

Experience-Rating Operations in 1942*

EXPERIENCE-RATING PLANS were in operation during 1942 in 34 States, an increase of 21 States over 1940 and 17 over 1941. In 1944, plans are scheduled to be in effect in all 38 States which have such provisions in their laws. Covered employment in the 34 States constituted more than half (57 percent in September 1941) of the total for the United States. Although contributions for 1942 exceeded those for 1941, the estimated loss in contributions, due to experience rating, was considerably greater for the country as a whole in 1942 than in 1941—21 percent as against 6 percent. For the 34 States the loss in employer contributions, based on estimated 1942 wages, was equal to 37 percent of the amount which the standard rate would have produced, in contrast to 23 percent in 1941. The estimated average employer contribution rate for the 34 States is 1.7 percent, and for the United States, 2.1 percent. An unusually large number of new firms in manufacturing industries may raise the average rate slightly, since their pay rolls will be taxed at the standard rate until they have been in business long enough to be eligible for rate modification.

The percentage of employers in experience-rating States who were eligible for rate modification increased from 60 percent in 1941 to 65 percent in 1942. Reduced contribution rates were assigned to 67 percent of all rated accounts in 1942, in contrast to 55 percent in 1941. Rates above the standard¹ were received by 8.5 percent of all rated accounts in 1942 but by 13.3 percent in 1941.

As was the case in 1941, the data for 1942 indicated that the percentages of employers obtaining reduced rates are consistently largest in the industries normally characterized by relatively stable employment, such as wholesale and retail trade; finance, insurance, and real estate; and the service industries. Although 1942 data showed no clearer relationship than was found in 1941 in each State between contribution rates and size of

* Prepared in the Program Division, Bureau of Employment Security. As this analysis was completed, a decision of the Arkansas Supreme Court invalidated the contribution rates assigned for 1942. The State agency will recompute all rates, in accordance with the court's decision, by including contributions for the last quarter of 1941 which were made after December 31 but prior to the due date. The unrevised contribution rates for Arkansas employers are given in this article.

¹ The standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent. Sixteen States assigned rates above the standard in 1942.

firm (in terms of average annual pay roll), for all 34 States combined the proportion of rate reductions increased as the average pay roll increased.

Accounts Eligible for Rate Modification

Of the 410,000 active accounts eligible for rate modification in the 34 States, 181,000 or 44 percent received reduced rates.²

Accounts	Contribution rate—							
	Total		Below standard		Standard		Above standard	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total active accounts.....	410,301	100.0	180,701	44.0	200,774	50.4	22,820	5.6
Rated accounts.....	268,200	100.0	180,701	67.4	64,763	24.1	22,820	8.5
Unrated accounts.....	142,011	100.0			142,011	100.0		

The standard rate was assigned to nearly 207,000 active accounts, of which 69 percent were ineligible for rate modification because of insufficient years of contribution and benefit experience under the State law. Rates above the standard were assigned to 22,800 accounts, 5.6 percent of all active accounts.

Of all active accounts in the 34 States, nearly two-thirds were eligible for rate modification; the proportion ranged from 34 percent in New Mexico to 89 percent in Wisconsin (table 1). The principal cause for the State variations may be found in the length of the period during which benefits and contributions had been payable before contribution rates could be modified (chart 1). In the majority of States, eligibility for rate modification in 1942 meant that an employer must have been subject to the law since 1938, so that his workers could have drawn benefits in 1939, 1940, and 1941. In California, the large increase in the

² Since the standard rate in Michigan is 3.0 percent, reduced rates (or rates below the standard) can no longer be used as synonymous with rates below 2.7 percent. Tables 1 and 6 use the former definition, while tables 2, 3, 7, 8, and 9 employ the latter concept. Apparent discrepancies in the two types of tables may be attributed to the 17,300 active Michigan accounts whose rate distribution is as follows:

	Rates (percent)				
	Total	1.0-2.5	2.8	3.0	3.1-4.0
Number of accounts . . .	17,288	11,210	284	4,148	1,646
1941 taxable pay roll (thousands).....	\$2,361,365	\$2,034,787	\$40,619	\$64,833	\$221,126

proportion of eligible employers—from 28 percent in 1941 to 59 percent in 1942—resulted partly from the reduction, in 1941, of the qualifying period from 5 to 4 years.

The distribution of unrated accounts among the various industry divisions was similar to that of the rated accounts; only the construction industry proved an exception, for construction employers were underrepresented among rated accounts in each of the 34 States. The failure of construction firms to achieve eligibility for rate modification in the same proportion as firms in other industries is an indication of a high rate of business births and deaths, a characteristic of unstable industries.

Table 1.—Percent of rated accounts assigned contribution rates below and above 2.7 percent for 34 States, by type of experience-rating plan, as of September 12, 1942

State	Date experience rating became effective	Active accounts			Rated accounts, percent assigned rates—	
		Number	Eligible for rate modification		Below standard rate	Above standard rate
			Number	Percent		
Total, 34 States		410,301	268,200	65.4	67.4	8.5
Reserve-ratio plan		257,896	171,924	66.7	62.9	5.9
Arizona	January 1942	4,041	2,518	62.3	42.7	
Arkansas	April 1942	17,537	11,207	64.2	51.5	18.1
California	January 1941	53,556	31,456	58.7	29.6	
Colorado	January 1942	4,130	3,001	72.7	67.9	10.0
Georgia	January 1942	8,260	4,762	57.7	80.3	
Hawaii	April 1941	4,766	3,060	64.2	97.5	
Indiana	January 1940	10,809	8,751	81.0	57.4	
Iowa	January 1942	8,172	5,642	69.0	65.9	16.1
Kansas	January 1941	4,952	3,192	64.5	42.3	
Kentucky	January 1942	7,997	6,720	84.0	36.6	
Missouri	January 1942	13,107	8,871	67.7	81.5	4.6
Nebraska	January 1940	3,747	2,878	76.8	63.6	
New Hampshire	January 1941	4,199	2,840	67.6	61.2	
New Jersey	January 1942	18,442	12,061	65.4	70.5	7.2
New Mexico	January 1942	5,275	1,801	34.1	58.0	12.0
North Dakota	January 1942	1,509	907	60.1	67.7	
Ohio ¹	January 1942	56,440	38,605	68.4	90.2	6.0
Oregon	July 1941	0,958	7,170	72.0	45.3	
South Carolina	January 1942	4,032	2,220	55.1	68.0	7.6
West Virginia	January 1940	4,408	3,001	68.1	64.6	
Wisconsin	January 1938	12,559	11,201	89.2	64.8	7.4
Cliffe plan		70,260	45,659	57.6	82.3	6.1
Alabama	April 1941	6,085	3,417	56.2	87.1	
Delaware	January 1942	5,131	3,615	66.6	95.2	4.8
Massachusetts	January 1942	35,729	16,800	47.0	75.1	
Oklahoma	January 1942	5,786	4,114	71.1	75.3	24.7
Texas	January 1941	17,542	12,010	68.5	87.0	13.0
Virginia	January 1941	8,687	5,703	65.6	88.4	
Benefit-ratio plan		20,415	19,979	67.9	75.3	17.6
Florida	January 1942	7,498	3,944	52.6	68.5	
Michigan	January 1942	17,288	13,140	76.0	87.5	12.5
Wyoming	January 1942	4,629	2,895	62.5	39.2	54.7
Other plans		43,730	30,728	70.3	64.0	28.6
Connecticut	April 1941	12,075	7,707	63.8	84.8	
Minnesota	January 1941	28,160	20,592	73.1	57.3	42.7
South Dakota	January 1940	1,762	1,372	77.9	59.1	
Vermont	January 1941	1,733	1,057	61.0	50.5	

¹ Standard rate is 2.7 percent in all States except Michigan, where it is 3.0 percent.

² Excludes 576 accounts with rate pending.

³ Revised data for Massachusetts reduced the number of accounts eligible for rate modification to 16,727.

Several major industry groups with a high rate of turn-over of firms also had a disproportionately low percentage of rated accounts in a great many States. Chief among them were establishments in wholesale and retail trade, in particular retail food, retail apparel, and eating and drinking places as well as wholesale distributors (other than full-service and limited-function wholesalers).

Variations in Employers' Rates

Variations among the States in experience-rating provisions, the date of the beginning of rate modification, benefit-payment experience, and economic activity account for the wide range in the proportion of accounts with reduced rates—from 30 percent in California to 98 percent in Hawaii (table 1).

Under laws of the Cliffe-plan type, a greater proportion of employers obtained reduced rates than under other types of experience rating. In each of the 6 States with this type of law, 75 percent or more of the rated accounts received rate reductions; the group averaged 82 percent. In the 21 States with reserve-ratio plans, only 63 percent of the rated employers obtained reduced rates, and in 5 of these States less than half of the eligible employers obtained reductions. Under the benefit-ratio plan, used in 3 States, rate reductions were assigned to 75 percent of the rated employees, while in the 4 remaining States³ 64 percent of the rated accounts had reduced rates.

