

# Agriculture & Workers Compensation

## Insurance in New Mexico

by

Don Villarejo, PhD

California Institute for Rural Studies, Inc.

P.O. Box 2143

Davis, CA 95617

(916) 756-655

## Executive Summary

New Mexico's \$1.5 billion agricultural industry is concentrated predominately in five major types of farming: Beef cattle, Other livestock, Vegetable & melon, Dairy and Field Crop. Most New Mexico farms are small but the largest five per cent account for two-thirds of all production. Most hired labor expense on New Mexico farms is also concentrated in these same five categories of farms and just 686 farms account for more than eighty per cent of the state's reported hired labor expense. The 105 New Mexico farms reporting at least \$25,000 in contract labor expense accounted for seventy per cent of the state total of production expenses in that category.

Fourteen states now require workers compensation insurance coverage in agriculture that is either full or equivalent to that found in other industries. Those major agricultural states mandating such coverage since 1963 have experienced a growth of farm cash receipts of 23% over the five years 1987-1991. States with only limited workers compensation coverage had a growth in farm receipts of just 17% in the same period.

States in the Southwest with mandated full coverage have premium rates which for the farm risk classification codes that are lower in one case (AZ) and higher in another (CA) as compared to Southwest states with partial coverage. Thus, mandated coverage may not necessarily lead to higher premium rates.

Rate increases over the past thirty years tend to be comparable in Southwest states mandating full workers compensation coverage (AZ, CA) than in New Mexico. In one Southwest state (TX) not requiring full coverage the increase in premium rates over this same period was quite a bit higher than in New Mexico.

The experience of workers compensation insurance in California is examined in some detail. It is shown that in the farm categories of greatest interest, the number of claim awards has actually shown a decrease in recent years. However, increases in premium rates still occurred and are mainly caused by increases in medical costs.

Finally, the California county with an agricultural system most similar to that of New Mexico is examined in some detail. By examining the reported experience modification factor of all 188 Imperial farm operators and 11 farm labor contractors with reported "ex mod factors" it is shown that, on average, these employers had a below-average rate of claim award amounts, leading to below-average workers compensation premium rates. This model suggests that full workers compensation coverage may actually lead to lower premium rates than presently obtain in California.

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**Agriculture & Workers Compensation Insurance  
in New Mexico**

Don Villarejo, PhD  
California Institute for Rural Studies, Inc.

Agricultural Employment in New Mexico

Agriculture is one of New Mexico's major industries generating in excess of \$1.5 billion in cash receipts for farmers each year.<sup>1</sup> Approximately two-thirds of the state's annual commodity production is from the sale of livestock, mainly meat animals, and from dairy products. One-third is from crop sales.

The Census Bureau identified 14,249 New Mexico farms in its 1987 survey.<sup>2</sup> However, the largest 694, each having \$250,000 or more in sales of farm commodities were responsible for more than two-thirds of all of the state's farm cash receipts.<sup>3</sup> In other words, just one out of twenty New Mexico farms account for the bulk of farm business activity. Thus, nineteen out of twenty of the state's farms would be considered to be "medium or small" (less than \$250,000 in annual sales), but, even when their sales are aggregated, they have less than one-third of the state's farm production.<sup>4</sup>

Despite the persistent six-year drought in the Southwest, New Mexico farm commodity receipts experienced a modest increase in the late 1980s and early 1990s. In the five year period 1987-1991 this gain was mostly attributed to significant growth in the state's dairy industry (+74%) and in vegetable production, notably chili peppers and onions (+53%).<sup>5</sup> According to the Agricultural Labor

Committee, appointed at the request of U.S. Sen. Pete Dominici (D-NM), the fresh and processed vegetable industry of New Mexico experienced an increase of 81% in farm cash receipts between 1985 and 1989.<sup>6</sup>

During the five-year period 1987-1991, USDA reports show that production expenses also increased.<sup>7</sup> In fact, during the last three years of this period production expenses increased at a faster rate than did farm cash receipts leading to a slightly declining net business income.

While the largest category of New Mexico farm production expense is the cost of intermediate products, e.g., animal feed, cash labor expenses now rank as the second most important farm production expense. Cash labor expenses grew by 28% in this five year period, reaching an annual level of \$111 million in 1991.<sup>8</sup>

The Census Bureau found in its 1987 survey that 5,587 New Mexico farms reported hired labor expenses and 2,547 reported contract labor expenses.<sup>9</sup> Here we must carefully distinguish farm direct hire labor expense (termed "hired labor expense" in the Census of Agriculture) and "contract labor expense," which refers to labor expenses incurred through the use of labor services provided by a farm labor contractor or crew leader.

New Mexico vegetable producers rely heavily on day haul workers brought in from Texas and northern Mexico.<sup>10</sup> Farm labor contractors and crew leaders are key intermediaries in bringing day haul workers to the chili fields.

The Census of Agriculture data also permit a determination of

the share of annual total labor expense (combining both direct hire and contract labor expenses) incurred by all employers within each of the principal types of New Mexico farms using Standard Industrial Classification (SIC) Codes. Assignment of an SIC code to a farm is based on the commodity which accounts for the largest share of annual cash receipts.

Figure 1 shows that the five categories of farms with the largest shares of total labor expense are, in order of share of total labor expense: Beef cattle, Other livestock, Vegetable & melon, Dairy, and Field Crop (where we have combined the two SIC categories Other Field Crop farm with Cotton farm). Taken together farms in these five categories account for more than three-quarters of all farm labor expense in New Mexico agriculture.

Most of the 5,587 New Mexico farms reporting any hired labor expenses have only a very small expense of this type. Figure 2 shows that the two-thirds of these farms have annual hired labor expenses amounting to less than \$5,000. And more than seventeen out of twenty have annual hired labor expenses amounting to less than \$25,000.

On the other hand, most of the state's total of hired farm labor expenses are accounted for by a very small number of the state's farms. As shown in Figure 3, the 155 New Mexico farms with annual hired labor expense of \$100,000 or more account for a clear majority of the aggregate hired labor expense of all of the farms in the state. Only 686 New Mexico farms reported annual hired labor expenses of \$25,000 or more in 1987.<sup>11</sup> But they accounted

