IMPROVING WORKERS' COMPENSATION MANAGEMENT IN CONSTRUCTION

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ABSTRACT: Workers' compensation is one of the most pressing problem areas in the construction industry. The industry, due to the nature of work involved and the demand for safety, is constantly challenged to improve its management of workers' compensation. The current costs of coverage and administration are often thought to be excessive in the industry, while the protection and benefits provided to employees are sometimes perceived as unsatisfactory. This paper was developed from the findings of a Construction Industry Institute (CII) research project that was conducted to identify improved methods of management by contractors for their in-house workers' compensation insurance program. The team members from industry had more than 200 years of experience in construction safety and insurance management with construction organizations. In addition to the expertise of the team members, guidance was also sought from other contractors and the insurance profession. A major finding of the research was that many contractors do not take an active role in workers' compensation management; therefore, this paper presents the research team's major suggestions for contractors to improve their workers' compensation management program. Some means of reducing the costs of workers' compensation insurance while improving the system are given with an estimate of potential cost savings. Cost savings are primarily derived from lower premiums due to the reduction in a contractor's experience modification rate (EMR). Therefore, some discussion of the EMR is provided with an evaluation of its validity as a measure of a contractor's safety performance.

INTRODUCTION

Workers' compensation is one of the most pressing problem areas in the construction industry today. The first workers' compensation law in the United States was enacted in the state of Wisconsin in 1911. Workers' compensation was an outgrowth of the industrial revolution as the jobs employees were expected to perform became more dangerous. Today, all 50 states have workers' compensation laws. Workers' compensation legislation eliminated the issue of fault from workplace injuries. It compelled the employer to absorb the cost of medical expenses and lost wages, while in return, the employee relinquished the right to sue the employer for common law negligence that was the employee's only recourse prior to passage of this legislation. Employers purchase insurance to cover the cost of workers' compensation claims. Insurance typically covers medical expenses and indemnity payment (lost wages). The amount of medical treatment covered and the amount of lost wages to be paid varies from state to state. For example, some states provide that the insurance cover all occupational therapy and new job training if the employee is physically incapable of returning to his/her previous job, while others do not. Also, the typical amount of lost wages paid is two-thirds of the employee's average weekly salary, with minimums and maximums set by the state.

PROBLEMS WITH SYSTEM

Although workers' compensation has all the ingredients of a win-win situation for all parties involved, nothing in this world is perfect. Numerous smaller problems in the system have gathered into the enormous problem the workers' compensation system faces today—the cost of workers' compensation insurance is just too high.

First, the definition of compensation presents a problem. Is compensation supposed to mean minimum compensation, adequate compensation, or full compensation for everything? Second, who absorbs the cost of workers' compensation? Should it be paid entirely by the employer? Does society pay? Do the employees contribute? Third, who should control the system? Should it be controlled by the government (federal, state, or local?) or should it be controlled by private industry and the bureaucracies established by each to administer the system? Finally, add the concerns of the healthcare industry and the legal system and all these seemingly minor issues ball up into one big problem.

The problems mentioned above have led to these astonishing results. The average base workers' compensation premium exceeds 20% of direct labor cost in 18 states, while in some states for the higher-risk trades, the premium can exceed 100% of direct labor costs. The average cost of a non–lost-time workers' compensation claim is $1,600 and the average cost of a lost-time workers' compensation claim is $47,000 ("Zero" 1993). The annual cost of injuries in construction in the United States runs as high as $17 billion ("Zero" 1993). All of these numbers are entirely too large. The research team set out to find ways to improve the management practices of construction companies that would reduce these statistics. First, however, some attention should be given to how the system works and how it affects a contractor's ability to get work.

EXPERIENCE MODIFICATION RATE

The experience modification rate (EMR) is by far the most prevalently used indicator of a contractor's safety performance. It is primarily determined by a contractor's workers' compensation losses. Therefore, the EMR will be discussed in the following paragraphs.

