

## Workers' Compensation in Construction and Other Industries

Workers' compensation programs were initiated to reduce litigation for work-related injuries, illnesses, and deaths. Covered employees relinquish the right to sue the employer regardless of cause, as long as the incident happened in the workplace as a result of and in the course of workplace activities.<sup>1</sup> These programs vary among U.S. states; without a nationwide standard, documenting components of workers' compensation is difficult.

Workers' compensation data are an important source for evaluating costs associated with work-related injuries. In 2009, the National Academy of Social Insurance (NASI) estimated that workers' compensation programs paid \$58.3 billion in worker benefits across all industries, despite decreased coverage and costs due to the economic downturn.<sup>2</sup> In 2010, construction workers received more workers' compensation benefits than workers in all industries nationwide.<sup>3</sup> Furthermore, 4.4% of employer compensation costs in construction were spent on workers' compensation alone, nearly three times the average cost for employers in all industries (chart 53a).<sup>4</sup>

Workers' compensation insurance rates in construction vary widely among occupations and jurisdictions. In general, those who work in high-risk occupations experience higher insurance rates. Between 2005 and 2007, falls from elevations among roofers cost about \$107,000 each, followed closely by falls from elevations among carpenters (\$97,000). Among other occupations, the average cost was \$46,000 per fall from elevation.<sup>5</sup> In 2011, the workers' compensation insurance rate per \$100 of payroll for roofing was \$48.83 in Montana compared to just \$10.66 in Indiana, while the rate for insulation work ranged from \$24.41 in Illinois to \$4.60 in Hawaii (chart 53b).

A major predictor of workers' compensation cost is injury severity.<sup>6</sup> Injuries resulting from falls to a lower level in construction are often severe, averaging \$427 million annually (2005-2008) for medical care alone. These medical costs accounted for roughly 60% of the total incurred by workers' compensation.<sup>5</sup> The total cost for falls increased from 2005 to 2007, prior to the economic downturn in 2008 (chart 53c). This sharp decline could be attributed to the corresponding decrease in construction employment during the recession (*see* page 21) as well as the reduction in reporting injuries for fear of being laid off during difficult economic times.

In addition, construction workers who retained their jobs through the recession were older (*see* page 14) or veterans of the industry with greater knowledge and skills and lower injury rates. A 2010 study found that workers with less job experience had higher lost-workday claims and workers' compensation costs than experienced workers.<sup>7</sup> However, the average workers' compensation claim cost increased with age for the most frequent causes of strains between 1998 and 2008 (chart 53d). As more construction workers remain employed later in life (*see* pages 14 and 15), the impact of workers' compensation coverage on employers and providers will continue to grow.

In attempts to control costs in all industries, the workers' compensation system has been repeatedly revised over the past two decades. As a result, workers experienced increased difficulty receiving adequate benefits.<sup>8</sup> In some states, disabled workers are required to prove that the workplace activity was the primary cause of the disability. This may discourage workers from pursuing these claims at all because the process is costly and reimbursement is uncertain.

1. Insurance Information Institute. *Workers' Compensation*. <http://www.iii.org/media/hottopics/insurance/workerscomp/> (Accessed December 2011).

2. National Academy of Social Insurance. 2011. Press release: Job losses cause workers' compensation coverage and costs to fall. <http://www.nasi.org/press/releases/2011/08/press-release-job-losses-cause-workers-compensation-cover> (Accessed July 2012).

3. U.S. Bureau of Labor Statistics. 2011 Current Population Survey, Annual Social and Economic Supplement. Calculations by CPWR Data Center.

4. For insured and self-insured companies, employer compensation costs include workers' compensation premiums; self-insured companies may make direct payments or set aside funds to cover potential losses or to meet self-insurance requirements.

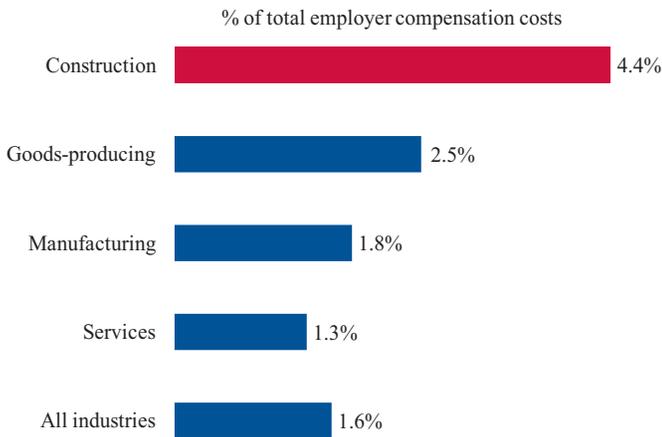
5. Occupational Safety and Health Administration. *Workers' Compensation Costs of Falls in Construction: Data from 38 States Reporting to the National Council on Compensation Insurance (NCCI)*. <http://www.osha.gov/doc/topics/residentialprotection/workerscomp.ppt> (Accessed January 2012).

6. Friedman LS & Forst LS. 2009. Workers' compensation costs among construction workers: A robust regression analysis. *Journal of Occupational and Environmental Medicine*, 51(11):1306-1313.

