

# FACT SHEET

No. 20

## Timber & Timber Harvesting in West Virginia

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### Workers' Compensation and Unemployment Compensation

With few exceptions, The State of West Virginia requires every business that has one or more employees to pay into both workers' and unemployment compensation. Any logging company or operator that hires workers directly must provide these benefits.

For logging companies, unemployment compensation is the least expensive and burdensome of the two. The employer pays an assessment based on the first \$8,000.00 of each employee's wages. In these days of logger scarcity, few logging employees are subject to extended lay-off periods.

Workers' Compensation, however, presents a much larger problem. Logging companies join other businesses in West Virginia that are required to participate in a workers' compensation system that has long been plagued with gross mismanagement, corruption and fraud. These factors have combined to produce an estimated unfunded liability of from two- to three-billion dollars. The West Virginia Legislature passed a reform act in 1995, but rulings by the West Virginia Supreme Court, coupled with subsequent law changes by the Legislature, greatly reduced the positive impact of this legislation. Fortunately, a few of the initial changes were allowed to remain in place and these currently help the program. In addition, accounting, underwriting, safety education and fraud investigations have all been improving.

At the present time, first quarter of 2002, West Virginia loggers pay quarterly premiums calculated on a base rate of \$48.35 per \$100 of total payroll. Approximately one-third of this base rate goes towards reduction of the unfunded liability. This base rate has risen each of the last six years. It's true that loggers that have a low claims record, after three years in operation, can qualify for an experience modifier that can result in lower premiums. Unfortunately, it's also true that the upward creep of the base rate usually negates such savings for even the safest loggers.

Faced with this ever-rising rate, several loggers have joined together in a Loggers Safety Initiative (see Fact Sheet No. 48) cooperatively coordinated by the West Virginia Forestry Association. This program gives logging companies an opportunity to provide extra job task safety training, which can lead ultimately to a reduction in number and value of claims and eventually to a reduction in the premium rate.

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