

Experience Rating in Wisconsin, 1940*

This article is the second of a series of analyses of experience-rating data received during 1940 from a number of State employment security agencies. An analysis of similar data for Nebraska appeared in the January Bulletin, and a summary of Indiana data will be carried in a subsequent issue.

AT THE BEGINNING OF 1940, the third year for which employers obtained modified contribution rates under the experience-rating provisions of the Wisconsin unemployment compensation act, approximately 4,900 or 60.5 percent of the 8,100 experience-rating accounts eligible for rate modifications obtained rates of less than the standard 2.7 percent, while 600 accounts, representing 7.5 percent of the total, received rates higher than 2.7 percent. The remaining third received the standard rate. There were 3,600 additional employers in Wisconsin who were not eligible for rate variations, primarily because of the brief period during which they had been subject to the law, and who therefore paid contributions during 1940 at the 2.7-percent rate. It has been estimated that the revenue obtained from the contributions for 1940 of the former group of 8,121 employers would be about 20 percent less than in 1939, or 40 percent less than the amount which would have been obtained under a uniform 2.7-percent rate. Somewhat more than half of the aggregate 1940 pay roll of these employers was subject to contributions at the rate of 1 percent. It has also been estimated that the average contribution rate for 1940 of these 8,121 employers would be about 1.6 percent,¹ in contrast to the average rate of 2.0 percent in 1939, and that the average contribution rate for all subject employers in the State would be approximately 1.7 percent for 1940.

It may be noted, in this connection, that the balance in the State fund at the close of 1939 was in excess of \$50 million. Collections and interest during 1939 exceeded \$15 million, while benefit payments were slightly greater than \$3.5 million.

Data now available do not indicate conclusively that a direct relationship exists between size of pay roll and contribution rates, for, while a greater proportion of the employers with larger pay rolls obtained rate reductions than employers

with smaller annual pay rolls, the average annual pay roll of those accounts with the lowest rates was lower than the pay roll of accounts with highest contribution rates. As pointed out below, the experience of large and small employers is comparable only for employers with the same period of coverage under the law, for most small employers have had a shorter period of experience under it than is the case for larger employers. However, industries characterized by little fluctuation in levels of production and operations—such as banks, utilities, and trade groups—contain the largest proportion of employers obtaining rate reductions. In industries most subject to seasonal influences, such as construction, a large proportion of employers were assigned rates in excess of 2.7 percent. These data, however, do not indicate the extent to which reduced rates under the experience-rating provisions reflect employer efforts to stabilize employment. It should be noted, in this connection, that the amount of benefits charged to employers' accounts not only reflects the risk of unemployment to which employers in given industries were exposed but, in addition, the benefit structure of the unemployment compensation law.

About 11 percent of the 8,121 accounts, representing about 8 percent of the total pay roll of these accounts, were exempt from contributions for 1940, and an additional 49 percent were contributing at the 1-percent rate. In contrast, 7.5 percent of these 8,121 accounts, comprising 8.5 percent of the total pay roll, were contributing at higher than the standard rate (table 1). Both the accounts with 1-percent rates and those with increased rates had higher average annual pay rolls than accounts contributing at the standard rate, primarily because the standard rate applies to more than a thousand small employers whose recent coverage has not given them as much time as larger employers have had to build up the required reserves. The highest average pay roll applies to the accounts paying the 3.7-percent

* Prepared in the Research and Statistics Division, Bureau of Employment Security.

¹ Estimates based on the assumption that 1940 pay rolls of these 8,121 employers would be identical with those for 1939.

contribution rate, and the lowest to accounts for which no 1940 contributions were payable.

Benefit payments during 1939 amounted to about \$29 for each \$100 of contributions for that year; benefits equaled 60 cents for each \$100 of pay roll, while contributions for the year were \$2 for each \$100 of pay roll. During 1938, when the average contribution rate was 2.7 percent, benefit payments equaled \$58 for each \$100 of contributions.

Year	Average contribution rate (percent)	Percentage change in average contribution rate from—	
		Preceding year	2.7 average
1938.....	2.7
1939.....	2.0	-20	-20
1940.....	1.6	-20	-41

¹ Estimated.

