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ECONOMIC IMPLICATIONS OF UNEMPLOYMENT INSURANCE FOR AGRICULTURE

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Introduction

Many of you will recall that the Social Security Act of 1935 led to a federal-state system of unemployment compensation which provided a source of income to workers experiencing temporary involuntary loss of employment. However, with the exception of Hawaii, Puerto Rico and the District of Columbia, there is presently no provision either in Federal or State law that provides mandatory unemployment insurance protection for workers in agriculture.[1/] This situation is not unique, since agricultural workers were excluded from many federal and state labor laws. However, recent labor legislation such as minimum wages, workmen's compensation, disability insurance and others, has shown a trend toward extending to agricultural workers a status similar to industrial and trade workers.

As early as 1954 the Eisenhower Administration proposed to extend unemployment insurance coverage to workers in agricultural processing industries. The 91st Congress considered agricultural coverage as part of the Employment Security Amendments of 1970. The senate approved extension of coverage, the House did not, and agricultural coverage was rejected by the House-Senate Conference Committee.[2/] In rejecting the inclusion of agricultural coverage the Conference Committee was concerned about the paucity of factual information for assessing the effects of extending coverage to agriculture. The Bill signed by President Nixon included a directive to the Department of Labor to study the impact of extending coverage to presently excluded groups, with first attention to agriculture. It is rather ironic,

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and probably a reflection on our profession, that almost 40 years of unemployment insurance experience had passed without a major effort to investigate such an important economic and social issue.

Primarily as a result of the Congressional mandate, a regional research project was jointly funded by agricultural experiment stations of the Northeastern states plus Ohio, Florida and Texas, and contract funds from the Unemployment Insurance Service, Manpower Administration, U. S. Department of Labor. The resulting regional research project, known as NE-58, was probably one of the largest interregional research efforts ever undertaken by members of the profession. Largest in terms of cost, number of states involved, and the immense volume of data collected. The project has been productive, generating a great deal of information which provided direct input into the decision-making process on unemployment insurance legislation. It also has provided a great deal of data from which analyses of other agricultural labor issues have been, and can be undertaken. While the intention of this paper is not to report all the results of this project, much of the data cited herein were derived from this study.[3/]

With the results of the study available, the Nixon Administration, in 1973, proposed that coverage be extended to agricultural employers with four or more workers in each of 20 or more weeks or a $5000 payroll in any calendar quarter. This is in contrast to present non-farm coverage, which includes all employers with one or more workers for 20 or more weeks or $1500 payroll in any calendar quarter, and continues a tradition of less extensive application of labor laws to agriculture than prevails in commerce and industry. Both the Senate and House have held hearings on the Bill, but at this writing no action has been taken.

The purpose of this paper is to explore the economic implications of the extension of unemployment insurance to agriculture. In some cases

research analyses or empirical data are available to flesh out the discussion of these implications. In other cases we must rely upon raising issues and posing questions.

How Unemployment Insurance Works

Since direct experience with unemployment insurance of many in the profession has probably been limited, a brief non-technical description of how unemployment insurance works seems in order.

The unemployment insurance system is a federal-state cooperative system. In barest outline, taxes are collected on payrolls of covered employers while people are working and benefits paid out to eligible workers who become involuntarily unemployed. Basic coverage and taxing provisions are shaped by federal law, but states are free to go beyond federal coverage standards and many do. Federal law has little to say concerning the dollar amounts of benefit payments to eligible beneficiaries, and a wide array of practices are in effect in different states.[4/]

"Coverage" under unemployment insurance applies to employers with specific kinds of employment. Since January 1, 1972, covered employers must pay taxes on the first $4,200 of wages of employees engaged in work specified as subject to the tax. In a few states employees also pay a tax. Many states permit employers to elect coverage, but relatively few workers are covered on this basis.

Workers who are involuntarily unemployed may become eligible for benefits after having worked for a covered (i.e., tax paying) employer. To receive benefits, a worker must have had enough time and/or earnings in covered employment to meet minimum criteria that assure he was actually in the labor force and not merely a casual worker. The specific eligibility requirements vary by state.

