a few instances, enactment of more liberal benefit provisions brought benefit disbursements substantially above the amounts paid in March 1943. For the Nation as a whole, the weekly benefit for total unemployment averaged $13.60 this March as against $13.70 a year earlier.

The number of initial claims received in local offices was slightly less than in February and 20 percent less than in March 1943. Although two-thirds of the States reported fewer claims, the claims loads increased substantially in several States. In some the rise was due to changes in war-production requirements, and in some, to progressive curtailments in the construction and textile industries; in a few states the rise reflected the beginning of new benefit years.

Although the number of continued claims was 8 percent more than in February, because of the increased volume in initial claims in preceding months, it was 38 percent below the number in March a year ago.

The slight monthly increase in total expenditures for public assistance in the continental United States that has occurred, with two exceptions, in every month since June of last year continued in March. The total expended, $78.5 million, was 0.1 percent above that in February and 1.1 percent above expenditures under the four programs in March 1943; if expenditures under the WPA and NYA programs are included in the figure for the earlier month, however, assistance expenditures this March were 10 percent less.

The increase from February in total payments resulted from gains in aid to dependent children and general assistance; payments for old-age assistance and aid to the blind decreased slightly. For the third consecutive month, the number of recipients declined in all programs.

The slight decrease in the number of aged recipients continued a 21-month decline which, by March, amounted to 6 percent; over the same period, payments increased 16 percent. For aid to dependent children, March declines closed 2 full years of continuous decrease in the number of families aided; the number dropped 24 percent, and payments also fell 17 percent. Moving within a much narrower range, the number of blind recipients has nevertheless declined slightly each month since June 1943; in March the number was 4 percent less than in the earlier month, but total payments were 0.5 percent more. The drop in general assistance cases, which began in February 1943, has continued with only one interruption; by March 1944 the number of cases had dropped 66 percent and payments, 69 percent.

War-Risk Contribution Provisions in State Unemployment Compensation Laws

Provisions for "war-risk contributions" from employers whose pay rolls have expanded during the war were incorporated in the unemployment compensation laws of ten States in 1943 (Alabama, Florida, Illinois, Iowa, Maryland, Minnesota, Missouri, Ohio, Oklahoma, and Wisconsin). These war-risk contributions were additional to or higher than the rates which would otherwise have been assigned employers. It was also recognized that additional taxes imposed upon employers operating under war contracts could often be reimbursed by the Federal Government. The emphasis on the probable effect of post-war costs on individual reserve accounts is well illustrated by the following statement of policy which introduces the war-risk contribution provision of the Wisconsin law:

"War-time expansion has increased the pay rolls of some employers substantially over their 1940 pay rolls, with a corresponding increase in the potential post-war benefit liabilities of their reserve accounts, but without a corresponding increase in the level of those accounts under this chapter. Unless corrected, this condition would..."
endanger the post-war solvency of such accounts, and would require higher contribution rates to be collected from employers generally, during the post-war years. Therefore, such accounts should now be built up toward more nearly adequate post-war levels, to help avoid (or reduce) the post-war rate increases which would otherwise result, by increasing contributions from such employers at higher war-time rates, based on their pay-roll increases and the relative adequacy of their accounts."

While complete analysis of these provisions must await data on actual operations, their inclusion in ten laws during 1943 warrants some preliminary analysis of the major characteristics of the provisions, consideration of the financial characteristics of these States, and some questions concerning the implications of the provisions.

War-Risk Contribution Provisions

In general, the war-risk provisions apply only to the war period. The liability for the increased taxes is assessed on employers whose pay rolls have expanded greatly during the war—either all employers or those whose pay rolls are of a specified size. In most of the States, the war-risk rate is levied on that part of the pay roll in excess of a stated amount. The rate may be a flat rate on all employers and higher than the rate determined under the usual tax provisions, it may be levied in addition to the regular rate, or it may vary with the increase in the employer's pay roll and the status of his reserve account.