How 1940 Contribution Rates Were Determined

For each firm, a ratio known as a "reserve percentage" was computed as follows: the net reserve (i. e., the excess of cumulative contributions over cumulative benefits charged) in the individual employer account at the end of December 31, 1939, was divided by the 1939 pay roll, or the average of the 1938 and 1939 pay rolls, or three-fourths of the 1938 pay roll,² whichever was largest.

To qualify for a rate reduction, an account had to meet two conditions. If the employer's net reserve was at least 5 times the largest amount of benefits charged in either 1937, 1938, or 1939, and if, in addition, the reserve was at least 7.5 percent

¹ Under the terms of the statutory provision, in computing the average 1938-39 pay roll, an amount equal to one-half the employer's larger pay roll for other year included in such average is used as the pay roll for any year for which his actual pay roll was less than such amount.

of the employer's annual (or average annual) pay roll, he became eligible for a rate reduction. Unless both conditions were fulfilled, no reduction was allowed. If the reserve percentage was 7.5 percent or more, but less than 10 percent, the contribution rate was 1 percent; if 10 percent or more, no contribution was required.

If the reserve percentage was less than 4.0, an increased rate was assigned. If the reserve percentage was 2.5 or more, but less than 4 percent, the rate assigned was 3.2 percent; if it was less than 2.5 the rate was 3.7 percent.³ However, if the 1939 contribution rate of an account with a reserve ratio of less than 2.5 percent had been 2.7 percent or less, no higher rate than 3.2 percent could be imposed for 1940. Employers with reserve percentages between 4.0 and 7.5 percent obtained the standard rate of 2.7 percent.

One reason why a high proportion of Wisconsin employers had attained the reserve ratios requisite for rate reductions is that many of these employers contributed at the 2.0-percent rate from July 1, 1934, to December 31, 1937, and at the 2.7-percent rate thereafter. In most other States employers' contribution rates were 0.9 percent in 1936 and 1.8 percent in 1937. Provided that no benefits had been charged to his account, a Wisconsin employer with a uniform pay roll from July 1934 would have had a reserve ratio of 12.4 percent at the close of 1939, while in most other States such a reserve ratio would have been 8.1 percent.

Under the terms of the Wisconsin law, benefits paid to an unemployed worker are charged to the reserve account of the employer for whom he had worked immediately prior to the current spell of

² During 1941 or thereafter, the 4-percent rate will be applied to employers with overdrawn accounts, except that no employer's contribution rate can be increased above 2.7 percent by more than 0.5 percent per year.

Table 1.—Distribution of Wisconsin experience-rating accounts, their 1939 pay roll, and estimated contributions, by 1940 contribution rate ¹

[Amounts in thousands]

Contribution rate (percent)	Accounts		1939 pay roll			Estimated contributions at —	
	Number	Percent	Amount	Percent	Average	1940 rates	2.7 rate
Total.....	8,121	100.0	\$591,987	100.0	\$73	\$9,503	\$15,084
0.....	903	11.1	49,415	8.3	55	1,334
1.0.....	4,009	49.4	324,349	54.8	81	3,213	8,758
2.7.....	2,603	32.0	167,846	28.4	64	4,532	4,532
3.2.....	381	4.7	27,335	4.6	72	875	738
3.7.....	225	2.8	23,042	3.9	102	853	622

¹ Data relate to employer accounts eligible for rate variations for 1940. As of Mar. 31, 1940, approximately 3,600 employers, in addition to 2,603 shown

above, were paying contribution rates at the standard rate of 2.7; these employers will not be eligible for rate variations until 1941, 1942, or 1943.

unemployment. If the worker remains unemployed after the total amount of benefits chargeable to that employer's account has been drawn, benefits are then chargeable to the reserve accounts of preceding employers. Should such an employer's reserve account be exhausted, benefits which the worker is still eligible to receive, on the basis of his past employment record, are charged to the so-called balancing (or pooled) account. This account is credited with interest earnings on money in the unemployment trust fund, interest on delinquent contributions, and, under certain conditions, balances remaining in the reserve accounts of employers no longer subject to the act; certain other revenues are also credited.

Analysis by Size of Firm and Length of Period Covered

There is a tendency for the proportion of accounts with reduced rates to increase as employers' pay rolls increase. As may be observed in table 2, from 51 to 60 percent of the groups of employers whose annual pay rolls were below \$20,000 obtained such reductions, as compared with 63 to 71 percent of the employers with pay rolls of \$20,000 or more. The proportion of employers with contribution rates of 2.7 percent is lower for employers with higher annual pay rolls than for employers with lower pay rolls. However, these data do not indicate a direct relation between size of pay roll and increased rates of contribution, since, as a result of the gradual extension of coverage to smaller employers, a relatively large proportion of employers in the smaller pay-roll groups obtained the 2.7-percent rate.

