The Industrial
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Workers' Compensation: State Report Cards

A recent study from the Work Loss Data Institute (WLDI) gives a state-by-state report card rating the effectiveness of individual states and territories in limiting the number of workplace injuries and illnesses. The report cards take into consideration overall injury rates, disability duration, and key injuries such as carpal tunnel syndrome (CTS) and lower-back strains.

This report is intended to help employers, lawmakers, insurers and others confront factors that can contribute to overall system costs. The findings of the report card are based on the U.S. Bureau of Labor Statistics' "Survey of Occupational Illnesses," which examines injuries recorded by the Occupational Safety and Health Administration (OSHA). The OSHA database covers all lost-time claims in the 44 participating states and territories. Those states not participating were Colorado,

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Workers' Compensation
State Safety and Loss Report Card

State	Grade	State	Grade	State	Grade
Alabama	C	Kentucky	D	Oklahoma	D+
Alaska	B-	Louisiana	F	Oregon	A-
Arizona	A	Maine	C	Puerto Rico	F
Arkansas	A-	Maryland	D	Rhode Island	F
California	F	Massachusetts	D-	South Carolina	C
Connecticut	B	Michigan	D+	Tennessee	B-
Delaware	D	Minnesota	A	Texas	F
Florida	B	Missouri	C	Utah	A
Georgia	A	Montana	C-	Vermont	C-
Guam	D-	Nebraska	B	Virgin Islands	C
Hawaii	D	Nevada	A	Virginia	C+
Illinois	D	New Jersey	F	Washington	C
Indiana	A	New Mexico	B+	West Virginia	F
Iowa	A	New York	F	Wisconsin	B+
Kansas	B	North Carolina	B+		

Only the "Rich-Folks" Pay Taxes

Ever wonder who pays the most taxes? New data from the Internal Revenue Service (IRS) shows that the top 50% of all wage earners in the United States paid 96.03% of all federal income taxes in 2001. The pie charts on page 7 document the percent of federal income tax paid by the top five, ten, and 50% of wage earners in the U.S. in 2001.

The top five percent pay 53.25% of all income taxes and the top ten percent pay 64.89%. How much does the bottom half shell out? They pay a measly 3.97% of all federal income taxes. Before the sticker shock wears off, here is another staggering statistic…the top one percent of income earners in the United States pay 33.89% of all income taxes. The top one percent is paying almost ten times the federal income taxes than the bottom 50%.

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In This Issue

Movin' On Up

After 16 years in downtown Atlanta, The Walker Companies are pleased to announce our corporate office has moved. Our new location is adjacent to the Chattahoochee National Forest just north of the city. Please note our new address below.

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Strange Bedfellows: Teamsters, Auto Workers, and Trial Lawyers

Rank-and-file blue-collar workers sure know where their political allegiances rest. The graph below identifies the Top 20 Political Action Committee (PAC) contributors for the 2001–2002 election cycle. Every union on the list gives over 77% of their dollars to Democrats. Not to be out done by Big Labor, trial lawyers funneled 89% or $2.5 million to Democrats, ranking them as the top Democratic PAC contributor over the period.