The EMR is a ratio used by insurance companies to adjust the manual rates paid by insureds. It is based on a comparison of the insured's actual losses over a three-year period to those of the "average insured." It is set up to emphasize the frequency of accidents more than the severity and includes several weighting factors to ensure that the final ratio is not unreasonably skewed.

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The following is a list of some terminology used in the calculation of the EMR ("ABC's" 1992).

- Experience rating period. The three previous policy periods (typically years) prior to the immediate past policy period make up the experience rating period. For example, the EMR in 1995 for a contractor is based on his/her loss experience for the years 1991, 1992, and 1993.
- Actual losses. These are the actual incurred losses the employer has experienced during the rating period. They represent not only what has been spent on claims during this period, but also include what is estimated to be spent on the claims. These losses are separated into actual primary losses (APL) and actual excess losses (AEL) to reduce the impact of high dollar claims on the EMR.
- Expected losses. The dollar amount calculated by multiplying the employer's payroll (in $100 units) for the rating period times the expected loss rate for each worker classification comprise expected losses. They are then divided into expected primary losses (EPL) and expected excess losses (EEL) by multiplying them by the discount ratio. The expected loss rate and the discount ratio vary from state to state, but are available from the state's rating agency or the National Council on Compensation Insurance.
- W-value. This is the factor used to maintain credibility of the value when evaluating both small and large contractors. The W-value is small for small contractors and large for large contractors, varying between 0.07 and 0.63 in value.
- Stabilizing value. This ballast value is added to minimize fluctuations in the EMR and is determined by the National Council on Compensation Insurance (NCCI) or the state rating agency.

The formula used to calculate the EMR is as follows:

$$\text{EMR} = \frac{\text{APL} + [\text{EEL} \times (1 - W)] + \text{Ballast} + (\text{AEL}) \times W)}{\text{EPL} + [\text{EEL} \times (1 - W)] + \text{Ballast} + (\text{EEL} \times W)} \quad (1)$$

The value of the EMR has a great impact on the insurance premiums paid by the contractor and the profits the contractor is able to make. The states typically place ranges on the EMR so the premiums paid by an individual contractor can only be reduced or increased a limited amount. But since the EMR is multiplied by the base insurance premium, the contractor with the lower EMR is going to pay lower insurance premiums than the contractor with the higher EMR. Also, by comparison, in order to remain competitive a contractor with a high EMR must bid at a lower profit potential to balance the higher insurance premiums being paid. This difference can be critical because if the contracting company is not making money, it will more likely take a defensive position when disputes arise.

INJURY MISCLASSIFICATION

There is a common misunderstanding that one can equate a contractor's Occupational Safety and Health Administration (OSHA) recordables to their number of workers' compensation claims and also to their EMR. This is not a proper comparison since there is often a poor correlation between a contractor's OSHA recordables and these other factors depending on the claims practices of the contractor. Fig. 1 depicts a typical accident scenario for a contractor to illustrate this point; the numbers shown are fictitious (Hancher and de la Garza 1996).

The contractor represented in Fig. 1 had 36 injuries in his company for a given time period. Twelve of these injuries were first aid cases treated on the job site. Twenty-four injuries required medical attention and were listed on a First Report of Injury. Of these, 12 were physician first aid cases and not serious and therefore not included in the OSHA recordables. Two of the remaining 12 cases were paid for by the contractor and the remaining 10 reported to the insurance carrier for payment; only these 10 were finally counted as workers' compensation claims. Of the 12 OSHA recordables, four were lost-time injuries and have to be assigned to the carrier; but the contractor chose to pay two of the eight medical treatment cases.