Of the 8,121 accounts eligible for rate modification for 1940, only 3,837 had been liable for benefit charges since July 1936, when benefit payments were initiated. As may be noted in table 3, 526 additional employers became liable for benefit charges in January 1937, 2,575 in January 1938, and 1,183 in January 1939. These differences in dates are attributable to changes in coverage, for the statute has successively extended coverage to employers with smaller numbers of workers. These provisions affected employers who were eligible for rate variation ⁴ at the end of 1939 as follows:

Number of workers and year of employment	Date liable for contributions	Date liable for benefits
10 or more during 1933.....	July 1934.....	July 1936.....
10 or more during 1934.....	January 1935.....	January 1937.....
8 or more during 1936.....	January 1936.....	January 1938.....
8 or more during 1937.....	January 1937.....	January 1939.....

As a result of the gradual extension of coverage under the Wisconsin law, a large proportion of the smaller employers (those with 8 or 9 workers) had not been subject to the statute long enough to have accumulated, by the close of 1939, a sufficient surplus of contributions over benefits to qualify for rate reductions. For the same reason, benefits had not been chargeable to their accounts for a period long enough to cause benefits to exceed contributions and thus lead to the assignment of an increased rate. This factor may help to explain why a relatively high proportion of the accounts with the briefest period

⁴ Employers of 7 or more have been declared liable for benefits in January 1940 and those of 6 or more in January 1941, but none of these were eligible for rate variation during 1940.

Table 2.—Percentage distribution of Wisconsin experience-rating accounts, by 1940 contribution rate, for average annual pay-roll groups

Average annual pay roll ¹	Number of accounts	Percentage distribution by contribution rate							
		Total	2.7	Less than 2.7	More than 2.7	Reduced or increased rate			
						0	1.0	3.2	3.7
Total.....	8,121	100.0	32.0	60.6	7.5	11.1	40.4	4.7	2.8
Classified.....	8,119	100.0	32.0	60.6	7.5	11.1	40.4	4.7	2.8
Under \$5,000.....	739	100.0	30.8	51.4	11.8	22.0	28.8	7.3	4.5
5,000-9,999.....	1,303	100.0	37.0	55.1	7.9	10.7	44.4	5.7	2.2
10,000-19,999.....	2,130	100.0	34.7	60.2	5.1	11.2	40.1	3.4	1.7
20,000-29,999.....	1,058	100.0	29.6	64.6	5.0	10.8	53.7	3.4	2.5
30,000-39,999.....	686	100.0	29.6	63.7	6.7	10.9	52.8	3.5	3.2
40,000-49,999.....	390	100.0	25.1	66.4	8.5	8.7	57.7	5.7	2.8
50,000-99,999.....	834	100.0	26.6	64.2	9.2	7.1	57.1	5.1	4.1
100,000-999,999.....	793	100.0	27.0	63.2	9.8	7.3	55.0	6.0	3.8
1,000,000 and over.....	96	100.0	25.0	70.8	4.2	0.4	61.4	2.1	2.1
Not classified.....	2	100.0	100.0	0	0	0	0	0	0

¹ The "average annual pay roll" represents 1939 pay roll, average of 1938 and 1939 pay rolls, or three-fourths of 1938 pay roll, whichever was the largest.

Table 3.—Distribution of Wisconsin experience-rating accounts by benefit-liability date ¹ and 1940 contribution rate

Benefit-liability date ¹	Accounts		Reduced rate		Standard rate		Increased rate	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	8,121	100.0	4,912	60.5	2,603	32.0	606	7.5
July 1936.....	3,837	100.0	2,714	70.7	854	22.3	269	7.0
January 1937.....	520	100.0	325	61.8	149	28.3	52	9.9
January 1938.....	2,575	100.0	1,528	59.3	812	31.5	235	9.2
January 1939.....	1,183	100.0	345	29.1	783	66.7	50	4.2

¹ Relates to statutory changes in size-of-firm coverage (see text).

of coverage retained the 2.7-percent rate in 1940, and why accounts in the 2.7-percent rate bracket also had a lower average annual pay roll.