The weekly amount and duration of a worker's benefits depend on the amount of covered employment and wages received during some previous "base period." Workers may be disqualified from receipt of benefits if they voluntarily quit their jobs or if they are fired for misconduct. While they are receiving benefits they must be available for work, able to work, and must accept suitable work if it is offered.

The tax paid by employers is determined by a formula based on a number of factors. However, the major determinant of an employer's tax rate is his "experience rating," or the benefit claims of his former workers which have been charged against him. Minimum tax rates for an employer against whom few or no benefit charges are made can be as low as a few tenths of a percent of taxable payroll. (All covered employers must pay an 0.5 percent federal tax for administration of the system.) All state laws set maximum tax rates (in most states about 4 percent of taxable payrolls) for employers regardless of the unemployment experience of their former workers.

The extension of this unemployment insurance coverage structure to agriculture obviously has implications for actual and potential farm employers and workers, other agricultural producers, consumers, the unemployment insurance system, and those affected by it, including non-agricultural employers. These implications are explored in the remainder of this paper by first examining the direct, short run effects of coverage, without assuming any changes in the structure or functioning of the agricultural industry or labor force and second, by examining some of the longer run implications of these direct effects.

The Direct Effects of Extension of Coverage

Coverage of Employers

Since workers become covered by unemployment insurance by virtue of working for covered employers it seems useful to begin by assessing employer

coverage. According to the latest agricultural Census data, only about 62 percent of Economic Class 1 through 5 farms (those with gross sales of $2,500 or more in 1969) hired any labor, and many of those who did hired very little.[7/] In the 15-state study, only 21 percent of the agricultural employers hired enough labor in 1969 to meet the coverage criteria of the present administration proposal. However, these employers hired 69 percent of the agricultural wage-items employed in the study area, indicating that it is possible to achieve substantial coverage of workers without covering substantially all employers.[5/] Obviously these results vary with the structure of agriculture in any given state. In Florida, for example, the Administration proposal would have covered 51 percent of the agricultural employers and 95 percent of the agricultural wage items. An extrapolation of present trends toward increased labor use on farms hiring labor suggest that coverage would become more extensive over time even if the legislation is made no more comprehensive than is presently proposed. If however the present non-agricultural coverage standard of one or more workers in 20 or more weeks or a $1500 payroll in a calendar quarter were applicable to agricultural employers, it would have covered 89 percent of the employers in the study area in 1969 and 96 percent of the agricultural wage items [1, pp. 2.12].

Just as the extent of coverage will vary by geographic region, so to will it vary by farm type. In 1969 the proposal now before Congress would have covered only 11 percent of dairy farms. The dairy farms covered employed 34 percent of the wage items on all dairy farms [1, pp. 2.60]. Relatively few field crop or general farms would have been covered. In contrast, nearly half the fruit, vegetable and miscellaneous farms and more than 80 percent of the wage items on these farms would have been covered in 1969. These are the farms on which seasonal workers tend to be concentrated.

Coverage of Workers

Workers can only become unemployment beneficiaries after first having covered employment, so estimates of beneficiaries and benefits paid will depend upon the extent of employer coverage. It will also depend on the behavior of hired agricultural workers. The high degree of seasonality of some agricultural employment is often inputed, frequently incorrectly as we shall see, to agricultural workers. This has led to the notion that agricultural coverage would lead to expensive benefit payouts.

In measuring the impact on workers, it is useful to distinguish between potential beneficiaries, those who have enough covered employment and earnings to qualify for benefits, and actual beneficiaries, those potential beneficiaries who experience some compensable unemployment in any given year. Only a portion of potential beneficiaries become actual beneficiaries.

