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UNEMPLOYMENT INSURANCE COVERAGE OF AGRICULTURE;
POLICY ALTERNATIVES FOR SELECTED STATES^{1/}

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In October 1976, President Ford signed into law PL 94-566 (the "Unemployment Compensation Amendments of 1976," henceforth the law), which among other items extends unemployment insurance (UI) coverage to agricultural workers in establishments employing 10 or more workers for 20 weeks or more or with a high quarter payroll of at least \$20,000, (henceforth the '10 in 20 or \$20,000' provision).

The UI system in the U.S., which is financed by employers in the system has as its major objectives to stabilize employment of firms and to maintain aggregate income in the economy and for individuals. The system is a cooperative arrangement between Federal and State instruments, in which states have to meet or exceed Federal guidelines in order to qualify for Federal assistance in running the program. Covered employers pay contributions, which are based on state and year specific tax rates and their taxable gross payroll (only the first \$4,200 of a worker's earnings per employer were taxable) into the state UI fund. Covered employers are virtually all employers with the exception of state and local governments and those hiring farm workers and domestic help. The fund is used to pay the benefits to unemployed workers who are eligible for assistance. To be eligible, a worker must satisfy the state's provision, which may stipulate certain minimum earnings and/or work duration during a specified time period. Furthermore, the unemployed must have been laid off without his fault and be able and willing to work.

Since the law decrees agricultural coverage by January 1978, law-makers of individual states will have to pass legislation during 1977. Because previous studies by Bauder, *et al.* (1976), Seaver, *et al.* (1976) and Elterich and Bieker (1975) did not consider the provision of the law as it was finally enacted it seems imperative to provide some answers to the impact it may have on agricultural employers, workers and state UI

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trust funds for the 15 survey states^{2/} and test the hypothesis if the law covers predominately high cost agricultural employers as far as the UI program is concerned.^{3/} Simplified, a state may choose to take any position between two extremes: a) a high cost rate and small administrative burden with usually large contributions from few covered employers and benefits to a modest proportion of workers, or b) a lower cost rate, larger administrative burden with relatively smaller contributions from a larger number of covered employers and benefits to a larger proportion of workers.

In order to fulfill the above stated tasks, one needs to analyse the impact 1) of alternative provisions for agriculture on UI cost rates, 2) on employers and their employees, 3) of covered workers' beneficiary status and benefits, and 4) of the legislation on individual state's UI trust fund.

Methods

Previous research for the 15 states used a stratified random sample of agricultural employers. The analyses of the law's estimated impact on the employer population will show the relative coverage based on the universal coverage^{4/} of them and their workers assuming the law became effective in 1971.

In a second sampling frame, workers were completely or randomly selected from all workers of the sample employers. These sample data were subsequently expanded to population estimates of the survey states. Each worker's benefits were determined, based on each state's qualifying and benefit determination statutes in effect July 1971. Similarly, taxable wages were obtained from the sample of workers and were defined as the first \$4,200 paid during 1970 to the worker by each covered employer.^{5/} The benefits and

^{2/} The survey states are all northeast states and Ohio, Florida and Texas.

^{3/} A high cost agricultural employer is defined as one, whose contributions to the UI fund are smaller than the benefits his workers receive from the fund.

^{4/} Defined as the coverage of all workers working for a covered employer; henceforth designated as '1 in 1'. A tax rate applies to all newly covered employers, i.e. employers without employment history as far as UI system is concerned.

^{5/} A covered employer is one who is subject to the federal UI tax act for payment of an unemployment insurance tax on his payroll. A particular coverage provision is based on his payroll and weekly employment information.

taxable wages of interstate workers are then allocated to a state in proportion to the wages earned. To total benefits and taxable wages attributed to agriculture for all workers within a state determine the specific cost rate for that state.^{6/} The beneficiary status and benefits per beneficiary are based upon the employment history of workers. Details of the survey procedures and expansion to population estimates are given in Bauder, et al., (1976, Chapter I, App. I-IV).

This study assumes the same employment and work history of farm employers and their employees in 1978 as they occurred in 1971 since the survey has not been updated. However, it is asserted that any change which may have occurred since then would change the findings of this study only slightly. Although I am unable to determine the changes in employment behavior by both employers and employees, it appears that the estimates of coverage by characteristic are the best possible at this time.

