



## The Vermont Legislative Research Shop

### **Workers' Compensation Reform**

#### **What it is?**

Workers' compensation laws are created and maintained on a state-by-state basis with an attempt to provide money and medical benefits to an employee who has an injury as a result of an accident, and injury or occupational disease on-the-job. Workers' compensation is intended to protect workers and their dependents against the hardships incurred from injury or death related to the work environment. Nonetheless, it is intended to benefit the employer as well as employee. The employee receives money (usually on a weekly or biweekly basis) and medical benefits in exchange for forfeiting the common law right to sue the employer. The employer receives full immunity from legal sanctions being taken against him/her in exchange for accepting full liability for any accident that occurs on work grounds. The question of negligence or fault is usually not at issue (Workerscompensation.com).

#### **How it works**

Employers in most states are required to buy coverage for their employees from a workers' compensation insurance company. When a worker is injured, it is their duty to file a claim with the insurance company who then will pay medical and disability benefits (Nolo). The rates of workers' compensation premiums are based on the "classification" of the employee that is being covered. The specific insurance company then creates a premium rate for each classification, based on the type of work the employee performs (Michigan Economic Development Corporation, 2001). While employer usually purchases workers' compensation from an insurance company, the employee never accepts the cost of workers' compensation (FreeAdvice.com).

#### **Current problems**

Nearly every state is struggling with the issue of workers' compensation. The main problem that seems to be casting its shadow over the system is the issue of high cost. The total employer's cost of workers' compensation as a percentage of payrolls has more than doubled from 1972 to 1992. During the same period, injuries involving lost workdays increased up to 18%. The result was a ten-fold increase in overall workers'







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