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Analysis of Employer Safety Programs in Colorado & Florida

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Background

In response to Vermont House Proposal of Amendment S. 129, DFR performed an in-depth analysis of historical workplace safety program performance in Colorado and Florida. Colorado and Florida employers who engaged in workplace safety programs have been identified and recorded for more than 10 years.

Colorado and Florida - Different Administrative Approaches

Both Colorado and Florida encourage workplace safety programs via Workers Compensation Insurance premium credit for employers with certified safety programs. In Colorado, an employer's safety program has to be approved by the Premium Cost Containment Board; in Florida, employers self-certify.

Summary of Main Findings

a) Colorado employers tended to stay with the program longer. This was likely driven by the fact that workers compensation insurance premium credit for having a certified safety program in Colorado was about 5% (as opposed to 2% in Florida). Colorado employers in the study had more room for improvement; their average loss experience tended to be worse than those in Florida when they first enrolled in safety programs.

b) Only modest improvements in loss experience were seen in both states.
   - Colorado employers who stayed in the program for 1 year or more improved by 2.4%.
   - Colorado employers who stayed in the program for at least 8 years improved by an average of 3%.
   - Florida employers who stayed with a program for more than 1 year improved by 0.5%.
   - Florida employers who stayed with a program for at least 8 years improved by an average of about 1%.

c) Both states have high drop-out rates. (Even employers who remained in the program tended to run out of momentum after 5 or 6 years, as evidenced by the fact that their loss experience tended to deteriorate after that point.)
   - For Colorado, less than 65% remained with their programs after 3 years.
   - Less than 40% of Florida employers continued their programs after enrolling in safety programs for 3 years.

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d) In both states, employers (large and small) who maintained their programs appeared to be more effective during the initial few years after safety program inception. Their loss experience improved more than those employers with less staying power.

e) Smaller employers (defined here as $10,000 or less in average standard premium over the study period) in Colorado got as much benefit relative to larger employers in terms of loss experience improvement.

f) Some small employers have loss experience consistently better than their peers. Therefore, substantial improvement in loss experience (as much as 10%) is within reach of smaller employers, although it would require substantial investment.

g) Smaller employers also engaged in safety programs, although they were already receiving some WC premium credit for better loss experience. Smaller employers, however, tended to not have staying power; their higher drop-out rates for small businesses may be due to low survival of small businesses in comparison to big business.

h) Employers in higher risk operations ("Hazard Groups") tend to engage in safety programs even if their loss experience warranted a WC premium credit for having better than average experience. This was likely driven by strong incentives to reduce accidents because skilled employees are not easily replaceable.

i) Colorado employers engaged in low hazard businesses saw their loss experience improve by more than 5% to 10%, on average, within 1 to 3 years after enrolling in safety programs. This was especially true if their loss experience was lower than average at the start. Finally, premium savings for low hazard business are generally not as great as those in higher hazard businesses, since premiums are already lower for the lower hazard businesses.