Effective Period

The war-risk provisions became effective in two States (Minnesota and Oklahoma) January 1, 1943; in one (Alabama) April 1, 1943; in six (Florida, Illinois, Iowa, Maryland, Missouri, and Wisconsin) July 1, 1943; and in one (Ohio) January 1, 1944 (Table 1). Three States (Florida, Maryland, and Oklahoma) made no provision for a specified termination date. Oklahoma's use of the lowest of the annual taxable pay rolls of the preceding 3 years from which the pay-roll expansion is measured limits the life of this provision for most firms, since it is hardly likely that, in general, pay rolls in the post-war period will be higher than in the war period. Florida specifies that the war-risk provisions shall remain in effect as long as the State-wide reserve at the end of any calendar quarter does not exceed $85 per insured worker; the Florida agency estimates that this floor will probably be reached by the end of 1944. The other seven States all specify an effective period which runs for 2-3 years, ending some time in 1945 in six of the States, and on March 31, 1946, in Alabama.

Employers Subject to the Tax

In general, only employers whose pay rolls have expanded greatly during the war period are required to pay war-risk contributions. In determining what employers are subject to the tax, the provisions take into consideration the size of the employer's pay roll; the increase in his pay roll over a specified prior period; and, in four States, the rates now assigned employers under experience ratings, or the status of the employer's account.

Size of Pay Roll

Half the States (Alabama, Illinois, Iowa, Minnesota, and Wisconsin) exempt employers with small pay rolls from the special war-risk contribution, regardless of the increase in their pay roll. Presumably, these States were interested in taxing only the large employers, because of the greater instability of small firms and the assumption that the large employers are likely to be those engaged in war production whose taxes will be reimbursed by the Federal Government and also those who, individually, will throw the greatest burden on the fund. The five other States levy the tax on all employers regardless of size of pay roll. Presumably, these States levy the tax without regard for size of pay roll on the theory that employers with war-expanded pay rolls would represent the greatest risk to the unemployment fund or that the accounts of all employers with war-expanded pay rolls might be subjected to heavy post-war drains and could more easily pay these increased contributions now than later. The size-of-pay-roll exemption varies among these five States; Iowa and Wisconsin exempt employers with annual pay rolls of less than $39,000; Alabama and Illinois exempt employers with annual taxable pay rolls of $100,000 or less; Minnesota exempts employers with quarterly taxable pay rolls of $50,000 or less. The Alabama exemption would exclude about 87 percent of the employers subject to the unemployment compensation tax classified by size of pay roll, while the Wisconsin and Iowa exemptions may result in eliminating approximately two-thirds of the firms subject to the unemployment compensation tax in each State, Judged from 1944 reports. No information is available on the proportion of total covered pay roll included in these figures.

Increase in Pay Roll

In all ten States, an employer's liability for the special war-risk tax in any taxable period depends on a specified increase in his pay roll during the years of war activity. In some States this factor is used alone; in others it is used in combination with other factors, such as the condition of the employer's reserve account. The "normal" period from which the pay-roll expansion is measured and the percentage increase in pay rolls which make an employer liable to these new provisions vary greatly among the States.

The most common base from which an employer's pay-roll expansion is measured is the amount of his pay roll in 1940. Five States (Illinois, Iowa, Maryland, Minnesota, and Wisconsin) use this base. Three States (Alabama, Missouri, and Oklahoma) use the employer's annual taxable pay roll for several preceding years.