Coverage Alternatives

Since states can go beyond the provisions of the law, an argument is made for the advisability of some states to consider a more inclusive provision than the '10 in 20 or \$20,000', especially when taking a longer run perspective. This suggestion accounts for the direct costs only as expressed by the agricultural cost rate but not for the increased administrative burden due to a larger employment being insured. The coverage provisions considered for the lowest cost rate for a state were '1 in 1', '1 in 20 or \$1,500', '2 in 13', '4 in 20 or \$5,000', '8 in 20 or \$10,000', '10 in 20 or \$15,000' and '10 in 20 or \$20,000'.

The basis for the comparative employer coverage and workers' beneficiary status^{7/} is the all inclusive coverage and the proportions are given for the '10 in 20 or \$20,000' and either the '1 in 20 or \$1,500', '4 in 20 or \$5,000' or the '2 in 13' provision in accordance with the effectively lowest cost rate in a state. The average potential and actual benefits resulting from agricultural coverage are reported in order to analyse the effects of the least expensive agricultural coverage on beneficiaries.

^{6/} The UI cost rate for agriculture is defined as the ratio of benefits paid to unemployed workers over taxable wages of covered workers.

^{7/} The following beneficiary status are used: (1) covered workers, i.e. one working for a covered employer; a subset of them are (2) insured workers, i.e. workers who have sufficient wages and/or weeks of work during a specified time, to qualify for UI benefits. A subset of the latter are (3) actual beneficiaries, who become unemployed and qualify for benefits. A subset of actual beneficiaries are (4) those, exhausting their benefit entitlement.

Agricultural Cost Rates

The agricultural cost rate is defined as the ratio of benefits paid to hired agricultural workers to the taxable payroll of covered agricultural employers in a state, i.e., it is assumed that agricultural employers pay all the costs of their UI coverage except administrative costs. Thus, the cost rate is a function of the state's qualifying requirements^{8/}, benefit payment schedule^{9/} and labor force characteristics, such as earning levels and employment patterns which in turn are related to the mix of farm types in a state. It is thus an expression of the cost of agricultural coverage to the UI fund and ultimately to employers in a state.

For the first one to three years, any newly covered employer pays the state's tax rate on his workers' taxable wages in accordance with the state rate so designated at that time. After this initial period, his tax rate is individualized, based on the employer's experience and could be lower or higher than the tax rate for newly covered employers. He will pay the minimum statutory tax established by the state if he has a history of many prolonged layoff periods, or high benefit payments to his workers in relation to the contributions paid.

The agricultural cost rate under the '10 in 20 or \$20,000' provision ranges from 1.6 percent in West Virginia to 10.3 percent in Rhode Island with most of the states showing a rate between 2.1 and 3.5 percent (Table 1). Under the more inclusive coverage the rates tend to be appreciably smaller, ranging from .6 to 6.7 percent, due to the inclusion of risk-bearing employers, with fewer and less costly layoffs in relation to their taxable wages. Only Florida and New Jersey show similar estimated cost rates. Comparing the state's tax rates in effect with the estimated agricultural rates under the provision of the law, Delaware will bring its rate below the maximum under experience rating, while Connecticut and Rhode Island are still above the maximum in spite of significant reductions.^{10/}

^{8/}Qualifying requirements are state specific and measure a workers' attachment to the labor force by number of weeks of employment or its equivalent in covered earnings in a specified period.

^{9/}The benefits a worker receives is a function of the weekly benefit amount, which compensates him for a fraction of the full time weekly wage, and duration of payments, which is variable in many states and depends upon earnings or weeks of employment prior to unemployment.

^{10/}Private communication indicates that an increasing proportion of the migrants, who used to work in seasonal operations in Connecticut and Rhode Island are being replaced by temporary local workers, which in effect could drastically reduce the cost rate for these states if the temporary help, such as housewives and students do not subsequently qualify for UI benefits.

Table 1. Estimated Agricultural Cost Rates Under Selected Coverage Provision for 14 States.^{a/}

State	1 in 1*	1 in 20 * or \$1,500	2 in 13*	4 in 20 * or \$5,000	8 in 20 or \$10,000	10 in 20 or \$15,000	10 in 20 or \$20,000
- percent -							
Mid-Atlantic							
Delaware	5.1	5.4	5.6	4.2	5.6	5.7	5.8
Maryland	1.5	1.6	1.9	2.5	3.1	3.5	2.6
New Jersey	5.8	5.9	6.3	6.9	6.1	6.5	5.9
New York	1.6	1.6	1.8	1.9	2.3	2.3	2.4
Pennsylvania	1.6	1.7	1.8	2.2	2.3	2.2	2.1
West Virginia	1.4	1.4	1.6	1.2	1.5	1.5	1.6
New England							
Connecticut	6.7	6.7	6.9	7.4	7.4	7.3	7.4
Maine	2.1	2.0	1.9	2.3	2.7	2.4	2.3
Massachusetts	3.0	2.2	2.3	3.0	3.1	2.9	2.5
New Hampshire	2.4	2.5	2.6	3.2	3.7	4.0	3.5
Rhode Island	5.1	6.6	6.8	8.4	9.0	9.9	10.3
Vermont	0.8	0.6	0.5	1.0	1.5	1.9	2.7
Florida	3.1	3.1	3.1	3.1	3.2	3.2	3.1
Ohio	4.0	4.1	2.8	3.4	3.5	3.6	3.5