One fourth of the hired farm workers in the study area had worked during the study year in covered non-farm employment, and three-fifths of these, or 15 percent of all agricultural workers, already qualified as potential beneficiaries under existing legislation. Had the present administration proposal prevailed in 1969, 62 percent of the hired agricultural work force would have been potential beneficiaries. Even if all agricultural employment was covered without regard to size of employer, only 75 percent of agricultural workers would be potential beneficiaries [1, pp. 3.14]. The other one-quarter had too little employment and earnings to qualify irrespective of the coverage provision.

The study indicates that about 5 percent of the hired agricultural work force had enough covered non-agricultural employment to become potential beneficiaries, and also experienced some weeks of compensable unemployment during the year and thus could become actual beneficiaries based solely on their covered non-farm work. About 20 percent of the agricultural workers

would become actual beneficiaries under the administration's proposal, and 22 percent would become actual beneficiaries if all farm work were covered [1, pp. 3.16].

Generalizing from the results of the study, the popular notion that practically all agricultural workers would be collecting benefits appears decidedly in error. About a quarter of them do not have enough employment to qualify for benefits, even though their employment is highly "seasonal" or sporadic and more than half do not experience sufficient unemployment to receive benefits. This leaves slightly less than one quarter of the agricultural work force as likely to receive benefit payments in any given year.

Benefit Amounts and Benefit Cost Rates

If all agricultural work were covered, it was estimated that actual beneficiaries would have received average unemployment insurance benefits of $385 under the benefit standards prevailing in the various states at the time of the study. Average benefits to actual beneficiaries changed very little under different coverage provisions. Even among agricultural workers who were already actual beneficiaries because of their covered non-farm work, average benefits without farm coverage were $351 [1, pp. 3.21]. Thus the major change resulting from covering agricultural workers lies in the increase in the number of beneficiaries and not in the average benefits received per beneficiary.

One of the crucial questions concerning agricultural coverage is the relationship between benefit payout and tax intake in such a highly "seasonal" industry. This question has been somewhat muted by the findings already demonstrated, that many of the most seasonal in the agricultural work force do not qualify for benefits. (Their wages do, however, generate tax revenues.) Assuming the payroll tax rates applicable to new employers in the study states, the average benefit-cost rate (benefit payments expressed as a percent of

taxable payrolls) attributable to agricultural coverage would have been 3.0 percent. Variations were considerable among states, depending upon the percentage of workers qualifying as beneficiaries and the amount of benefits they qualified for, Table 1.

Although the average benefit cost rate for the 14 states study region and many individual states, was less than the legal maximum tax rate this does not necessarily imply that agricultural coverage would be "self-supporting." The contribution rates of firms whose workers are paid few or no claims would gradually fall to the state's legal base limit. The contribution rates of firms whose workers experience substantial unemployment would rise, possibly to the state's maximum permissible tax rate. The cost of benefits to firms whose workers experience substantial unemployment may exceed the state's maximum tax rate. In such cases, the excess benefit-costs of these firms are financed by adjusting upward the contribution rates of all other covered employers paying less than the maximum tax rate. The extent to which this would occur in any state depends on the extent to which the estimated average benefit-cost rates actually typify individual firm costs, or whether there is a large variation around the average.

Incidence of Benefits

Those workers not qualifying as potential beneficiaries, and therefore, essentially totally untouched by the extension of unemployment insurance to agriculture, are those with relatively little employment and earnings. These are primarily housewives and students. For example, data from Pennsylvania [8] showed that nearly three quarters of those not qualifying as potential beneficiaries were youth 17 or under. About one quarter were female; however, there was some overlap in the sex and age classifications. Local workers were less likely to be potential beneficiaries than other workers,

Table 1

Estimated Benefit-Cost Rates and Added Cost Rates for Agriculture Under Full Coverage by State, 1969-70[a/]