The Maryland agency has reported that many small employers not directly engaged in war production were among the 2,000 employers subject to the war-risk rate for the fiscal year 1943-44. Many of them experienced expansions in pay roll due to higher wage scales and longer hours of work rather than an increase in the number of workers employed. In addition, 4 States (Iowa, Minnesota, Missouri, Wisconsin) levy contributions on specified new employers, or those without pay rolls in the base period; and Wisconsin levies a special post-war reserve tax at 0.5 percent on all subject employers, regardless of size of pay roll.
<table>
<thead>
<tr>
<th>State</th>
<th>Effective period</th>
<th>Employers liable</th>
<th>War-risk contribution rates and subject pay rolls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota</td>
<td>January 1943 - June 1945</td>
<td>Employers with total taxable pay roll in 12-month period, beginning April 1st of any year, which exceeds $100,000 and exceeds the greater of (a) average annual taxable pay roll for 0.5 consecutive calendar years immediately preceding the 12-month period or (b) the average annual taxable pay roll for first 2 of last 4 calendar years by 100%.</td>
<td>Flat rate of 2.7% on lesser of modified rate under experience rating or that portion of current taxable pay roll which exceeds $50,000 for July-December 1943 or $100,000 for 1944 and/or 1945, or (6) flat rate of 2.5% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $100,000 for 1944 and/or 1945 and/or 1946, or (7) flat rate of 2.7% on entire pay roll in lieu of rates under experience rating.</td>
</tr>
<tr>
<td>Illinois</td>
<td>July 1943 - December 1945</td>
<td>Employers with current annual taxable pay roll which exceeds $100,000 taxable pay roll by 100%.</td>
<td>Flat rate of 2.7% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $50,000 for July-December 1943 or $100,000 for 1944 and/or 1945, or (6) flat rate of 2.5% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $100,000 for 1944 and/or 1945, or (7) flat rate of 2.7% on entire pay roll in lieu of rates under experience rating.</td>
</tr>
<tr>
<td>Florida</td>
<td>Beginning July 1, 1943, whenever State-wide reserve at end of any calendar quarter does not exceed $15 per insured worker. July 1943 - December 1945.</td>
<td>Employers with no 1939 taxable pay roll whose current annual taxable pay roll exceeds $100,000 taxable pay roll by 100%.</td>
<td>Flat rate of 2.7% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $50,000 for July-December 1943 or $100,000 for 1944 and/or 1945, or (6) flat rate of 2.5% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $100,000 for 1944 and/or 1945, or (7) flat rate of 2.7% on entire pay roll in lieu of rates under experience rating.</td>
</tr>
<tr>
<td>Iowa</td>
<td>July 1943 - December 1945</td>
<td>Employers with taxable pay roll for July-December 1943 which exceeds $50,000 or for 1944 and for 1945 which exceeds $100,000 and exceeds the greater of (a) average annual taxable pay roll for 4 consecutive calendar years immediately preceding the 12-month period or (b) the average annual taxable pay roll for first 2 of last 4 calendar years by 100%.</td>
<td>Flat rate of 2.7% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $50,000 for July-December 1943 or $100,000 for 1944 and/or 1945, or (6) flat rate of 2.5% in lieu of modified rate under experience rating on portion of current pay roll which exceeds $100,000 for 1944 and/or 1945, or (7) flat rate of 2.7% on entire pay roll in lieu of rates under experience rating.</td>
</tr>
<tr>
<td>Maryland</td>
<td>July 1, 1943, and thereafter</td>
<td>None.</td>
<td>None.</td>
</tr>
<tr>
<td>Minnesota</td>
<td>January 1943 - June 1946</td>
<td>Employers subject to law after Dec. 31, 1942, if annual pay roll during first year of coverage equals or exceeds $30,000; or (6) employers with no 1940 pay roll if pay roll for your current calendar quarter equals or exceeds $30,000.</td>
<td>None.</td>
</tr>
<tr>
<td>Missouri</td>
<td>July 1943 - June 1946</td>
<td>Employers with annual pay roll for each of the calendar years 1943, 1944, and 1945.</td>
<td>None.</td>
</tr>
<tr>
<td>Ohio</td>
<td>January 1943 - December 1946</td>
<td>New employers subject to experience rating whose current annual taxable pay roll exceeds 50% of their average current taxable pay roll for first 1 consecutive calendar quarters in which they have employment.</td>
<td>None.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Jan. 1, 1943, and thereafter</td>
<td>None.</td>
<td>None.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>July 1943 - December 1946, or earlier.</td>
<td>Employers who became subject to law after Dec. 31, 1942, and whose pay roll for their first year of coverage is $100,000 or more.</td>
<td>None.</td>
</tr>
</tbody>
</table>

1 Iowa agency has interpreted this as total pay roll.
2 For employers with no 1940 pay roll, the rates applicable to employers whose pay rolls have exceeded 100% or more applied.
3 Any employer whose contributions have increased because of the war-risk rates is entitled to a special credit of $50 million, amount of increased contributions for each of the 2 fiscal years during which war-risk provisions are effective.
4 Flat rate were suspended during 1945 and 1946.
5 War-risk contributions were ceased to be effective on the earlier of the 2 following dates: (a) Dec. 31, 1945, or (b) the end of the third month following the first calendar quarter for which the total of all taxable pay rolls is less than $200 million as determined by the Commissioner and published in an official State paper.