There are significant differences in the proportion of accounts obtaining modified rates in each of these groups. Thus, while 71 percent of the group with the longest period of coverage obtained rate reductions, such reductions were granted to only 62 percent of the next group, and 59 percent and 29 percent of the two following groups, respectively. Similarly, the proportion of accounts paying contributions at 2.7 percent declined as the period of benefit liability increased; the trend is not as clearly evident, however, with respect to the assignment of increased contribution rates.

An employer with a relatively low ratio of current benefits to contributions tends to accumulate an increasing "surplus" of contributions over benefits from year to year, which results in increasing the employer's reserve ratio and thus reducing his contribution rate. In contrast, an employer with a relatively high ratio of current benefits to contributions tends to experience a reduction from year to year in his reserve balance, which in turn reduces his reserve ratio. When a reserve ratio falls below 4 percent, an increased contribution rate⁵ is assigned.

The Effects of Voluntary Contributions

Approximately 1,000 Wisconsin employers made voluntary contributions totaling \$355,480 for the year 1939 in order to improve their experience-rating records. These contributions represented 3 percent of the \$11,841,000⁶ contributed by the 8,121 employers eligible for modified rates for 1940, under the requirements of the statute.

A large number of accounts had reserve ratios

¹ See above, p. 18.

⁶ Total 1939 contributions including voluntary contributions for all employers in the State amounted to \$13,471,000.

barely above the level necessary to qualify for the 1-percent and zero rates, while a smaller number had ratios slightly below the level necessary to qualify for such rates.

Of the 940 accounts with ratios of 7.5 to 7.7 percent and 10.0 to 10.2 percent, approximately 60 percent had made voluntary contributions during 1939. Undoubtedly these accounts would have obtained higher rates upon the basis of their past contribution and benefit experience, had no voluntary contributions been made. It is also evident that accounts with reserve ratios barely above the level necessary for rate reductions had much higher pay rolls than accounts whose reserve ratios were just below the necessary level (table 4). Employers without funds available for voluntary contributions or without awareness of the statutory provisions are placed at a relative disadvantage at times when a voluntary contribution might enable them to obtain a reduced contribution rate. It would seem that smaller employers have been unable to take advantage of this provision to as great an extent as larger employers.

The proportion of voluntary contributions made by employers in given industries varied considerably (table 5). Thus while the voluntary contributions made by employers in the construction industry were 1.2 percent of their other contributions, in comparison with 3 percent for all employers in the State, voluntary contributions of employers in transportation, communication, and utilities were nearly 12 percent of their other contributions. For the other industries, with the exception of the service group, the proportion of all contributions was roughly similar to the proportion of voluntary contributions.

There is no indication that the ratio of voluntary contributions to all other contributions is directly related to the percentage of accounts obtaining rate reductions (table 6). The construction industry had both the lowest ratio and the smallest

percentage of employers obtaining rate reductions of all groups in the State. On the other hand, employers in transportation and utilities had a relatively high ratio of voluntary contributions to all contributions and a higher than average percentage of accounts with rate reductions. The high proportion of reduced rates in the case of trade and finance is not accompanied by a similarly high ratio of voluntary contributions to all contributions, probably because relatively fewer employers in these groups needed to make voluntary contributions in order to qualify for rate reductions. A conclusive explanation of this relationship would necessarily rest upon information regarding the contribution rates which employers would have been assigned had no voluntary contributions been paid, but such information is not now available.

Industry Analysis

It is apparent from table 6 that there were significant differences in the average experience of the employers in different industry divisions, though even greater differences exist in the experience of individual employers within the same industry groups. Industries which are directly influenced by seasonal fluctuations have the lowest proportion of reduced contribution rates and the highest proportion of rate increases, while industries characterized by little fluctuation in levels of production and operations—such as utilities, banks, and printing and publishing—contain the largest proportion of employers obtaining rate reductions.