* Source: Bauder, W. W., et al., Impact of Extension of Unemployment Insurance to Agriculture. Bulletin 804, January, 1976. Pennsylvania State University, p. 119.

^{a/} Texas data not available.

These cost rates are computed from a taxable wage base of \$4,200, which had to be used since comparable data for the \$6,000 taxable wage were not available. If, however, the broader \$6,000 taxable wage base is substituted - which will become the base effective January 1978 - the cost rates range from 1.4 to 8.8 percent, a decline for all states by up to 1.5 percentage points.

Assuming a state wishes, in the long run, to minimize the tax burden to covered employers - regardless of the proportion of employers affected and other considerations - the estimated cost rates under the provisions considered are given in Table 1. Four distinct patterns evolve by comparing the cost rates from restrictive provisions (such as '10 in 20 or \$20,000') to universal coverage.

For Connecticut, Pennsylvania, New York, Rhode Island and Vermont the cost rates generally decline--in some of these states after remaining essentially unchanged for the exclusive provisions. The decline is especially pronounced in Rhode Island and Vermont. This would imply that by increasing the number of employers covered the burden on employers covered under the restrictive provisions would be lowered. The burden on those not previously covered would obviously be increased.

Florida is the only state where the cost rate does not change appreciably over all the provisions considered. Hence, policy considerations can concentrate on the decision of how much agricultural employment to cover by UI.

A number of states (Maine, Maryland, Massachusetts, New Hampshire and New Jersey) show first increases in the cost rate as the coverage is extended. However, for the inclusive provisions the cost rates decline usually below the '10 in 20 or \$20,000' rate. For these states, a compromise between the provisions of the law and the universal coverage appears to be not advisable unless a state is prepared to accept a very inclusive provision for agriculture. The estimates indicate that in any case the cost rate would not decline in New Jersey and the reductions would be small for Maine and Massachusetts. Among this group of states, only Maryland and New Hampshire would be able to lower the cost rate appreciably by switching to '2 in 13' or a more inclusive provision.

The fourth group of states (Ohio and West Virginia) has first a decline and later an increase in the cost rate as the coverage is made more inclusive. In Delaware, the gradual and modest decline is interrupted by a lower rate for '4 in 20 or \$5,000', which also carries the lowest rate for West Virginia. Ohio's distinctly lowest rate is estimated for the '2 in 13' coverage.

For most states the '1 in 20 or \$1,500' provision appears to give one of the lowest cost rates among the provisions considered. However, compared to the coverage under the law the '4 in 20 or \$5,000' coverage promises to have a smaller impact on employers involved, especially in Delaware (5.8 vs. 4.2 percent) and also in West Virginia (1.6 vs. 1.2 percent). If Ohio wants to minimize the cost rate for employers and considers the '2 in 13' coverage the cost rate would fall from 3.5 to 2.8 percent.

To consider a more inclusive provision (e.g. '2 in 13') than the provision of the law for Connecticut, e.g., would only reduce the cost rate by half a percentage point (from 7.4 to 6.9 percent), which is still above the maximum rate under experience rating and hence may not be desirable when taking into account other aspects of the transition to a more inclusive coverage.

It should be understood that in each of these cases a trade-off is involved between (1) fewer seasonal employers covered who are paying large contributions due to a high tax rates on the payroll and (2) "spreading the risk" over a larger number of employers with fewer layoffs (non seasonal operations) - and hence the averaging down of the tax rate but higher administrative costs. This is a partial analysis attempting only to minimize the cost rate for agricultural employers affected and the impact on the state UI fund. It does not take into consideration the burden to the employers who will be included in the system after considering a more inclusive provision and the benefits to the workers who will now enjoy UI protection as opposed to the federally suggested provision.