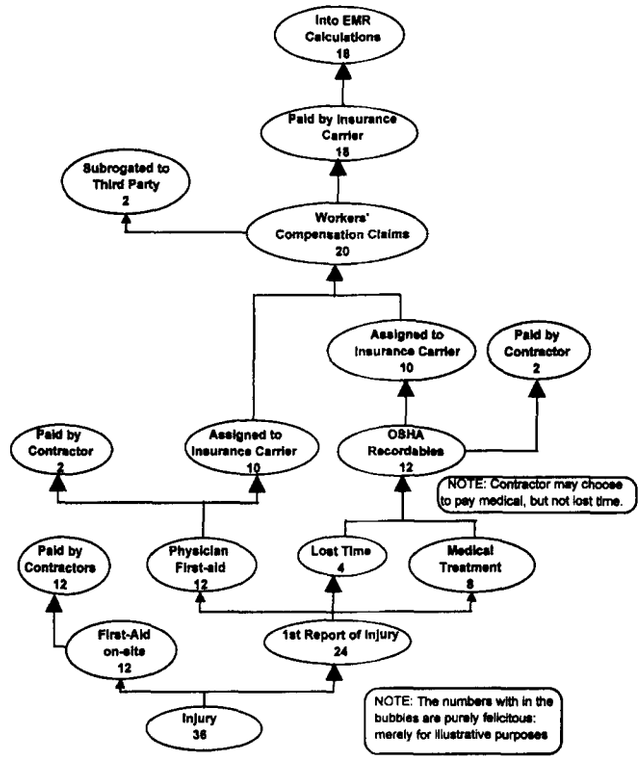

FIG. 1. Breakdown of Injuries

The net result of this situation is that the OSHA recordables for this company are 12 while the workers' compensation claims are 20 and could have been 24. Thus, the contractor actually had an exposure to potential serious injury twice as many times as the OSHA recordables indicate. The resulting EMR for the contractor would also be higher than for a contractor with only 12 injuries. Thus, it is obvious that the relationship between OSHA recordables, workers' compensation claims, and the EMR is not a direct correlation.

COST EFFECTS OF INJURY

Fig. 2 shows the cost effect of each accident on the manual rate (per worker classification) of all contractors (Eckert 1995). The cost incurred by each accident that is submitted to an insurance company is submitted to the rating bureau in each state. The rating bureau then performs cost averaging and applies some factor for expected inflation to determine the manual insurance rate for contractors. The manual rate is the amount that is then modified by the EMR. Therefore, even if you have a low accident rate, other contractors can drastically affect the initial manual rate. Even though a safer contractor will pay lower premiums than less-safe competitors, the manual rate may still be much higher than it should be, thus higher costs. That means it must be an industrywide effort to reduce

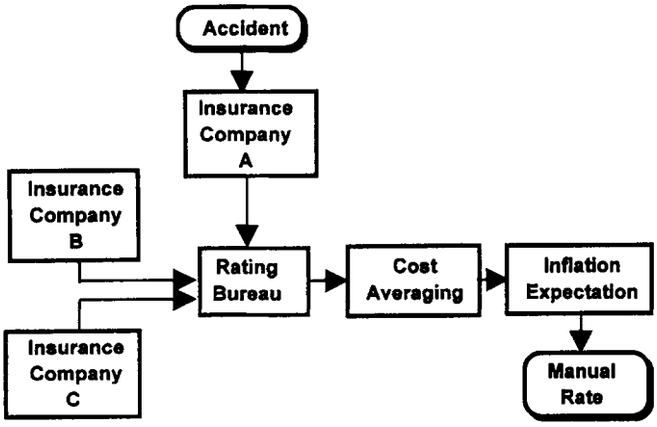

FIG. 2. Effects of Injury on Workers' Compensation Insurance Cost

the cost of workers' compensation insurance and everyone must do their part.

EMR AS SAFETY PERFORMANCE INDICATOR

Currently, many owners use the EMR as the sole indicator of a contractor's safety performance. However, several things can impact the EMR that may be unrelated to the safety performance of a contractor. The following paragraphs describe several of these (Hancher and de la Garza 1996).

The EMR emphasizes the frequency of accidents more than their severity. Therefore, a contractor with numerous minor injuries may suffer from a larger EMR than a contractor with fewer, but major, injuries that may or may not have been the result of lacking safety measures.