Manufacturing industries, with one-fourth of all employers and three-fifths of all pay rolls in the State, had been charged with \$31 of benefits

Table 4.—Distribution of Wisconsin experience-rating accounts and their 1939 pay roll, by selected employers' reserve ratio ¹

[Amounts in thousands]

Reserve ratio (percent) ¹	1940 contribution rate	Accounts		1939 pay roll		
		Number	Per cent	Amount	Per cent	Average
Total.....		8,121	100.0	\$501,087	100.0	\$73
7.3 but less than 7.5.....	2.7	205	2.5	8,202	1.4	40
7.5 but less than 7.7.....	1.0	663	6.9	39,510	6.7	70
9.8 but less than 10.0.....	1.0	71	.8	1,971	.3	28
10.0 but less than 10.2.....	0	377	4.6	27,331	4.6	72
All others.....		6,905	85.2	514,964	87.0	75

¹ Represents net reserve in account on Dec. 31, 1939, divided by average annual pay roll.

Table 5.—Distribution of 1939 voluntary and all other contributions of Wisconsin experience-rating accounts, and ratio of voluntary to all other contributions, by industry

[Amounts in thousands]

Industry	Contributions				Ratio (per cent) of voluntary to all other contributions
	Voluntary		All other ¹		
	Amount	Per cent	Amount	Per cent	
Total.....	\$355	100.0	\$11,841	100.0	3.0
Construction.....	0	1.7	507	4.3	1.2
Manufacturing.....	215	60.0	7,021	60.9	2.7
Transportation, communication, and other public utilities.....	62	17.5	538	4.5	11.5
Wholesale and retail trade.....	52	14.0	1,838	15.5	2.8
Finance, insurance, and real estate.....	11	3.1	418	3.5	2.0
Service industries.....	9	2.5	530	4.5	1.7
Not elsewhere classified ²	0	0	83	.8	0

¹ Total contributions of all employers for 1939, including those not eligible for rate variation, were \$13,471,000, including voluntary contributions.

² Includes agriculture, forestry, fishery, and mining.

for each \$100 of contributions credited as of the close of 1939 (table 6). Employers in the trade groups, representing nearly two-fifths of all employers but less than one-fifth of all pay rolls in the State, had been charged with less than \$12 in benefits for each \$100 in contributions. On the other hand, employers in the construction industry, who represented one-tenth of all employers in the State, were charged with over \$43 in benefits for each \$100 in contributions. Data covering the year 1939 indicate that the ratio of benefits to contributions for employers in this group was over 72 percent, and benefit payments constituted 1.8 percent of 1939 pay rolls (table 7). Industries characterized by low ratios of benefits to contributions had a high proportion of accounts with no benefits charged and a relatively low number of overdrawn accounts.

A comparison of the data on 1940 rate variations with similar data for 1939 indicates that a much higher proportion of all employers in manufacturing, transportation and communication, retail and wholesale trade, and finance and real estate obtained rate reductions in 1940 than in 1939. In contrast to these industries, the proportion of the employers in construction and in mining who obtained rate reductions in 1940 was approximately the same as in 1939. In both years, increased contribution rates were assigned to a far higher proportion of the employers in

Table 6.—Distribution of Wisconsin experience-rating accounts, percent with reduced rates, with no benefits charged, and with accounts overdrawn, and ratio of benefits to contributions, by industry, as of Dec. 31, 1939

Industry	Accounts		Percent of accounts—			Ratio (per cent) of benefits to contributions (cumulative)
	Number	Per cent	With reduced rates	With no benefits charged	Overdrawn	
Total.....	8,121	100.0	60.5	25.8	2.0	24.8
Construction.....	746	9.2	23.9	11.1	5.4	43.2
Manufacturing.....	2,183	26.9	55.5	13.9	2.5	31.0
Transportation, communication, and other public utilities.....	327	4.0	63.3	26.6	2.4	8.5
Wholesale and retail trade.....	3,237	39.9	69.9	30.9	.4	11.9
Finance, insurance, and real estate.....	499	6.1	70.0	54.5	.6	3.7
Service industries.....	1,024	12.6	60.0	31.7	3.5	20.8
Not elsewhere classified ¹	105	1.3	41.0	22.9	7.0	31.8

¹ Includes agriculture, forestry, fishery, and mining.

construction and mining than in trade, transportation and communication, and finance.

The proportion of accounts with reduced rates in industries such as trade and finance, which are characterized by low average ratios of benefits to contributions, tended to increase in 1940 as compared with 1939. On the other hand, the proportion of accounts with increased contribution rates has tended to rise in the construction industry, which is characterized by a high ratio of current benefits to contributions. Experience is still too brief to determine whether or not this tendency will persist in the future. It is possible that the smaller amounts of contributions credited currently to the accounts of employers now enjoying rate reductions may, in some cases,

lower their reserve percentages to a level which will cause the assignment of higher rates of contributions in a subsequent year.