State	Benefit Cost Rate[b/]	Added Cost Rate[c/]
Study Area (14 State Average)	3.0	3.0
New England		
Connecticut	6.7	6.7
Maine	2.1	1.7
Massachusetts	3.0	3.1
New Hampshire	2.4	2.6
Rhode Island	5.1	5.1
Vermont	0.8	0.8
Mid-Atlantic		
Delaware	5.1	5.1
Maryland	1.5	1.6
New Jersey	5.8	5.8
New York	1.6	1.6
Pennsylvania	1.6	1.8
West Virginia	1.4	1.5
Ohio	4.0	4.0
Florida	3.0	3.0
Texas	NA	NA

a/ Source: [3, p. 4.3]

b/ This rate is the proportion that benefits allocated to agriculture earnings are of taxable agricultural earnings.

c/ The added cost was obtained by computing total benefits based on all present earnings of agricultural workers in covered non-farm employment plus earnings in farm work then subtracting benefits based on non-farm covered earnings only. The difference, the benefits added by extending coverage to agriculture, divided by taxable agriculture earnings is the added cost rate.

NOTE: Both rates are based upon an allocation of benefits and taxable earnings to the states in which they were earned.

reflecting the fact that most youth and housewives in the agricultural labor force were non-migrants.

Migrant workers tended to benefit significantly more than others, because a high proportion of them qualified as potential beneficiaries, and they also had a relatively high incidence of compensable unemployment.[6/] With all agricultural employment covered, 39 percent of migrants in the regional study were estimated to be actual beneficiaries compared to 15 percent of local workers. Since a substantial proportion of migrants were members of minority groups (blacks, Puerto Ricans, and Mexicans) this also means that a substantially higher proportion of minority group workers than white majority workers are likely actually to receive benefits. With all agricultural employment covered migrants constituted 52 percent of the actual beneficiaries although they comprised only 28 percent of the worker population. However, restricting coverage to the Administration's proposal disqualified proportionally more migrants than non-migrants from receiving benefits (12 percent compared to 9 percent) and coverage provisions more restrictive than the Administration's proposal had a drastic effect on migrants. For example, the proposal to cover agricultural workers or employers with 8 or more workers in 26 or more weeks disqualified 36 percent of the migrant actual beneficiaries compared to 19 percent of the non-migrants [1, pp. 4.13]. Thus, the selection of the appropriate coverage provision cannot be assumed to have uniform effects on all classes of workers.

Secondary or Longer-Run Effects of Coverage

The analysis which yielded the above estimates assumed no change in labor supply or demand, or the labor force behavior of workers resulting from the extension of unemployment insurance. However the direct effects of extension of coverage are likely to lead to a number of longer-run adjustments whose magnitude and direction can only be speculated upon. The

remainder of this paper will attempt to focus on some of the more important likely long-run implications of the extension of unemployment insurance to agriculture and arrive at some generalizations despite the inherent difficulties. This discussion will be divided into effects on employers, workers, and the unemployment insurance system.

Effects on Employers and Production

Much of the debate on the extension of unemployment insurance to agriculture has centered on speculation as to its impact on employers, and ultimately on volume of production and product cost. There has been speculation about exhorbitant tax rates to fund benefits, and drastic restrictions on labor supply that supposedly would result from workers opting for unemployment insurance benefits upon becoming eligible, either reducing production or increasing payroll costs or both.

Although these issues must be addressed, the mechanics of unemployment insurance are designed to protect against drastic effects of this sort. While high benefit costs may result from covering a group of workers, the provision of a maximum tax rate prevents the incidence of this from falling entirely on one group of employers. Benefit costs in excess of those recovered from employers at the maximum tax rate are shared by all employers in the system. This, of course, raises other issues that will be dealt with later. However, the estimated industry average benefit costs cited earlier suggest, although they do not prove, that exhorbitant benefit cost rates are not likely to occur except in unusual cases.

It is entirely possible, in fact likely, that the availability of unemployment insurance will have some impact on worker's labor force decisions, and thus labor supply. Several plausible hypotheses as to the nature of these decisions could be posited, and more will be said on this point in the next section. Unemployment insurance procedures require that in order to be

eligible for benefits, beneficiaries must be available for work and accept suitable work if it is offered. This requirement is difficult to administer to perfection, but it does provide a safeguard against wholesale desertion of the labor market. With respect to the present proposal, let us assert that a drastic decline in labor supply seems unlikely.