Table 1.—War-risk contribution provisions, 10 States, 1943

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**Footnotes:**
- [1] Iowa agency has interpreted this as total pay roll.
- [2] For employers with no 1940 pay roll, the rates applicable to employers whose pay rolls have exceeded 100% or more applied.
- [3] Any employer whose contributions have increased because of the war-risk rates is entitled to a special credit of $50 million, amount of increased contributions for each of the 2 fiscal years during which war-risk provisions are effective.
- [4] Flat rate was suspended during 1945 and 1946.
- [5] War-risk contributions were ceased to be effective on the earlier of the 2 following dates: (a) Dec. 31, 1945, or (b) the end of the third month following the first calendar quarter for which the total of all taxable pay rolls is less than $200 million as determined by the Commissioner and published in an official State paper.
specifies the average annual taxable pay roll of the first 2 of the last 4 years or the average of the 4 years immediately preceding his current pay roll; Missouri, the average of 1930, 1940, and 1941; Ohio, the average annual pay roll used in computing the employer's first modified rate; and Oklahoma, the lowest annual taxable pay roll in the 3 preceding calendar years. Florida uses the employer's 1939 taxable pay roll.

Although data are not yet generally available on the effect which the use of these various bases for measuring pay-roll expansion may have on the number of employers who are subject to the tax, some indication may be gleaned from examining the trend in covered employment and pay rolls in these ten States.

The expansion in covered employment did not begin uniformly after the normal year, taking as examples the five States which use 1940 as the base year from which expansion is measured. In Illinois, the expansion has continued uninterrupted since the beginning of 1939. Although employment and pay rolls in Iowa were higher in 1940 than in 1936, significant expansion got under way only in 1941. In Maryland, 1930 would probably have been a better base year to use if all the defense and war-expanded pay rolls were to be considered, since the employment trend was already upward in 1940. For Minnesota, 1940 probably was as good a base year as possible, since employment was higher in 1939 than 1940. Wisconsin employment and pay rolls had already expanded somewhat by 1940. In the pay-roll increase required before an employer may be liable for war-risk contributions, the ten provisions again show no uniform pattern. Six States levy war-risk contributions on employers with specified increases in pay rolls, while four (Illinois, Iowa, Ohio, and Wisconsin) levy these contributions on employers with specified increases in relation to the rates they are receiving under normal experience-rating operations or the status of the employers' individual reserve accounts. Oklahoma taxes employers whose pay rolls have expanded 200 percent or more over

Pay Roll Subject to War-Risk Rates

Only three States (Maryland, Ohio, and Wisconsin) levy the war-risk contribution rate on the entire pay roll of employers who meet specified conditions; the other seven (Alabama, Florida, Illinois, Iowa, Minnesota, Missouri, and Oklahoma) levy it on that portion of the pay roll which is in excess of a stated amount.

Among the seven States which levy the war-risk rate on only a part of the pay roll, there are differences in the proportion subject to the levy. Illinois, Iowa, and Missouri specify that the war-risk rate will be levied on that part of the pay roll which exceeds that of the base year used; Alabama, Florida, Minnesota, and Wisconsin levy the war-risk contribution rate only on that part in excess of the specified increase used to determine the employer's liability for the tax. It seems clear that the States which collect additional revenue on the employer's entire pay roll will receive far more, relatively, than the other States, and that the smaller the proportion of pay roll subject to the levy, the less will be the revenue.

War-Risk Contribution Rate Structure

The rate structure also is not uniform. Maryland, one of the three States which levy war-risk contribution rates on the entire pay roll of specified employers, levies a 2.7-percent tax on all employers whose pay rolls have expanded 50 percent or more instead of basing their rates on the benefit ratio used for all other employers under their regular experience-rating formula. Ohio adds an additional tax ranging from 0.1 to 1 percent, depending on the employer's rate or reserve ratio and his increase in pay roll, with a maximum total contribution (war-risk and regular tax) of 3.5 percent. If, however, the balance in the fund is less than the benefits in the 2 preceding years

1 Four States (Iowa, Minnesota, Missouri, and Wisconsin) also assess war-risk rates against newly subject employers, under varied specified conditions, without any requirement of pay-roll increases. Iowa and Wisconsin, in assigning rates, make the assumption that employers with no 1940 pay roll had an increase of 400 percent or more.

2 In addition, however, Iowa, Minnesota, and Missouri levy the tax on the entire pay roll of certain new employers, while Wisconsin also levies its special post-war tax on the entire pay rolls of all employers.