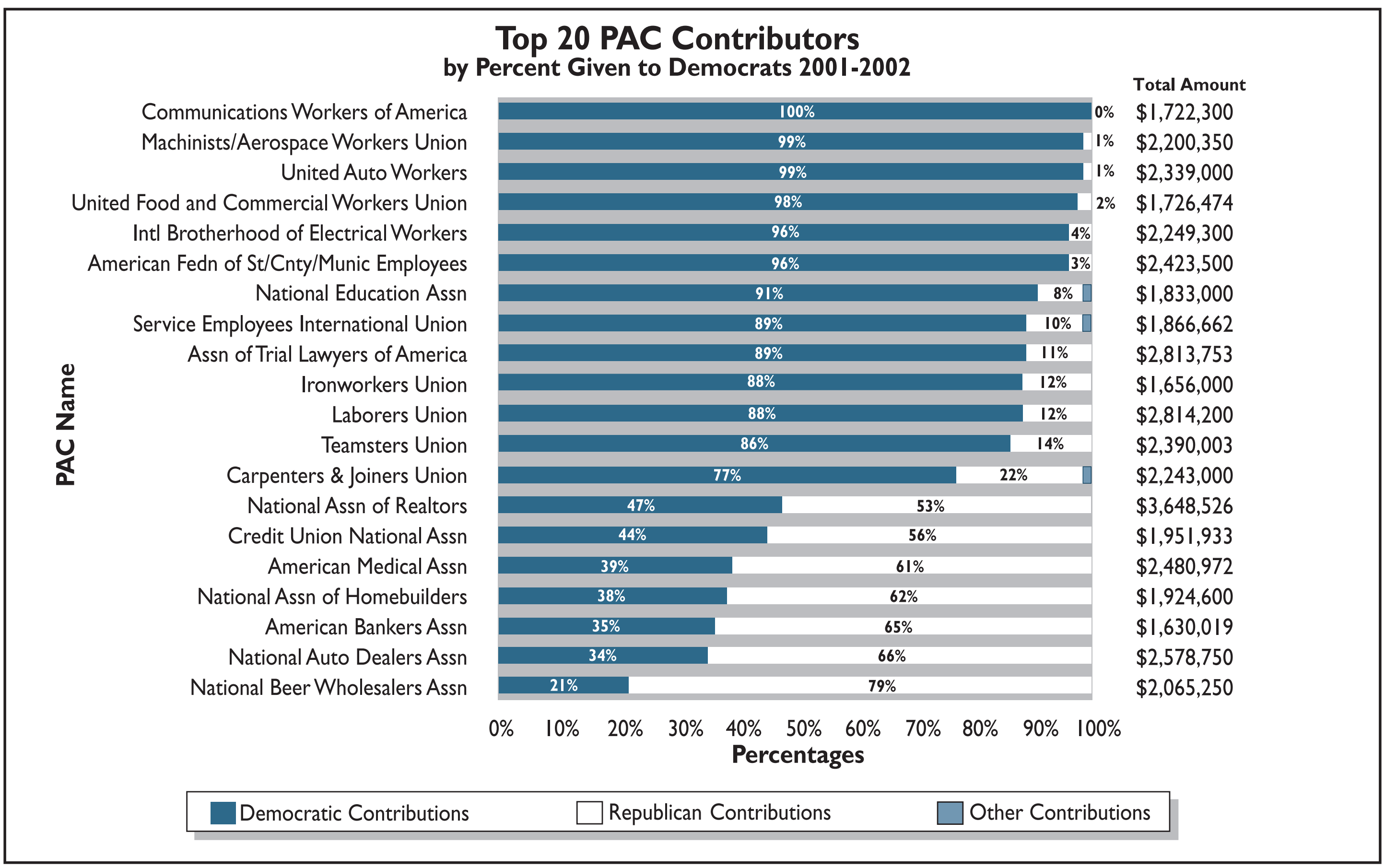
The International Brotherhood of Teamsters' PAC, DRIVE, was also high on the Democratic contribution list. During the 2001-2002 cycle, DRIVE contributed over $2 million in funds ranking in at number 7. However, according to a report from the National Right to Work Foundation, this largesse will increase.

The Foundation is reporting that the Teamsters are planning on tripling contributions to their PAC in an effort to defeat "all GOP candidates" in the 2004 election cycle. The most recent PAC contribution information from December 2003, reports that DRIVE had already channeled $388,000 to Democrats and the first primaries had only just begun.

Stefan Gleason, Vice President of the National Right to Work Foundation, says, "For anyone in the White House who believed they could get Big Labor bosses to play nice during the 2004 elections, this is a loud wake up call. The Teamsters hierarchy and other union bosses are predictably focused on defeating George W. Bush and retaking both houses of Congress."

With union membership in a long decline, organized labor must resort to buying influence, rather than exerting it at the ballot box.

And about those trial lawyers. . . tort reform will not come easily, or cheaply. ❑



Manufacturing Juggernaut Ahead?