Figure 1 — New Mexico Farm Labor

Total Labor Expense, 1987

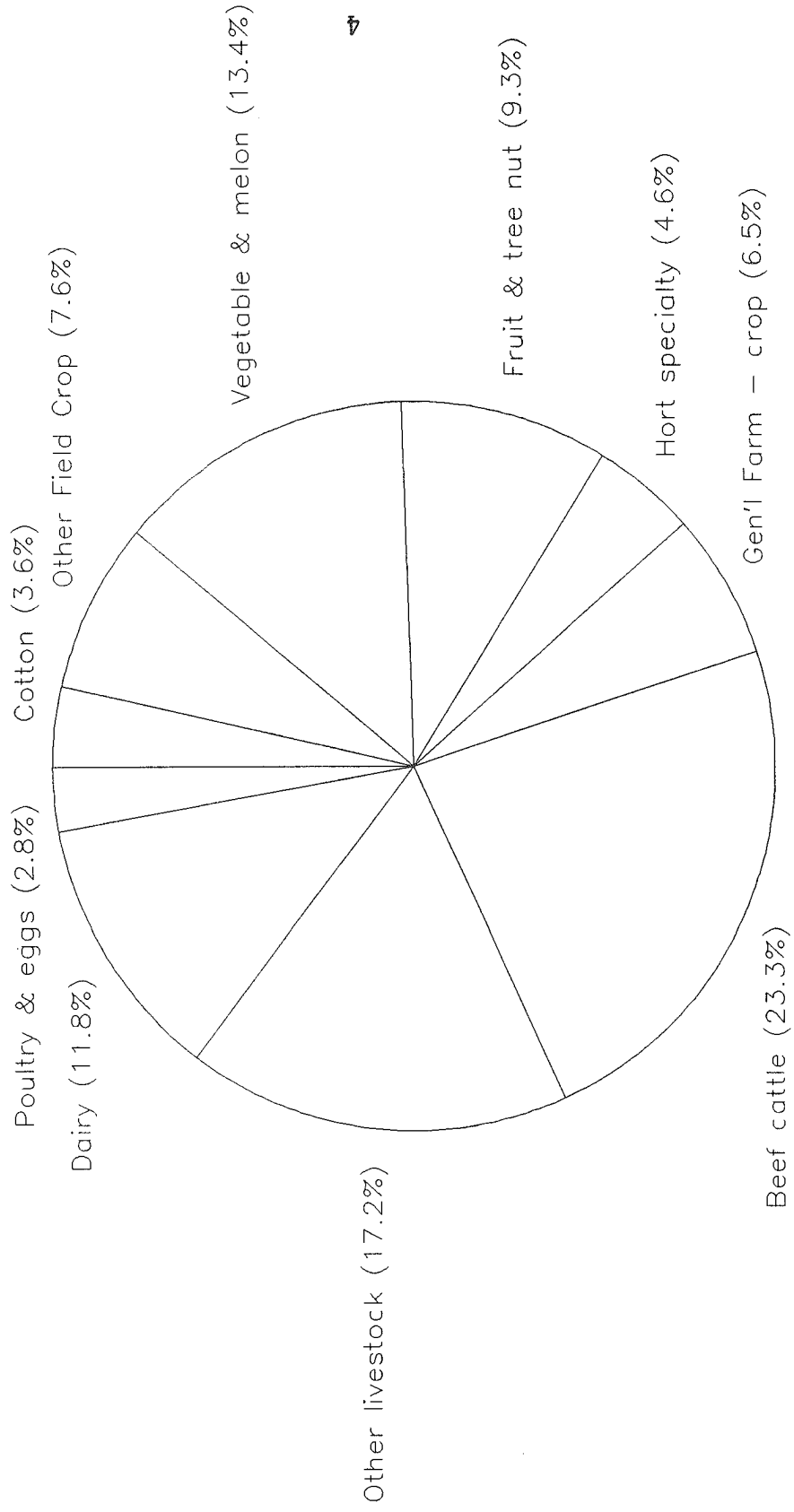


Figure 2 – Farms, by Amount of Expense

1987, by Direct Hire Labor Expense

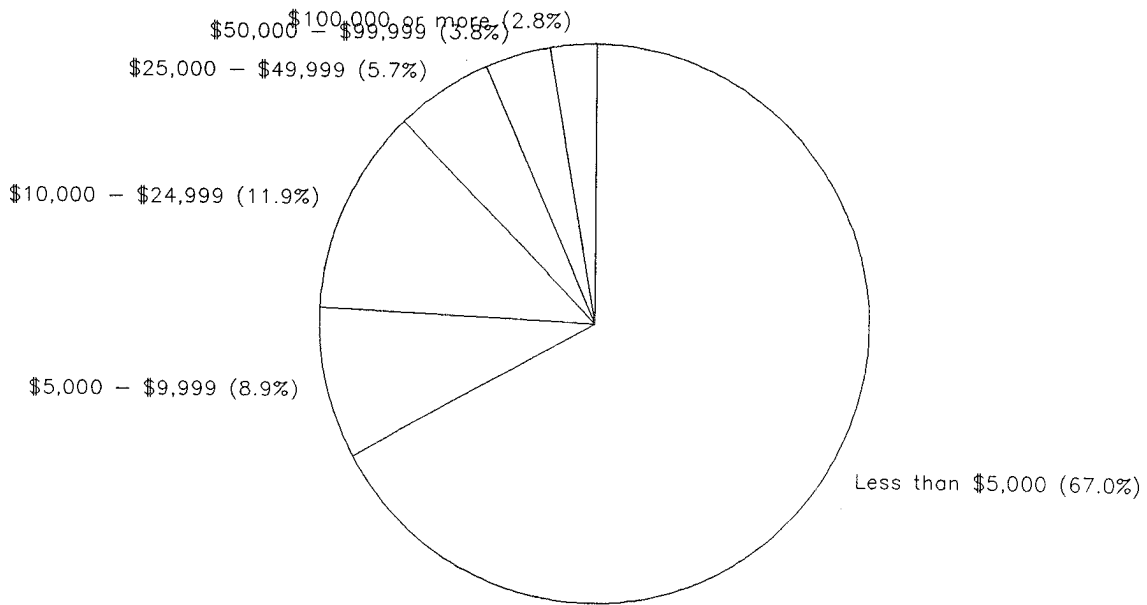
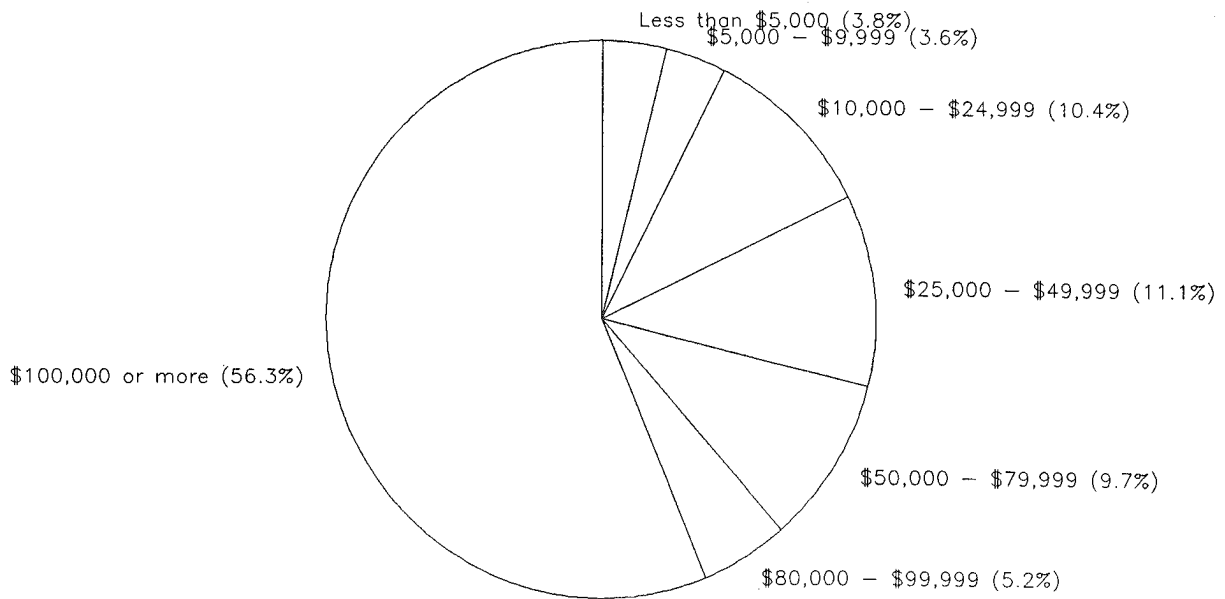