In the short run, in the absence of compensating adjustments, the unemployment insurance tax on covered employers would result in increased production costs which would shift the marginal cost curve upward and to the left and, assuming perfect competition in the product market and no change in product demand, would reduce the firm's profits after imposition of the tax. Marginally profitable firms might be forced into a zero or negative profit situation.

One longer-run adjustment to this circumstance could be reduced output (mainly via exit of firms) and increased product prices. A second longer-run adjustment could be a recombination of factors of production due to a change in relative factor costs. An increase in the cost of hired labor coupled with unchanged capital and land costs would lead to a reduction in hired labor employment. From the standpoint of efficiency in the utilization of labor, unemployment insurance might well be a blessing in disguise. There is evidence (not nearly enough) that agriculture does not utilize labor efficiently, especially seasonal and so-called "crew labor", which would be the kind that led to high tax rates. Unemployment insurance may provide an incentive for greater efficiency in the use of such labor. At any rate, the need for investigation of the effect of unemployment insurance upon factor prices, combinations, efficient utilization, and production costs is sufficient to provide some enterprising graduate students with excellent thesis topics.

Labor cost increasing tendencies of the unemployment insurance tax, to the extent that they occur at all, would not affect all farms equally. It

is not likely, and current proposals do not require, that all farms be covered. Many farms with small hired labor forces will likely escape coverage and thus not incur the payroll tax. Unemployment insurance therefore may enhance the competitive position of small farms vis a vis larger farms.

Furthermore, the cost effects for farms that do qualify for coverage will likely differ significantly as between types of farms. In the short run (two years) all employers who qualify for coverage pay a minimum tax which varies by state. After this period each employer receives an experience rating based upon the payment of benefits to his former workers. Dairy farms have greater stability of employment among their workers than, for example, vegetable farms. Therefore, it is likely that after the experience rating period, dairy farm employers would on the average pay lower tax rates than vegetable farms.

Because of experience rating, employers tax rates may also vary depending upon the employment pattern of the workers hired. Employers who can recruit workers who are unlikely to qualify for benefits, or for only small benefit amounts, such as housewives and students, may incur a low experience rate, even though their employment pattern is highly seasonal. The use of "moonlighters" who hold regular non-farm jobs would also become advantageous. This may lead to some conscious changes in employer recruiting behavior. It may also provide an advantage to employers of seasonal workers in surplus labor markets who would have a pool of "low-cost" (in the unemployment insurance sense) workers relative to employers in the more sparsely populated rural areas where migrant crews are the only source of seasonal labor.

There are also possibilities of interregional differences in unemployment insurance and related labor costs. Where factor combinations per unit of output differ substantially between regions, or where the employment patterns of the agricultural work force are such as to produce differences in

benefit costs which would lead to differences in employer tax rates among regions, there could be some interregional differences in labor costs per unit of production. The fact that some regions have larger firms and employ more hired labor will mean only that such firms pay a larger absolute tax than those of other regions. It will not mean differing production costs per unit of output unless factor combinations between regions differ significantly. Significant differences in the proportion of labor from family versus hired sources would produce some cost advantage to the farms operated with family labor. Dairy and poultry might experience some differing regional impacts arising out of differences in the source of labor. On the whole, however, we feel, it is doubtful that the cost differences between regions for most commodities will be great enough to disturb the present regional production patterns.

A product such as cotton may be a different story. The larger labor inputs per unit of output in the south as compared to the west may put southern cotton producers at a cost disadvantage. A similar situation may obtain with respect to vegetable production. Frankly, there are sufficient unanswered questions surrounding the area of interregional competition in relation to unemployment insurance to encourage additional inquiry.

