Is workers’ compensation next on state’s chop block?

Workers’ compensation isn’t sexy. It doesn’t generate big lawsuits or headlines. It’s not the biggest expense facing employers. For roughly 100 years, it’s quietly protected workers who are injured on the job. But in many states, workers’ comp is changing, and something tells me that similar changes are on their way in North Carolina.

The basic concept of workers’ comp is a pact between workers and employers. Workers injured on the job don’t sue their employers, and in return employers buy insurance that covers workers’ medical expenses and lost wages.

Workers’ comp programs are run by the states and are no-fault in nature. That’s in sharp contrast to the regular tort system, in which compensation for wrongs is mandated only if the injured party can show the other is at fault.

Even in a no-fault system, the states set the rules that determine how supportive the program is. States decide what constitutes a work-related injury; how much compensation should be paid, how long it should be paid, whether there are death benefits, and so on.

The federal government examined state workers’ comp programs back in the 1970s and devised a set of minimum standards. But more recently, the trend in the states has been to weaken worker protections, by making it harder to file claims, reducing benefits, imposing time limits, etc.

One indication of the weakening of workers’ comp programs is falling insurance premiums paid by employers. As benefits become less generous and harder to get, employers’ risks fell.

In 1988, the average premium in the U.S. was $3.42 per $100 of wages paid. In 2014, that had fallen 46 percent in absolute terms, to $1.85. In North Carolina the average premium in 2014 matched the national average, though it rose slightly, by 18 percent, over the 26 years since 1988.

But if benefits had stayed roughly the same, one would expect premiums to have grown to keep pace with inflation. Let’s suppose premiums would have grown at the rate of general inflation, which is conservative because risks are also driven by the higher rate of medical-cost inflation. After inflation, the rate in North Carolina would have been $3.14 in 2014, which implies that workers’ comp premiums here have fallen at least 41 percent in inflation-adjusted terms since 1988.

At least that’s better than the national average, which fell 73 percent in inflation-adjusted terms.

Workers’ comp is in the news recently, thanks to an investigation by NPR and ProPublica, which found that in a number of states, the rules are being rewritten in new and creative ways. For example, some states, notably Texas and Oklahoma, allow employers to opt out of the state-run system and establish their own programs.

Perhaps not surprisingly, these company-run programs are less generous than state-run programs, often forcing injured workers to file for assistance through government programs such as Social Security Disability Insurance. In other words, the cost of caring for injured workers is being shifted to taxpayers.

What does this have to do with North Carolina? In recent years, the General Assembly has cut the state’s unemployment insurance benefits to a level that’s among the lowest in the country; it has decided not to expand Medicaid to the working poor; it has cut funding to public schools, on which poor families depend; and it has shifted the burden of the state tax system to the poor. It seems only logical that weakening workers’ comp in North Carolina will be next.

**GAINERS & LOSERS**

**SMALL-BUSINESS OWNERS**

A forecast by First Citizens Bank says the state’s small-business owners have the strongest sense of “entrepreneurial spirit” among markets in the Carolinas, Florida and California. Small biz, big spirit is a good combination.

**NO BLACK FRIDAY FOR REI**

Outdoor retailer is taking a pass on the busiest shopping day of the year, instead freeing up the day for its employees and customers to spend time outdoors. Will deal seekers camp out in the woods instead of outside stores?

**DUKE ENERGY’S ACQUISITION**

Duke Energy’s $4.98 bid to buy Piedmont Natural Gas is getting thumbs up from the industry, but has found critics elsewhere as observers try to sort through what the merger would mean. If approved, Duke stands to add a three-state footprint of natural gas customers.

**GREENSBORO’S IMAGE**

Greensboro makes the front page of the New York Times, but wishes it hadn’t, in a piece examining how often the city’s police officers pull over black drivers and search them. The deep dive sheds more light on police practices in the city, which have come under criticism in the past.