Figure 3 – Direct Hire Labor Expense

New Mexico, 1987, by Size of Expense





for 82% of all of the state's reported hired labor expense (\$80.9 million out of \$98.3 million).<sup>12</sup>

Therefore, while most New Mexico farms with hired labor expense have only a relatively small amount of such expenses, most hired labor, and, hence, most workers, are employed by these 686 farms, the state's principal farm employers. Of course, some farms also report a sizeable contract labor expense. These are separately discussed at a later point in this report.

Using 1987 Census of Agriculture data it is possible to identify the agricultural sectors in which these principal farm employers are active. This is shown in Table 1, where we identify by sector, using SIC Code, the number of New Mexico farms with annual hired labor expense of \$25,000 or more.

**Table 1**

**Principal New Mexico Farm Employers  
Number, by Sector, with Hired Labor Expense of \$25,000 or More**

<u>SIC Code</u>	<u>Number of Farms</u>
Cash Grain (011)	22
Cotton (0131)	49
Other field crops (0133-0139)	63
Vegetables and melons (016)	58
Fruits and tree nuts (017)	29
Horticultural specialty (018)	23
General farm, primarily crop (019)	48
Crop farms, sub-total	292
Beef cattle (0212)	242
Dairy farms (024)	79
Other livestock	73
Livestock farms, sub-total	394

Source: U.S. Department of Commerce, Bureau of the Census, Census of Agriculture, 1987. State and County Data. New Mexico, Table 53, pp. 124-125.

From Table 1 it is clear that the categories of farm employers with the largest numbers of the principal farm employers are, ranked according to number of farm employers: beef cattle farms, field crop farms (including cash grains)<sup>13</sup>, dairy farms, other livestock farms, vegetable and melon farms. Taken together, these five categories include 586 of the 686 New Mexico farms with annual hired labor expense of \$25,000 or more.

Applying the same type of analysis to those farms reporting contract labor expense in the 1987 Census of Agriculture we find, first, just 105 New Mexico farms report contract labor expenses of \$25,000 or more. This represents just four out of every one hundred New Mexico farms which report having contract labor expenses.<sup>14</sup> Second, these 105 farms account for 70% of all reported contract labor expense (\$14.4 million of a state total of \$20.7 million).<sup>15</sup> Third, the distribution of these 105 principal contract labor expense farms among agricultural sectors is remarkably narrow: 64 are vegetable or melon farms, 8 are beef cattle farms, and the remainder are scattered among the other categories.<sup>16</sup>

It is likely that farms reporting contract labor expense also report hired labor expense. Only relatively few farms with contract labor expense do not directly hire employees. Obviously, there will be some farms with hired labor expenses of less than \$25,000 who also may have contract labor expenses less than \$25,000 but, when combined, will have a total labor expense of more than \$25,000. Therefore, the number of farms reporting at least \$25,000

in total labor expense (direct hire plus contract labor expense) can not be directly determined. However, we expect that the very great degree of size concentration of hired or contract labor expense would be even greater if this effect were taken into account.

Thus, there are five types of New Mexico farms that account for the overwhelming bulk of hired and contract labor expense: beef cattle, field crop, other livestock, dairy and vegetable farms. In addition, a relatively small number of farms in these same five sectors are responsible for the great majority of the state's farm payroll or contract labor payments. While there are a significant number of New Mexico farms active in other types of commodity production, their farm labor costs are of secondary importance.

## Workers Compensation Insurance in Agriculture

Agriculture is one of the nation's most dangerous industries. Reported annual mortality rates and disabling injury rates in agriculture are among the highest of any industry and have recently become the subject of increased attention by top health officials.

However, unlike mining or certain other especially dangerous occupations, a large segment of agricultural employment remains outside the framework of workers compensation insurance. Just fourteen states have mandated either full coverage for all agricultural employees or coverage that is as broad as is found in those state's non-agricultural industries.<sup>17</sup> States with full or coverage in agriculture equivalent to that found in other industries are: Arizona, California, Colorado, Connecticut, Hawaii, Louisiana, Massachusetts, Montana, New Hampshire, New Jersey, Ohio, Oregon, Virginia and Washington.

As recently as 1964 there were only six states requiring full or equivalent workers compensation insurance coverage in agriculture.<sup>18</sup> A majority of the states which have mandated full or equivalent coverage in agriculture since 1963 have agricultural industries which produce more than \$1.5 billion in annual farm commodity receipts: Arizona, Colorado, Louisiana, Montana, Oregon, Virginia and Washington.<sup>19</sup> And two are states which rank among the most important in the nation in terms of agricultural production (Colorado and Washington).

Of special interest in the present context is that growth in farm commodity cash receipts in these seven major agricultural

states that added full workers comp coverage for employees in agriculture was 23% over the five-year period 1987-1991.<sup>20</sup> In contrast, those states without full coverage for agricultural employees experienced a more modest 17% growth in the same period.<sup>21</sup> Clearly, adding universal workers comp coverage has not had an adverse impact on farm operations in these states relative to the rest of agriculture.

### **Risk Classification Codes**

Different occupations are found to have different levels of risk of injury (as measured by reported mortality rate and/or rate of disabling injury). For that reason the workers compensation insurance industry has developed a system of classifying insurance risk based on types of occupational activity or tasks.

Further refinements have also been adopted to take account of geographic variances. The insurance industry adjusts their premium rates based on the actual claim experience for each category of risk within their state.

In agriculture there are approximately a dozen and one-half risk classification categories, or "class codes" as they are colloquially described, in current use. There is a national set of standardized class codes, but some states have developed modifications of these codes that are state-specific.

State-specific codes are developed to reflect activities which are especially important in those states but which are of lesser importance nationally. For example, within California the insurance industry has defined "Farm, cotton" and "Farm, field

crops" as separate class codes (Farm, cotton, is class code 0044 and Farm, field crops, is class code 0171). However, the national standards define a single category "Farm, field crops" (National class code 0037) and this class code includes cotton as well as other types of field crop production. Thus, the same terminology is used in California and in the national standard for "Farm, field crops" but they refer to different sets of commodities and are, in fact, different class codes. For this reason care must be exercised when comparing injury rates or other factors affecting workers compensation insurance across states or class codes.