There are inflationary factors built into rate-setting that vary from state to state. Therefore, two contractors with identical safety records, but working in different states, can have significantly different EMRs.

If the contractor is the subsidiary of a larger corporation, the contractor will take on the EMR of the parent company. Therefore, if the large corporation has a low EMR, then the contractor with poor safety performance will have a misrepresentative EMR.

If there has been a recent reorganization of the company or if the company is new then the company does not have the required experience on which the EMR is calculated and the EMR defaults to 1.0.

If a contractor is self-insured in some states, the losses in these states don't go into the NCCI experience database for calculation of its EMR.

Some contractors may not maintain high accuracy in classifying its labor. Since there are different rates for each work classification, it is essential to maintain accurate records of the type of work each employee has performed. For example, you wouldn't want to classify an employee as a steelworker for the entire day if he/she only works steel in the morning and does something else in the afternoon. The rate would be too high if the employee is classified as a steelworker for the entire day and vice versa if he/she was classified otherwise for the entire day. Inaccurate records can affect the EMR of a contractor because they directly affect the workers' compensation insurance premiums paid by the contractor.

It is also important for the owner to pay attention to the EMR of subcontractors. A prime or general contractor may have a low EMR but subcontract a majority of the dangerous work to subcontractors with high EMRs.

Finally, the time lag in the calculation of the EMR is distorting. For example, a contractor may have recently had extreme losses, but won't feel the effect in its EMR for several years. On the other hand, a contractor may have spent a large amount implementing a rigorous safety program, but won't see a lower EMR for several years.

Because of these reasons, the EMR is not recommended to owners to be used as the sole indicator of a contractor's safety performance. However, since it is so widely used, reducing workers' compensation claims costs, thereby reducing the EMR, is essential.

OTHER SAFETY EVALUATION CRITERIA

A contractor's safety record hinges on many different items and is influenced by many different factors. Trying to measure a contractor's safety record by using only one factor will, at best, be misleading. The following is a list of possible factors that can be used in evaluating a contractor's safety performance in addition to and including the EMR (Hancher and de la Garza 1996):

- EMR for the last three years. This should be less than 1.0 or at least decreasing each year. Does the EMR involve a parent company, has the contractor been purchased by another company, etc.?
- Total number of work hours for the last three years. Evaluate how work was performed in the following categories: direct hire, construction management, maintenance, engineering hours, etc. Remember that each category has a different exposure to workers' compensation injuries.
- Recordable incident rate (RIR) for the last three years. This should be below the national average and comparable to CII averages. The formula is

$$\text{RIR} = \frac{(\text{number of OSHA recordables}) \times 200{,}000}{\text{total craft work hours}} \quad (2)$$

- Lost time incident rate (LTIR) for the last three years. This should be below the national average and comparable to CII averages. The formula is

$$\text{LTIR} = \frac{(\text{number of OSHA lost-time cases}) \times 200{,}000}{\text{total craft work hours}} \quad (3)$$

- Evaluation of contractor's written safety program. Reference the CII "Zero Injury Economics" report ("Zero" 1993).
- Evaluate contractor's written workers' compensation management program. Investigate preinjury and postinjury management, claims management, modified return-to-work programs, injured employee contact, and rehabilitation practices.
- Compare the number of OSHA compliance audits versus the number of citations.
- New workers' compensation claims frequency indicator (WCCFI). The formula is:

$$\text{WCCFI} = \frac{(\text{number of WC claims}) \times 200{,}000}{\text{total craft work hours}} \quad (4)$$

IMPROVED WORKERS' COMPENSATION MANAGEMENT PRACTICES

Now that the problems with the workers' compensation system and how they directly affect a construction company have been presented, the areas of workers' compensation management that need to be emphasized in order to reduce costs will be presented. The areas of workers' compensation management emphasis can be broken down as follows: (1) prevention and avoidance, (2) preinjury management, (3) postinjury management, and (4) claims administration (Hancher and de la Garza 1996); Will 1990).