Trade.—Nearly 70 percent of the 2,000 employers in the trade groups obtained rate reductions in 1940, as compared with 60 percent of all employers in the State, and only 2 percent of the employers in this group received contribution rates in excess of 2.7 percent, in contrast to the 7 percent shown for all employers in the State. In general, although about \$25 in benefits was charged for each \$100 in contributions credited in the State, firms in the trade groups were charged with less than \$12 per \$100 of contributions. Furthermore, about 31 percent of all employers in this group had no benefits charged to their accounts, as compared with slightly less than 26 percent for all employers in the State (table 8), and the number of these employers with overdrawn accounts was about 9 percent of all employers with overdrawn accounts.

Although, in a few respects, the record of wholesale distributors was less favorable than that of certain retail groups—such as retail food, automobile, and general merchandise—the record of all wholesalers in Wisconsin was somewhat more favorable than was that of all retailers. The more favorable record of wholesalers may be explained in part by the fact that local fluctuations in business conditions, which affect retailers directly, do not have as marked an influence on wholesalers, who operate in a wider market. Retailers are also more directly influenced by seasonal fluctuations than are wholesalers.

In the retail groups which had between 300

Table 7.—Distribution of 1939 benefits, contributions, and pay roll of Wisconsin experience-rating accounts, and ratios of benefits to contributions, and of benefits to pay roll, by industry, as of Dec. 31, 1939

[Amounts in thousands]

Industry	1939 pay roll		Amount of 1939 contributions ¹	Amount of 1939 benefits	Ratios (percent)		
	Amount	Percent			1939 contributions to 1939 pay roll	1939 benefits to 1939 pay roll	1939 benefits to 1939 contributions
Total.....	\$591,987	100.0	\$11,841	\$3,432	2.0	0.6	29.0
Construction.....	20,158	3.4	507	367	2.5	1.8	72.3
Manufacturing.....	358,807	60.6	7,921	2,167	2.2	.6	27.4
Transportation, communication, and other public utilities.....	43,490	7.3	538	130	1.2	.3	24.1
Wholesale and retail trade.....	112,446	19.0	1,838	457	1.6	.4	24.9
Finance, insurance, and real estate.....	25,901	4.4	418	37	1.6	.1	8.8
Service industries.....	27,373	4.6	536	215	2.0	.9	45.6
Not elsewhere classified ²	3,933	.7	83	29	2.0	.7	36.2

¹ Total contributions of all employers for 1939, including those not eligible for rate variation, were \$13,471,000, including voluntary contributions.

² Includes agriculture, forestry, fishery, and mining.

and 400 individual reserve accounts, there were no accounts in which benefits charged exceeded credited contributions, while 0.1 percent of all retail accounts were overdrawn. Over a longer period of time, however, some of the retail groups which now contain no overdrawn accounts may be found to include accounts for which benefits charged exceed the amount of contributions credited. Similarly, only in retail apparel does the proportion of accounts with no benefits charged fall markedly below 30 percent; the percentage for all accounts in the State was 26.

Although, as mentioned above, differences in periods of coverage make the interpretation of variations in the experience of accounts within industry groups rather difficult when they are classified by size of annual pay roll, the experience of accounts with pay rolls in excess of \$20,000 can be regarded as fairly comparable, since most of these accounts have been subject to the law for an equal period. Examination of the experience of this group of employers with modified rates indicates that the proportion obtaining rate reductions tended to increase with increases in the size of their annual pay roll. Less than 70 percent of the accounts in wholesale trade with pay rolls from \$20,000 to \$30,000 obtained rate reductions, while reduced rates were obtained by about 80 percent of those with pay rolls in excess of \$40,000, and more than 90 percent of those with pay rolls of \$50,000 or over. In retail trade, the contrast is not quite as clear, but the data indicate that fewer than 77 percent of all accounts with pay rolls under \$40,000 received rate reductions, as compared with 86 percent of those with pay rolls of \$40,000 to \$49,999, 80 percent with pay rolls of \$50,000 to \$99,999, and 87 percent of those with pay rolls of \$100,000 or over.