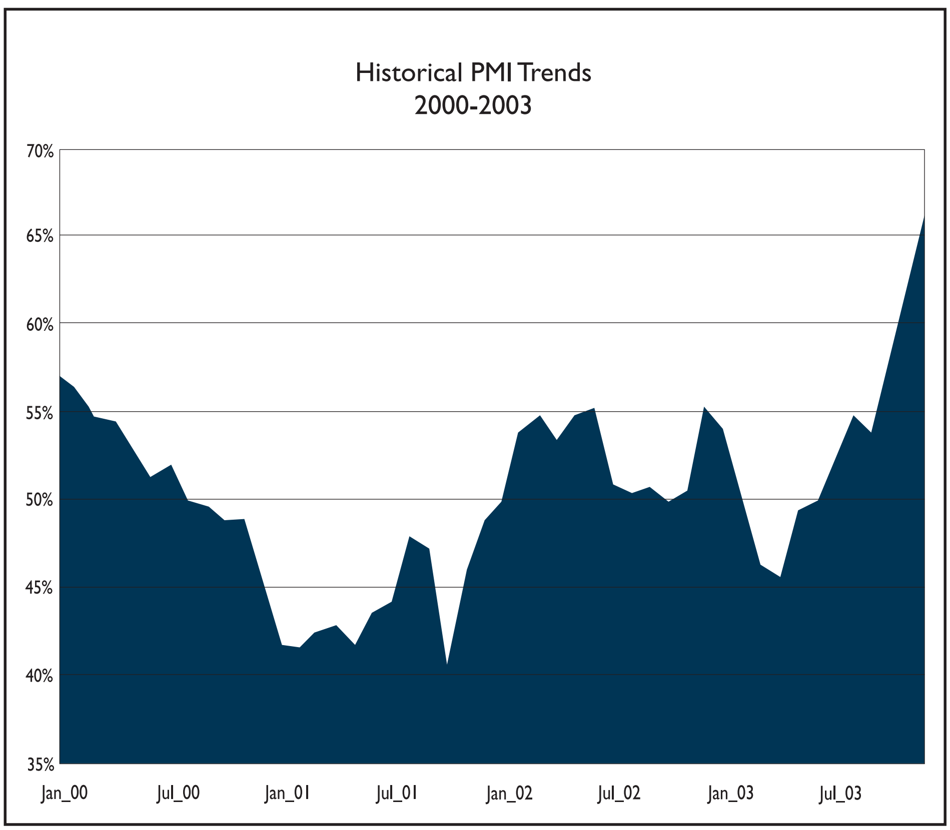
The latest report from the Institute of Supply Management (ISM) says that the manufacturing sector grew in December for the sixth consecutive month, while the overall economy grew for the 26th consecutive month. The ISM's Purchasing Managers Index (PMI) soared to a twenty-year high of 66.2% in December. (See Graph) A reading above 50% indicates that the manufacturing economy is generally expanding; below 50% signifies that it is generally contracting. The rate of 66.2% is an increase of 3.4 percentage points compared to the November measure of 62.8%.

The growth in the Purchasing Managers Index to 66.2% is a composite measure of the performance of five separate indices – New Orders, Production, Employment, Supplier Deliveries, and Inventories.

- The New Orders Index grew in December to the highest rate since July 1950. The nearly four-percentage point increase in the index to 77.6 indicates an increase in manufacturing orders.
- The ISM's Production Index rose 4.7 percentage points above the November reading. The December level of 73% signifies the eighth consecutive month of growth. Of the 20 industries surveyed in December, 18 registered production growth.
- The Employment Index grew for the second consecutive month, following a 3-year trend of contraction. Manufacturing employment increased in nine of the industries surveyed.
- Supplier Deliveries Index indicates delivery performance was slower in December than November. December's measure was 2.8 percentage points higher than November's and 12 industries reported slower deliveries.
- Manufacturer's Inventories declined in December as the index registered its first month of decline after three consecutive months of growth.

Comments from supply executives in the survey validate that a recovery is underway, and a month-over-month improvement is big news because it is the first time it has happened in over three years. There is some concern from the purchasing and supply managers surveyed over steel prices, but even these were mild because many expect relief with the elimination of steel tariffs.