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Prevention and Avoidance

There are really only two ways a worker will find out about the workers' compensation system: his/her employer or an attorney. As an employer it is essential to educate all employees about their rights and responsibilities under the workers' compensation system and what you'll do for them so that they don't need to seek any other avenue of information. It is also essential to educate supervisors about workers' compensation so that they know how to properly handle the process in the event of a work-related accident (Decker 1995).

Employers should maintain a written safety program. Some basic safety issues that should be addressed pertaining to workers' compensation include: hazard assessment, training, task assessment, incident investigation and reporting, and safety rules.

To prevent accidents from occurring because an employee is not physically capable of performing his/her job function, employee screening is a must. Not only should the employee be given a full physical, but they should be drug tested and asked if they have been released to return to work from any prior injuries. Employee screenings are now posthire and preplacement instead of prehire. For this reason, accurate written job descriptions should be available to ensure the employee is not assigned to do something that he/she is medically or physically incapable of doing.

Although an employer cannot and should not try to control its employees' habits, the employer can encourage and make available the information and resources the employee needs to make informed decisions about his/her health. Posters, pamphlets, articles in company publications, and "tool box" safety meetings are all excellent means of conveying this information.

Preinjury Management

The second area of management emphasis is preinjury management. These are the things beyond prevention and avoidance that an employer should have in place in order to be prepared to deal with an accident should it happen. The most important thing to keep in mind is to keep the lines of communication open. Lack of effective communication only leads to misunderstandings.

Communication with the insurance carrier is essential in being able to process a claim quickly and at the lowest cost. Prior to project start-up, an employer should communicate with the insurance carrier to establish who will be handling the claims and how to contact them, to establish how the claims will be handled through written claim-handling guidelines, and to determine any and all filling regulations. The carrier can also provide a list of healthcare providers with whom it has established means of processing claims. These are called preferred provider organizations (PPOs). Meetings with the carrier should be scheduled periodically to ensure that everything is still the same or to make adjustments as necessary.

To control costs it is essential to keep the medical costs low. As stated above the insurance carrier can usually provide a list of PPOs. It is important to educate supervisors about this list so that they know where to have the employee taken in the event of an accident. However, just choosing the healthcare provider is not enough. It is imperative to interact with the healthcare provider to let them know you will be sending your injured workers to them, to set up billing procedures, and to establish a return-to-work philosophy.

An emergency response system should be developed for your company. A written plan outlining the rights and responsibilities of all employees, including workers, supervisors, and managers for emergency response is desirable to ensure effective and timely response in the event of an accident.

In order to keep costs low, employees need to be working, not sitting at home and drawing workers' compensation benefits. Even if you've got a steelworker answering telephones, at least he or she is doing something productive. These programs to get injured employees back to work are called modified work programs and involve transitional work activities. This plan should be outlined on paper. Accurate job descriptions are a must in developing this plan. Once developed, the plan should be provided to the healthcare provider so that a doctor can determine what jobs the injured employee is able to perform.

Finally, some thought should be given to on-site healthcare. At a minimum, the employer should provide a first aid kit and train the supervisors to use it in the event of a minor injury. For larger or more dangerous jobs, it may be beneficial to have a qualified medical person such as a nurse on site to deal with accidents that may occur.

Postinjury Management

The third area of management emphasis is postinjury management. How an injury is handled once it has occurred can drastically reduce the cost of the claim and get the employee back to useful service for the company.

As far as postinjury management, the first report of injury is key to getting the process started off on the right foot. The injury should be reported to the insurance carrier within 24 hours. Today, the typical time lag is seven days. The initial contact is nothing more than a call to the claims handler with the initial details of the accident and should be followed up with a more detailed report by mail once more information is obtained.

