 rates specified	1942 rates of—						0 per cent	1.0 per cent	2.7 per cent	3.2 per cent	3.7 per cent	4.0 per cent
			0 per cent	1.0 per cent	2.7 per cent	3.2 per cent	3.7 per cent	4.0 per cent						
Total.....		8,075	2,718	3,001	1,794	210	178	174	33.7	37.2	22.2	2.6	2.2	2.1
Subtotal.....		5,070	2,451	2,554	940	31			43.2	45.0	11.3	.5		
0.0	0.0	607	402	132	67	6			60.2	21.8	11.0	1.0		
1.0	0.0	1,182	702	358	30	2			67.0	30.3	2.5	.2		
2.7	0.0	423	242	130	40	2			57.2	32.9	9.4	.5		
3.2	0.0	13	12	1	0	0			92.3	7.7	0	0		
0.0	1.0	171	60	80	21	1			40.3	40.8	12.3	.6		
1.0	1.0	2,409	712	1,305	293	9			29.5	57.9	12.2	.4		
2.7	1.0	866	221	445	189	11			25.5	51.4	21.8	1.3		
3.2	1.0	5	1	4	0	0			20.0	80.0	0	0		
Subtotal.....		1,780	266	442	996	70			14.9	24.8	56.0	4.3		
0.0	2.7	42	4	4	33	1			9.5	9.5	78.0	2.4		
1.0	2.7	344	33	123	180	8			9.6	35.8	52.3	2.3		
2.7	2.7	1,206	223	299	692	52			17.6	23.0	54.7	4.1		
3.2	2.7	107	6	14	73	14			5.6	13.1	68.2	13.1		
3.7	2.7	21	0	2	18	1			0	9.5	85.7	4.8		
Subtotal.....		610	1	5	168	103	178	174	.2	.8	25.5	16.6	28.8	28.1
0.0	3.2	6	0	0	2	0	4		0	0	33.3	0	66.7	
1.0	3.2	22	0	0	8	5	0		0	0	36.4	22.7	40.9	
2.7	3.2	153	1	2	55	30	65		.7	1.3	35.9	19.0	42.5	
3.2	3.2	68	0	1	33	21	13		0	1.5	48.5	30.9	19.1	
3.7	3.2	31	0	0	25	6	0		0	0	80.6	19.4	0	
3.2	3.7	184	0	0	21	26	47	90	0	0	11.4	14.1	25.6	48.9
3.7	3.7	20	0	1	11	4	11	2	0	3.5	37.9	13.8	37.9	6.9
3.7	4.0	120	0	1	3	11	20	82	0	.8	2.4	8.7	23.0	65.1

¹ As of Mar. 31, 1942, the following changes were made in the bases and methods of computing contribution rates for each of the 3 years: Sec. 108.18 (3) (E), first applicable to 1942 contribution rates, set up the following additional condition as prerequisite to obtaining reduced rate: "The employer's pay roll for each of the 3 years preceding such [computation] date has equaled at least \$100 and at least 10 percent of his largest pay roll for any 1 of those 3 years, . . ." Sec. 108.18 (5) (E) of the 1939 statutes, providing for stepping

up employer's contribution rate by 0.5 percent whenever his account became overdrawn at close of any month, was effective as to 1940 and 1941 contribution rates but was repealed for contribution rates applicable during 1942. A minor change was also made in alternative pay-roll bases to be used in calculating employer's reserve percentage (sec. 108.02 (11)), on which contribution rates are based.

Source: Wisconsin Research and Statistics Unit.

the 3.2-percent rate declined slightly. This group of identical accounts had a slightly higher percentage of rate reductions in 1942 than did the larger group of 11,200 rated accounts.

A tendency for 1941 and 1942 rates to be identical with or close to 1940 rates was clearly demonstrated (table 8). Ninety percent of the 2,700 accounts with the zero rate in 1942 had received reduced rates in 1941, and 74 percent had received such rates in both 1940 and 1941. None of those exempt from contributions in 1942 had a rate above 3.2 percent in 1940, and only 1 had a rate above 2.7 percent in 1941. Eighty-five percent of the 3,000 employers with a rate of 1.0 percent in 1942 had rates of zero or 1.0 percent in 1941, and 65 percent had zero or 1.0 percent in both 1940 and 1941. Less than 1 percent of these employers had a rate above 2.7 percent in 1941.

Among the group with the 2.7-percent rate in 1942, only 56 percent had received the same rate in 1941, while 39 percent received it in both 1940 and 1941. A rather large group, 36 percent, received a rate of 2.7 percent in 1942 after having had zero or 1.0 percent in 1941. This shift may

be attributed to the fact that pay rolls of employers with reduced rates for 1941 were increasing; the combination of rising pay rolls and reduced contributions brought their reserve balances below the point required for assignment of reduced rates. Similarly, 36 percent of the 200 employers with a 3.2-percent rate in 1942 had 2.7 percent, and almost half had 3.2 percent or higher in 1941. Nearly all the employers with the highest rates in 1942 (3.7 or 4.0 percent) had high rates in the previous years. Because of the provision in the law which prevents any rate above the standard from increasing by more than 0.5 percent in any year, no employer could get a rate of 4.0 percent in 1942 unless he had had 3.7 percent in 1941. However, few firms with high rates in 1941 received a reduction in 1942. Only 1 of the 600 employers whose rates were above 2.7 percent in 1941 received the zero rate in 1942, and only 5, the 1.0-percent rate. About one-fourth of the group obtained the standard rate, but almost three-fourths continued to have the high rates. Of the 57 percent who received rates of 3.7 or 4.0 percent, every employer had had 3.7 or 4.0 percent the previous year.