The Chairman of the ISM Manufacturing Business Survey Committee, Norbert J. Ore, says, "With the PMI growing at an accelerating rate, the manufacturing sector enjoyed its best month since December 1983. Much of the momentum is in New Orders, as the Index is the highest reported reading since July 1950. The strength in December's data provides significant encouragement for prospects in first quarter 2004." In addition, Grubb & Ellis reports that built-up domestic demand, mounting global demand, low interest rates, and a weak dollar are pushing the manufacturing sector into the new year. ❑



Economic Liberty = Prosperity

The Heritage Foundation's 2003 Index of Economic Freedom measures and ranks 161 countries based on their respective levels of economic freedom. (See Table.) As expected, the United States ranks in the Top 10 of the freest economies in the world, but what is surprising is Europe placed five countries in the Top 10 and over half of the 15 economically "free" countries are on the Continent. Sure, European politicians love to pump socialist rhetoric, but on much of the Continent, economic liberty is gaining ground.

Europe is not alone in this trend, as economic freedom has advanced throughout the world. The Index reports that every region in the world has improved their respective levels of economic freedom since the last index in 2002. Worldwide, 74 countries have better scores, 49 have worse scores, and 32 are unchanged. Of the 156 countries numerically graded and ranked in the Index, 15 are classified as "free", 56 as "mostly free", 74 as "mostly unfree", and 11 as "repressed." (Five countries were unrated by the Index.)

Luxembourg reigns as the freest economy in all of Europe, ranking third in the world. The report states that Croatia, Slovenia, and Iceland made the most dramatic improvements on the Continent. Scandinavia, a past socialist stronghold, has continued a trend toward economic freedom, with four of the five countries graded as "free." Estonia, which ranks in sixth place out of 161 countries, tied with the United States and Denmark.

Latin America was the worst performing region with 11 countries improving and 10 worsening their score. Hong Kong is the freest economy in the world and the continent of Asia placed four countries in the Top 10. However, most of the world's "repressed" economies are also in Asia.

There is a clear link between economically free countries and prosperity. Economically free countries tend to have greater per capita income levels than less free countries. An example of the gains of economic liberty can be seen in comparing Hong Kong's per capita income of $24,218 and Iran's of $1,649. The "mostly unfree" economies average only $3,229 in per capita income. "Free" countries in year 2000 had an average per capita income of $26,855, while "mostly free" countries had less than half that level. This demonstrates that while some liberalization in an economy can bring rewards, the impact of full liberalization can be quite remarkable. ❑

Index of Economic Freedom • 2003 Rankings

FREE

1	Hong Kong
2	Singapore
3	Luxembourg
3	New Zealand
5	Ireland
6	Denmark
6	Estonia
6	United States
9	Australia
9	United Kingdom
11	Finland
11	Iceland
11	The Netherlands
11	Sweden
15	Switzerland

MOSTLY FREE

16	Bahrain
16	Chile
18	Canada
19	Austria
19	Belguim
19	Germany
22	The Bahamas
22	Cyprus
24	Barbados
24	United Arab Emirates
26	El Salvador
27	Norway
27	Taiwan
29	Italy
29	Lithuania
29	Spain
32	Portugal
33	Israel
33	Latvia
35	Botswana
35	Cambodia
35	Czech Republic
35	Japan
35	Uruguay
40	France
40	Kuwait
40	Thailand
43	Trinidad and Tobago
44	Armenia
44	Bolivia
44	Costa Rica
44	Hungary
44	Madagascar
44	Panama
44	Qatar
44	South Africa
52	South Korea
52	Malta
52	Namibia
55	Belize
56	Greece
56	Jamaica
56	Mexico
56	Oman
56	Peru
62	Jordan
62	The Philippines
62	Slovenia
62	Uganda
66	Poland
66	Slovak Republic
68	Argentina
68	Morocco
68	Saudi Arabia
68	Tunisia

MOSTLY UNFREE

72	Brazil
72	Colombia
72	Malaysia
72	Mali
72	Mauritius
72	Mongolia
72	Nicaragua
72	Swaziland
80	Cent. African Rep.
80	Honduras
80	Ivory Coast
80	Senegal
80	Sri Lanka
85	Dominican Republic
85	Guinea
85	Kenya
85	Mauritania
89	Cape Verde
89	Croatia
89	Gabon
92	Guyana
92	Moldova
94	Algeria
94	Burkina Faso
94	Lebanon
94	Macedonia
94	Mozambique
99	Djibouti
99	Gambia
99	Indonesia
99	Pakistan
99	Paraguay
104	Albania
104	Azerbaijan
104	Benin
104	Bulgaria
104	Cameroon
104	Egypt
104	Kyrgyz Republic
104	Lesotho
104	Tanzania
113	Chad
113	Fiji
113	Georgia
113	Ghana
113	Niger
118	Ecuador
119	Bangladesh
119	Ethiopia
119	India
119	Kazakhstan
119	Nepal
119	Turkey
119	Venezuela
119	Zambia
127	China
128	Equatorial Guinea
128	Haiti
128	Togo
131	Malawi
131	Rwanda
131	Ukraine
131	Yemen
135	Congo, Republic of
135	Russia
135	Vietnam
138	Romania
139	Bosnia
140	Nigeria
140	Sierra Leone
142	Guinea-Bissau
143	Suriname
143	Syria
143	Tajikistan

