THE BUSINESS PERSPECTIVE:

A Workers’ Comp Rollback Won’t Move Us Forward

by Gary Toebben,
President & CEO, Los Angeles Area Chamber of Commerce

The California Legislature passed workers’ compensation reforms in 2004 that were a major step forward in rebuilding the economy we enjoy today. Prior to these bipartisan reforms, premiums had tripled from 1999 to 2003 and California’s employers in the public and private sectors were burdened with the highest workers’ compensation costs in the nation. Now, just three years later, several bills have been introduced to rollback some of these reforms and a coalition of employers from all industries, including the L.A. Area Chamber are joined in opposition.

Last month in this column I discussed the need for a strong workers’ compensation system and attempts to rollback the reforms. Senate Bill 936 by Senate President pro Tem Don Perata would significantly increase the costs of workers compensation costs to employers by doubling the benefits employees receive if they are permanently disabled. Assembly Bill 338 by Assemblymember Joe Coto would raise workers’ compensation costs by increasing the number of weeks that temporary disability benefits would be paid from 104 to 156 weeks.

One of the major reasons for skyrocketing costs from 1999-2003 was the increasing number of permanent disability claims at a rate that was three times the national average, according to the Public Policy Institute of California. At that time, a subjective system of work preclusions led to injured workers getting higher permanent disability rates, and litigation that preyed on this subjectivity compounded the situation.

No evidence, either statistical or anecdotal, supports the validity of increasing current benefit levels. Changes should not be undertaken unless and until the workers compensation reform package passed in 2004 has had an extended period to be implemented, reviewed and evaluated. Only then can we take measured steps to make improvements or correct any deficiencies.

California employers made their case to the Legislature and Gov. Arnold Schwarzenegger in 2004 that our workers compensation system was broken. It took several years and a bipartisan effort in order for employers to be heard. But when we were, a set of important reforms were enacted. Premiums came down. Rationality became a part of the system. Inequity was eliminated. The system now treats employees and employers fairly. This is not the time to change it.

Let’s not set the precedent of making a few changes every year that, in the end, take us back where we started—where ever-increasing premiums and continuous legislation pit employers against employees rather than fairly compensating employees for legitimate injuries and helping them return to work as soon as possible.

And that’s The Business Perspective.

Gary L. Toebben
President & CEO
Los Angeles Area Chamber of Commerce