Impact of Coverage On Employers and their Characteristics

The purpose of this section is to assess the impact of individual states potential decisions to go beyond the federally mandated coverage criteria, based on the proportion of employers covered under the '10 in 20 or \$20,000' or the alternate provision, which was selected in the previous section (Table 2). The estimated number of employers and the employees under the all-inclusive provision are used as the base for the proportions of covered employers and workers under alternative provisions. Details on the impact on subclassifications of employers (by type of farm, economic class, etc.) are contained in another report and were reported by Bauder et al. (1976, Ch. II) and Seaver et al. (1976, Ch. II) for the all inclusive coverage.

The impact of transferring to '4 in 20 or \$5,000' increases the proportion of covered employers somewhat more than three fold in Delaware and West Virginia to 26 and 12 percent respectively. The proportion of covered workers increases by 24 and 28 percentage points to 76 and 59 percent respectively. In Ohio, under '2 in 13', employers and employee coverage increases (by 42 percentage points) to 47 and 74 percent respectively. In Connecticut, a similar change in coverage - not shown in the table - increases employer and employee coverage to 74 and 97 percent respectively. In all other states, employer coverage increases significantly (at least 68 percentage points) by switching to the '1 in 20 or \$1,500' provision, thus covering at least 85 percent of all employers, which may not be desirable from the administrative point of view.

Impact on the Proportion of Covered Workers' Beneficiary Status

The proportions of insured workers, actual beneficiaries and benefit exhaustees are based on the universal coverage of the worker population

Table 2. Percent of Covered Employers and Workers for '10 in 20 or \$20,000' and Alternative Coverage by State Based on Employer Survey.

State	Alternative Coverage	Employer Population '1 in 1'	Proportion of Covered Employers 10/20...Alternate		Number of Workers of Employer Population	Proportion of Covered Workers 10/20...Alternate		
			(percent)			(percent)		
Mid-Atlantic								
Delaware	4 in 20 or \$5,000	662	7.4	26	8,323	52	76	
Maryland	1 in 20 or \$1,500	2,906	4.2	89	24,653	31	93	
New Jersey	1 in 20 or \$1,500	2,529	10.7	95	41,751	48	98	
New York	1 in 20 or \$1,500	10,013	4.7	85	94,199	27	93	
Pennsylvania	1 in 20 or \$1,500	7,437	3.8	88	57,781	32	93	
West Virginia	4 in 20 or \$5,000	1,285	3.5	12	11,475	31	59	
New England								
Connecticut	1 in 20 or \$1,500	1,085	9.2	96	27,927	74	99	
Maine	1 in 20 or \$1,500	1,869	5.1	86	30,945	20	94	
Massachusetts	1 in 20 or \$1,500	1,263	8.2	90	16,208	37	97	
New Hampshire	1 in 20 or \$1,500	500	4.1	88	5,295	30	96	
Rhode Island	1 in 20 or \$1,500	128	7.8 ^{a/}	97	1,212	41 ^{a/}	100	
Vermont	1 in 20 or \$1,500	1,434	0.8	88	7,276	13	93	
Florida	1 in 20 or \$1,500	5,308	28.6	97	350,504	88	100	
Ohio	2 in 13	6,734	4.6	47	68,632	32	74	
Texas	1 in 20 or \$1,500	28,867	3.5	91	252,726	22	95	

^{a/} Based on only 10 employers.

and represent a further analysis for the choice between the '10 in 20 or \$20,000' and the alternative provision for a state. Coverage of a worker is based on coverage of the alternative provisions considered as far as agriculture is concerned and full coverage of nonagricultural work.

The proportion of insured workers increases from usually the 30-50 percent range with the transition to a more inclusive coverage by less than 20 percentage points in six states while it increases as much as 50 percentage points in Vermont. Substantial increases (over 30 percentage points) are shown for Maryland, New York, Pennsylvania and Massachusetts (Table 3).

The proportion of actual beneficiaries increases from the 2 to 33 percent range to a somewhat higher level for the alternative provision, but the increase does not exceed 11 percentage points. However, in Vermont, the change stands for a doubling of the proportion of actual beneficiaries.

In accordance with the tendency of the other beneficiary status discussed, the proportion of benefit exhaustees is usually larger for the more inclusive alternative provision considered than for '10 in 20 or \$20,000'. Only in Pennsylvania and New Jersey, the increases in the proportion of exhaustees are substantial, from .3 to 1.0 percent and from 3.4 to 6.5 percent, respectively. In Maine, however, the proportion is smaller for the alternative provision. This can be explained by the fact that there are workers who only by virtue of their remaining nonfarm employment are still included under the less inclusive coverage; thus, they have fewer weeks of potential duration and hence a higher tendency to exhaust benefits.

