



W.E. UPJOHN INSTITUTE

FOR EMPLOYMENT RESEARCH

300 South Westnedge Ave. ♦ Kalamazoo, MI 49007
(269) 343-5541 ♦ Fax (269) 343-7310 ♦ Email: wyrwa@upjohn.org

NEW TITLE RELEASE: FOR IMMEDIATE RELEASE
CONTACT: RICH WYRWA



Workers' Compensation Analysis for Its Second Century

H. Allan Hunt and Marcus Dillender

April 28, 2017

KALAMAZOO, Mich.—Workers' compensation (WC) is the original form of social insurance as well as the first no-fault insurance program. Under WC, workers receive compensation and treatment for workplace injuries and disease in exchange for their right to sue their employers for negligence. Each state and Canadian province runs its own WC program and how each is administered and the level of benefits provided vary considerably. Therefore, assessing best practices among these programs is tricky. But a new book from the Upjohn Press provides analysis of three performance issues that are key to ascertaining the level of success of the individual programs.

In *Workers' Compensation: Analysis for Its Second Century*, H. Allan Hunt and Marcus Dillender provide a succinct analysis of the state of WC programs in North America by focusing on those three performance issues: 1) the adequacy of compensation for those disabled in the workplace, 2) return-to-work performance for injured workers, and 3) prevention of disabling injury and disease. Following a brief introductory chapter that provides historical background and a discussion of the difficulties of trying to compare so many diverse programs, Hunt and Dillender devote a chapter to each of the three performance issues.

Benefit Adequacy and Equity

In this chapter the authors review empirical evidence from several studies of benefit adequacy and equity in WC programs from both sides of the U.S.-Canadian border. They acknowledge that disagreement exists about the optimal means for determining how to measure benefit adequacy, and seek lessons from two carefully done studies of three Canadian compensation regimes. While several reasons exist for why it is difficult to draw any summary judgments or make accurate comparisons about benefit adequacy and equity across jurisdictions, Hunt and Dillender do identify some WC systems that provide better benefit

adequacy than others. They also find that using earnings replacement rates, rather than loss replacement rates, is the preferable way to analyze benefit adequacy.

Return to Work in Workers' Compensation Programs

Historically, WC programs have mainly focused on prevention, compensation, and rehabilitation. Recently, however, return to work (RTW) has emerged as the ultimate goal after disability resulting from an occupational injury or illness. According to Hunt and Dillender, “[A] return to gainful employment has the potential to allow the injured worker to resume her/his productivity and quality of life.” This chapter explores research findings and policy initiatives that specifically address RTW and it provides examples of state WC policy initiatives that have been developed to support RTW.

Preventing Injuries

There are at least three ways that WC programs influence workplace safety: 1) by providing specific guidance to both employees and employers on injury and illness prevention, 2) by providing general information about safety, and 3) by altering monetary incentives for safety. In this chapter, the authors focus on the third of these ways—how WC can impact workplace safety incentives. After reviewing the sometimes-conflicting findings from previous research studies, they conclude that having WC insurance premiums reflect prior losses, e.g., through experience rating, helps improve workplace safety and that high-deductible WC policies can give smaller employers similar incentives for injury and illness prevention.

Despite difficulties inherent in trying to compare the performance of such a wide variety of WC programs, Hunt and Dillender provide empirical findings and useful guidance for policymakers and researchers as they set their sights on adapting the program for the twenty-first century.

H. Allan Hunt is senior economist emeritus at the W.E. Upjohn Institute. He earned a PhD in economics from the University of California, Berkeley and has over 30 years' experience in research and consulting on state and provincial workers' compensation systems for injured workers. Marcus Dillender is a senior economist at the W.E. Upjohn Institute. He earned a PhD in economics from the University of Texas at Austin. Dillender's research explores the intersection of labor and health economics.

Workers' Compensation: Analysis for Its Second Century, by H. Allan Hunt and Marcus Dillender, is published by the W.E. Upjohn Institute for Employment Research. April 2017. 138 pp. \$14.99 paper 978-88099-530-6 / ebook 978-0-88099-531-3. PDF is free at <http://www.upjohn.org/sites/default/files/WEfocus/workers-compensation.pdf>. Opinions expressed are solely those of the authors. We encourage you to request a review copy of this book. Contact: Rich Wyrwa

###