While contribution rates in excess of 2.7 percent were assigned to 2.2 percent of all accounts in the trade groups, only among wholesale distributors and the "all other" classification did the number of accounts with increased rates exceed 4 percent of all accounts in such groups.

As has been mentioned, the ratio of voluntary contributions made by employers in the trade groups to all other contributions was not quite as high as was the case of all employers in the State. The high ratio for retail general merchandisers is probably attributable to the voluntary contributions of large amounts made by a number of

department stores interested in obtaining more substantial rate reductions.

Manufacturing.—The proportion of manufacturing employers obtaining reductions and increases in their contribution rates bears some resemblance to the distribution of all employers in the State. While the percentages of all employers in the State obtaining reduced, standard, and increased rates were 60.5, 32.0, and 7.5 percent, respectively, the corresponding figures for manufacturing were 55.5, 36.7, and 7.8 percent. However, manufacturing employers did experience a less favorable record with respect to benefits charged as compared with all employers in the State, for \$31 in benefits was charged to their accounts for each \$100 of contributions, in contrast to less than \$25 for all employers in the State (table 8). On the other hand, nearly 26 percent of all employers in the State had no benefits charged to their accounts, in contrast to 14 percent for manufacturing employers.

Although it has been found that no direct relationship exists between an employer's ratio of benefits to contributions and his contribution rate, there appears to be a fairly close correspondence between relatively high ratios of benefits to contributions and increased contribution rates for certain industry groups. Thus, while 7.8 percent of all manufacturing employers had increased contribution rates for 1940, 8.6 percent of these employers had been charged with at least \$60 in benefits for each \$100 of contributions by the close of 1939. The same relationship appears to exist in the case of employers in the food, textile, paper, and publishing groups. It is significant to note that in industries such as food, paper manufacturing, and printing and publishing, where regularity of employment is a characteristic pattern, the percentage of firms with increased rates of contributions does not rise above 6 percent, and, similarly, less than 7 percent of the firms have ratios of benefits to contributions in excess of 60 percent. In contrast to these, more than 22 percent of the textile and automobile manufacturing employers obtained increased contribution rates, while more than 24 percent had ratios of benefits to contributions in excess of 60 percent.

While all manufacturing employers' contributions were \$2.20 per \$100 of pay roll, the benefits charged to their accounts during 1939 amounted to 60 cents per \$100 of pay roll, or less than

one-third of that figure (table 7). Although contributions at the figure cited represented an average reduction of more than 18 percent from a uniform 2.7-percent rate, the amount of benefits charged during 1939 was so low, relatively speaking, as to indicate that contribution rates will probably decline further in 1941 if the ratio of benefits to contributions remains unchanged during 1940.

In individual industry groups such as paper manufacturing, in which the average contribution rate was only 1.3 percent, benefit payments during that year amounted to only 0.5 percent of pay roll. On the other hand, the average contribution rate of automobile manufacturers was 3.2 percent while the benefit payments charged to the accounts of such employers were 1.5 percent of their pay roll. Although a further decline in the average contribution rate may be expected in the paper-manufacturing industry, a decline is not so likely to occur in the case of employers in the automobile industry.

Unlike the situation with respect to trade groups, in which the proportion of accounts with reduced rates tended to increase with increases in the size of annual pay roll, no such relationship appears to exist with respect to the manufactur-

ing groups. However, it may be noted that rates in excess of 2.7 percent were assigned to nearly 8 percent of all manufacturing accounts, and approximately 56 percent obtained rate reductions. About 23 percent of the accounts in the textile-manufacturing groups received increased rates as compared with 37 percent obtaining rate reductions; increased rates were assigned to nearly 5 percent of those in machinery manufacturing (except electrical machinery), while 50 percent obtained reduced rates. In the automobile, furniture, and lumber-manufacturing groups, the variations in individual experience were also clearly marked. On the other hand, no accounts in the printing and publishing group and less than 4 percent of those in the nonferrous metals, chemicals, and paper-manufacturing groups received increased rates.