Taxable Wages and Benefits

Relative taxable wages, potential^{11/} and actual^{12/} benefits per state based on '1 in 1' are discussed for the '10 in 20 or \$20,000' or the alternative provision (Table 4).

^{11/}Potential benefits are the benefit amounts a worker would receive if he had sufficient compensable unemployment to exhaust his entire benefits under the state provision.

^{12/}Actual benefits are the benefit amounts a worker receives during weeks of compensable unemployment.

Table 3. Percent of Insured Workers, Actual Beneficiaries and Exhaustees as of the Worker Population Under '10 in 20 or \$20,000' and Alternative Coverage by State Based on Worker Survey and UI State Provisions, July 1971. a/

State	Alternative Coverage	Worker Population	Proportion of Insured Workers		Proportion of Actual Benef.		Proportion of Exhaustees	
			10/20... ^{b/}	Alternate	10/20...Alternate	Alternate	10/20...Alternate	Alternate
- percent -								
Mid-Atlantic								
Delaware	4 in 20 or \$5,000	4,056	53	67	33	36	1.4	1.9
Maryland	1 in 20 or \$1,500	8,340	43	83	7	9	1.3	1.6
New Jersey	1 in 20 or \$1,500	17,448	50	78	20	31	3.4	6.5
New York	1 in 20 or \$1,500	43,964	38	69	12	19	0.6	1.0
Pennsylvania	1 in 20 or \$1,500	22,775	42	74	10	16	0.3	1.0
West Virginia	4 in 20 or \$5,000	4,308	32	45	11	12	1.5	1.9
New England								
Connecticut	1 in 20 or \$1,500	17,230	49	57	23	25	5.8	6.8
Maine	1 in 20 or \$1,500	11,798	32	51	13	18	6.0	5.6
Massachusetts	1 in 20 or \$1,500	8,685	48	80	6	10	3.1	5.0
New Hampshire	1 in 20 or \$1,500	2,081	45	66	12	16	1.8	2.8
Rhode Island	1 in 20 or \$1,500	606	42	67	19	23	2.7	3.3
Vermont	1 in 20 or \$1,500	4,368	18	68	2	4	0.1	0.1
Florida	1 in 20 or \$1,500	66,778	81	88	25	26	7.0	7.8
Ohio	2 in 13	29,491	30	46	11	14	5.4	2.7

a/ Texas data not available.

b/ While it is inconceivable that the proportion of insured workers under a coverage provision is larger than that of covered workers, the apparent contradiction in the proportion for a number of states result from the different survey populations underlying tables 2 and 3.

Table 4. Relative Amounts^{a/} of Taxable Wages^{b/}, Potential and Actual Benefits Attributed to Agricultural Wages Earned in the Study Area^{c/} Under the '10 in 20 or \$20,000' and Alternative Coverage by State for Worker Survey and UI State Provisions, July 1971.

State	Alternative Coverage	Taxable Wages			Potential Benefits			Actual Benefits		
		'1 in 1'	as percent of '1 in 1'		'1 in 1'	as percent of '1 in 1'		'1 in 1'	as percent of '1 in 1'	
			10/20...	Alter-nate		10/20...	Alter-nate		10/20...	Alter-nate
		(\$000)	(percent)		(\$000)	(percent)		(\$000)	(percent)	
Mid-Atlantic										
Delaware	4 in 20 or \$5,000	5,902	37	61	1,913	38	62	302	42	50
Maryland	1 in 20 or \$1,500	17,989	32	98	5,833	33	99	277	53	100
New Jersey	1 in 20 or \$1,500	28,201	53	97	10,141	52	96	1,637	54	98
New York	1 in 20 or \$1,500	78,680	42	97	23,503	45	97	1,235	64	99
Pennsylvania	1 in 20 or \$1,500	46,560	43	99	17,061	44	99	798	54	100
West Virginia	4 in 20 or \$5,000	6,870	39	61	1,829	38	59	99	42	48
New England										
Connecticut	1 in 20 or \$1,500	19,947	74	97	8,096	75	97	1,339	82	98
Maine	1 in 20 or \$1,500	13,829	28	85	4,220	30	85	285	31	82
Massachusetts	1 in 20 or \$1,500	20,757	51	97	7,871	53	98	619	43	72
New Hampshire	1 in 20 or \$1,500	2,494	45	98	880	46	98	60	65	100
Rhode Island	1 in 20 or \$1,500	1,734	45	77	728	43	73	88	91	100
Vermont	1 in 20 or \$1,500	10,187	10	97	2,762	11	96	78	35	79
Florida	1 in 20 or \$1,500	187,766	85	100	51,345	84	100	5,713	87	100
Ohio	2 in 13	37,332	49	88	11,175	47	86	1,487	43	62

a/ '1 in 1' defined as 100 percent.