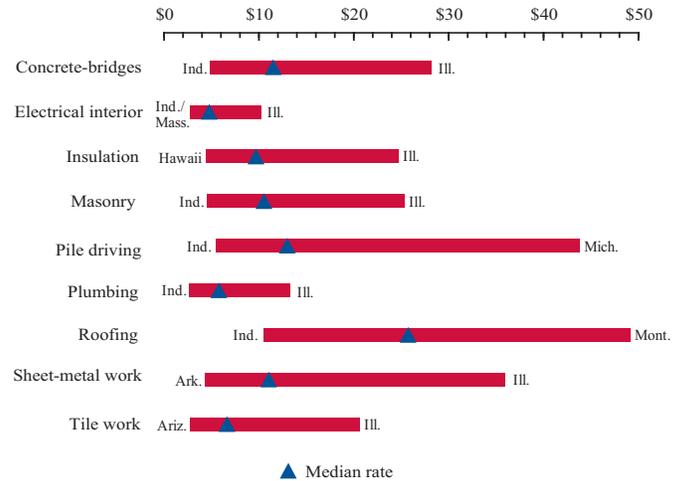
7. Zurich American Insurance Company. 2010. Recession, recovery, and workers' compensation claims. <http://www.zurichna.com/internet/zna/SiteCollectionDocuments/en/media/whitepapers/> (Accessed March 2013).

8. Boden L. 2012. Reexamining workers' compensation: A human rights perspective. *American Journal of Industrial Medicine*, 55(6):483-486.

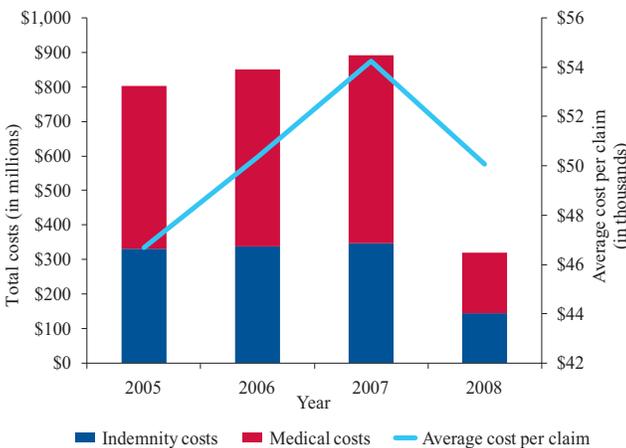
**53a. Employer spending on workers' compensation, selected industries, 2010 (Private wage-and-salary workers)**



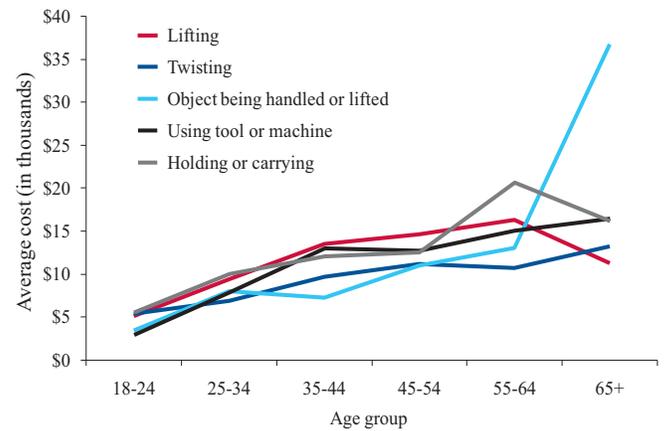
**53b. Range of workers' compensation insurance base rates in 45 jurisdictions, selected construction occupations, 2011**



**53c. Workers' compensation costs for elevated fall injuries in construction, 2005-2008**



**53d. Average cost of the most frequent causes of strain injuries in construction, by age group, 1998-2008**



**Note:** Chart 53a – Employer costs are workers' compensation premiums for firms that buy insurance; for self-insured employers, costs are administrative expenses plus payments to workers, their survivors, and health care providers.  
 Chart 53b – Rates per \$100 of payroll; effective as of August 30, 2011. Listings do not include Nevada, North Dakota, Ohio, Washington, West Virginia, or Wyoming. The median is the midpoint in which half of the jurisdictions in the survey charged more and half charged less. For instance, the rate of \$5.70 for plumbing in Mississippi is the median. (Note: The listing does not include all categories for the 45 jurisdictions.)

**Source:** Chart 53a – U.S. Bureau of Labor Statistics. 2010 National Compensation Survey – Compensation Cost Trends. [http://www.bls.gov/ncs/ncspubs\\_2010.htm](http://www.bls.gov/ncs/ncspubs_2010.htm) (Accessed October 2011).  
 Chart 53b – Tom Nicholson. 2011. Workers' comp rates start to climb. *ENR (Engineering News-Record)*, 267(9):34-35.  
 Chart 53c – Occupational Safety and Health Administration. Workers' compensation costs of falls in construction. [http://www.osha.gov/doc/topics/residentialprotection/2012\\_fall\\_costs/index.html](http://www.osha.gov/doc/topics/residentialprotection/2012_fall_costs/index.html) (Accessed March 2013). The 38 states are: AK, AL, AZ, AR, CO, CT, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MS, MO, MT, NE, NV, NH, NM, NC, OK, OR, RI, SC, SD, TN, TX, UT, VT, VA, and WV.  
 Chart 53d – Rosecrance J, Butler L, & Schwatka N. 2011. The role of age on the cause, type, nature and cost of construction injuries. *CPWR Small Grant Final Report*. Data are from Pinnacle Assurance, Colorado.