The relative advantage of employers in States with the Cliffe plan is greatest when benefit payments are low. Under the Cliffe plan, State-wide contributions in any year are intended to replenish the State fund for the average annual amount of benefit disbursements during the 3 preceding years. When benefit payments fall as low as in 1939-41, employers' contribution rates will necessarily decline. The reserve-ratio type of law does not always result in rate reductions during a period of low benefit payments. If an employer's pay roll rises and benefits charged to him remain constant or decrease, his reserve ratio will decline and his contribution rate may be increased. Use by some States of an average annual pay-roll figure

³ Connecticut has a compensable-separations plan. Eligibility for rate modification in South Dakota and Vermont was determined in accordance with reserve-ratio requirements, but rates were modified according to the ratio of benefits to pay roll. Minnesota's law closely resembles the Cliffe plan but has no State experience factor.

tends to offset this movement somewhat. The rate schedule under many reserve-ratio laws requires so high a reserve ratio that reduced rates will not be assigned to employers who barely meet the eligibility requirement of 3 years' contribution experience even though they have a constant pay roll and no benefits charged to their accounts. As table 2 indicates, in only 5 of the 21 States with reserve-ratio plans would an employer be eligible for rate modification in 1942 (assuming a constant

pay roll and no benefit charges) if his contribution liability began as late as 1939. The restrictive Kentucky rate structure made it particularly difficult for employers to obtain reduced rates; the low proportion of active accounts with such rates (31 percent) is attributable to this factor.

Among the 21 States with reserve-ratio laws, marked differences existed in the rates which would have been assigned to employers with similar experience (table 2). In no State could

Chart 1.—Significant experience-rating provisions of unemployment compensation laws, 17 States, 1942¹

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
Arizona.....	January 1942	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	3.0
Arkansas.....	April 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 or 5 years, whichever is greater.	Base-period employers in inverse order.	Schedule of reserve ratios.	1.0	4.0
Colorado.....	January 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 or 5 years, whichever is greater.	Base-period employers in inverse order.	Schedule of reserve ratios.	.9	3.0
Delaware.....	January 1942	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.	.5	4.0
Florida.....	January 1942	Pooled	3	Benefits charged for past 3 years divided by pay roll for same period.	Most recent base-period employer.	Schedule of benefit ratios.	1.7	2.7
Georgia.....	January 1942	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
Iowa.....	January 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 or 5 years, whichever is greater.	Base-period employers in inverse order.	Schedule of reserve ratios.	.9	3.0
Massachusetts.....	January 1942	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.	.5	2.7
Michigan.....	January 1942	Pooled	3	Benefits charged for past 3 years divided by pay roll for same period.	All base-period employers who paid individual \$50 or more.	Schedule of benefit ratios.	1.0	4.0
Missouri.....	January 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 years.	Most recent employers in inverse order.	Schedule of reserve ratios.	0	4.1
New Jersey.....	January 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 or 5 years, whichever is greater.	All base-period employers in proportion to wages.	Schedule or reserve ratios.	.9	3.0
New Mexico.....	January 1942	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.	.9	3.0
North Dakota.....	January 1942	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
Ohio.....	January 1942	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.	Schedule of reserve ratios.	.7	3.5
Oklahoma.....	January 1942	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.	.5	4.0
South Carolina.....	January 1942	Pooled	3	All past contributions minus all past benefits divided by average annual pay roll for past 3 or 5 years, whichever is greater.	Most recent employer.	Schedule of reserve ratios.	.9	3.0
Wyoming.....	January 1942	Pooled	3	Benefits for past 3 years divided by pay roll for 30-month period ended Sept. 30, 1941. ²	All base-period employers in proportion to wages. ³	Schedule of benefit ratios. ⁴	1.0	3.0

¹ Experience-rating provisions in 1941 in the 17 remaining States, where modified rates were also in effect during 1942, appeared in the *Social Security Bulletin*, Vol. 5, No. 6 (June 1942), chart 1, pp. 14-15.
² Maximum rate of 2.7 percent applicable in 1942.

³ For seasonal work, maximum rate of 2.7 percent applicable during 1942.
⁴ For seasonal work, maximum rate of 3.0 percent applicable during 1942.
⁵ Rule 3, adopted Aug. 20, 1941.

an employer obtain a reduced rate in 1942 if his contribution liability began later than 1939. While 3 out of 4 States required an employer to begin paying contributions no later than 1938 in order to receive a reduced rate in 1942, the contribution rates which would have been assigned to such employers (assuming a constant pay roll and no benefit charges) ranged from zero in Hawaii to 2 percent in Arizona and California. Among the 5 States where contributions could have been started as late as 1939, Nebraska employers would have received the relatively low rate of 0.5 percent, while the 2.5-percent rate would have been assigned to New Hampshire employers with identical experience.

The concentration of employers at both the maximum and minimum rates is not a new phenomenon.⁴ While 8 of the 34 States showed no evidence of concentration at the extremes, 9 States had high percentages of employers at the lowest rate,⁵ 8 States showed clustering at the maximum,⁶ and 8 States had large proportions at both extremes.⁷ Minnesota employers are arrayed according to their beneficiary-wage ratios, and contribution rates are based on the division of the array into 13 pay-roll groups. Since small employers, who are in the majority, tended to receive either the lowest or the highest rates, Minnesota's bimodal distribution is not surprising.⁸ Provisions peculiar to the Nebraska plan for rating employers resulted in a concentration of employers at the extremes in 1942.

A novel rating method used by Virginia in 1941 was abandoned in 1942, with interesting results. All 1,170 employers whose pay rolls had been \$10,000 or less in each of the 3 years preceding rate modification had received a contribution rate of 2 percent in 1941, on the basis of the collective experience of the group. However, individual employer experience determined 1942 rates in all cases, with the result that the minimum rate of 1 percent was assigned to 750 of the 1,170 employers, and only 300 received rates of 2 percent or more. It cannot be assumed that the 2-percent rate would again have been assigned had the group method

⁴ See the Bulletin: June 1942, p. 16; October 1941, p. 25.

⁵ Colorado, Delaware, Florida, Hawaii, Iowa, Michigan, New Jersey, Ohio, Virginia.

⁶ Arizona, California, Indiana, Kentucky, New Hampshire, North Dakota, Oregon, South Dakota.

⁷ Arkansas, Connecticut, Hawaii, Massachusetts, Minnesota, Nebraska, Vermont, Wyoming.

⁸ See the Bulletin, July 1942, p. 55.

Table 2.—Contribution rates that would have been assigned to employers with specified¹ identical experience, and percent of active accounts with reduced rates in 1942, 21 States with reserve-ratio plans

State	Latest year employer could have begun paying contributions to qualify for reduced rate in 1942	Contribution rate which would have been assigned if employer had specified ¹ experience	Percent of active accounts with reduced rates in 1942
Arizona.....	1938	2.0	26.6
Arkansas ¹	1938	1.0	33.1
California.....	1938	2.0	17.4
Colorado.....	1938	.9	49.3
Georgia.....	1938	1.5	46.4
Hawaii.....	1938	0	62.6
Indiana.....	1939	1.7	46.5
Iowa.....	1938	.9	45.5
Kansas.....	1938	.9	42.3
Kentucky.....	1938	1.8	30.8
Missouri.....	1939	1.8	55.2
Nebraska.....	1939	.5	48.8
New Hampshire.....	1939	2.5	41.4
New Jersey.....	1938	.9	46.1
New Mexico.....	1938	.9	19.8
North Dakota.....	1938	1.0	40.7
Ohio.....	1938	1.1	61.7
Oregon.....	1938	1.5	32.8
South Carolina.....	1938	1.8	37.4
West Virginia.....	1938	.9	44.0
Wisconsin.....	1939	1.0	35.0

¹ Assuming that no benefits were charged and that pay rolls were uniform during qualifying period.

² Experience rating effective April 1942.

been used in 1942. But if the 1-percent rate would not have been assigned in 1942 by the use of the group method, the employers with pay rolls of less than \$10,000 were better off, on the whole, by being rated singly.

Voluntary contributions.—Eight States permit employers to make voluntary contributions⁹ in order to increase the balance in their accounts and thus obtain lower rates than would otherwise be possible. During 1941, 1,770 employers in the 6 States for which data are available made voluntary contributions which totaled \$1.2 million (table 4). However, voluntary contributions were of genuine importance only in Indiana, largely because the State agency, unlike those of other States, informs employers in advance of the effects of given voluntary contributions upon their contribution rates for the coming year. While as many as 17 percent of all rated employers in Indiana made voluntary contributions, the proportions in the other States ranged from 0.1 percent in Missouri to 4.4 percent in Nebraska. In every State but Missouri and South Dakota, the pay rolls of the accounts making voluntary contributions were higher, on the average, than those of all rated employers.

⁹ Indiana, Kentucky, Missouri, Nebraska, North Carolina, South Dakota, Vermont, Wisconsin. Data are not available for North Carolina and Wisconsin.

The net loss (total loss minus voluntary contributions) to the funds of 5 of the 6 States totaled \$2.7 million, of which Indiana accounted for 98 percent. Only the Kentucky fund made a net gain. Employers' relative savings (ratio of net savings to pay roll) were highest in South Dakota and Indiana. In these 2 States, every employer making a voluntary contribution received a lower contribution rate as a result. In the remaining 4 States, the proportion of successful voluntary contributors ranged from 39 percent in Missouri to 79 percent in Nebraska. Per capita net savings were highest in Indiana (\$1,826) and lowest in Missouri (\$89).