3 Newly subject employers, not yet subject to experience rating, are to receive rates applicable to employers with a reserve of less than 3 percent.
the rate is increased 0.5 percent, making the maximum total contribution rate 4 percent. Wisconsin substitutes for employers subject to the war-risk rates, a new schedule of rates ranging from 0 to 5 percent, also depending on the employer's reserve ratio and percentage increase in pay roll. In addition, it levies a flat 0.5 percent tax on all subject employers, regardless of increase in pay rolls, for the post-war reserve.

The seven States which levy the rate on only part of the pay roll fall into several groups: Alabama, Florida, Maryland, and Oklahoma levy a flat 2.7 percent tax on the excess pay roll, while the rest of the pay roll is subject to the regular experience-rating tax rate. The Missouri provisions are similar, except that the rate levied on the excess pay roll is 3.5 percent.

Illinois raises to 2.7 percent the rates that are below that figure for employers with pay rolls which have expanded 5 percent or more; for employers with rates below 2 percent the rate is raised to 2 percent if their pay-roll increases were between 100 and 150 percent. Iowa substitutes rates ranging from 2.7 to 5 percent on the excess pay roll, depending on the employer's reserve ratio and the increase in the pay roll.

Minnesota makes a 3-percent tax on the excess pay roll.

Even with the war-risk provisions, four States (Alabama, Florida, Maryland, and Oklahoma) will not tax any employer at more than the standard rate. In all the other States the regular experience-rating formula provides for a maximum rate above the standard. In one of these States (Illinois) the war-risk provisions do not provide rates above the standard; the rate on the excess pay roll is increased to only 2 percent or 2.7 percent, depending on the increase in the pay roll and the rates assigned employers under regular experience-rating operations.

In the four States which provide a maximum rate of 2.7 percent under regular experience-rating provisions, revenue will still be less than that which would have been collected at the standard rate, despite the war-risk provisions. In these States the war-risk provisions merely introduce another factor which determines an employer's liability for the standard rate on his whole pay roll (as in Maryland) or on that part of his pay roll which is in excess of a specified amount (as in Alabama, Florida, and Oklahoma).

### Liability of Newly Subject Employers

Six States (Florida, Iowa, Minnesota, Missouri, Ohio, and Wisconsin)

Rates above 2.7 percent were suspended for 1943 and 1944; maximum rate is 4 percent thereafter.

Financial Characteristics of the Ten States

The ten States which have adopted war-risk contribution provisions do not have any common financial problem, judged by the expansion in their pay rolls, by their probable claim load in the post-war period, or by some rough indicators of the solvency of their unemployment compensation funds. Alabama, Florida, Maryland, and Ohio have experienced a wartime pay-roll increase substantially greater than for the United States as a whole. In Illinois, Iowa, Minnesota, Missouri, and Oklahoma, the pay-roll increase

### Table 2. Selected financial indexes in 10 States

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage increase in taxable pay roll, April-June 1943 compared with April-June 1942</th>
<th>Funds available at end of year as percent of taxable wages during 1943</th>
<th>Percent of employed covered workers, Dec. 31, 1943, with paid duration of benefits under State laws from funds available on June 30, 1943</th>
<th>Estimated obsolescence of new equipment at cost of 1943 employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>157.5</td>
<td>51.5</td>
<td>39.0</td>
<td>32.7</td>
</tr>
<tr>
<td>Florida</td>
<td>121.7</td>
<td>6.4</td>
<td>61.0</td>
<td>22.4</td>
</tr>
<tr>
<td>Illinois</td>
<td>82.3</td>
<td>6.8</td>
<td>60.2</td>
<td>26.7</td>
</tr>
<tr>
<td>Iowa</td>
<td>73.6</td>
<td>5.8</td>
<td>55.1</td>
<td>28.7</td>
</tr>
<tr>
<td>Maryland</td>
<td>82.1</td>
<td>5.9</td>
<td>62.6</td>
<td>34.7</td>
</tr>
<tr>
<td>Minnesota</td>
<td>81.3</td>
<td>5.9</td>
<td>57.2</td>
<td>36.2</td>
</tr>
<tr>
<td>Missouri</td>
<td>56.7</td>
<td>5.0</td>
<td>54.5</td>
<td>35.0</td>
</tr>
<tr>
<td>Ohio</td>
<td>121.4</td>
<td>7.2</td>
<td>61.0</td>
<td>36.2</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>106.3</td>
<td>8.6</td>
<td>61.9</td>
<td>39.3</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>115.8</td>
<td>8.5</td>
<td>62.6</td>
<td>39.6</td>
</tr>
</tbody>
</table>

1 Represents wages earned in covered employment for all pay periods ended within the quarter, data for first estimates.

2 Wages over $5,000 excluded.

3 Based on estimates in Monthly Labor Review, July 1943, adjusted for coverage under State unemployment compensation laws.
has been below the National-wide average of 110.7 percent, while in Wisconsin the increase was slightly higher.