The second important focus should be communicating with the injured employee. It is essential to keep the injured employee content and free of stress to aid the healing process. At least a weekly call and a monthly visit to the employee is required to ensure that their needs are being met. Genuine concern will get the employee back to work in less time. If the employee feels abandoned, he or she may seek other sources of assistance, such as a lawyer, complicating the process. Also care must be taken in encouraging the injured employee to return to work because a return too soon can be as detrimental as not returning at all.

Assure timely payment of the injured employee. There's nothing worse than expecting money and not getting it. Timely payment can prevent financial embarrassment or hardship on the part of the employee and maintain harmonious relations with the employer.

Not that most employees would abuse the system, but the accident and subsequent injury should be investigated and documented thoroughly. Thorough documentation can provide for lessons learned so that the accident does not occur again, and it will also allow smooth flow of the claim through the system.

The employer should get feedback on the medical provider. If not meeting the expectations of the employee, the medical provider should be evaluated and potentially replaced. Make sure you are getting the most for your medical-care dollar. On the other hand, communicate with the healthcare provider on the progress of the employee, which can bring about a speedier recovery and more rapid return to work.

Finally, audit the field emergency management process to improve on anything that was handled poorly or improperly following the accident so that it won't happen again.

Claims Administration

Although each injury should be treated as legitimate initially, each injury should undergo a test to ensure the injury is

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compensable under the workers' compensation system. The common test of compensability is that an individual has suffered: (1) a personal injury, (2) that was the result of an accident, (3) that arose out of employment, and (4) occurred in the course of employment. The first part of the test is fairly obvious. Is the worker hurt or not? The second part of the test requires that some part of the incident be unexpected. The third part implies that the injury must be work related. Finally, the fourth part implies that the injury must occur during working hours.

Also, within the area of claims administration lies the question of how to close a claim through settlement. There are two basic types of settlement: lump-sum and structured. The lump sum is a specified amount payable to the injured employee all at one time to resolve the claim. The structured settlement uses the purchase of an annuity to pay the injured worker in increments over a period of time. Although the lump-sum settlement gets the claim settled and closed quickly, sometimes the structured settlement can provide several tax advantages over the lump sum. There are pros and cons to both methods of settlement and each claim may provide different pros and cons. Therefore, it is important to evaluate each claim independently to determine the most appropriate settlement means.

Employers should keep track of all open claims. A monthly tracking system is recommended to ensure that all claims are making forward progress and that appropriate claims are being charged properly. The insurance company can provide a monthly loss run outlining pertinent information about each claim. Many insurance companies are now on-line; they provide access to claim information for a given insured through a computer network. The access is restricted to "read only" for the insured so that the insured can view the status of each claim, but not make any changes. However, the insured can send messages to the claim handler if any issues need to be resolved. This method saves both time and money because the insured can review the status of claims at any time and only the problem claims need to be discussed with the insurance carrier. Without this access, a meeting with the claim handler must be set up to review each claim.

Accurate reserving for claims is also important. Although it is the insurance company who actually sets the reserve amount, the insured must provide accurate and detailed information about the injury to the insurance company so that the reserve amount can be accurately set. Since the reserve amount goes into the calculation of the EMR, it is imperative to have these reserves set at the correct level and not higher than necessary.

In order to reduce workers' compensation costs, it is essential to hold accountable those who have direct control of the labor. Each project should be assessed the cost of any workers' compensation claims that occur on that project. This puts the project manager and other members of the project team in the spotlight because the assessment of costs directly affects the project profitability.

TABLE 1. Direct and Indirect Benefits of Research Recommendations

Direct benefits (1)	Indirect benefits (2)
Reduced number of workers' compensation claims	Reduced exposure to fraud
Reduced insurance premiums	Reduced potential for litigation
Reduced lost-time accident costs	Reduced employee fears/dissatisfaction
Reduced project costs	Reduced exposure to medical over treatment
Improved contractor selection process	

POTENTIAL BENEFITS OF RESEARCH

There are several potential benefits that could result from application of the several recommendations proposed by the CII Workers' Compensation Insurance Research Team. These are summarized in Table 1 for both direct benefits and indirect benefits.