The average contribution rate of all rated accounts was affected noticeably by voluntary contributions in only Indiana and Vermont. The average contribution rate for the accounts which

Table 3.—Percentage distribution of rated experience-rating accounts by 1942 employer contribution rate, 34 States

Type of plan and State	1942 employer contribution rate ¹						
	0.0	0.135-0.9	1.0-1.8	1.9-2.6	2.7	2.75-3.0	3.7-4.1
Number of active accounts, total, 34 States	4,957	64,195	80,464	30,801	202,020	21,031	5,327
Number of rated accounts, total, 34 States	4,957	64,195	80,464	30,801	64,703	17,783	5,327
Reserve-ratio plan	2.8	24.3	25.5	10.3	32.5	3.2	1.4
Arizona				19.4	23.3	57.3	
Arkansas			30.0	20.9	30.4		18.1
California			7.4	22.2	70.4		
Colorado		47.1	20.8		22.1	10.0	
Georgia			60.5	19.9	19.0		
Hawaii	52.0	35.0	7.6	1.4	2.5		
Indiana		42.4	15.0		42.0		
Iowa		42.8	23.1		18.0	16.1	
Kansas		30.5	35.1		34.4		
Kentucky		1.2	35.4		63.4		
Missouri	2.3	60.2	19.0		13.9	4.6	
Nebraska		56.9	6.4	3	36.4		
New Hampshire		0	30.8	30.4	38.8		
New Jersey		45.7	21.8		22.3	7.2	
New Mexico		38.3	10.7		30.0	12.0	
North Dakota			44.0	23.7	32.3		
Ohio ²		41.0	34.5	11.1	3.8	0.0	
Oregon			20.2	10.3	54.5	0	0
South Carolina		30.4	31.0		24.4	7.0	
West Virginia		31.0	33.0		35.4		
Wisconsin	25.0		39.2		27.8	3.4	4.0
Cliff plan		30.5	38.7	13.1	11.6	2.6	3.5
Alabama		25.0	45.1	16.0	12.0		
Delaware		68.3	20.2	6.7	0	2.5	2.3
Massachusetts		30.9	29.0	15.2	24.0		
Oklahoma		25.6	31.0	17.8	0	9.1	15.0
Texas		39.2	38.9	11.9	0	5.9	7.1
Virginia		0	70.7	8.7	11.0		
Benefit-ratio plan			66.2	9.1	7.1	11.3	0.3
Florida			60.8	7.7	31.5		
Michigan			74.0	10.7	0	5.1	9.0
Wyoming			35.8	3.4	6.1	54.7	
Other plans	0	27.0	18.4	17.4	7.4	28.0	
Connecticut			38.3	46.5	15.2		
Minnesota		30.2	10.1	8.0	0	42.7	
South Dakota	14.2	30.3	12.0	2.6	40.9		
Vermont		0	42.5	8.0	49.5		

¹ Contribution rates are stated as a percent of taxable pay roll.
² Excludes 576 accounts with rate pending.

Table 4.—Effect of voluntary contributions on rated accounts, 1942

Item	6 States ¹	Indiana
Rated accounts making voluntary contributions:		
Number	1,771	1,481
As percent of all rated accounts	6.0	17.0
Percent with rate reduction in 1942		100.0
Pay roll of rated accounts making voluntary contributions:		
Amount (in thousands)	\$420,454	\$389,681
As percent of pay roll of all rated accounts		36.0
Voluntary contributions of rated accounts:		
Amount	\$1,246,158	\$1,119,800
As percent of 1941 contributions of all active accounts		0.0
Loss in revenue due to voluntary contributions (in thousands)		
Amount	\$2,746	\$2,684
Savings per rated account making voluntary contributions:		
Amount	\$1,551	\$1,826
Ratio to \$100 of pay roll	.01	.08
Average contribution rate (percent):		
All rated accounts:		
Excluding voluntary contributions		2.1
Including voluntary contributions		1.75
Rated accounts making voluntary contributions:		
Excluding voluntary contributions		2.0
Including voluntary contributions		1.05

¹ Indiana, Kentucky, Missouri, Nebraska, South Dakota, Vermont.

made voluntary contributions, however, was affected in every State except Missouri and Kentucky.

The amount of the voluntary payments varied considerably in each State, but the range was greatest in Indiana, where the amounts varied from \$2 to \$75,000. In the other States, the largest contribution was \$9,000. The average voluntary contribution was highest in Vermont, but the ratio of voluntary contributions to the pay roll of the voluntary contributors was greatest in South Dakota and lowest in Indiana and Missouri.

While the influence of voluntary contributions was negligible in every State except Indiana, the rates of individual employers in all 6 States were altered, with a loss of revenue to the funds of 5 States during 1942. In subsequent years, the fund may recoup these losses, because employers' reserve balances may decline sufficiently, as a result of lower contributions, to produce higher rates in succeeding years. However, this situation can occur only if pay roll is not increasing or benefits are not decreasing. Furthermore, an employer may reduce his contribution rate in subsequent years by the same device. Voluntary contributions can hardly be expected to add any additional income to the State funds over the long run; it is more reasonable to expect employers to discontinue such payments unless they can save money.

Nebraska experience, 1940-42.—An analysis has

Table 5.—Nebraska experience-rating accounts with given 1940 and 1941 rates, classified by 1942 rates

Contribution rate		1942 contribution rate					
1941	1940	Total	0.5	1.0	1.5	2.0	2.7
Total.....		2,201	1,435	115	49	7	595
0.5.....	1.0	626	576	16	8	3	23
	1.5	44	33	9			2
	2.0	18	16		1		1
	2.5	6	6				
	2.7	552	482	25	12	2	31
1.0.....	1.0	38	23	2	4		9
	1.5	11	7	2	1		1
	2.0	3	1	1	1		
	2.7	60	38	9	8		5
1.5.....	1.0	10	10				
	1.5	3	1	1			1
	2.7	49	29	8	5	1	6
2.0.....	1.5	2	1	1			
	2.5	1	1				
	2.7	6	4	2			
2.7.....	1.0	70	34	2			38
	1.5	12	2	1			9
	2.0	10	3				7
	2.5	9	3				6
	2.7	662	165	31	9	1	456

been made of the contribution rates of a group of 2,200 Nebraska employers who were eligible for rate modification in 1940, 1941, and 1942 (table 5). Although the minimum rate had been decreased from 1.0 percent in 1940 to 0.5 percent in 1941, the maximum rate of 2.7 percent remained unaltered during the 3-year period. The vast majority of rates were clustered at either the minimum or maximum in each of the 3 years, in spite of a marked shift of employers from the highest to the lowest rates. The number of accounts at the 2.7-percent rate dropped from 1,330 in 1940 to 770 in 1941 and to 595 in 1942; the sharp decline from 1940 to 1941 was due to the additional year of contributions which made reductions possible for many employers whose reserve ratios were not sufficiently high for this purpose in 1940. The general decrease of contribution rates is attributable to declining benefit payments and increasing pay rolls.

On the other hand, the number of accounts at the minimum rate increased markedly. Some 750 employers received the 1940 minimum rate of 1 percent, but in 1941 there were 1,250 which received the new minimum rate of 0.5 percent, and the number rose to 1,435 in 1942. Thus, more than half the 2,200 employers received the lowest rate in 1942. Some 78 percent of the 1,435 accounts with the minimum rate in 1942 had also received the lowest rate in 1941, and 40 percent had this rate in both 1940 and 1941. Almost all

the 595 employers at the maximum rate in 1942 had the same rate in the 2 preceding years; 86.7 percent had 2.7 percent in 1941, and 83.7 percent obtained that rate in both 1940 and 1941.

The rates of very few employers showed random variation during the 3 years. Only 34 accounts moved from the minimum to the maximum and back to the minimum rate over the period, while 31 followed the reverse pattern—maximum to minimum to maximum. In addition, very few accounts received the minimum rate in 1942 after having had 2.7 percent in 1940 and an intermediate rate in 1941. Of the 1,330 accounts with the 2.7-percent rate in 1940, only 130 received 1.0, 1.5, or 2.0 percent in 1941, but 550 received the minimum rate in 1941 and 720 in 1942.

The Nebraska data reveal three trends: a concentration of accounts at the extremes, relative stability of rates for individual employers, and generally a shift from the high to the low rates.¹⁰

Contribution Rates in 1941 and 1942

Comparative data on contribution rates in 1941 and 1942 are available for employers in nine States who were rated in both years.

State	Percent of accounts rated in 1941 and 1942				
	All accounts	Total	Same rate in both years	Rate increased in 1942	Rate decreased in 1942
California.....	13,237	100	72	2	26
Hawaii.....	2,206	100	33	10	57
Kentucky.....	5,431	100	57	2	41
Minnesota.....	18,958	100	63	26	11
Nebraska.....	2,201	100	75	8	17
Oregon.....	6,263	100	20	2	69
Vermont.....	951	100	78	3	19
Virginia.....	4,837	100	62	7	31
Wisconsin.....	8,075	100	57	19	24

The proportion of accounts whose rates were the same in both years was highest in California, Nebraska, and Vermont. California's rate stability is probably attributable to the fact that the 1941 rates were based on the benefit experience of January 1938–December 1940, while 1942 rates were based on the experience of January 1938–June 1941. Rates were lower in 1942 than in 1941 for 69 percent of the Oregon employers and more than half the accounts in Hawaii. Because the relatively large balance in the Oregon fund pre-

¹⁰ Wisconsin data for the same period showed evidence of the last two trends but not of a concentration of accounts at the extreme rates. For a detailed analysis of employer rates in Wisconsin, see the Bulletin, December 1942, pp. 40-46.

cluded the assignment of rates above 2.7 percent in 1942, 1,680 accounts which would otherwise have had such rates received 2.7 percent.¹¹ Favorable business conditions accompanying defense preparations, particularly in the construction industry, gave Hawaii employers an additional year of low benefits and large contributions and, as a result, a large percentage of new rate reductions.

