



The Business Council of New York State, Inc.

COMP WATCH '06

Comp reform: the case for action

It's easy to cite data showing New York businesses to be at or near the bottom on any competitive index for workers' compensation costs. The overall average cost per case in New York in 2001 was \$16,114, second-highest in the nation and 84 percent above the national median, according to the National Council on Compensation Insurance.

Forty-two other states set a maximum number of weeks for collecting permanent partial disability benefits. New York has lifetime benefits—unlimited payments.

Employers pay a 17.5 percent assessment on top of workers' comp premiums for a number of special funds, like the operation of the Workers' Comp Board, the Second Injury Fund, and the Uninsured Employers' Fund.

And the list drones on.

But legislators and most other New Yorkers don't always hear about how those cold, hard facts manifest in the "real world" of shops and plants in our hometowns.

Greg Harden is a fifth-generation CEO of family-owned, family-operated Harden Furniture in McConnellsville, Central New York. He recently echoed many

employers' concerns in a letter to his state Assembly Member, RoAnn Destito:

As a surviving manufacturer in upstate New York, we find it increasingly difficult to compete with offshore and domestic competition. We appreciate programs such as EDP and Empire Zones, but we have an even bigger issue that requires your assistance.

The cost of Worker's Compensation has been rising steadily in recent years, and as I am sure you are aware, New York can now simultaneously claim the titles of "most expensive" and "lowest benefit."

'In 2004, our total Worker's Compensation costs were almost one million dollars! This equates to almost \$2,000 per employee, or 2.5% of revenues.'

Something has to change or the future of both the employer and the injured worker are in jeopardy.

From the perspective of the injured worker, an increase in the weekly benefit from the current \$400 to a level more consistent with their actual earnings is necessary. There should also be provi-

sions for an improved rehabilitation program, allowing injured workers a better opportunity to regain their health and productivity. Certainly, these are concepts that labor can agree to.

However appealing, an increase in the weekly benefit, absent reform to the entire system, will only make the cost to the employer more onerous. The list of suggested reforms is well known, and it is time that our leaders in Albany make a commitment to supporting them.

Any reform should include the following key elements: a 500-week cap on the duration of permanent partial disability benefits; the use of objective medical guidelines in establishing disability; changes that will effectively reduce assessments; and meaningful anti-fraud provisions.

We are not asking for a handout, just your support of meaningful reform.

At a time when we are struggling to adjust to the pressures of a global economy, we need relief from costs that do not add value to our product. In 2004, our total Worker's Compensation costs were almost \$1,000,000! This equates to almost \$2,000 per employee, or 2.5% of revenues.

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

Some jobs saved, but no comp relief for one of New York's employers

In an earlier edition of *Comp Watch '06*, a major manufacturer was considering its future in New York, partially based on comp costs. The company's CEO said in November of 2005, "with respect to New York, it's about our worst state from a workers' comp standpoint."

That manufacturer was the Delphi Corporation. It recently announced that it would be closing 21 of its 29 domestic plants—but its Rochester and Lockport operations are included in the remaining 8 facilities that will stay open under the reorganization plan. The move has been declared a major victory for the Buffalo Niagara economy, preserving several thousand manufacturing jobs and warding off what could have been a devastating blow to

the region.

But those jobs are still considered shaky, as the company has much more cost-cutting to do. And the decision to keep New York's jobs was helped along with significant economic development aid from the state.

Instead of fighting to keep employers one at a time, the legislature could pass comprehensive workers' comp reform that would benefit every business here. A move like that could prevent other business moves—of jobs and operations out of New York State.

AHEAD:

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