International trade should not be ignored and fresh fruits and vegetables are vulnerable. Some fruit and vegetables are now under severe international competitive forces. While a constantly increasing amount of capital has been employed in producing fruits and vegetables, they nevertheless still employ large quantities of labor. The additional costs associated with unemployment insurance could mean that some vegetables and fruits cannot be produced at world market prices. This is an area of inquiry calling for attention.

Not all the cost impacts of covering agriculture will necessarily be cost increasing. Mention was made earlier of the possible improvements in

hired labor efficiency which the unemployment insurance tax may inspire. Perhaps a more likely positive cost impact may come about through a change in labor supply. Extension of unemployment insurance coverage to agriculture will remove one more of the characteristics that set hired agricultural work apart from non-agricultural employment. It will be one step, albeit a small one, toward equality among sectors of the labor force. Presumably it will have some positive effect, as an added fringe benefit, in improving the willingness of workers to take agricultural employment and reduce job turnover, with a reduction in the attendant hidden labor costs of lost production, recruitment and training of replacements. While there is little evidence that the present agricultural work force yearns for unemployment insurance coverage, once coverage is actually effected there should be some positive effects on total labor supply and hence costs.

Finally, the relative importance of hired labor expenditures must be considered, to put the discussion in perspective. The 1969 Census of Agriculture showed hired labor expenditures to constitute about 9 percent of total farm production expenses on Economic Class 1 through 5 farms [7]. Since the unemployment insurance tax could add, at most, 4 to 5 percent to the labor bill, it would, on the average, have a negligible effect on farm production costs. Even on farms with gross sales of $100,000 or more in 1969 hired labor expenditures averaged less than 12 percent of farm production expenses. However, hired labor expenditures on fruit, vegetable, and miscellaneous farms averaged from one-quarter to one-third of farm production expenses on Economic Class 1 through 5 farms, and increased to from 30 to 40 percent of farm production expenses on farms with gross sales of $100,000 or more. On large farms of these types, farm production and ultimately product prices may be considerably more sensitive to hired labor costs.

Effect on Workers

The extension of unemployment insurance to agriculture will have some long-run impacts on agricultural workers, and the agricultural work force in the aggregate. Perhaps the most important of these are its potential impacts on the level and composition of employment, worker's labor force behavior patterns and migratory patterns.

The added incentive to substitute capital for labor resulting from the possibility of increased labor costs has already been noted. The advent of unemployment insurance will surely add at least some additional pressure to this already strong and long standing adjustment pattern.

Some additional seasonal unemployment will almost surely result too. It can hardly be denied that some farmers presently finance their own "unemployment insurance" by retaining good workers on the payroll during periods of slack labor demand to maintain a labor force during normal and high demand periods. The extent to which employers can shift this burden to the unemployment insurance system, and the extent to which workers will be willing to settle for the lower income levels afforded by unemployment insurance, is a topic warranting further investigation.

The use of unemployment insurance as "rocking chair money" to provide additional income to seasonal workers who, by accident or design, earn enough to qualify for benefits, but whose employment in any case would be seasonal, is likely to occur in some production sectors of agriculture as it is alleged to occur in agricultural processing. This would appear to provide a net gain to both agricultural employers and workers, at the expense of the unemployment insurance system and other covered employers.

It has already been noted that an incentive would be created to meet labor requirements with permanent workers and seasonal workers unlikely to apply for or qualify for benefits. This would appear to put housewives, students, retirees, and industrial moonlighters at an advantage relative to

migrants working at a succession of seasonal farm jobs. However, the cost of assembling such a work force, and possibly its lower productivity, may be enough to offset higher unemployment insurance costs associated with more experienced and organized seasonal workers.

The impact of coverage on worker's labor supply and migration decisions provides room for further interesting research. It seems likely that some seasonal workers not now qualifying for benefits would be induced to increase their employment sufficiently to qualify. Whether there would be opportunity for them to do so, and how the unemployment insurance system will treat seasonal agricultural workers administratively are unknowns at this point. Whether some workers would, and could administratively, be induced to accept unemployment insurance payments in lieu of higher earnings, is also dependent upon factors which are largely unknown.

