



COMP WATCH '06

Comp: Fundamentally undermining our competitiveness

New York State's workers' compensation system is nearing crisis mode. Ask anybody involved in the system—employers, workers, insurers, bureaucrats. But year after year, Albany refuses to fix what's wrong with the system. And the pain continues to worsen.

Take a look at what the chief executive of bankrupt Delphi Corporation said in an Associated Press article last October:

"With respect to New York, it's about our worst state from a workers' comp standpoint," Chairman and CEO Robert "Steve" Miller said Friday. "We have a finite ability to pay our labor costs to operate a plant in New York in competition with plants that could be in other states. And if you want to have somewhere between \$3 and \$4 an hour go for workers' comp, that comes right off the top. Ultimately, the worker pays for workers' comp. It's not something the customer pays."

"This may actually help the whole state of New York industrial environment if you can attack problems that fundamentally undermine the competitiveness of businesses that are thinking about either coming to New York or leaving New York."

It's a stark view of a reality that many business owners across the state share. The comp crisis is real. And it's only getting worse.

Business owner Jay Klein moved his Wesko Safety and Construction Service from Pennsylvania to New York in 2001. His

reality took a sharp turn, as documented in another AP story last fall.

"Since moving to Broome County, [his] workers' compensation costs have risen 500 percent to \$60,000 a year and his tax bill has soared. Now, he's considering moving back across the Pennsylvania line to escape."

Lost jobs in the private sector—and lost opportunities for new jobs—are the worst result of our high compensation costs. New York State simply cannot afford such losses.

Other states have recovered from the recession, and are creating millions of additional new jobs. They're growing at our expense. Our uncompetitive comp rates are a major reason.

Governor Pataki agrees, saying that recently proposed reforms would "further improve New York's business climate, expand the State's job-creation efforts and keep New York business—especially manufacturing-based business—competitive in the global marketplace."

New York's workers' compensation costs are 72 percent above the national average on a costs-per-case basis, statistics from the independent National Council on Compensation Insurance (NCCI) show. This above-average cost imposed on employers is due almost exclusively to cases for which open-ended benefits are given to workers without specific statutory schedules.

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KEY FACT: Governor Pataki proposed reforms to the workers' comp system in S.6461 and A.9561. They have yet to be addressed by the Legislature.

AHEAD:

'Municipalities pay twice'	Feb. 6
Claims: taking the long route	Feb. 20
Real-cost perspectives	Mar. 6

The system is 'forcing him out of business'

As reported recently in the Buffalo News:

Michael Deakin is sick of the state's worker compensation system. No wonder. He said it may force him out of business and cost this area 20 jobs.

One worker at his factory was videotaped power-lifting weights in a gym, despite a supposed back injury that kept him off the line for a year. Another worker filed 22 different claims for compensation over the years.

But Deakin blames the generous system, not individual workers, for ratcheting up his costs

while insurers profit...

"It's not the [compensation] rates, it's the use of the system where the major cost is," he said. "I'd like to see them use the system for what it was intended for: people who are injured at work."

Stories like these clearly show why comp costs continue to have a major impact on the competitiveness of the state's manufacturing community.

Our combination of high program costs and low maximum benefits for injured workers begs major reforms.