The largest proportion of increases occurred in Minnesota and Wisconsin. The former State was the only one in which the proportion of accounts with increased rates in 1942 was larger than the proportion with lower rates. Since Minnesota divides the State's taxable pay roll evenly among its 13 contribution rates, the fact that a few large employers had rate decreases from 1941 to 1942 automatically meant a rise in the number with higher rates.

Effect of Modified Rates on Yield

The yield from employer contributions for 1942 is estimated at 37 percent or \$293 million less than the income the standard rate would have produced in the 34 States with modified contribution rates (table 6). For the country as a whole, the loss approximated 21 percent. In addition, the modification of employee contribution rates in Alabama and Kentucky¹² created a loss of \$3.2 million, or 5 percent less than would have been obtained at a standard rate of 1 percent in the 4 States with employee contributions.¹³ Collections on 1942 pay roll understate the loss of revenue due to rate modification in 1942, because the collections on the first quarter's pay rolls were at 1941 rates in Alabama, Arkansas, and Connecticut. The average employer contribution rate in 1942 is estimated to be 1.7 percent. For the country as a whole, it is 2.1 percent, and, with employee contributions, 2.3 percent. In 14 States, experience rating may produce a loss of 40 percent or more, assuming that the distribution of 1942 pay roll by employer contribution rates was the same as in 1941. Ohio may lose more than \$55 million, Michigan \$40 million, Massachusetts \$28 million, and New

¹¹ The Oregon law provides that no rates above 2.7 percent shall be assigned for any quarter if at the end of the preceding quarter the fund exceeds 6 percent of average total annual pay roll for the preceding 5 years.

¹² Kentucky abolished employee contributions as of July 1, 1942.

¹³ California and New Jersey do not modify employee contribution rates.

Jersey \$26 million. The loss is estimated at \$13-19 million in Texas, Indiana, Missouri, and Wisconsin.

Only Delaware had an average contribution rate below 1 percent. In 18 States the average rate was between 1.0 and 1.9 percent; in 13 States average rates of 2.0 to 2.4 percent prevailed. The 2 remaining States, Arkansas and Wyoming, had average contribution rates of 2.5 and 2.7 percent, respectively. In Wyoming, an average yield of

Table 6.—Estimated effect of experience rating on employer and employee contributions for 1942,¹ 34 States

[Amounts in thousands]

State	Estimated 1942 taxable pay roll	Estimated 1942 average contribution rate	Estimated contributions		Estimated loss in revenue	
			At average rate	At standard rate ²	Amount	Percent
Employers						
Total, 34 States.....	\$29,366,480	1.7	\$508,892	\$802,128	\$293,236	37
Reserve-ratio plan.....	18,114,880	1.8	321,820	489,104	167,284	34
Arizona.....	128,400	2.4	3,082	3,407	385	11
Arkansas.....	235,300	2.5	5,883	6,353	470	7
California.....	3,672,000	2.4	88,128	99,144	11,016	11
Colorado.....	274,500	1.7	4,667	7,412	2,745	37
Georgia.....	563,000	2.0	11,260	15,201	3,941	26
Hawaii.....	168,100	1.0	1,681	4,639	2,858	63
Indiana.....	1,492,000	1.8	26,856	40,284	13,428	33
Iowa.....	482,800	1.8	8,690	13,036	4,346	33
Kansas.....	330,000	1.9	6,441	9,153	2,712	30
Kentucky.....	462,400	2.3	10,635	12,485	1,850	15
Missouri.....	1,186,000	1.4	16,604	32,022	15,418	48
Nebraska.....	178,400	1.4	2,498	4,817	2,319	48
New Hampshire.....	183,500	2.4	4,404	4,955	551	11
New Jersey.....	2,398,000	1.0	38,368	64,746	26,378	41
New Mexico.....	77,000	2.1	1,617	2,079	462	22
North Dakota.....	41,480	1.9	788	1,120	332	30
Ohio.....	3,701,000	1.2	44,412	99,927	55,515	56
Oregon.....	494,800	2.3	11,380	13,360	1,980	15
South Carolina.....	328,200	2.0	6,524	8,807	2,283	26
West Virginia.....	658,000	2.0	13,160	17,766	4,606	26
Wisconsin.....	1,058,000	1.4	14,742	28,431	13,689	48
Cliffe plan.....	5,498,000	1.4	78,973	148,497	69,524	47
Alabama.....	611,000	1.5	9,165	16,497	7,332	44
Delaware.....	130,300	0.9	1,227	3,680	2,453	67
Massachusetts.....	2,301,000	1.5	34,515	62,127	27,612	44
Oklahoma.....	363,600	1.5	5,454	9,817	4,363	44
Texas.....	1,354,000	1.3	17,602	36,558	18,956	52
Virginia.....	734,000	1.5	11,010	19,818	8,808	44
Benefit-ratio plan.....	3,627,300	1.8	62,513	104,468	41,955	40
Florida.....	390,900	2.2	8,600	10,654	1,954	19
Michigan.....	3,077,000	1.7	52,308	92,310	40,001	43
Wyoming.....	59,400	2.7	1,604	1,604	0	0
Other plans.....	2,224,400	2.0	45,586	60,059	14,473	24
Connecticut.....	1,374,000	2.1	28,854	37,068	8,244	22
Minnesota.....	702,000	2.0	14,040	18,954	4,914	26
Missouri.....	53,000	1.3	689	1,431	742	52
South Dakota.....	95,400	2.1	2,003	2,576	573	22
Vermont.....	95,400	2.1	2,003	2,576	573	22
Employees						
Total, 4 States.....	6,888,400	.95	65,725	68,884	3,159	5
Alabama.....	611,000	.50	3,055	6,110	3,055	50
California.....	3,672,000	1.00	36,720	36,720	0	0
Kentucky.....	207,400	.95	1,970	2,074	104	5
New Jersey.....	2,398,000	1.00	23,880	23,980	0	0

¹ Contributions based on 1942 taxable wages.

² In Michigan, the standard rate for employers is 3.0 percent, in all other States, it is 2.7 percent. Standard employee contribution is 1.0 percent.

³ Employee contributions in Kentucky ceased as of July 1942.

2.7 percent is a statutory requirement, while in Arkansas, which announced its first modified rates in April 1942, experience rating reduced collections only on pay rolls for the last 3 quarters of the year.

The 1941 taxable pay roll of active accounts in the 34 States totaled \$22 billion; 70 percent of the total pay roll was at rates below 2.7 percent, and only 3.2 percent at rates above 2.7 percent (table 7). Accounts responsible for 27 percent of the total pay roll were assigned the 2.7 percent rate for the following year. In 7 States, the percentage of pay roll at 2.7 percent was more than half the State's total. Rates below 2.7 percent were assigned to employers representing less than 50 percent of the 1941 State-wide pay roll in only 8 States; the range in all 34 States was from 30 percent in Arizona to 94 percent in Ohio.

More than 25 percent of pay roll at rates above 2.7 percent was found only in Minnesota and Wyoming. In the 16 States where rates above 2.7 percent were possible, the percent of pay roll at such rates ranged from zero in Oregon to 44 percent in Wyoming. Tax-exempt pay roll comprised less than 1 percent of the total in the 24 States, but 39 percent of the employers in Hawaii and 18 percent in Wisconsin paid no contributions.

Analysis of Rates by Industry

The proportion of accounts to which reduced rates were assigned varied considerably among the States, but, in general, the proportion of employers with reduced rates was highest in the industries normally characterized by stable employment (table 8). Reduced rates were less common among employers in the irregular and seasonal industries, whether or not rates above 2.7 percent were scheduled. The industrial composition of a State together with its rate schedule and the period required to qualify for reduced rates influenced the proportion of reduced rates among all rated employers. For example, the high percentage of eligible accounts and of reduced rates in Hawaii and Delaware may be attributable, in part, to the fact that employers in two industry divisions, finance and trade, were relatively more numerous than in the other States. These two States also had rate schedules which facilitated reductions.

Mining.—Mining was not a significant industry division in most States in terms of its share of rated accounts. In a few States, however, the per-

centage was noticeably high; 9 percent or more of the rated accounts in Kansas, New Mexico, Oklahoma, Texas, and West Virginia were in mining, in contrast to 2.4 percent for all 34 States. Crude petroleum and gas production is of considerable importance in the first 4 States, and in each of them the proportion of such accounts with reduced rates was lower than in the State as a whole. In West Virginia, where bituminous coal mining is one of the basic industries, slightly more than one-fourth of the coal operators obtained reduced rates, compared with two-thirds of all employers in the State. In all 34 States, lower percentages of mining employers received reduced rates than all employers; 67 percent of all rated accounts received rate reductions, in contrast to only 43 percent of the mining accounts. The proportion of reduced rates in the mining industry ranged from 5 percent in Iowa to 73 percent in Georgia.

