



A critical review of literature on experience rating in workers' compensation systems

International Symposium on the Challenges of
Workplace Injury Prevention through Financial
Incentives

Toronto, Canada November 29th – 30th

Liz Mansfield, Ellen MacEachen, Emile Tompa,
Christina Kalcevich, Marion Endicott and Natalie Yeung



Review objectives:

Critical review of peer-reviewed literature on experience rating:

1. Characterise current knowledge on behavioural incentives and effects engendered by experience rating
2. Identify knowledge gaps in the literature
3. Describe different theoretical assumptions and research questions

Research questions:

1. What is known about how experience rating motivates employer and worker behaviour?
2. What is known about how experience rating affects workplace health and safety?



Methods

Retrieval

- Common search strategy across seven databases
- English language, peer-reviewed literature up to 2010
- Citations contained at least one term from each of four categories: population; compensation or insurance; intervention; outcome

Metasynthesis

- Concepts and explanations brought together by identifying shared themes from individual papers

Critical assessment

- Data extraction form to appraise:
 - Basic study characteristics (eg central objective, relevance)
 - Study quality (eg study design, interpretation of results)
 - ER findings (eg how it motivates stakeholders)



Flowchart of Studies

Step 1:
*Library
Search*

Merge databases and remove duplicates $5384 - 1444 = 3940$

Step 2:
*Study
Relevance*

Ref List
Articles
 $n = 22$

Inclusion criteria applied to article
titles and abstracts

Excluded
 $n = 3571$

Full text of articles retrieved for further
review

$n = 391$

Step 3:
*Division of
Studies by
Methodology*

Qualitative studies
 $n = 134$

Quantitative
studies
 $n = 249$

Mixed method
studies $n = 8$

Exclude
 $n = 93$

Excluded
 $n = 202$

Excluded
 $n = 4$

Step 4:
*Data
Extraction*

Qualitative studies
 $n = 41$

Quantitative
studies
 $n = 47$

Mixed method
studies $n = 4$



Findings

The review investigates ER themes at three different levels of analysis:

- I. Experience rating at the societal level
- II. Experience rating at the workplace level
- III. Experience rating at the worker level



I. Findings: Experience rating at the societal level

Themes

1. Market incentives and deregulation
2. The return of blame
3. Cost increases associated with experience rating
4. Cost cutting and cost shifting





I. Findings: Experience rating at the societal level

1. Market incentives and deregulation

- Insurance model: ER provides financial incentives for investing in OHS by rewarding good performers
- Financial incentives align with market economy mechanisms
- Market economy critique:
 - ER in the context of deregulation and popularization of OHS management systems from 1970s
 - Financial incentives in OHS align with the business case for health and safety

2. The return of blame

- Employers, penalized for high cost injury reports, challenge claims
- Contesting claims leads to blame, fault, adversarial characteristics of tort system
- Economics literature often agnostic about whether reduced claims activity is due to claims suppression or OHS improvements



I. Findings: Experience rating at the societal level

3. *Cost increases associated with experience rating*

- Administrative/legal costs including: claimant investigations, costs to employers, costs to workers
- ER diverts attention from total costs of accidents
 - Costs of hiring and training replacement workers

4. *Cost cutting and cost shifting*

- Claims management may lead to the shifting of costs to lower cost programs
- Interdependency of WC systems with other programs such as unemployment insurance, disability pensions



II. Findings: Experience rating at the workplace level

Themes

1. Injury reduction
2. Claims/cost management
3. Behaviour-based safety
4. Healthcare professionals as gatekeepers
5. Long latency and difficult to diagnose injuries and illnesses





II. Findings: Experience rating at the workplace level

1. Injury reduction

- Many quantitative studies are unable to distinguish between actual reductions attributed to injury and illness and claims management
- Short time periods; inadequate consideration of contextual factors and use of crude proxy measures

2. Claims/cost management

- Keeping employees on payroll post injury
- Discouraging reporting
- Early RTW to minimize claim duration
- Laying off employees or firing after modified work period ends
- Avoiding ER via Temporary Work Agencies



II. Findings: Experience rating at the workplace level

3. Behaviour-based safety

- Safety bonus programs that reward employees and managers for injury free days or months create peer pressure not to report
 - Programs focus on shop floor behaviour

4. Healthcare professionals as gatekeepers

- Implicit role of medical doctors, health and safety consultants hired by firms to reduce costs by reducing claims/duration

5. Long latency and difficult to diagnose injuries and illnesses

- ER is difficult, if not impossible to apply to slow developing occupational diseases, long – latency injuries and difficult to diagnose injuries



III. Findings: Experience rating at the worker level

Themes

1. Worker vulnerability
2. Worker health





III. Findings: Experience rating at the worker level

1. Worker vulnerability

- Financial incentives can lead to intrusive employer and insurer behaviours
 - Pressing attending physicians for confidential records
 - Stigmatising effects of surveillance techniques used by private investigators
 - Eligible workers may not pursue benefits because reporting can increase vulnerability

2. Worker health

- Negative health effects via multiple examinations based on medical/legal suspicion of claimant dishonesty
- Attributing secondary gain motives may undermine full investigation of organic cause of worker's disability
- Delays in receiving compensation can have profound consequences for injured workers and their families



Discussion

- Social, political and economic logic of ER and the effects of its implementation is a neglected topic in OHS research
- Qualitative studies rarely focus directly on ER and how employer incentives motivate behaviour
- Legal/policy papers and qualitative studies rely on anecdotal evidence that is in need of context
- Simplified economics models in many quantitative studies of ER do not address fluctuation in business cycle, economic and labour market changes
- ER literature does not adequately address the impact of financial incentives in WC systems on the lives of injured workers and their families



Questions for future research

- How does the presence of ER operate during times of high unemployment?
- How does ER inform the growth of the temporary employment sector, supply chain management and subcontracting relations?
- In the absence of ER would some of the unintended behaviours described in this literature review be less prominent?



Thank you

Mansfield, L., MacEachen, E., Tompa, E., Kalcevich, C., Endicott, M., & Yeung, N. (2012). A critical review of literature on experience rating in workers' compensation systems. *Policy and Practice in Health and Safety*, 10(1), 3-25.

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