Standardized rates can then be set by annually collecting both occupational exposure and injury data for every employer and organizing the data by class code. Note that a single employer may have employees in two or more class codes. In agriculture, for example, it is not uncommon for livestock producers to also grow feed crops. Thus, for a farm operator producing alfalfa, corn and wheat who also raises beef cattle would utilize at least two class codes: one for Livestock raising (national class code 0083) and one for Farm, field crops (national class code 0037).

Occupational exposure is best measured directly as the number of hours of on-the-job exposure to risk. But enumerating the number of work hours for all employees can be tedious and expensive, particularly for non-hourly employees. Therefore, payroll is often used as a surrogate for "occupational exposure" since the range of hourly or weekly pay is usually not very great within a given class code, e.g., dairy employees in California

typically earn \$6 to \$8 per hour.

In a state such as Washington, where the workers compensation system is state-operated, both hours of occupational exposure and payroll are required to be reported. But this is an exceptional case and is only feasible because of the uniformity possible under a state-operated insurance system.

Injury data is measured by both the number and seriousness of on-the-job injuries. Normally this is measured by the dollar value of claims awarded. Standardized indemnity award amounts have been set by the insurance industry for various types of temporary and permanent disabilities.

Using payroll and claim amounts for all employers, organized by class code, it is possible to annually compute the "claim cost" per \$100 of payroll. From this, and knowledge of the non-award operating costs of the industry, premium rates can be set.

We have obtained current (1994) workers compensation insurance premium rates for the most important class codes for New Mexico agricultural employers. We have also determined the corresponding rates for these same class codes in the adjacent states of Arizona, California and Texas where similar crop patterns and prevailing agricultural practices obtain. These data are shown in Table 2.

These data show that for Arizona, a state with universal workers compensation insurance requirements, the average rates for three of the four corresponding class codes are clearly significantly lower than for the two comparison states where only limited coverage is required in agriculture. In the case of

Table 2

Prevailing Rates for Workers Compensation Insurance

1994, Selected Class Codes, Rate per \$100 of Payroll

<u>Class Code</u>	<u>Arizona</u>	<u>California</u>	<u>New Mexico</u>	<u>Texas</u>
Farm, vegetable	\$5.72	\$10.68	\$8.89	\$11.34
Farm, dairy	10.19	11.76	16.28	15.38
Farm, field crops	11.28	16.50	13.88	15.38
Livestock raising	18.86	22.44	17.23	15.38
Farm, cotton	-	7.63	-	-

Sources: National Council on Compensation Insurance, Boca Raton, FL (AZ & NM); California Workers Compensation Insurance Rating Bureau, San Francisco, CA (CA); Texas Workers Compensation Insurance Fund, Austin, TX (TX).

California, a second state with universal coverage, the average rates are higher in three of the class codes than for New Mexico and higher in two of the four class codes than for Texas. In the case of Farm, dairy, both of the states with mandated full coverage have significantly lower premium rates than does either New Mexico or Texas. But in the case of Livestock raising the reverse is true. These observations suggest, but do not conclusively prove, that mandated full coverage in agriculture does not necessarily lead to higher premium rates. That is, in corresponding class codes premium rates may either tend to be higher (CA) or lower (AZ) in states mandating full coverage than in those that do not.

An even more interesting comparison concerns the trend in premium rates between 1963 and the present. Table 3 shows the prevailing rates as of 1963 in these same four states.

What is immediately apparent from these data is that prevailing rates in 1963 were substantially lower than are rates today. Since the rate is referred to \$100 of payroll, wage



Table 3

Basic Premium Rates for Farm Employment

1963, Workers Comp Insurance, Selected States

<u>State</u>	<u>Basic Premium Rate per \$100 Payroll</u>
Arizona	\$3.26 (class code 0037)
California	\$2.29 - \$6.30
New Mexico	\$5.41 (class code 0006)
Texas	\$2.39 (class code 0006)

Source: U.S. Department of Labor, Bureau of Labor Standards, Agricultural Workers and Workmans' Compensation, Bulletin 206 (Revised), January 1964, Table 3, p. 12.

inflation is factored out of these rate comparisons over time. Quite clearly insurance premium rates have increased sharply in this period and are a cause for concern among employers and insurance carriers.

In the case of California, a state with mandated full coverage during this entire period, the increases in premium rates are in the range of 333% (class code 0044) to 356% (class code 0038). For the two states having only partial coverage required, the increase in rates corresponds to 644% (Texas) and 318% (New Mexico) for the class code of greatest importance in these states (Livestock raising). Thus, the latter rate increases are, respectively, very much greater than and comparable to those that occurred in California.

In the case of Arizona, for class code 0037 (Farm, field crops), the increase amounted to 346% over the thirty year period. Therefore, even for the state that mandated full coverage during this thirty-year period, the increase in rates amounted to very much less than for Texas and very slightly greater than for New

Mexico. These data suggests that increases in premium rates over time in states with partial coverage were either comparable to, and in some cases certainly less than, corresponding increases in rates for states with similar agricultural industries but which had either full coverage in agriculture throughout this period or that mandated full coverage in the course of this period.

### **Experience Modification**

The workers compensation insurance industry has developed an additional capacity which is analogous to the "good driver" insurance premium rate reduction incentive that has become standard practice among firms offering automobile coverage. If an employer can establish a below-average history of on-the-job injury rates, as compared with all other firms with similar class codes, then it can qualify for a reduction in premiums. Of course, following good actuarial practice, employers with a history of above-average injury rates will be penalized with higher premiums.

The quantitative measure of this history of injury claims is termed the "experience modification factor." The value of 100 is arbitrarily assigned to employers whose claim experience is the same as the class-code-wide average, or to newly formed businesses which lack an employment history to which to refer. Insurers may then offer workers compensation insurance to an employer at premium rates which reflect both the employer's "ex mod factor" and the carrier's assessment of the associated risk.

Implementation of the experience modification factor tracking system is somewhat costly inasmuch as it requires recording the

detailed history of workers compensation claims filed against each employer's insurance account and comparing this against the average for all employers in the same class code. If the employer is quite small, as measured by annual payroll, comparison of the firm's claim experience against that of the entire class may be statistically unstable (owing to the very small number of claims involved). In addition, the process of collecting and analyzing detailed claims experience may be too costly for employers with a very small payroll in light of the small value of the expected premium.

For these reasons an experience modification factor is developed only for those employers with a sufficiently large payroll. All employers who do not exceed that cutoff are arbitrarily assigned the rate for the class code average. At present, the payroll cutoff in California has been set at an aggregate of \$20,200 over three consecutive years, or roughly \$7,000 per year.<sup>22</sup>

Using this figure we estimate that only half of the roughly 39,000 farms reporting hired labor expense in California would qualify for experience modification rating.<sup>23</sup> Hence, the insurance industry does not need to record the detailed claim experience for about 19,000 farm employers. That could amount to a very considerable savings.

Employers qualifying for experience modification rating may receive a premium reduction or a premium surcharge if their claim history warrants it. However, this system of premium

incentive/disincentive operates to the disadvantage of some of the smaller employers who do not qualify for experience modification. That is, even if the small employer has an outstanding below-average record of on-the-job injuries, the firm will never enjoy the benefits of premium reduction. Only if all firms with employment in the same class code are also able to reduce the amount of claims will the overall rate be reduced.