Twenty-three percent of the accounts in the mining division received rates above 2.7 percent, in contrast to 9 percent of all rated accounts in the 34 States. In no State did a higher proportion of mining accounts obtain reduced rates than the average of all rated employers.

Construction.—In every State but Hawaii, construction employers received relatively fewer rate reductions than employers in the State as a whole. The industry accounted for 8 percent of all rated employers in the 34 States, with a range of from 4 percent in Oklahoma and Arkansas to 10 percent in Virginia. Thus, the number of construction employers was not very large in any State, but the operations of the industry were so irregular that increased rates were assigned to more than half of the construction accounts in 4 of the 15 States where such rates were possible. No other industry division but mining had a similar record.

The percentage of reduced rates among construction employers ranged from zero in Vermont to 99 percent in Hawaii, but the average for the 34 States was 36 percent. Construction accounts in States with laws of the Cliffe-plan type had, on the whole, a relatively higher percentage of reduced rates than in States of the reserve-ratio or benefit-ratio type; Hawaii, with a reserve-ratio plan, was a notable exception.

The inadequacy of the Hawaii construction industry's 1938 wage records, used in lieu of 1938 contribution experience to determine 1941 rates, had prevented many employers from receiving

the 0.45 or 0.9-percent rates in 1941.¹⁴ As a result, these accounts accumulated large reserves which made them eligible for very low rates in 1942. Furthermore, the defense program produced more stable employment in 1940-41 than was possible in ordinary circumstances. It is unlikely that the proportion of reduced rates among construction employers in other States will decline in 1943 and 1944. However, this unusual expansion of activity makes it almost certain that construction employers will face a period of high contribution rates when construction of plants, camps, and other military installations is completed.

¹⁴ Data from the Hawaii Bureau of Unemployment Compensation.

Finance, insurance, and real estate.—Employers in finance, insurance, and real estate have had more favorable experience with rate modification than those in any other industry. Business operations are inherently stable in this industry division, and in all States but Hawaii such employers had a higher percentage of reduced rates than employers in any other industry division. Only 4 percent of all employers in this group received rates above 2.7 percent, but in Oklahoma, Minnesota, and Wyoming, the proportion of increased rates was higher than 10 percent.

About 7 percent of all the rated accounts in the 34 States were in finance; they ranged from 2.5 percent in South Carolina to 11.5 percent in Dela-

Table 7.—Estimated 1942 average employer contribution rate,¹ and amount and percentage distribution of 1941 taxable pay roll of 1942 active accounts by 1942 employer contribution rate, 34 States

[Amounts in thousands]

Type of plan and State	Estimated 1942 average employer contribution rate ¹	1941 taxable pay roll														
		All rates		Amount at—			Percent at—									
		Amount	Percentage distribution	Rate below 2.7	2.7	Rate above 2.7	All rates	Rate below 2.7					2.7	Rate above 2.7		
								0.0	0.135-0.9	1.0-1.8	1.9-2.0	Total		Total	2.75-3.0	3.7-4.1
Total, 34 States	1.7	\$21,967,854	100.0	\$15,416,174	\$5,852,848	\$698,832	100.0	0.9	22.3	34.3	12.7	70.2	20.0	3.2	2.2	1.0
Reserve-ratio plan	1.8	13,578,782	61.8	8,869,110	4,558,016	151,650	100.0	1.4	20.9	28.8	8.2	65.3	33.0	1.1	.8	.3
Arizona	2.4	97,464	.4	28,810	68,654	0	100.0	0	0	7.5	22.1	29.0	70.4	0	0	0
Arkansas	2.4	157,222	.7	63,607	82,313	11,302	100.0	0	0	14.5	26.0	40.5	62.3	7.2	0	7.2
California	2.4	2,680,000	12.2	1,082,002	1,697,998	0	100.0	0	0	13.5	20.0	40.4	60.0	0	0	0
Colorado	1.7	178,845	.8	131,307	30,288	11,250	100.0	0	30.0	33.5	0	73.4	20.3	0.3	0.3	0
Georgia	2.0	434,550	2.0	287,341	147,209	0	100.0	0	0	40.7	25.4	66.1	33.9	0	0	0
Hawaii	1.0	111,220	.5	79,714	31,506	0	100.0	38.0	20.2	0.5	4	71.7	28.3	0	0	0
Indiana	1.8	1,195,648	5.4	626,450	569,198	0	100.0	0	32.2	20.2	0	52.4	47.6	0	0	0
Iowa	1.8	345,069	1.6	217,509	110,706	16,704	100.0	0	38.5	24.0	0	62.5	32.1	4.8	4.8	0
Kansas	1.0	228,420	1.0	136,370	92,250	0	100.0	0	28.7	31.0	0	59.7	40.3	0	0	0
Kentucky	2.3	350,187	1.6	169,702	189,485	0	100.0	.3	0	46.9	0	47.2	62.8	0	0	0
Missouri	1.4	898,565	4.1	605,233	292,022	1,310	100.0	.4	61.8	15.2	0	77.4	22.5	.1	.1	0
Nebraska	1.4	135,727	.6	87,037	48,690	0	100.0	0	61.8	12.2	.1	64.1	35.9	0	0	0
New Hampshire	2.4	143,632	.7	67,419	76,113	0	100.0	0	0	21.8	25.2	47.0	63.0	0	0	0
New Jersey	1.6	1,798,326	8.2	1,349,453	415,740	33,124	100.0	0	45.8	20.2	0	75.0	23.1	1.9	1.0	0
New Mexico	2.1	69,686	.3	30,271	25,930	3,470	100.0	0	27.0	23.7	0	50.7	43.5	5.8	5.8	0
North Dakota	1.9	34,690	.2	21,130	13,560	0	100.0	0	0	35.2	25.7	60.9	39.1	0	0	0
Ohio	1.2	2,824,444	12.9	2,048,464	142,393	33,587	100.0	0	40.0	41.2	3.0	93.8	5.0	1.2	1.2	0
Oregon	2.3	333,851	1.5	144,802	189,049	0	100.0	0	21.4	22.0	43.4	66.0	0	0	0	0
South Carolina	2.0	250,454	1.1	148,223	97,833	4,398	100.0	0	22.3	36.0	0	50.2	30.1	1.7	1.7	0
West Virginia	2.0	487,108	2.2	300,121	186,987	0	100.0	0	13.0	48.6	0	61.6	38.4	0	0	0
Wisconsin	1.4	824,574	3.8	554,055	234,074	36,445	100.0	17.0	0	40.3	0	67.2	28.4	4.4	1.4	3.0
Cliffe plan	1.4	4,105,700	18.7	3,090,145	933,385	73,170	100.0	0	28.4	38.0	9.1	75.5	22.7	1.8	.9	.9
Alabama	1.4	409,585	1.8	330,761	78,824	0	100.0	0	18.6	52.1	10.1	80.8	19.2	0	0	0
Delaware	.9	102,793	.5	60,209	11,775	719	100.0	0	70.3	15.5	2.0	87.8	11.5	.7	.5	.2
Massachusetts	1.5	1,786,500	8.1	1,257,090	528,804	0	100.0	0	29.4	20.8	11.2	70.4	29.6	0	0	0
Oklahoma	1.5	257,804	1.2	204,214	27,963	25,627	100.0	0	33.5	32.4	13.3	79.2	10.9	9.9	4.5	5.4
Texas	1.3	1,003,824	4.6	797,928	159,072	46,824	100.0	0	40.3	33.8	5.4	79.5	15.8	4.7	2.6	2.1
Virginia	1.5	545,194	2.5	418,247	126,947	0	100.0	0	0	68.7	8.0	76.7	23.3	0	0	0
Benefit-ratio plan	1.8	2,711,342	12.3	2,218,862	145,043	340,537	100.0	0	0	58.7	23.1	81.8	5.4	12.8	7.3	5.5
Florida	2.2	304,295	1.4	168,272	136,023	0	100.0	0	0	40.5	5.8	55.3	44.7	0	0	0
Michigan	1.7	2,301,365	10.7	2,034,767	0	320,578	100.0	0	60.7	25.5	86.2	0	13.8	7.5	6.3	0
Wyoming	2.7	45,682	.2	15,803	9,920	0	100.0	0	0	18.5	16.1	34.6	21.7	43.7	43.7	0
Other plans	2.0	1,572,030	7.2	1,220,057	215,504	127,469	100.0	.2	5.2	30.7	42.1	78.2	13.7	8.1	8.1	0
Connecticut	2.1	998,905	4.6	875,032	123,873	0	100.0	0	0	31.5	56.1	87.6	12.4	0	0	0
Minnesota	2.0	457,811	2.1	280,954	43,388	127,469	100.0	0	13.0	28.1	20.7	62.7	0.5	27.8	27.8	0
South Dakota	1.3	42,528	.2	31,053	11,475	0	100.0	0.5	41.7	21.3	3.5	73.0	27.0	0	0	0
Vermont	2.1	72,786	.3	30,018	30,768	0	100.0	0	0	42.5	7.0	49.5	50.5	0	0	0

¹ Contribution rates are stated as a percent of taxable pay roll. All rates for 1942 became effective Jan. 1 except in Alabama, Arkansas, and Connecticut.

cut where rates became effective Apr. 1. Rates assigned July 1, 1941, in California also apply throughout 1942.