Other industries.—As has been indicated, the experience of the construction industry has been characterized by a high ratio of benefits to contributions and a low proportion of accounts obtaining rate reductions. The proportion of accounts with increased rates rose between 1939 and 1940, while those with reduced rates remained almost stationary. In contrast to this experience, firms in transportation and utilities and finance, es-

Table 8.—Number and percent of Wisconsin experience-rating accounts, percentage distribution by 1940 contribution rates, ratio of benefits to contributions, percent of accounts with no benefits charged, and percent overdrawn, and ratio of voluntary to all other contributions, by selected industry, as of Dec. 31, 1939

Industry	Number of accounts	Percent of accounts with—			Ratio (percent) of benefits to contributions (cumulative)	Percent of accounts—		Ratio (percent) of voluntary to all other contributions, 1939
		Reduced rates	Standard rate	Increased rates		With no benefits charged	Overdrawn	
All industries.....	8,121	60.5	32.0	7.5	24.8	25.8	2.0	3.0
Wholesale and retail trade, total.....	3,237	60.0	27.9	2.2	11.0	30.9	.4	2.8
All wholesalers.....	898	70.8	20.4	2.8	9.5	33.2	1.1	3.0
Wholesale merchants.....	551	73.9	24.5	1.6	7.8	29.2	.3	2.9
Wholesale distributors.....	347	66.0	20.4	4.6	11.6	39.5	2.3	3.1
All retailers.....	2,020	68.0	29.1	2.0	13.2	30.2	.1	2.7
Retail general merchandise.....	212	83.0	16.5	.5	18.3	20.7	0	3.7
Retail food (includes liquor stores).....	320	73.8	25.3	.9	8.0	31.9	0	1.9
Retail automotive.....	338	73.1	20.6	.3	11.2	29.6	0	2.3
Retail apparel and accessories.....	294	62.6	31.0	3.4	15.2	18.7	1.0	2.7
Retail trade, not elsewhere classified.....	487	65.9	32.9	1.2	13.0	30.6	0	2.4
All other.....	375	61.6	33.1	5.3	9.4	38.4	0	2.9
Other wholesale and retail trade.....	313	74.4	21.3	1.3	11.1	28.1	.3	2.3
Manufacturing, total.....	2,183	55.5	36.7	7.8	31.0	13.9	2.5	2.7
Food and kindred products.....	511	68.5	25.6	5.9	16.1	19.8	2.3	5.1
Textile-mill products.....	57	36.8	40.4	22.8	36.8	8.8	7.0	1.8
Lumber and timber basic products.....	137	45.3	43.8	10.9	28.7	11.0	2.9	4.2
Furniture and finished lumber products.....	159	49.1	42.1	8.8	24.0	10.1	2.5	1.7
Paper and allied products.....	96	84.4	12.5	3.1	6.1	9.4	0	3.0
Printing, publishing, and allied industries.....	232	79.3	20.7	0	9.0	27.2	0	2.3
Chemicals and allied products.....	68	70.6	20.5	2.9	19.8	22.1	0	19.3
Leather and leather products.....	95	44.2	42.1	13.7	25.6	8.4	4.2	7.4
Iron and steel and their products.....	201	35.3	59.7	5.0	31.3	5.5	.5	.8
Nonferrous metals and their products.....	60	50.0	48.3	1.7	24.6	13.3	0	.6
Electrical machinery.....	47	34.0	59.0	6.4	30.4	8.5	4.2	3.2
Machinery (except electrical).....	233	49.8	45.5	4.7	37.6	7.7	.4	1.7
Automobiles and automobile equipment.....	33	21.2	54.6	24.2	71.7	3.0	6.1	.1
All other.....	251	41.7	39.4	18.9	41.1	11.8	7.5	4.0

pecially the latter, had lower ratios of benefits to contributions than was the case for all employers in the State; nearly 80 percent of the employers in the finance group obtained rate reductions during 1940.

Fewer than 2 percent of all accounts in finance were charged with \$60 of benefits for each \$100 of contributions as compared with 18 percent of construction accounts. On the other hand, 47 percent of construction accounts were charged with less than \$20 in benefits for each \$100 in contributions as compared with nearly 93 percent for accounts in finance and 82 percent for accounts

in transportation and utilities. Specifically, no bank or trust company and only three gas and electric utility firms had ratios of benefits and contributions in excess of 20 percent; benefits charged to employers in these groups during 1939 equaled only 0.5 percent of pay roll for that year. On the other hand, nearly 35 percent of all general contractors (other than building) had ratios of benefits to contributions in excess of 60 percent; for 13 percent of them, benefits exceeded contributions; 1939 benefits charged to accounts in this group equaled 3 percent of their 1939 pay roll, while contributions were only 2.4 percent of pay roll.