## Workers Compensation Insurance in California Agriculture

California has required all employers to provide workers compensation insurance since the inception of the mandated program (1917).<sup>24</sup> California also established a state-operated insurance provider, State Compensation Insurance Fund (SCIF), which must provide coverage for any employer who chooses to purchase it from them. Thus, California employers can choose from private insurance carriers or SCIF. Labor contractors are recognized as distinct employers and they must purchase comp insurance on their own.

The Workers Compensation Insurance Rating Bureau of California has provided the California Institute for Rural Studies with complete sets of aggregated workers comp experience data for all agricultural class codes used in California during the period 1978-90. These data sets enable us to report the magnitudes and trends for the wage base, premiums, number of claims and incurred losses for each class code of interest. Table 4 shows the data for 1990, the most recent year for which a full analysis is available. The most important point is that incurred losses can be directly

**Table 4**

### **Workers Comp Payroll, Premiums and Incurred Losses California, 1990, Selected Class Codes**

<u>Class Code</u>	<u>Payroll</u>	<u>Premiums</u>	<u>Incurred Losses</u>
Livestock Farm	\$74.2	\$18.7	\$7.5
Field Crop Farm	99.9	15.3	10.2
Dairy Farm	203.9	24.8	11.9
Vegetable Farm	834.7	98.0	55.9
Cotton Farm	142.8	12.3	7.2

Source: Workers Compensation Insurance Rating Bureau of California, Classification Experience Report, 1990, Level 1, Private communication, July 21, 1993.

compared against the wage base as well as against total premiums.

The determination of workers comp insurance rates for these class codes for 1990 is based on these data, e.g., \$25.20 for Livestock farm. It is important to note at this point that workers compensation insurance rates in California were adjusted downward by state law in two stages over the past year, for a total reduction amounting to about 20%.<sup>25</sup> Thus, rates calculated from the data in Table 4 will actually be higher than the rates that are currently in force (current rates were quoted in Table 2 above).

The effect of the increases in total losses in forcing up premiums is best illustrated by reference to Figures 4 - 7 where we show the California class code experience for each of the four class codes determined to be of importance in New Mexico agriculture. Figure 4, for example, refers to livestock farms. Note the sharp rise in the dollar value of claims awarded in 1986, rising very nearly to the value of premiums collected. In the following years premiums rose more sharply than in prior years and the amount of claims awards declined somewhat.

A similar "leading" effects can be seen in Figure 5, for field crop farms. Note the jump in claim awards in 1979 followed by an upward adjustment of premiums in 1980. The effect is repeated in 1982-1983.

In Figure 6, for vegetable farms, the sharp rise in claim awards in 1985 brought the total amount to roughly the same value as premiums collected. And so in 1986 and subsequent years the premiums rose much more sharply.

Figure 4 - Class Code Experience

California, Stock Farm

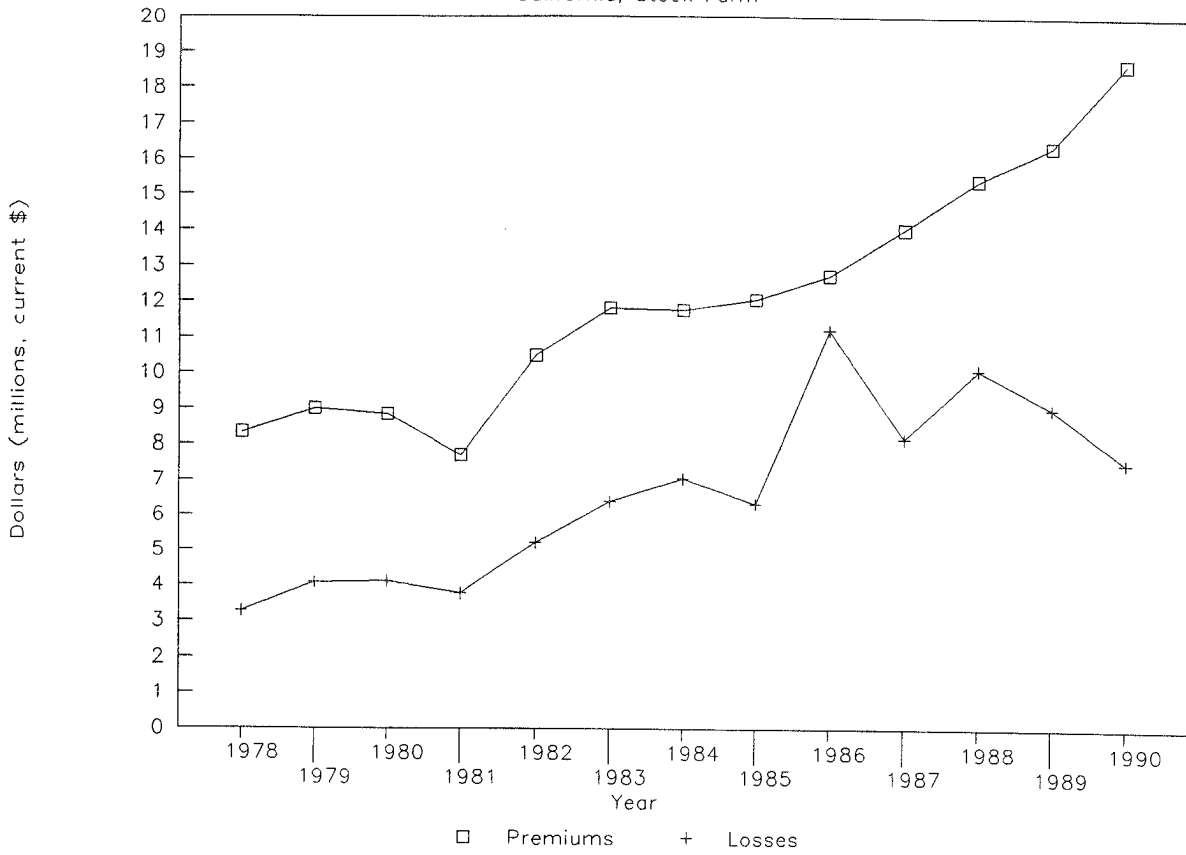
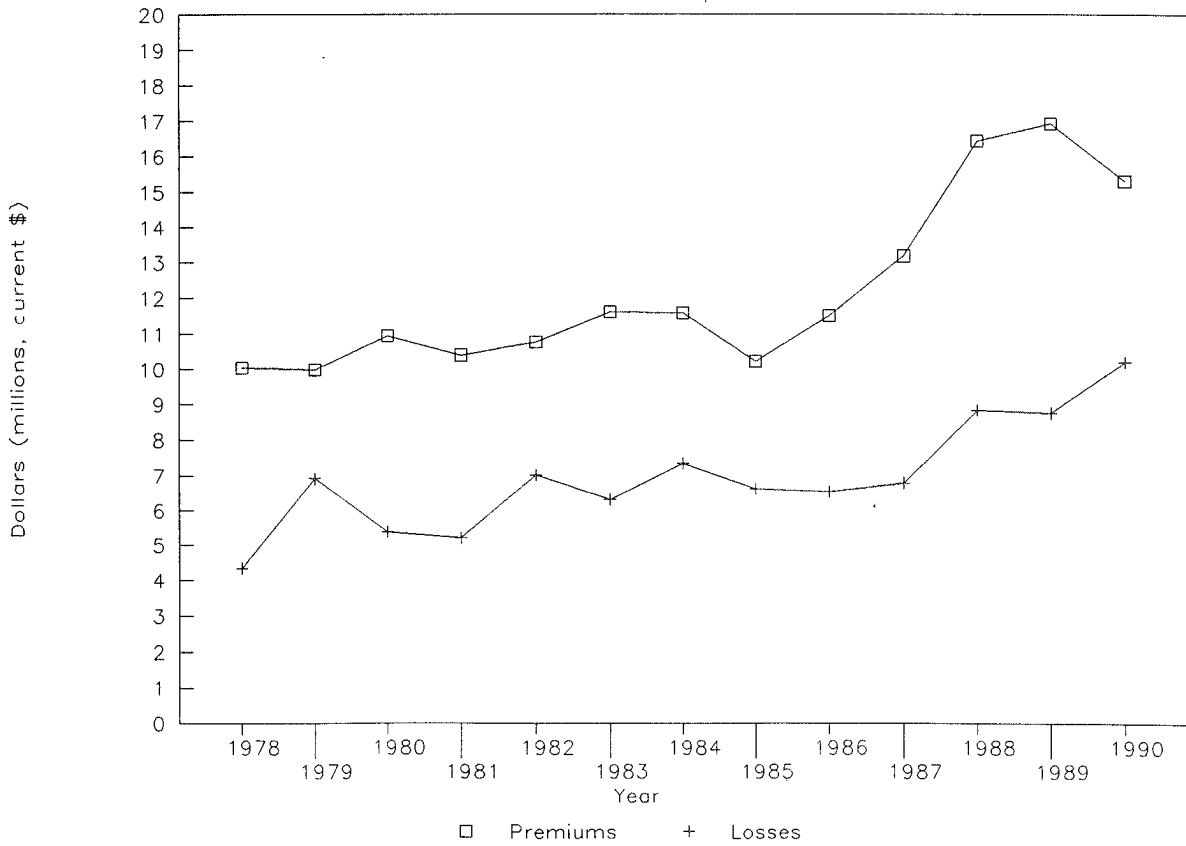