² Estimated by State agency.

ware. It may be noted that very high percentages of employers in this group received rate reductions in the States where the industry was relatively important. Thus, 99.5 percent of the finance employers in Delaware, 87 percent in Massachusetts, 90 percent in Missouri, and 92 percent in

New Hampshire received rate reductions, and in each of these States, finance accounted for 8 percent or more of all rated accounts. In 27 States, rates below 2.7 percent were assigned to more than 80 percent of the accounts eligible for rate modification.

Table 8.—Percent of rated experience-rating accounts with 1942 employer contribution rates below and above 2.7 percent,¹ by industry division and significant major industry group,² 34 States

Industrial classification	Percent of rated accounts with rates below and above 2.7 percent ¹															
	Total, 34 States ¹		Ark.		Colo.		Del.		Iowa		Mich.		Minn.		Mo.	
	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above
All industries.....	67.2	8.6	51.5	18.1	67.9	10.0	95.2	4.8	65.9	16.1	85.3	14.7	57.3	42.7	81.5	4.6
Mining.....	43.0	23.0	22.9	46.8	20.6	48.9	(*)	(*)	4.8	80.6	48.0	52.0	26.9	73.1	30.6	48.4
12 Bituminous and other soft-coal mining	20.1	35.3	3.8	88.7	4.8	77.8	(*)	(*)	2.0	93.9	0	0	0	(*)	10.0	82.9
Construction.....	36.3	22.7	18.0	40.8	29.5	46.5	80.1	19.9	10.3	71.9	53.7	40.3	10.5	89.5	44.0	19.3
15 Building construction—general contractors.....	34.3	10.8	10.3	56.6	23.3	50.0	85.2	14.8	4.3	70.6	51.7	45.3	9.4	90.6	44.1	17.3
Manufacturing.....	68.8	6.6	37.9	19.7	65.0	8.6	93.1	6.9	66.7	10.6	87.3	12.7	62.9	47.1	82.2	3.5
20 Food and kindred products.....	68.5	6.0	33.0	24.4	59.7	4.9	98.8	1.2	68.3	9.4	90.4	9.6	61.4	38.6	83.8	2.8
22 Textile-mill products.....	53.5	7.4	(*)	0	0	0	(*)	(*)	(*)	0	88.9	11.1	37.1	62.9	(*)	0
24 Lumber and timber basic products.....	50.7	8.5	29.4	19.3	(*)	(*)	06.0	4.0	69.7	15.2	51.4	48.6	24.8	75.2	69.2	4.4
26 Paper and allied products.....	81.6	3.4	(*)	0	(*)	(*)	(*)	(*)	(*)	(*)	80.9	10.1	60.6	39.5	91.0	0
28 Chemicals and allied products.....	75.6	6.3	19.5	51.2	81.5	3.7	90.3	3.7	76.5	3.8	93.4	6.6	74.0	26.0	93.0	1.9
32 Stone, clay, and glass products.....	51.4	13.0	(*)	(*)	32.4	41.2	(*)	(*)	19.6	50.0	74.1	25.9	16.1	83.9	70.6	9.4
33 Iron and steel and their products.....	78.3	3.8	(*)	(*)	(*)	0	(*)	0	70.5	5.7	90.1	9.0	59.7	40.3	89.1	2.4
37 Machinery (except electrical).....	81.4	3.0	(*)	0	(*)	(*)	(*)	0	65.7	2.9	91.1	5.9	63.7	36.3	90.8	0
Transportation, communication, and other public utilities.....	70.2	7.4	48.7	17.0	68.5	7.7	86.8	13.2	74.6	3.8	87.6	12.4	53.1	46.9	84.3	3.4
48 Utilities: Electric and gas.....	84.3	3.6	63.3	3.3	(*)	0	(*)	0	69.2	0	90.7	9.3	65.4	34.6	97.8	2.2
Wholesale and retail trade.....	72.6	6.6	53.7	15.4	75.3	4.5	97.2	2.8	77.7	5.2	89.6	10.4	68.4	41.6	88.2	1.5
50 Full-service and limited-function wholesalers.....	80.9	3.7	60.8	9.8	81.0	.5	98.0	2.0	80.8	3.2	93.2	6.8	68.0	32.0	91.5	1.5
51 Wholesale distributors, other than full-service and limited-function wholesalers.....	83.0	3.8	69.9	9.8	86.3	2.6	97.7	2.3	82.1	7.2	93.5	6.5	79.0	21.0	94.2	.7
53 Retail general merchandise.....	73.4	6.0	54.1	15.4	62.3	3.8	100.0	0	96.1	1.5	90.9	9.1	65.9	35.0	91.2	0
55 Retail automotive.....	81.0	2.3	61.3	7.7	84.5	0	100.0	0	96.1	.4	98.0	2.0	66.5	33.5	94.5	0
Finance, insurance, and real estate.....	82.6	4.0	77.0	8.2	89.6	2.1	99.5	.5	89.0	2.6	94.5	5.5	77.6	22.4	89.5	2.3
63 Insurance carriers.....	92.6	1.6	77.1	5.9	97.8	1.1	100.0	0	95.8	0	97.7	2.3	90.8	9.2	95.1	0
Service.....	65.4	9.3	54.5	17.5	59.7	11.9	97.9	2.1	67.2	11.6	79.2	20.8	68.7	31.3	77.5	6.6

Industrial classification	N. J.		N. Mex.		Ohio ¹		Okla.		S. C.		Tex.		Wis.		Wyo.	
	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above	Be- low	Above
	All industries.....	70.5	7.2	58.0	12.0	90.2	6.0	75.3	24.7	68.0	7.6	87.0	13.0	61.8	7.4	39.2	51.7
Mining.....	68.4	5.3	45.6	25.6	60.9	29.8	58.8	41.2	(*)	(*)	70.9	29.1	35.7	27.1	18.2	77.3
12 Bituminous and other soft-coal mining	42.7	13.8	12.0	72.0	35.1	64.0	8.3	91.7	(*)	(*)	0	(*)	(*)	(*)	13.6	86.4
Construction.....	42.7	13.8	23.2	38.4	67.7	22.3	25.2	74.8	28.7	25.4	62.2	37.8	23.5	28.3	7.8	89.3
15 Building construction—general contractors.....	41.5	7.0	22.9	29.2	73.8	15.6	18.0	82.0	30.4	18.8	63.3	36.7	20.8	27.3	5.6	93.0
Manufacturing.....	65.6	11.8	49.1	17.8	94.0	3.7	71.8	28.2	51.9	10.2	83.3	16.7	61.5	5.7	32.0	60.2
20 Food and kindred products.....	78.1	3.0	45.8	1.7	93.9	3.3	72.2	27.8	76.4	9.0	80.0	14.0	67.1	4.1	14.0	71.9
22 Textile-mill products.....	43.0	17.8	(*)	(*)	83.3	7.8	(*)	0	50.6	8.5	76.3	23.7	49.3	17.9	(*)	(*)
24 Lumber and timber basic products.....	97.4	0	20.5	40.2	91.1	5.3	52.5	47.5	48.1	13.0	78.9	23.1	51.9	7.6	22.0	78.0
26 Paper and allied products.....	80.8	2.5	(*)	(*)	98.8	1.2	(*)	(*)	(*)	0	(*)	(*)	81.4	1.0	66.7	23.8
28 Chemicals and allied products.....	88.7	1.4	(*)	(*)	97.5	1.0	58.6	41.4	25.0	11.4	52.2	47.8	72.2	2.2	(*)	(*)
32 Stone, clay, and glass products.....	68.4	5.8	(*)	(*)	85.1	10.9	26.5	73.5	(*)	(*)	77.2	22.8	42.4	22.4	0	(*)
33 Iron and steel and their products.....	90.9	1.0	(*)	0	96.5	1.8	67.4	32.6	(*)	(*)	89.2	10.8	55.4	1.0	(*)	(*)
37 Machinery (except electrical).....	95.3	1.4	(*)	0	98.4	1.0	80.6	10.4	(*)	0	97.7	2.3	47.1	2.9	0	(*)
Transportation, communication, and other public utilities.....	81.3	1.6	55.9	9.0	93.7	3.7	76.8	23.2	57.4	11.9	81.6	18.4	64.8	4.0	33.1	59.7
48 Utilities: Electric and gas.....	(*)	0	(*)	0	97.4	9	93.2	6.8	(*)	0	97.3	2.7	75.4	1.8	48.3	31.5
Wholesale and retail trade.....	79.1	2.3	66.2	5.8	93.4	3.3	80.3	13.7	81.4	3.8	91.6	5.4	73.3	2.9	43.1	50.2
50 Full-service and limited-function wholesalers.....	85.6	1.5	71.2	3.8	96.9	1.5	80.6	10.4	82.1	6.0	91.0	6.0	80.5	1.7	41.7	46.7
51 Wholesale distributors, other than full-service and limited-function wholesalers.....	89.3	2.2	80.2	3.0	98.0	.8	93.2	6.8	86.6	4.0	95.8	4.2	74.3	4.8	67.6	28.9
53 Retail general merchandise.....	79.3	1.5	62.1	2.9	90.8	1.5	84.9	15.1	69.1	4.9	95.2	4.8	83.3	1.1	45.8	48.3
55 Retail automotive.....	94.2	.5	83.1	0	99.3	.2	91.5	5.5	95.0	0	99.0	1.0	74.7	.4	43.0	43.0
Finance, insurance, and real estate.....	80.0	1.6	86.7	1.7	97.7	1.3	87.9	12.1	96.4	0	95.4	4.6	85.0	1.8	76.4	20.5
63 Insurance carriers.....	98.1	0	(*)	0	99.0	1.0	95.4	4.6	(*)	0	96.4	3.6	91.3	0	(*)	(*)
Service.....	65.8	7.0	56.3	10.8	80.6	6.2	68.8	31.2	80.0	1.6	92.1	7.9	65.4	11.8	42.3	51.9

See footnotes on next page.