REPRESSED

146	Iran
146	Turkmenistan
148	Burma
149	Uzbekistan
149	Yugoslavia
151	Belarus
151	Libya
153	Laos
153	Zimbabwe
155	Cuba
156	North Korea

UNRATED

N/R	Angola
N/R	Burundi
N/R	Dem. Rep. of Congo
N/R	Iraq
N/R	Sudan

Source: The Heritage Foundation

Ten Gallon Tort Reform

When a recent United States Chamber of Commerce survey ranked state liability systems according to "fairness and reasonableness," Texas finished 46th. (See Table I) However, thanks to a heapin' helping of tort reforms passed by the state legislature in 2003, Texans can expect their Lone Star to rise in the future rankings.

Texas is not the first state to do something about the heavy toll frivolous lawsuits are taking on everything from jobs to health care. West Virginia, ranked 49th in the Chamber of Commerce study, passed a set of laws in March 2003 that caps medical malpractice non-economic damages and will reduce class-action filings. Lawmakers in the Mountaineer state acted swiftly after a study

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Judicial Hellholes

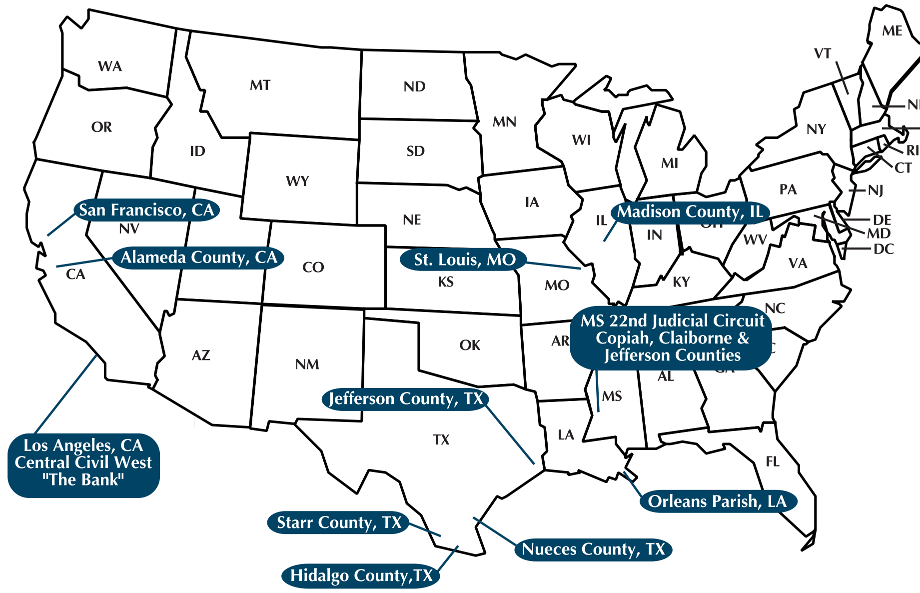


Table I
Overall Ranking of State Liability Systems

State	Overall Ranking	State	Overall Ranking
Delaware	1	Ohio	26
Virginia	2	New York	27
Washington	3	Michigan	28
Kansas	4	Missouri	29
Iowa	5	Nevada	30
Nebraska	6	Pennsylvania	31
Colorado	7	New Jersey	32
Utah	8	Florida	33
South Dakota	9	Illinois	34
Connecticut	10	Rhode Island	35
Arizona	11	Massachusetts	36
Indiana	12	Alaska	37
Oregon	13	Kentucky	38
Idaho	14	New Mexico	39
Wisconsin	15	Hawaii	40
North Carolina	16	Oklahoma	41
New Hampshire	17	South Carolina	42
Maine	18	Montana	43
Minnesota	19	Arkansas	44
Wyoming	20	California	45
Vermont	21	Texas	46
Maryland	22	Louisiana	47
Georgia	23	Alabama	48
Tennessee	24	West Virginia	49
North Dakota	25	Mississippi	50

Source: U.S. Chamber of Commerce

And speaking of stupid lawsuits…

In a light-hearted effort to get passengers to take their seats, a Southwest Airlines flight attendant uttered the rhyme…"Eenie, meenie, minie, moe; pick a seat, we gotta go" over the intercom.