b/ Taxable Wage Base = \$4,200.

c/ Excluding Texas

The taxable wages under the '10 in 20 or \$20,000' range from 10 to 85 percent in relation to the all-inclusive coverage with most states falling between 28 and 53 percent. The alternative coverage raises this proportion from 37 and 39 percent for Delaware and West Virginia, respectively, to 61 percent and for Ohio from 49 to 88 percent. In Rhode Island the change in provision increases the proportion of covered taxable wages from 45 to 77 percent and in Maine from 28 to 85 percent. The proportions in all other states increase for the alternative provision to near 100 percent.

Potential benefits constitute the upper limit workers could receive in benefits if they had sufficient unemployment to exhaust their entire benefits. Under the '10 in 20 or \$20,000' the proportion of '1 in 1' ranges from 11 to 84 percent with most states clustering between 30 to 50 percent. The proportions are very similar to those of the taxable wages under the respective provisions.

Actual benefits correspond to the benefit amounts workers receive while unemployed. Under the '10 in 20 or \$20,000' provision the proportion of outpayment in relation to '1 in 1' range from 31 percent in Maine to 91 percent in Rhode Island. When the alternative coverage is considered, the percentages increase relatively modestly, in Delaware from 42 to 50 percent, in West Virginia from 42 to 48 percent, in Rhode Island from 91 to 100 percent and in Ohio from 43 to 62 percent. In all other states the adjustments to the alternate provision would be more drastic or approach the all inclusive amount as in Rhode Island.

Benefits per Beneficiary

The variation of the average potential and actual benefits per beneficiary with changes in the coverage reflects the contributing aspect of UI to the economic well-being of beneficiaries (Table 5).

Potential benefits per insured worker range from over \$1,270 in three states to below \$1,000 in two states for both the '10 in 20 or \$20,000' and the alternative provisions. Under the alternative provision, some states grant average potential benefits that are smaller. Only in Florida, New Jersey and Rhode Island would these benefits increase for the alternative coverage appreciably.

Actual benefits are roughly one quarter to one half of potential benefits and range from \$267 in Vermont to \$738 in Rhode Island, with most states paying between \$300 and \$500. Changing to the alternative provision improves the benefits most in Maryland (by \$98) and decreases them most in Rhode Island (by \$69). In half the states, average benefits increase, in the other half they decrease. Comparing the benefits under the alternative with '10 in 20 or \$20,000' coverage for Delaware, West Virginia, Connecticut and Massachusetts, shows no significant differences; in Ohio actual benefits would increase by \$42.

Table 5. Average Potential Benefits per Insured Worker and Average Actual Benefits per Beneficiary, by State.^{a/}

State	Alternative Provision	Potential Benefits per Insured Worker		Actual Benefits per Beneficiary	
		'10 in 20...	' Alternative	'10 in 20...	' Alternative
- dollars -					
Mid-Atlantic					
Delaware	4 in 20 or \$5,000	1,002	1,007	386	381
Maryland	1 in 20 or \$1,500	1,179	1,148	507	605
New Jersey	1 in 20 or \$1,500	1,207	1,226	537	573
New York	1 in 20 or \$1,500	1,230	1,170	359	323
Pennsylvania	1 in 20 or \$1,500	1,331	1,272	356	336
West Virginia	4 in 20 or \$5,000	868	837	267	262
New-England					
Connecticut	1 in 20 or \$1,500	1,194	1,201	493	498
Maine	1 in 20 or \$1,500	1,061	1,041	376	338
Massachusetts	1 in 20 or \$1,500	1,388	1,339	440	448
New Hampshire	1 in 20 or \$1,500	1,306	1,227	418	409
Rhode Island	1 in 20 or \$1,500	1,436	1,454	738	669
Vermont	1 in 20 or \$1,500	1,218	1,123	401	474
Florida	1 in 20 or \$1,500	915	957	318	341
Ohio	2 in 13	1,104	1,036	417	459

^{a/} Texas data not available.

Differences in benefits are due to the different work histories of the covered workers, i.e., covered earnings and their distribution and weeks of employment as well as the benefit schedules applicable in a particular state, which determine potential duration and weekly benefit amount of UI payments.

Impact on States' UI Trust Fund

The impact of agricultural coverage--either by the '10 in 20 or \$20,000' or the alternate provision--will be gauged in the short run by the addition (+) or deficit (-) on a state's fund as it would have occurred with fund balances of 1970 and tax rates for newly covered employers in effect in 1971, i.e., which would have applied to the survey population. The long run impact is measured for the two provisions against the generally low fund balances of 1975 and rates for experience rating in effect in 1975, which would have applied after at least three years of experience for the survey population.