Table 8.—Percent of rated experience-rating accounts with 1942 employer contribution rates below and above 2.7 percent,¹ by industry division and significant major industry group,² 34 States—Continued

Industrial classification	Percent of rated accounts with rates below 2.7 percent ¹																		
	Ala.	Ariz.	Calif.	Conn.	Fla.	Ga.	Hawaii	Ind.	Kans.	Ky.	Mass.	Nebr.	N. H.	N. Dak.	Oreg.	S. Dak.	Vt.	Va.	W. Va.
All industries	87.1	42.7	20.6	84.8	68.5	80.3	97.5	57.4	65.6	36.6	75.1	63.6	61.2	67.7	45.0	50.1	50.5	89.4	64.0
Mining	58.7	11.2	24.3	48.0	63.6	72.7	(*)	16.0	30.7	10.9	54.2	(*)	(*)	(*)	10.5	43.3	(*)	50.2	30.4
12 Bituminous and other soft-coal mining	50.7							8.2	3.1	15.6	(*)		(*)	(*)	(*)			44.8	20.2
Construction	68.9	8.4	15.8	52.8	44.1	49.2	98.7	10.1	12.9	8.7	38.0	10.8	17.4	4.3	17.7	0.5	0	00.8	10.7
15 Building construction—general contractors	64.7	3.9	10.7	52.5	34.5	47.3	99.0	7.2	2.0	4.7	31.1	4.3	13.0	0	13.3	3.2	0	00.7	20.8
Manufacturing	82.7	36.4	20.5	82.5	62.3	72.4	98.3	55.8	71.1	38.7	72.3	67.1	61.5	64.0	32.3	50.7	37.7	85.7	54.0
20 Food and kindred products	90.5	24.3	23.5	93.3	70.4	82.6	90.3	50.4	69.0	34.5	80.0	62.6	72.9	55.7	44.0	50.0	54.3	94.0	70.0
22 Textile-mill products	85.2		9.5	51.7	(*)	55.8		(*)		(*)	63.2		21.7		(*)		(*)	71.0	(*)
24 Lumber and timber base products	81.0	(*)	16.6	(*)	50.2	70.0	(*)	31.0	(*)	25.2	70.2	(*)	42.4		12.1	(*)	47.1	82.8	23.0
26 Paper and allied products	(*)		35.3	88.2	(*)	(*)	(*)	71.9	(*)	(*)	61.7	(*)	76.9		(*)	0	(*)	67.1	(*)
28 Chemicals and allied products	64.6	(*)	46.8	90.9	55.4	57.3	(*)	60.5	81.2	70.6	62.3	72.4	(*)		44.1	(*)	(*)	64.3	86.7
32 Stone, clay, and glass products	70.2	(*)	23.7	60.0	73.1	71.7	(*)	25.0	28.1	27.0	62.1	(*)	(*)	(*)	20.4	(*)	6.7	67.1	30.6
33 Iron and steel and their products	90.9	(*)	33.6	96.9	(*)	87.1	(*)	54.1	(*)	47.8	90.0	(*)	(*)	(*)	31.5	(*)	(*)	63.0	50.0
37 Machinery (except electrical)	(*)	(*)	44.6	98.4	(*)	84.3	(*)	66.5	72.0	50.0	98.1	(*)	71.4		58.8	(*)	(*)	63.5	(*)
Transportation, communication, and other public utilities	83.9	48.5	35.9	90.5	66.5	76.9	100.0	60.0	65.8	30.6	85.5	59.9	60.6	76.1	67.8	65.5	50.6	62.6	70.1
48 Utilities: Electric and gas	(*)	(*)	65.4	(*)	(*)	(*)	(*)	60.1	67.5	52.6	98.9	(*)	(*)	(*)	(*)	(*)	(*)	66.9	90.6
Wholesale and retail trade	93.9	45.8	29.9	61.7	75.8	88.2	97.5	65.2	73.2	41.0	81.1	67.1	72.9	73.3	64.2	63.5	68.7	64.3	81.7
50 Full-service and limited-function wholesalers	94.4	56.0	45.5	64.7	86.9	87.6	98.7	76.8	86.2	53.7	90.3	78.1	82.2	80.3	68.5	69.1	70.7	88.9	80.7
51 Wholesale distributors, other than full-service and limited-function wholesalers	95.1	68.9	51.1	66.1	65.7	62.3	97.8	78.5	82.1	50.2	62.0	76.1	84.7	73.6	73.0	66.3	75.2	62.4	80.2
53 Retail general merchandise	93.5	43.4	22.4	64.2	77.3	83.8	99.1	78.1	63.6	38.1	81.0	75.0	81.1	76.1	61.7	64.7	62.1	67.6	83.0
55 Retail automotive	90.5	47.7	34.0	68.3	60.9	66.4	(*)	65.1	87.1	48.4	62.4	78.7	87.7	93.9	68.3	75.8	93.5	68.0	80.2
Finance, insurance, and real estate	98.4	81.9	47.1	95.7	86.0	93.2	96.8	90.6	85.0	52.9	87.2	88.3	61.8	90.2	70.1	75.3	66.2	68.7	88.9
63 Insurance carriers	100.0	83.9	73.3	100.0	96.2	97.4	(*)	91.0	90.9	71.0	98.9	94.3	98.0	(*)	63.7	82.0	(*)	100.0	92.3
Service	61.3	43.7	28.2	86.6	62.5	81.5	60.7	57.0	60.3	38.8	71.2	57.4	51.0	67.6	49.0	58.9	32.0	61.0	58.5

¹ Standard rate in all States except Michigan, where rate is 3.0 percent.

² Major industry group with at least 5 percent of State's 1940 taxable pay roll, in 2 or more States.

³ Excludes 576 Ohio accounts with rate pending.

⁴ Not computed for industry with less than 25 employers.

Insurance carriers had an even better record than the industry division as a whole, for reduced rates were assigned to 93 percent of these employers, as compared with the industry average of 83 percent. In every State where there were 25 or more insurance carriers eligible for rate modification, the proportion of reduced rates outstripped the average for all firms in finance, insurance, and real estate divisions. All eligible insurance carriers in four States received decreased rates, a record unequalled by any other important major industry group.

Wholesale and retail trade.—In terms of numbers of rated accounts, wholesale and retail trade was the single most important industry division in all but 1 of the 34 States. More than half the eligible employers' accounts in 8 States, and 40–50 percent in 24 States, were in this industry. On the whole, the industry division is characterized by stable operations, and this stability is reflected in the

proportions of reduced rates. In no State was the percentage of trade employers with reduced rates lower than in all industries combined, although the proportion was identical in Hawaii and California.

In States with laws of the Cliffe-plan variety, employers in trade tended to have about the same percentage of reduced rates as the State-wide average; under other types of laws, they exceeded that average. Eighty percent or more of the eligible employers in 14 States obtained rate reductions; the proportion for all 34 States ranged from 30 percent in California to 98 percent in Hawaii. Rates above 2.7 percent were assigned to 7 percent of all rated trade accounts in the 34 States; the range was from 2 percent in Missouri to 50 percent in Wyoming. In view of the large number of trade employers, it is not surprising that the experience of this industry should influence the State-wide experience considerably.

The major industry groups in the trade division

did not have identical experience patterns, mainly because of the different degrees of stability in business conditions. A relatively greater number of wholesale distributors of all types and retail automotive employers had reduced rates than in the division as a whole, but it is likely that the benefit payments to displaced automobile salesmen during 1942 will raise contribution rates for employers in the latter group in 1943. None of the important industry groups had higher than average percentages of employers with rates above 2.7 percent.

Manufacturing.—Manufacturing employers accounted for the major share of total State pay rolls, although they made up only 19 percent of all rated accounts. In Alabama, New Jersey, and Vermont, they constituted more than 30 percent of all eligible employers, but the proportion was below 10 percent in Arkansas, Arizona, Delaware, Hawaii, New Mexico, and Wyoming. While the proportion of manufacturing employers in all 34

States with rate reductions was slightly lower than for all rated accounts, manufacturing employers in 9 States had more favorable experience than was true of all industries in the State. The lowest proportion of reduced rates occurred in California and the highest in Hawaii.