Two African American women on the flight, siblings flying to Kansas City, filed suit alleging discrimination, and physical and emotional distress. One of the women alleged she suffered a grand mal seizure, was bed ridden for three days and suffered from "unexplained memory gaps."

The judge threw out the claims of physical and emotional distress, but the discrimination suit went to trial. The jury ruled in favor of Southwest.

In a related vein, Miss Muffett is filing suit against the spider for emotional distress. ❑

Workers – *continued from page 1*

Idaho, Mississippi, New Hampshire, North Dakota, Ohio, Pennsylvania, South Dakota, and Wyoming.

The intent of the report is to help identify and isolate key issues that affect costs in each state. As workers' compensation costs begin their upward spiral again, it becomes increasingly important to identify those factors that contribute to the cost increases, especially those that may be controlled.

The report focuses on two major factors that affect workers' compensation costs. The first is outcomes, specifically the success within a state in preventing injuries, and their returning injured workers to their jobs. The second driver of these costs is administrative burden, often referred to as the "friction" inherent in that states' workers' compensation system. "Friction" is the accumulation of rules, procedures, disputes, delays, discretionary charges and patterns of practice that impact the resolution of claims.

The study measured six variables, which give some indication of how well each U.S. state and territory is doing preventing and treating injuries:

1) **Incidence Rates –** The incidence of claims involving days away from work for each state. The national incidence rate was 1.8 cases per 100 full-time workers. The rate varied from a low of 1.2 in Georgia to a high of 3.4 in West Virginia.

2) **Cases Missing Work –** The percent of total cases missing work. For the U.S. as a whole, 29% of OSHA recordable cases required time off from work. This percentage varied from a low of 22% in Kansas and Iowa to a high of 77% in Puerto Rico.

3) **Median Disability Durations –** For the U.S. as a whole, the median disability duration was 6 days. This varied from a low of 4 days in Georgia, Virginia, and Indiana to a high of 17 in Puerto Rico. The next highest are Texas at 10, and California and New York at 8 days.

4) **Delayed Recovery Rate –** The frequency of long-term injuries has a huge impact on workers comp costs. For the entire U.S., 21% of cases were out of work for 31 days or longer. This ranged from a low of 13.1% in Minnesota and 13.4% in Wisconsin, to highs of 34.9% in Puerto Rico and 31.8% in Texas.

5) **Key Conditions: Low Back Strain** – To investigate in depth the different variables in state-by-state workers' compensation outcomes, the study analyzed common injuries in each state. Researchers then compiled a top-10 list of workers' compensation diagnoses. The number one condition is back sprains and strains, resulting in over 333,000 cases in the U.S. with lost workdays. In comparing state by state outcomes for back sprains and strains, the states with the best outcomes for back strain are Minnesota, Maine, Nebraska, and Iowa, and the worst are Puerto Rico, New York, California, and Texas.

6) **Key Conditions: Carpal Tunnel Syndrome –** Though not as common as low back sprains, CTS also has a significant impact on workers' compensation costs. CTS is ranked 9th in frequency according to this study, and it has the longest average disability durations among conditions in the top 10. The best states and territories for CTS are the Virgin Islands, Arkansas, Arizona and New Mexico, and the worst states are West Virginia, Louisiana, and Massachusetts.