First, we shall analyse the proportion of the agricultural benefits under the two coverage provisions relative to total benefits paid in a state, which will give an idea of the magnitude of agriculture in each state as far as UI is concerned relative to other industries. Under '10 in 20 or \$20,000' agricultural benefits constitute between 0.1 (in Massachusetts) to 9.1 percent (in Florida) of all benefits, with all but Florida and Delaware ranging below 0.5 percent (Table 6). While the proportions are somewhat larger under the more inclusive provisions, they exceed 1 percent only in Florida and Delaware, the increments in West Virginia, Connecticut and Ohio are very modest. In a state, where agricultural benefits constitute a small proportion of total benefits, less concern should arise from the proposed agricultural coverage as compared to a state, where this proportion is significant.

In the short run newly covered agricultural employers will pay UI taxes in accordance with the tax rate in effect at the time. Under these conditions, half the states would realize a drain on the state's fund. However, this deficit is 0.23 to 0.28 percent in Delaware, Connecticut and Florida only, while it is usually smaller than 0.1 percent for all other states. Considering the alternative coverage, the drain on the funds in 1971 would generally be smaller. Exceptions are New Jersey and Connecticut, where the deficits increase to -0.19 and -0.31 percent, respectively. Since New Hampshire and Ohio's farmers contribute to a surplus, only five states show a drain due to agricultural coverage. This implies that in five states some modest costs of agricultural coverage would have to be borne by nonagricultural employers.

In the long run -- i.e., under experience rates, the '10 in 20 or \$20,000' provision and the 1975 fund balances -- only Delaware, Connecticut and Rhode Island remain deficit states; the percentage varies between -0.51 to -1.06 percent. In all other states, agriculture pays for its

Table 6. Agricultural Cost Rates and Impact on Trust Funds of Extending UI to Agriculture Under the '10 in 20 or \$20,000' and the Alternative Coverage Provision by State. a/

State	Estimated Agricultural Cost Rate		Agricultural Benefits as Percent of Total Benefits		Ratio of Agricultural Deficit or or Surplus on State UI Fund of			
					1970 Under 1971		1975 Under 1975	
	10/20...Alternative ^{b/}		10/20...Alternative		Rate for Newly Covered Employers		Experience Rating	
					10/20...	Altern.	10/20...	Altern.
- percent -								
Mid-Atlantic								
Delaware	5.8	4.2	1.01	1.12	-0.228	-0.107	-0.509	0
Maryland	2.6	1.6	0.19	0.35	0.004	-0.093	0	0
New Jersey	5.9	5.9	0.26	0.48	-0.104	-0.186	0	0
New York	2.4	1.6	0.11	0.17	0.012	0.062	0	0
Pennsylvania	2.1	1.7	0.14	0.27	0.014	0.051	0	0
West Virginia	1.6	1.2	0.20	0.23	0.028	0.060	0	0
New England								
Connecticut	7.4	6.7	0.47	0.57	-0.275	-0.313	-1.059	-0.779
Maine	2.3	2.0	0.33	0.86	0.043	0.216	0	0
Massachusetts	2.5	2.2	0.10	0.17	0.006	0.026	0.369	0.823
New Hampshire	3.5	2.5	0.28	0.43	-0.016	0.010	0	0
Rhode Island	10.3	6.6	0.20	0.22	-0.077	-0.067	-0.926	-0.652
Vermont	2.7	0.6	0.20	0.45	<u>c/</u>	0.793	0	1.191
Florida	3.1	3.1	9.10	10.36	-0.240	-0.236	0	0
Ohio	3.5	2.8	0.32	0.47	-0.010	0.013	0	0

a/ Texas data not available.

b/ The alternative coverage is '1 in 20 or \$1,500' for the states except Delaware and West Virginia ('4 in 20 or \$5,000') and Ohio ('2 in 13'). Source: Bauder, et al., Impact of Extension of Unemployment Insurance to Agriculture. Bulletin 804, January 1976, Pennsylvania State University, p. 119.

c/ Almost zero.

coverage and due to the high minimum experience rates, Massachusetts contributes even to a surplus. The alternative coverage also adds Vermont farmers to the net contributors, changes Delaware agriculture to a self-supporting program and reduces the net deficit in Connecticut and Rhode Island to -0.78 and -0.65, respectively.