Rates above 2.7 percent were assigned to 7 percent of the eligible manufacturing employers in all 34 States. In 12 States, 7–60 percent of the eligible employers had increased rates; without Wyoming and Minnesota, the upper limit would have been 28 percent. A diversity of activities is included in the manufacturing division, and the experience of the major industry groups varied. A high proportion of rate reductions was obtained by employers in paper and allied products, non-electrical machinery, and iron and steel. In Indiana, voluntary contributions assisted such employers to receive reduced rates. On the other hand, high proportions of employers with rates above 2.7 percent were found among manufactured

Table 9.—Percent of rated experience-rating accounts with 1942 employer contribution rates below and above 2.7 percent,¹ by average annual pay roll, 34 States

State	Percent of rated accounts with rates below and above 2.7 percent by average annual pay roll															
	All rated accounts		Less than \$5,000		\$5,000-9,999		\$10,000-19,999		\$20,000-49,999		\$50,000-99,999		\$100,000-999,999		\$1,000,000 or more	
	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above	Below	Above
Total, 34 States ²	67.2	8.6	61.0	10.1	61.8	7.3	60.7	5.4	73.5	5.0	74.2	4.8	75.9	3.7	83.3	1.8
Arkansas.....	51.5	18.1	53.0	10.7	53.0	9.0	59.8	6.3	51.1	10.3	52.2	13.9	54.7	10.9	71.4	14.3
Colorado.....	67.9	10.0	76.0	11.1	50.0	13.8	66.2	7.2	64.3	9.8	74.2	0.0	69.3	14.7	78.6	0
Delaware.....	95.2	4.8	93.0	0.4	98.1	1.9	97.5	2.5	97.4	2.0	98.2	1.8	100.0	0	100.0	0
Iowa.....	65.9	10.1	61.9	21.3	64.2	14.3	70.4	10.4	67.8	11.0	73.3	8.4	76.8	7.6	88.9	0
Michigan ¹	85.3	14.7	84.5	15.5	77.9	22.1	84.0	16.0	87.1	12.0	88.8	11.2	89.7	10.3	89.3	10.7
Minnesota.....	57.3	42.7	58.4	41.6	53.3	46.7	54.0	45.4	57.1	42.0	60.1	30.0	68.0	32.0	82.6	17.4
Missouri.....	81.5	4.6	48.8	30.9	78.5	.1	83.9	.1	87.4	(3)	89.2	.1	92.0	0	95.3	0
New Jersey.....	70.5	7.2	65.6	12.2	60.3	11.8	68.7	6.4	72.9	6.3	72.2	6.6	78.1	3.6	93.7	0
New Mexico.....	58.0	12.0	51.9	17.0	58.0	8.9	61.4	5.1	65.2	0.3	65.3	14.7	70.0	14.3	100.0	0
Ohio ¹	90.2	6.0	81.9	11.8	91.4	4.7	94.8	2.7	90.1	2.3	95.5	2.8	97.1	1.9	98.6	.7
Oklahoma.....	75.3	24.7	58.9	41.1	69.0	30.4	77.3	22.7	81.2	18.8	80.4	10.6	87.2	12.8	99.7	3.3
South Carolina.....	68.0	7.6	60.7	4.8	66.5	4.0	76.9	2.3	73.2	4.5	68.2	7.4	66.2	4.3	80.8	0
Texas.....	87.0	13.0	78.0	21.4	85.3	14.7	89.4	10.6	90.0	9.4	89.6	10.4	92.1	7.0	98.6	1.4
Wisconsin.....	64.8	7.4	54.4	11.7	60.7	7.7	68.8	5.0	72.8	5.0	73.4	6.7	99.4	4.8	76.6	.9
Wyoming.....	39.2	54.7	41.7	54.4	36.7	56.0	33.3	54.4	31.1	52.0	22.0	61.0	29.8	50.6	66.7	33.3
Alabama.....	87.1	.....	69.6	.....	80.9	.....	91.3	.....	89.4	.....	90.7	.....	89.9	.....	100.0	.....
Arizona.....	42.7	.....	37.6	.....	42.5	.....	46.7	.....	52.7	.....	51.4	.....	44.4	.....	20.0	.....
California.....	29.6	.....	23.0	.....	23.6	.....	31.2	.....	35.1	.....	37.7	.....	38.2	.....	47.4	.....
Connecticut.....	84.8	.....	74.1	.....	82.0	.....	87.0	.....	87.8	.....	85.4	.....	85.9	.....	95.1	.....
Florida.....	68.5	.....	58.6	.....	64.0	.....	70.9	.....	75.9	.....	74.8	.....	73.7	.....	100.0	.....
Georgia.....	80.3	.....	76.8	.....	77.6	.....	83.5	.....	82.4	.....	80.2	.....	75.7	.....	87.2	.....
Hawaii.....	97.5	.....	96.6	.....	98.7	.....	99.6	.....	99.1	.....	98.6	.....	100.0	.....	100.0	.....
Indiana.....	57.4	.....	50.6	.....	44.8	.....	55.3	.....	64.6	.....	60.3	.....	64.9	.....	56.9	.....
Kansas.....	65.6	.....	53.9	.....	57.6	.....	69.4	.....	67.5	.....	71.3	.....	80.6	.....	81.0	.....
Kentucky.....	36.6	.....	28.0	.....	35.2	.....	39.4	.....	42.5	.....	40.2	.....	45.2	.....	62.5	.....
Massachusetts.....	75.1	.....	60.8	.....	65.2	.....	76.7	.....	82.2	.....	81.8	.....	82.0	.....	86.4	.....
Nebraska.....	63.6	.....	65.5	.....	51.0	.....	59.8	.....	69.3	.....	77.4	.....	80.0	.....	91.7	.....
New Hampshire.....	61.2	.....	59.8	.....	59.9	.....	64.2	.....	67.0	.....	65.0	.....	59.6	.....	54.5	.....
North Dakota.....	67.7	.....	67.2	.....	63.8	.....	68.8	.....	69.1	.....	72.0	.....	65.9	.....	100.0	.....
Oregon.....	45.6	.....	34.0	.....	47.5	.....	50.2	.....	54.6	.....	54.6	.....	47.5	.....	59.4	.....
South Dakota.....	59.1	.....	54.5	.....	49.8	.....	59.6	.....	69.0	.....	73.1	.....	55.8	.....	50.0	.....
Vermont.....	50.5	.....	50.5	.....	37.1	.....	51.3	.....	54.6	.....	54.7	.....	60.5	.....	91.7	.....
Virginia.....	88.4	.....	83.1	.....	87.6	.....	91.5	.....	93.0	.....	90.5	.....	86.6	.....	91.7	.....
West Virginia.....	64.0	.....	57.6	.....	60.2	.....	67.8	.....	70.9	.....	69.9	.....	52.2	.....	76.5	.....

¹ Standard rate in all States except Michigan, where rate is 3.0 percent.
² Excludes 576 accounts with rate pending.

³ Less than 0.05 percent.

products of petroleum and coal, and stone, clay, and glass products. The percentage of reduced rates was lower than average, but increased rates were not much above the mean in lumber and basic timber products, textile-mill products, and transportation equipment (except automobiles).

Other industries.—Reduced rates were obtained by 70 percent of the eligible transportation accounts and rates above 2.7 percent by 7 percent. In Hawaii, all rated accounts in this group received reduced rates; the lowest percent for any State was 31, in Kentucky. In 23 States, 60 percent or more of the accounts in this industry had reduced rates. Public utilities fared much better than any of the other industry groups. In 12 States, the proportion of all rated accounts in the industry division with reduced rates was lower than the State average for all rated accounts. Two percent of the rated accounts in New Jersey up to 60 percent in Wyoming received rates above 2.7 percent.

In the service industries, 65 percent of the rated accounts had rate reductions, and 9 percent had increased rates. The proportion of employers in this division with reduced rates ranged from 28 percent in California to 98 percent in Delaware; in 18 States, it exceeded 65 percent. In 15 States, the proportion of service employers with reduced rates was greater than the State-wide average for all industries. The proportion with rates above 2.7 percent varied from 2 percent in South Carolina to 52 percent in Wyoming.

Analysis of Rates by Size of Pay Roll

The influence of size of pay roll on rate modification varied among the States (table 9), partly because of the variation in the average size of pay

roll. In Wyoming, for example, 69 percent of the accounts had average annual pay rolls of less than \$5,000, while only 7 percent of the Indiana accounts were in this category. While pay rolls of \$1 million or more were rare in every State and pay rolls of \$100,000–999,999 occurred very infrequently in Arkansas and Wyoming, the latter were fairly common in Indiana, Michigan, Missouri, New Jersey, and West Virginia.

Although the combined experience of the 34 States showed a clear-cut correlation between size of pay roll and percentage of reduced rates, the relationship was not uniformly exhibited in individual States.

The data indicate, however, that in 17 States, or half of those with experience rating, the proportion of accounts with reduced rates tended to increase as the size of pay roll increased. In no State were rate reductions more frequent as size of pay roll decreased. The smallest firms (under \$5,000) were in a better position than the next larger size group (\$5,000–9,999) in 11 States, probably because benefit charges were negligible among the small employers in these States. Employers in the \$1 million class received the highest proportion of rate reductions in 30 of the 34 States. In 3 of the remaining 4 States the second highest pay-roll class had the highest percentage of rate reductions. In 7 States, reduced rates were assigned to all employers with pay rolls of \$1 million or over, and in 2 of these States accounts in the \$100,000–999,999 class fared equally well.

Such factors as voluntary contributions, length of coverage, general business conditions, and the industrial composition of the State, as well as size of pay roll, undoubtedly influenced the distribution of modified rates.