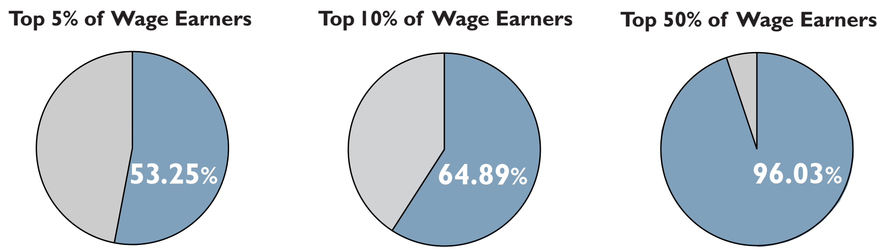
In preparing, an overall report card for each state WLDI looked at each of the above six key outcome measures, and the state's rank in that outcome. A low rank is good and a high one is bad. WLDI combined the six rankings for each state into an overall ranking, and assigned 5 grades – A, B, C, D, & F – based on where the overall ranking fell. As shown in the table on the front page, nine states received an A: Georgia, Minnesota, Iowa, Nevada, Utah, Indiana, Arizona, Oregon, and Arkansas. Who flunked? Eight states and territories: Puerto Rico, West Virginia, New York, California, Texas, New Jersey, Louisiana, and Rhode Island. ❑

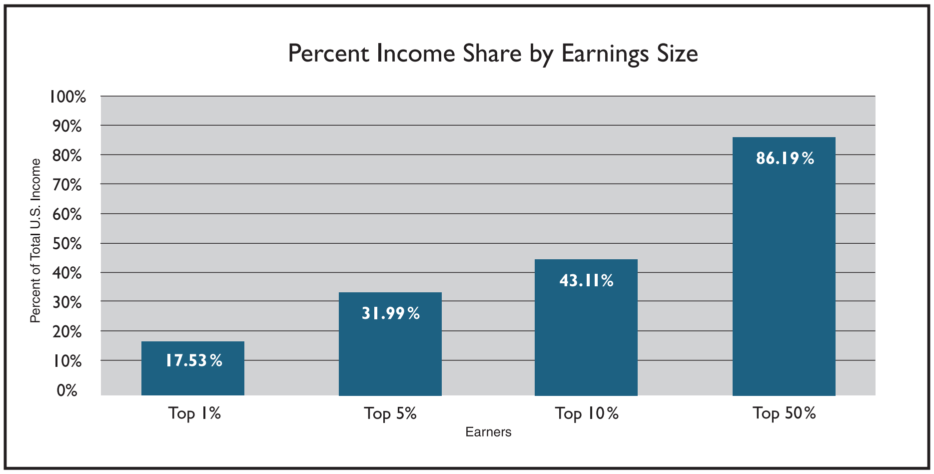
Only the Rich – *continued from page 1*

Think of it this way: less than four dollars out of every $100 paid in income taxes is paid by someone in the bottom 50% of wage earners. Is everyone in the top-half "Richey Rich" millionaires? Not at all, more like middle-class "thousandaires." The top half of wage earners in 2001 were those individuals, or couples filing jointly, whose adjusted gross income was more than $28,500.

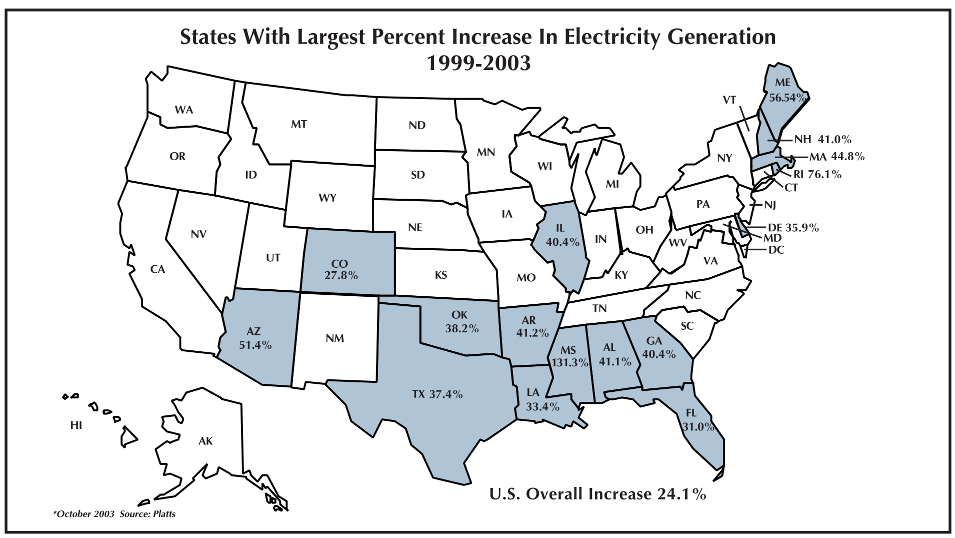
So, who earns what? The bar graph to the right breaks down wage earners by percent of total U.S. income earned. The top one percent earns 17.53% of all income. The top five percent earns 31.99%, the top ten 43.11%, and the top 50% earns 86.19% of all the income in the U.S. ❑

All Federal Income Taxes Paid in the U.S.