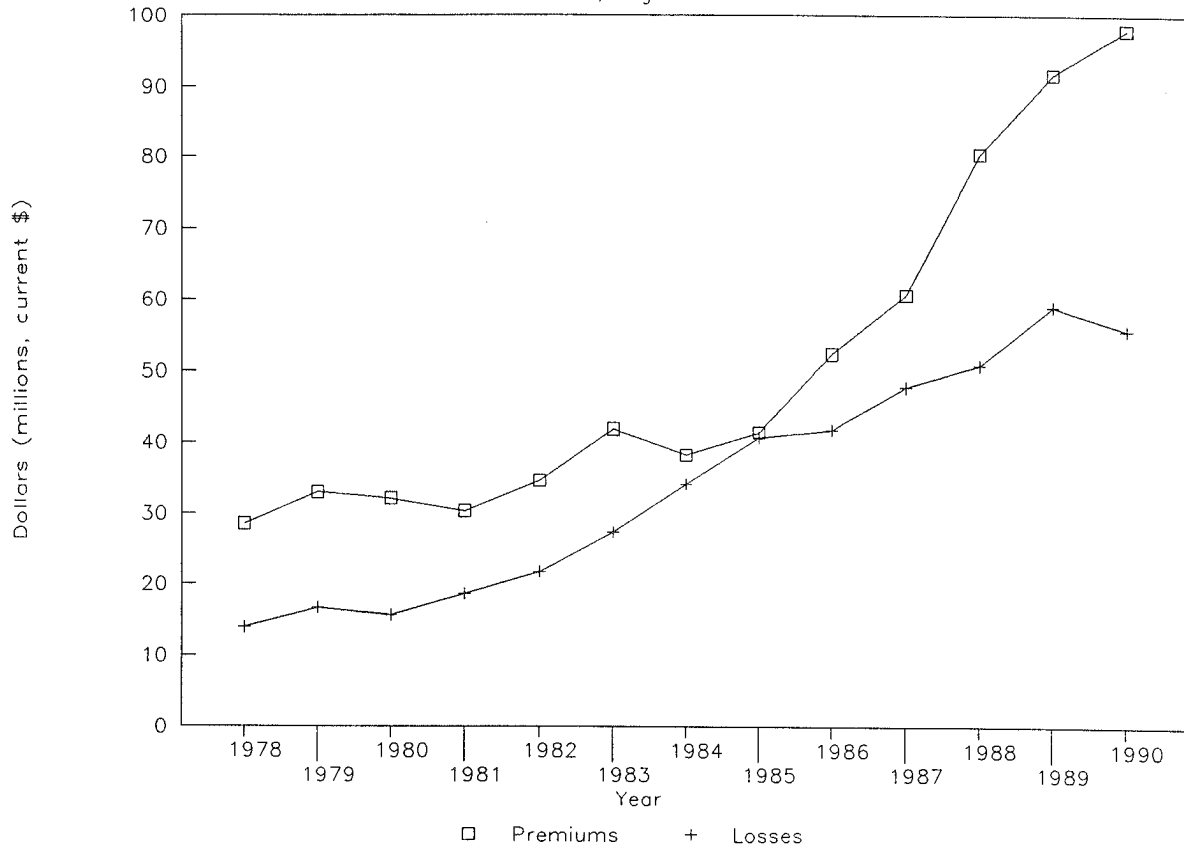
Figure 5 - Class Code Experience

California, Field Crop Farm



# Figure 6 – Class Code Experience

California, Vegetable Farm



# Figure 7 – Class Code Experience

California Dairy Farm

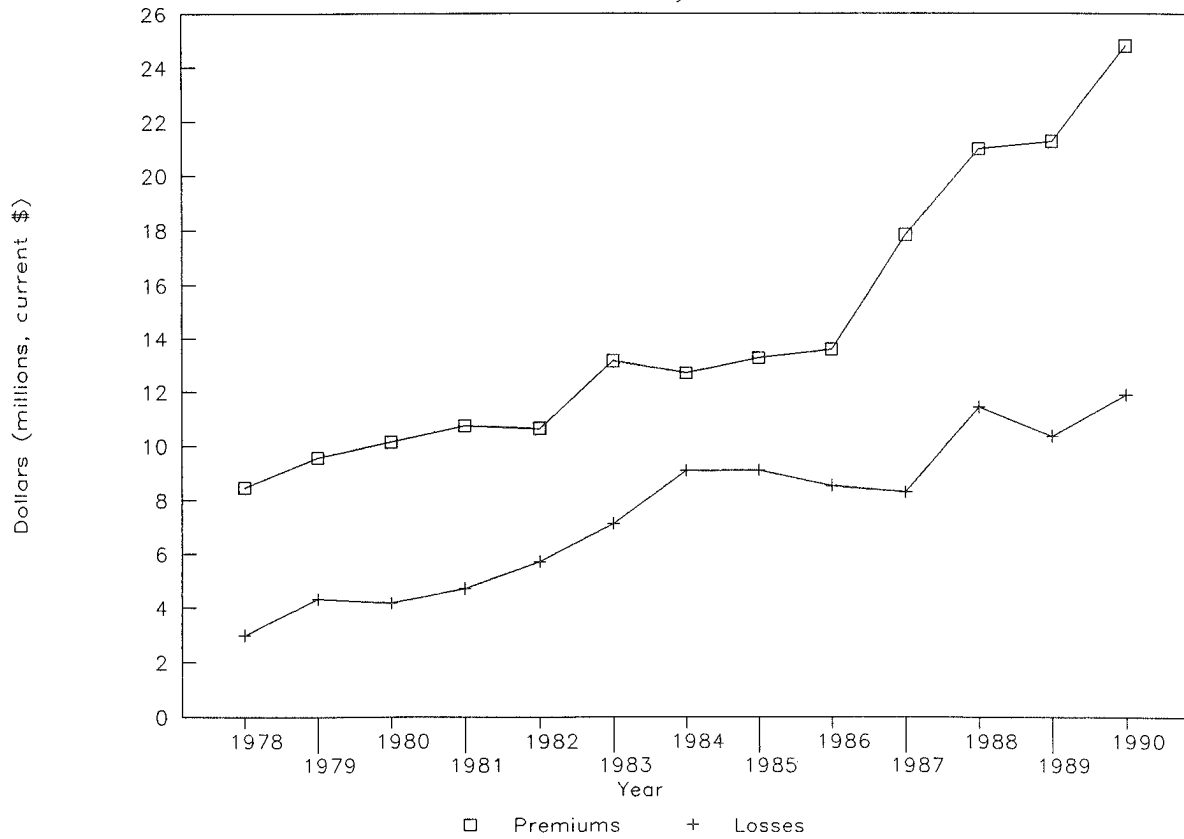
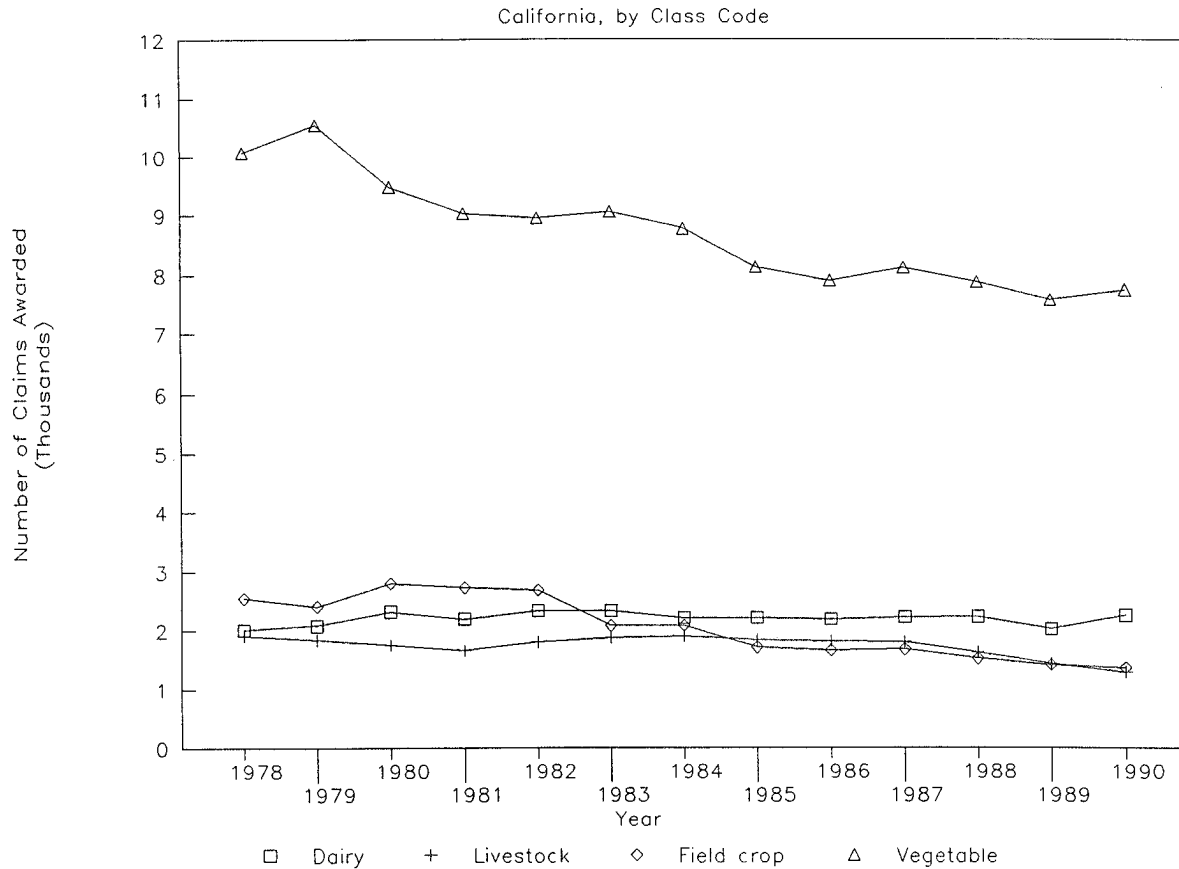




Figure 8 – Workers Comp Claim Awards



In all four class codes the overall trend of premiums is to rise with the amount of the claim awards. Of course the variations are not smooth from year to year because of the random and unpredictable nature of accidental injuries.

It is reasonable to ask whether the increase in claim awards is attributable to increased numbers of injuries or to other factors. Figure 8 shows the number of workers comp claim awards for each of the four class codes for all years since 1978. For all but dairy farms the annual number of claims awarded has clearly declined over the thirteen year period. Thus, the rising total value of claim awards noted in Figures 4 - 7 does not reflect an increase in the number of injuries but rather reflects the very

rapidly increasing costs of medical treatment and of indemnity awards. So California agriculture is in the paradoxical position of experiencing fewer occupational injuries yet incurring rising costs of premiums.

#### **Imperial County as Comparison Region with New Mexico**

California has a very large and diversified agricultural industry, roughly twelve times larger than that of New Mexico as measured by farm cash receipts from the sale of commodities. In addition, cash labor expenses incurred by California farmers were \$2.773 billion in 1991, twenty-five times larger than the corresponding figure for New Mexico.