In each State except Florida, there is substantial correlation between the wartime increases in covered pay rolls and the unemployment that may be expected as a result of post-war demobilization. The States with the sharpest rises in pay roll are likely to face the heaviest relative post-war unemployment. The States with the largest part of the pay-roll increase have already begun. Such unemployment, therefore, is not considered as resulting from post-war demobilization, nor should it prove costly to the unemployment compensation reserve fund, since workers laid off now can be quickly reemployed in other industries. Demobilization unemployment likely to result from contraction of shipbuilding and manufacture of lumber products will probably represent a relatively light drain on the Florida reserve fund.

Estimates of the impact of demobilization, published by the Bureau of Labor Statistics, provide a rough basis, after adjustment for coverage of State unemployment compensation laws, for estimating the number of unemployment compensation claimants that may result from the temporary contraction of work opportunities and the return of ex-service men to the labor market during the reconversion period at the end of the war. While these estimates do not show the total claim load to be faced by the States, they do indicate the relative impact of demobilization on the State funds. Although Florida had the greatest percentage increase in pay rolls among the ten States, it will have next to the smallest relative demobilization problem, according to the estimates. Maryland, however, with the next greatest increase, may have the greatest problem. Iowa and Minnesota, with comparatively small increases in pay roll, will probably have comparatively small demobilization problems.

In terms of the ratio of funds available at the end of the year to taxable pay rolls for the year, Alabama, Illinois, Iowa, Maryland, Minnesota, Missouri, and Ohio had a higher ratio of funds at the end of 1942 than in 1939, despite the growth in taxable pay rolls. On the other hand, Florida, Oklahoma, and Wisconsin had smaller relative reserves in 1942 than in 1939. In five States, the ratio of reserves at the end of 1942 to taxable pay rolls for 1942 was lower than 6.8 percent, the average for the country as a whole.

Judged by other rough indicators, the financial condition of the unemployment compensation systems differed considerably in these ten States. The proportion of employed covered workers, as of September 1943, who could receive benefits for the maximum duration provided under their respective State laws from funds available on December 31, 1943, ranged from 37.5 percent in Maryland to 82.9 percent in Iowa. All the States except Alabama and Maryland had reserves at the end of 1943 sufficient to pay benefits for the maximum duration to at least half of all workers in covered employment in those States as of September 1943.

A comparison of funds available for benefits at the end of 1943 with the amounts needed to pay the maximum duration of benefits to the number of covered workers who might become unemployed as a result of the demobilization revealed considerable diversity among the States. Maryland had just enough funds in reserve, while Florida, Iowa, Minnesota, and Missouri had more than two times the amount necessary.

In one respect, however, the financial structure of these States was similar; they all had experience-rating provisions in effect, except Maryland, where experience rating became effective in July 1943. However, the effective date of the experience-rating provisions, the measures of employer experience with the risk of unemployment which are used, the revenue lost as a result of experience rating, and the rate structure varied considerably. In Illinois and Maryland, 1943 was the first year in which experience rating was operated. Iowa, Missouri, Ohio, and Wisconsin used the reserve ratio to measure the employer's experience with the risk of unemployment; Florida, Maryland, and Minnesota, the benefit ratio;1 and Alabama, Illinois, and Ohio, benefit wages.2 Under their regular experience-rating formulas, Missouri and Wisconsin permitted employers to cease paying any contributions. Alabama, Florida, Maryland, and Oklahoma provided for no rates above the normal 2.7-percent rate. In all but two States, the regular experience-rating provisions reduced the average rate to less than 2 percent in 1943.

Concluding Observations

Actual analysis of either the impact of the war-risk contribution


2 A reserve ratio is the ratio between the excess of all contributions credited to an employer's account over all benefits paid to his workers debited to his account and the employer's annual pay roll for the current or average over recent years.