This question has special relevance to migratory workers. Since there is generally little or no seasonal agricultural work in their home areas when they enter the migratory stream, it is likely that many workers now entering the migrant stream would be considered administratively as qualifying for benefits if they had sufficient employment and earnings in their "home state". Whether they would choose to migrate, if eligible for benefits at home, is dependent on their assessment of the utility of additional income relative to the disutility of migration. Emerson [4] at Florida estimated that if all migratory workers in the regional study did not migrate to any job if employment in their home state would make them eligible for benefits, their foregone earnings, net of additional unemployment insurance benefits, would average $687, or 22 percent of their average total earnings including that from migrant work. To what extent workers would be willing to make such trade-offs warrants further research.

If the extension of unemployment insurance reduced migration significantly, the labor markets in the supply states (primarily Florida, Texas, and

California) would not be greatly affected. But in demand states, assuming a relatively inelastic demand for labor in the short run, large wage increases followed ultimately by mechanization, shifts in production, and disappearance of some producers would likely result.

While the supply states' labor markets would not be greatly affected, these states could face important social and community disruptions. Educational, health and welfare costs would probably increase significantly, since it is unlikely that migrant families as part-time residents of a community presently make heavy demands upon local government services. The effects of reduced migration upon property taxes, the tax burden of present residents, and eventually upon the level of services provided can only be surmised.

Finally, it is relevant to ask what impact unemployment insurance will have on agricultural worker's incomes. The low earnings of agricultural workers are frequently cited in support of the extension of unemployment insurance to agriculture. It can be expected to have little impact on the general low income problem among farm workers [3, p. 6.4]. Low earnings among farm workers appear to stem chiefly from low labor force participation and low wage rates. To the extent that low labor force participation is voluntary, and much of it is accounted for by housewives and students, it is not really a social "problem".

Youth, part-year and part-time workers collectively accounted for more than 20 percent of the regional study population, and more than 40 percent of those with total earnings from all sources of less than $3000. Practically none of these workers would become unemployment insurance beneficiaries. About one-half the study population worked full-time and experienced no compensable unemployment and thus would not receive any benefits. This group accounted for one-quarter of the workers with earnings of less than $3000. Those workers which would receive virtually all the benefits were the full-time workers with some weeks of compensable unemployment. They

comprised about one-quarter of the work force, and about one-third of the workers with annual earnings of less than $3000, and received about 98 percent of the unemployment insurance benefits. About two-thirds of the benefits accrued to workers with total earnings under $3000, and payments were large relative to their annual earnings, for example $463 for workers with total annual earnings of $1500 to $3000. It appears that unemployment insurance has the potential for making a substantial impact on the welfare of only about one-quarter of the agricultural work force.

Impact on the Unemployment Insurance System

In some states the benefit outlays from the addition of agricultural coverage will exceed the taxes paid by agricultural employers. In Connecticut, for example, the annual drain on the fund was estimated at between $750,000 and $950,000. This is small in terms of a reserve fund of $100 million which has existed in some recent years, or the increase of about one-tenth percent for non-agricultural employers which would be required to cover these excess benefit costs. But any increase in taxes is unlikely to receive ardent support in the legislature by non-agricultural employers, especially during periods of high unemployment and low reserve funds, such as at present. In California, the estimate of the annual deficit caused by agricultural coverage is approximately $30 million [5, pp. 9.2].

There are, of course, equity considerations to be taken into account. Many presently covered firms, and some whole industries, are not "self-supporting." The fact that agriculture, in some states and in some years, is likely to generate excess benefit costs is not unique.

There has been some concern about the additional administrative load that would be placed on the unemployment insurance system by adding agricultural coverage. This was undoubtedly one of the considerations in the Administration's decision to propose less extensive coverage for agriculture than is applicable to commerce and industry.