Despite these very great statewide differences there is a significant similarity between the agricultural industry in a portion of California's desert (Imperial, eastern Riverside and San Bernardino Counties) and that of New Mexico. County-wide data is available from the Census of Agriculture. However, it is not possible to factor out data for portions of Riverside and San Bernardino Counties.<sup>26</sup>

Imperial County reported 1992 farm cash receipts of about \$855 million, with livestock accounting for about one-third of the total and crop production for the remaining two-thirds.<sup>27</sup> If it were possible to include just those portions of Riverside and San Bernardino Counties that are similar to New Mexico, the proportion of total production accounted for by livestock would be very much greater—roughly two-thirds livestock and one-third crop. For example, San Bernardino County as a whole reported 1992 farm cash

receipts of \$592 million, of which fully \$500 million was attributed to livestock production.<sup>28</sup>

Like New Mexico, farms in Imperial County also produce cotton, have substantial acreage planted to field crops, and are important producers of vegetables. Imperial County does not have any dairy production. However, the portions of Riverside and San Bernardino Counties are major centers of California dairy production.

The greatest difference between the New Mexico and the Imperial County comparison area is that the winter-vegetable-growing region of the Imperial Valley produces about two-thirds more in annual vegetable crop value than does the New Mexico industry. Reflecting that fact, the combined total of hired labor and contract labor expenses reported by farms in these two California counties was \$158 million in 1987, about one-third larger than New Mexico's state total of \$119 million.

It is also worthy of note that, quite recently, a number of San Bernardino County dairies have chosen to move their operations to New Mexico in the face of increased urbanization. The similarity of climate, cropping patterns, feed availability and costs were key factors in these decisions to relocate.

Given the similarities of New Mexico with the comparison area of California, can anything be learned from the workers comp experience of farmers in the Imperial County, where it is mandatory? We have used employer-specific experience modification factor data for 1982-1986 for all Imperial County farm employers who were so rated to determine their relative premium experience as

compared with California as a whole. The purpose of this comparison is to determine how farm employers who are similar in most respects to those of New Mexico actually fare under mandatory workers comp coverage.

It is important to recall that prior to 1993 employers were able to qualify for experience modification only if their three-year payroll exceeded \$25,000. Thus, only those Imperial County employers who met that test will have experience modification ratings.

Experience modification data existed for a total of 188 Imperial County employers who were farm operators during the 1983-1986 period and 11 Imperial County employers who were farm labor contractors at that time. A total of 579 "ex mod" factor ratings were found for the farm operators and 33 were found for the labor contractors. Thus, a total of more than 600 independent determinations of "ex mod" factors for Imperial County farm employers are represented in the data set.

In table 5 we show that the average experience modification factors for all Imperial County farm operators who qualified for rating was approximately 95. For all Imperial County farm labor contractors who were rated the average experience modification factor was 94. These results demonstrate that, on average, Imperial County farm employers, whether farm operators or farm labor contractors, qualified for somewhat lower insurance premiums than did all farm employers in California. Though small, roughly 5% below statewide premium averages, the difference is

**Table 5**  
**Experience Modification Factors, 1983-1986**  
**Imperial County Farm Employers, by Year**

A. Farm Operators (n = 188)

<u>Year</u>	<u>Ave. Ex Mod Factor</u>	<u>Std. Dev.</u>	<u>n</u>
1983	95.5	15.0	159
1984	96.4	21.8	152
1985	96.0	23.2	151
1986	92.5	21.8	117
<b>Four-year average</b>	<b>95.1</b>	<b>20.7</b>	<b>188</b>

B. Farm Labor Contractors (n = 11)

<u>Year</u>	<u>Ave. Ex Mod Factor</u>	<u>Std. Dev.</u>	<u>n</u>
1983	87.2	11.0	10
1984	93.1	20.7	9
1985	107.2	31.6	10
1986	88.5	24.7	4
<b>Four-year average</b>	<b>94.0</b>	<b>23.5</b>	<b>11</b>

Source: California Institute for Rural Studies, Data Bases on Farm Operators, Farm Employers, Farm Labor Contractors, and Workers Comp Experience Modification Factors.

statistically significant.

These data also show that, to the degree that Imperial County farm employers are a reasonably comparable group, all New Mexico farm employers, as a group, are likely to have a lower premium rating than do all California farm employers as a group. That is, since the ex mod factors presented in Table 5 are arguably representative of what can be expected among all New Mexico farm employers, then mandating workers comp coverage could result in lower rates than are presently found in California.

## References

1. United States Department of Agriculture, Economic Research Service, Economic Indicators of the Farm Sector. State Financial Summary, 1991, Table 5, pp. 108-9. Farm cash receipts are reported to be \$1,501,152,000 for the 1991 calendar year.
2. United States Department of Commerce, Bureau of the Census, Census of Agriculture, 1987. State and County Data. New Mexico, Table 2. p. 9.
3. Ibid.
4. Ibid.
5. Ibid.
6. Written Statement of Russell Mathews, Acting Division Director, New Mexico Department of Agriculture, Commission on Agricultural Workers, Hearings and Workshops Before the Commission on Agricultural Workers, 1989 - 1993, Appendix II, p. 819.
7. *ibid.* Table 4, p. 48.
8. Ibid.
9. Census of Agriculture, 1987, *op. cit.*, Table 3, p. 11.
10. Russell Mathews, *op. cit.*, p. 785.
11. Ibid.
12. Ibid.
13. We have combined Cash Grains (011) with Other Field Crop (0133-0139) because of the similarity of farm production activities. These categories are clearly more similar to one another than they are to, say, fruit or nut production, or horticultural specialty production.
14. Census of Agriculture, 1987, *op. cit.*, Table 3, p. 11.
15. Ibid.
16. Ibid, Table 53, pp. 124-125.
17. Brian R. Craddock, Federal & State Employment Standards and U.S. Farm Labor, Motivation Education and Training Inc., Austin, Texas, April 1988, pp. 836-839.

18. U.S. Department of Labor, Agricultural Workers and Workmen's Compensation, Bulletin 206, Washington, DC, January 1964, p. 8.
19. Economic Indicators of the Farm Sector. State Financial Summary, 1991, op. cit., Table 3, p. 16.
20. Economic Indicators of the Farm Sector. State Financial Summary, 1991, op. cit. We have used the data under the category "Farm marketings" to represent farm cash receipts.
21. Ibid.
22. Workers Compensation Insurance Rating Bureau of California, August 16, 1994, private communication.
23. United State Department of Commerce, Bureau of the Census, Census of Agriculture, 1987. State and County Data. California, Table 3, p. 11. We assume an even distribution of Hired labor expense in the range \$5,000 - \$9,999.
24. Rich Stevens, Public Information Officer, Department of Industrial Relations, State of California, August 12, 1994, private communication.
25. Workers Compensation Insurance Rating Bureau of California, op. cit.
26. The bulk of Riverside County's agricultural production is located in the western part of the county and includes major citrus, table grape and nursery crop production. Production in the eastern portion of the county, especially the part adjacent to the Colorado River, is more nearly like that of Imperial County. However, the eastern part of the county is responsible for only a very small share of the county total. Similar comments apply to San Bernardino County where citrus and nursery crop production dominates the region extending from Redlands to Upland. Since it is not possible to extract separate data for the eastern portions of these counties, we are forced to exclude these counties from consideration.
27. Imperial County Agricultural Crop & Livestock Report, 1992, Agricultural Commissioner, County of Imperial, June 10, 1993.
28. San Bernardino County Crop and Livestock Report, 1992, Department of Agriculture, County of San Bernardino, 1993.