Electricity Capacity Glut



The U.S. electric–power industry enticed by the promise of deregulated markets, has added more generating plants and capacity than will be needed for years to come. The plant building boom that began two years ago, just as the market softened due to the economic downturn and as public misgivings about continued energy-market deregulation crested, has thrust the industry into its largest financial bust since the early 1980s. Since 1999, over 200,000 megawatts of new generating capacity, the equivalent of 400 big power plants has been added, advancing the total excess capacity by 24%.

No region has more surplus electricity capacity than the southern half of the U.S. The map identifies the 16 states with the largest percent increase in electricity capacity since the start of 1999, clearly illustrating the region as the highest concentration of capacity gains. Since 1999, more than 51,000 megawatts of capacity have been constructed in a nine-state region stretching from Virginia to Louisiana, boosting capacity by 33% in these states.

In Mississippi, almost 10,000 megawatts have been added over the period, more than doubling the 7,500 megawatts that existed beforehand. The increase in New Orleans-based

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Tort Reform – *continued from page 5*

showed that over 10,000 jobs were lost in 2001 as businesses either fled their state or new businesses chose to set up shop in less antagonistic environments. South Carolina, Idaho, Utah, Colorado and many other states have jumped on the tort reform bandwagon in the past few years to help reign in the trial lawyers.

Texas's bold new bill is a tremendous turnabout for one of America's lawsuit meccas simply on the sheer scope of the legislation. The reforms, to be signed into law by Republican governor Rick Perry, cover everything from class-action certification and appeal bonds to product liability and proportionate responsibility.

All indications are these statute changes in Texas are long overdue. In the 2002 American Tort Reform Association's (ATRA) list of "judicial hellholes," four of the top eleven districts are in Texas. (See map on page 5) These areas are described as counties or cities that "attract lawsuits from around the nation or the region because they are correctly perceived as very plaintiff-friendly jurisdictions."

A look back at Table I shows an interesting correlation between states ranked in the bottom of the U.S. Chamber of Commerce study on state liability systems and the areas of the country where judicial hellholes are located. California (ranked 45), Texas (46), Louisiana (47), and Mississippi (50) are four of the six worst states for "fairness and reasonability" according to the U.S. Chamber study. Alabama (48) and West Virginia (49) did not place any specific communities in the hellhole rankings. However, both states and South Carolina did receive "dishonorable mention" by the ATRA study because they are areas that were described as hellholes by a number of the survey's respondents. ❑

Electricity – *continued from page 7*

Entergy Corp.'s utility territory in Texas, Louisiana, Arkansas and Mississippi approaches 80%. That means suppliers could provide almost twice as much power as customers will need on the hottest summer day.

So why don't suppliers sell their excess electricity to areas of the U.S. that could use all that power? Despite the surplus generating capacity in many parts of the country, transmission bottlenecks keep electric companies from selling their excess power to other users. There just isn't any room for all that "southern power" on existing lines in the north, and connections in the West don't sync up with Eastern Interconnection of power lines. Moreover, transmission-access problems seem to only be getting worse.

The glut of power is creating financial burdens all over the country. Twelve of the largest electricity suppliers have taken on more than $120 billion in debt to finance the building spree, roughly half of which is due by 2010. Experts do not expect a sustained recovery in demand or electricity profits until the end of the decade. In the meantime, many firms are completing half-built plants rather than take a total loss, continuing to increase the surplus electricity capacity. Energy suppliers are even willing to sell electricity at extremely low prices to have some cash flow. Richard Lehfeldt, senior vice president of Teco Energy says, "Even a welfare rate of return is better than no rate of return." ❑

THE WALKER COMPANIES
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