Comparing the estimated number of added employers resulting from extending coverage to agriculture in 1969 to the employers already covered in that year yielded percentage increases in the number of covered employers ranging from 0.6 percent in Rhode Island to 32 percent in Texas [1, pp. 5.11]. Only in Maine, Vermont, and Texas was the percentage increase in covered employers 10 percent or more. Less than complete coverage of all agricultural employers would reduce these percentages significantly. Estimated additional taxable wages resulting from agricultural coverage ranged from 0.3 to 4.3 percent and estimated additional benefits paid was less than 4 percent in all study states except Florida, where estimated additional benefits were 18.6 percent of those paid in 1970. Although no comparison of the relative increase in volume of interstate claims resulting from agricultural coverage was made, it would almost certainly be more than proportional to the increase in the number of beneficiaries. The effect of the additional coverage on the administrative costs of unemployment insurance was not studied, but it appears that coverage of all agricultural employment and full participation by eligible beneficiaries would increase the number of employers and benefit accounts more than proportionally to the increase in taxable wages which provide the basis for funding the administration of the system.

However, the question of the likely level of participation must also be raised. The estimates presented earlier were based upon the assumption that all those workers who become eligible for unemployment insurance benefits would file and collect. Evidence suggests that large numbers of eligible workers never file claims for benefit payments. Estimates for non-agricultural workers runs as high as 30 percent [6]. Non-participation is likely to be even higher during the early years due largely to the fact that many workers will not know or understand their rights and benefits under unemployment insurance coverage [5]. In addition there is evidence that rural people have a lower participation rate in government related programs of all

types than their urban counterparts [2]. For some, of course, participation in almost any government program of assistance involves a social stigma. For whatever reasons, the economic implications of less than full participation is that tax rates will be lower than those estimated in the regional study.

The question of program participation also has important implications for agricultural extension. We assume that a major portion of the responsibility for informing farm workers of their rights and benefits under unemployment insurance will fall upon the Agricultural Extension Service. Nonagricultural workers have depended upon their union to carry much of the educational burden of unemployment insurance rights and benefits. But agricultural workers generally are not members of labor unions; hence, Extension may need to mount a major labor educational program. Can Extension easily adopt to having farm workers and employers as bedfellows?

Finally, we must address the issue of the continued separate treatment of agriculture in labor legislation. This is not only a question of administrative desirability, but of political expediency and social justice. Many oppose separate treatment. With respect to unemployment insurance Varden Fuller states "...the standards should be the same for everybody, both federal policy and state practices" [6, pp. 14.2]. He went on to state that trying to maintain the differentiation between the rights of agricultural people and others may be unconstitutional and cited the exclusion of farm workers under the National Labor Relations Act and their inclusion under the Fair Labor Standards Act. Regardless of the Constitutional question, the stage is set for a political battle over coverage provisions.

In assessing the impact of extending unemployment insurance to agriculture, the profession has concerned itself with a major issue of the day. It is one that is squarely within the pervue and responsibility of agricultural economists, but one that, aside from the efforts of a very few individuals, has for years been almost entirely ignored. Those of us

associated with NE-58 are proud of our research accomplishments. But only a start has been made. The issues raised in this paper and many other require additional analysis. We hope to make available a wealth of data, but only you can develop an interest in this area of inquiry.

FOOTNOTES

1/ Minnesota extended coverage to agricultural workers in 1974, and legislation is pending in several other state legislatures.

2/ Employees of institutions of higher learning fared better than farm workers in the Employment Security Amendments of 1970; they were extended coverage.

3/ The principal reports resulting from the study were [1] and [3]. More detailed state reports are available from most participating states.

4/ Pending Federal legislation, in addition to extending coverage to agriculture, also calls for minimum benefit standards in all states.

5/ In discussing coverage of employee's workers, it is necessary to use the concept of a "wage-item" rather than an individual worker. An individual worker is a "wage-item" on each farm on which he is employed during the year.

6/ Migrant workers were defined consistent with the definition used in the Hired Farm Working Force Reports, Economic Research Service, U.S.D.A.

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