3 A benefit ratio is the ratio between benefits paid to workers of an employer in a given period of time and the employer's pay roll during that period.

4 Benefit wages are the proportion which the taxable wages paid to workers who become unemployed and receive benefits are of total taxable wages paid by that employer.
provisions on employers or the revenue which will be obtained through the operation of these provisions must await the receipt of statistics from the States or the preparation of special studies by the States. Despite its limitations, however, this analysis of the legislative provisions incorporated in the unemployment compensation laws of the ten States, throws some light on the impact of these new provisions on the financing of unemployment compensation.

1. Although the impetus for war-risk contributions may have come in part from the theory that most employers subject to such rates would be war contractors who would be reimbursed by the Federal Government, the rates are not assigned to employers in war industries alone, but to employers in any industry with a specified pay-roll expansion. While it is true that the war industries have had the greatest expansions in pay rolls during this period, it will be important to know the relative number of firms subject to these provisions which were reimbursed through the terms of their war contracts, and the distribution by industry of the firms subject to war-risk contributions.

2. If the major purpose of these provisions was to increase revenue to the fund from war-expanded pay rolls because of the increase in their potential post-war benefit liabilities, the Wisconsin provisions are far more effective than any of the other State provisions. The purpose is accomplished through levying the tax on the entire pay roll of employers with an annual pay roll of $30,000 or more who showed an increase of at least 50 percent over 1940; by stepping up the regular rates assigned under experience rating, based on the employer’s reserve ratio and the increase in his pay roll; by treating newly subject employers for rate purposes as if their pay rolls had expanded 400 percent or more; and by levying a special additional flat “post-war reserve” contribution of 0.5 percent on all subject employers.

3. While no data are yet available to indicate the amount of revenue that will be collected through the operation of these new provisions, it seems clear that for the most part it will not offset the revenue loss due to the regular operation of experience rating. Four of the ten States which did not have rates above 2.7 percent under their regular experience-rating formulas in 1943 have no rates in excess of the standard even with the war-risk provisions; only three States levy the increased rate on the entire pay roll of employers with increased pay rolls.

Even in States where the war-risk rate schedule provides rates above the standard, the loss in revenue will probably not be completely offset. For example, while preliminary data received from Iowa indicate that regular experience-rating operations in 1943 would have resulted in a reduction of an estimated $3,913,000 in revenue to the unemployment compensation fund over what would have been collected at the standard rate, the war-risk provisions resulted in increasing revenue by only $1,385,000.

4. Provision for war-risk contributions has distinct advantages in States which vary employer rates under an experience-rating formula which uses the reserve ratio as a basis for rating subject employers. In these States the higher war-risk contributions levied during a period of pay-roll expansion will be paid at a time when employers are best able to bear the increased tax. At the same time, the crediting of all contributions to individual employer accounts will affect the future potential rates that would otherwise have to be assigned these employers in a period of recession when benefits are larger, pay rolls are decreasing, and employers are less able to bear the burden of increased taxes.

5. It will be important to know to what extent revenue from the war-risk provisions accrues from employers newly subject to the State laws who are engaged in war production and to weigh the policy considerations inherent in any special tax on new businesses. In all but one of the six States which levied the war-risk contributions on newly-subject employers, their tax rate is higher than that of other employers with similar pay-roll records in the State.

6. One of the difficulties of basing the employer’s rates on experience with past unemployment is that when unemployment is low, as it has been during the war, rates fall despite increased pay rolls which, in reservaratio States, lower the ratio of the balance in the account and automatically tend to increase the rate. Thus, contribution rates will fall at just the period when the potential liabilities of the State funds are expanding and employers are best able to bear the burden of high taxes.

The war-risk contribution provisions attempt to prevent contribution rates from falling as rapidly as they otherwise would under existing experience-rating provisions, by introducing another basis on which to vary rates, in addition to experience with the risk of unemployment—experience with increase in employment. Therefore, the adoption of these temporary war-risk contributions raises interesting questions on the extent to which similar provisions may have permanent validity for experience rating, and on the possible deterrent effect of placing a special tax on business expansion. There seems to be an implicit recognition of the fact that the use of past experience with the risk of unemployment may not offer a permanently sound basis for a variable rate structure in unemployment compensation. To the extent that this measure will keep rates up in periods of prosperity and allow rates to fall in periods of business depression, it deserves serious study in connection with the financing of unemployment compensation.