The research team estimated the potential cost savings of implementing improved management practices for workers' compensation issues in construction. Most of the industry members contacted predicted a savings from 10–20% was possible; therefore, the team used 15% for its predictions. Table 2 shows the calculations for the total industry and for CII companies for 1991 to 1993 using U.S. Department of Labor and CII statistics, and using the CII cost estimates of $1,600 per non–lost-time incident and $47,000 per lost-time incident ("Zero" 1993). The potential savings are depicted in Figs. 3 and 4. The all-industry projections are nearly level, with a potential of $340,000,000 annual savings. The potential CII savings show a decreasing trend, most likely due to the extensive efforts of CII companies to adopt the "zero accidents"

TABLE 2. Potential Workers' Compensation Savings Calculations

Year (1)	Type claim (2)	Incident rate (3)	Work hours (4)	Incident rate × work hours [(3) × (4)] (5)	Number of claims[c] (6)	Construction Industry Institute cost per claim (7)	Estimated total claim costs (8)	Estimated savings (9)	Annual potential savings (10)
(*a*) Workers' compensation claims cost for all construction industry and possible savings from use of improved management guidelines									
1993	NLT[a]	7.4	1,646,191,400	12,181,816,360	60,909	$1,600	$97,454,400	15%	$339,573,810
	LT[b]	5.6	1,646,191,400	9,218,671,840	46,093	$47,000	$2,166,371,000	15%	—
1992	NLT[a]	7.3	1,565,663,300	11,429,342,090	57,146	$1,600	$91,433,600	15%	$333,813,240
	LT[b]	5.8	1,565,633,300	9,080,847,140	45,404	$47,000	$2,133,988,000	15%	—
1991	NLT[a]	6.9	1,623,331,800	11,200,989,420	56,004	$1,600	$89,606,400	15%	$362,493,510
	LT[b]	6.1	1,623,331,800	9,902,323,980	49,511	$47,000	$2,327,017,000	15%	—
(*b*) Workers' compensation claims cost for all Construction Industry Institute (CII) members and possible savings from use of improved management guidelines									
1993	NLT[a]	2.81	527,255,477	1,481,587,890	7,407	$1,600	$11,851,200	15%	$13,480,680
	LT[b]	0.63	527,255,477	332,170,951	1,660	$47,000	$78,020,000	15%	—
1992	NLT[a]	3.17	497,035,432	1,575,602,319	7,878	$1,600	$12,604,804	15%	$21,863,370
	LT[b]	1.14	497,035,432	566,626,392	2,833	$47,000	$133,151,000	15%	—
1991	NLT[a]	3.87	477,374,487	1,847,439,265	9,237	$1,600	$14,779,200	15%	$26,948,280
	LT[b]	1.47	477,374,487	701,740,496	3,508	$47,000	$164,876,000	15%	—

[a]Non–lost-time.
[b]Lost-time.
[c]Incident rate × work hours/200,000.

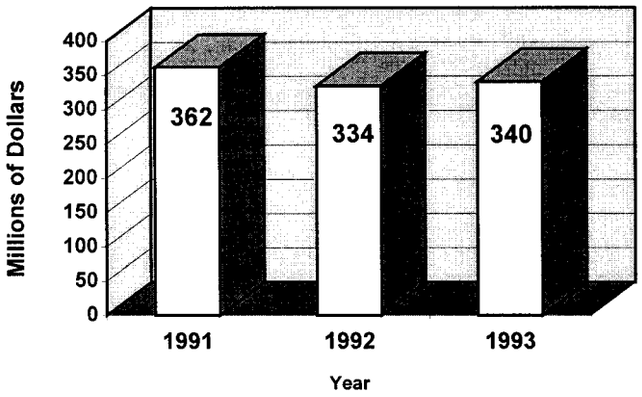

FIG. 3. Potential Workers' Compensation Savings for All Construction Industry (Based on 15% Savings)