Summary and Conclusions

Based on the estimated cost rates for a selection of seven coverage criteria--ranging from the all-inclusive to the provision of PL 94-566--the hypothesis was posed that the states objective may be to minimize the cost rate of agricultural coverage since they have the choice to go beyond the stipulations of the law. Under this premise it may be desirable for some states to consider coverages other than the '10 in 20 or \$20,000', since the latter appears to include a predominance of high risk or high cost employers, as far as the UI program is concerned, i.e., employers whose workers face regular or frequent periods of unemployment. Furthermore, a more inclusive provision would bring the coverage closer to the '1 in 20 or \$1,500' provision applicable to the rest of the economy and naturally extend benefits to a larger proportion of agricultural workers. The cost rates vary from 1.6 to 10.3 percent by state for the '10 in 20 or \$20,000' provision assuming the taxable wage base of \$4,200, while under the alternative provision the rates decline, ranging from .6 to 6.7 percent. For Delaware and West Virginia, the '4 in 20 or \$5,000' provision and for Ohio, the '2 in 13' provision were suggested while all the remaining states may wish to consider the '1 in 20 or \$1,500' coverage.

Estimates were provided for the proportion of covered agricultural employers and workers from the agricultural employer population by state for the '10 in 20 or \$20,000' and the alternative provision. Large variations exist among states in most of the coverage criteria considered due to a different mix of farm types with different employment patterns. Between 1 and 29 percent of the agricultural employers in the states' will be covered under the provision of the law, but the selected alternative coverage will increase it to 12-97 percent. Under the '10 in 20 or \$20,000' provision, the proportion of covered workers ranges from 13 to 88 percent among states while the alternative coverage provides from 59 to 100 percent. In the three states for which an intermediate provision was suggested, employer and employee coverage remains below 50 percent and 76 percent respectively.

The proportion of insured workers ranges from 18 to 81 percent under the '10 in 20 or \$20,000' and 45 to 88 percent under the alternate provision. The proportion of insured workers for Delaware, West Virginia and Ohio increases by about one quarter to one half from the coverage under the law. The proportion of actual beneficiaries--ranging among states from 2-33 percent under the '10 in 20 or \$20,000'--does not change appreciably in a state under the alternate provision. Generally, the percentage of exhaustees increases somewhat under the alternate provision but still does not reach 8 percent.

Estimates for taxable wages and total benefits are also provided to gauge the impact of the UI program by considering other than the '10 in 20 or \$20,000' coverage. The proportion of taxable wages under the '10 in 20 or \$20,000' relative to the universal coverage falls between 28 and 53 percent in most states while it increases to over 60 percent for all states under the alternate provision. Potential and actual benefits range in most states between one third and two thirds for the provision under the law but increase usually to over 70 percent under the alternative provision.

The impact of the '10 in 20 or \$20,000' provision on the well-being of workers is reflected by the estimates of potential and actual benefits per worker, which cluster around \$900 to \$1,400 and \$300 to \$550, respectively. Transferring to an alternative provision usually does not change the average benefit amounts appreciably, but make them available to more workers.

Agricultural benefits constitute 9 - 10 percent of total benefits in Florida only. This proportion is smaller in Delaware, but is for all other states below 1 percent. In the short run and assuming 1971 UI fund conditions for the implementation of the law, half of the states will experience a deficit in the state fund. Relative to the fund balance, the number of deficit states is reduced to five with deficits below .32 percent under the alternative provision. In the long run, and assuming 1975 fund levels, in only two states would nonagricultural employers subsidize the agricultural UI program by about 1 percent or less.

Considering the aspects discussed, the strongest case can be made for Delaware, West Virginia and Ohio to opt for the more inclusive provision suggested. Even though the estimated cost rates are below 3.5 percent under the law for New Hampshire, Vermont, Maryland and New York, substantial reductions of the rate will occur if these states value low cost rates regardless of possible disadvantages of inclusive coverage. A transition to a more inclusive provision is not as compelling for Pennsylvania as for the aforementioned states. It is recognized that developmental aspects and those of the labor market structure of the states or rural areas will further complicate a decision in favor of more inclusive coverage.

In summary, given the data presented here, politicians will have to decide whether they want to exceed the federal standard of '10 in 20 or \$20,000' and opt for one of the alternatives discussed. It is anybody's guess whether the benefits derived from lowering the cost rate to the originally covered employers in the long run compensate for 1) the higher administrative costs, 2) the larger employer group who would be covered under the more inclusive coverage and now help to carry the costs (risk) of the program and 3) the benefits derived from the larger population of insured workers who now may enjoy the benefits of UI coverage.

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