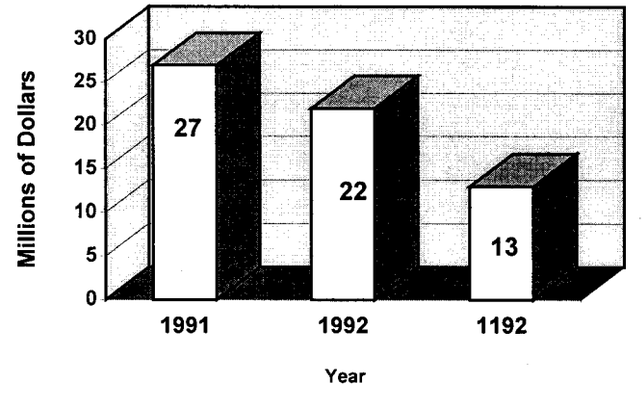

FIG. 4. Potential Workers' Compensation Savings for Construction Industry Institute Member Companies (Based on 15% Savings)

philosophy in recent years. However, there is still a potential for saving over $13,000,000 annually. It appears that the improvement of workers' compensation management offers significant potential for cost savings and increased profits for contractors.

SUMMARY

Workers' compensation is one of the most pressing problems in the construction industry today. Each of the 50 states has a workers' compensation law; however, there are wide differences in the costs, benefits, and administration of these laws among the states. To compound the problem many owners who require the services of a contractor or subcontractors are using the EMR, the insurance industry factor used to adjust manual workers' compensation premiums based on an insured's past loss history, to evaluate a contractor's safety performance and to deny them an opportunity to bid on and get much-needed work.

Clearly, there is a need to reduce the cost of workers' compensation for contractors while delivering appropriate benefits to injured employees. There is also a clear need to develop and institute a more equitable method for evaluating the safety performance of contractors, and to implement better practices to improve contractor workers' compensation management. All participants in the construction industry (employees, owners, and contractors) stand to benefit from any improvements.

The research team presents several findings of its research efforts and offers several recommendations on both workers' compensation management practices and the use of the EMR and other measures for evaluating a contractor's safety performance. Some of the key findings and recommendations are noted here; full details are available in the research report available from CII (Hancher and de la Garza, 1996). Also available is a "Field Guide to Workers' Compensation" for project personnel ("Field" 1996).

Research Findings

The following are the major research findings:

- Many contractors surveyed feel that they adequately educate employees about workers' compensation; however, many employees surveyed do not understand the system.
- Many contractors do not take an active role in workers' compensation management practices, especially with respect to insurers, medical providers, and injured employees.
- Many contractors treat workers' compensation costs as overhead and do not directly assign the responsibility, accountability, or allocation of the costs to specific managers, supervisors, or projects.
- Owners place too much emphasis on the EMR as a measure of contractor safety performance and as a sole indicator in the contractor-selection process.
- OSHA incidence rates for companies who do not track safety results by project are twice the rates of companies who do; i.e., "What gets measured, gets improved."

Recommendations on Workers' Compensation Management

The recommendations on workers' compensation management are:

- Contractors should educate employees, employers, and employee representatives about workers' compensation and its impact on business.
- Contractors should take an active role in interfacing with their insurance carrier and medical health providers for projects.
- Contractors should maintain frequent contact with injured employees. Make sure their needs and expectations are being met and keep them abreast of jobsite activities.
- Contractors should utilize modified work programs for injured employees where they can perform productive duties without exposing them or their coworkers to further injury.
- Contractors should establish accountability for workers' compensation costs with projects and supervisors.

Recommendations on the EMR

The recommendations on the EMR are:

- Because the EMR can be impacted by different circumstances and can be manipulated in several instances, an owner should consider other factors in addition to the EMR when evaluating a contractor's safety record. The research team suggests use of OSHA incident rates for recent years for actual construction work; reviewing company's safety program and actual practices followed; and use of a new indicator of workers' compensation performance expressed as WCCFI = (number of WC claims) × 200,000/total craft workhours.

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