



Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



**Actuaries
Institute**

**Call for Papers
and Presentations**

SYNOPSIS

AUSTRALIAN AND INTERNATIONAL INCENTIVE PROGRAMS FOR NEW EMPLOYERS TO HIRE WORKERS WITH A PREVIOUS WORK-RELATED COMPENSABLE INJURY

Dr Susan Gargett

Key words: Incentive programs, wage subsidies, work-related injury, workers' compensation, return to work, new employment/employers

Purpose of your paper: The purpose is to compare and appraise national and international employer incentive programs provided by workers' compensation authorities and aim to facilitate the hiring of workers with a previous compensable work-related injury by new employers.

Synopsis:

ISSUE:

At times it may not be feasible or reasonable for an injured worker to return to work with their pre-injury employer. In such circumstances there can be significant negative consequences for the worker and the employer. The worker may suffer detrimental health, vocational, social and financial outcomes whereas the employer loses a valued trained employee and may incur financial penalties through experience-rated workers compensation premiums. An approach that has been used to try and reduce such outcomes has been the implementation of programs designed to encourage new employers to hire workers who have sustained a work-related injury.

PURPOSE:

The purpose of this presentation is threefold. First, features of existing Australian and international new employer incentive programs are outlined and compared. Second, various implementation-related issues reported in the literature are discussed. Third, options for improving the up-take or design of the programs are presented.

To the author's knowledge this is the first time such programs from across a range of jurisdictions have been reviewed and reported on. As such the findings of this review will help to address a gap in knowledge and may contribute to future policy development.

METHOD:

Data used in this presentation have been sourced from a search of the peer-reviewed literature and a review of the grey literature. Specifically, five academic databases (EBSCOhost, Informit, ABI/Inform, Scopus and ECONOMICsnetBASE) have been searched using various keyword combinations. In addition, the websites of over 30 Australian, Canadian and US workers compensation authorities were searched. The review was conducted in 2013. Relevant data have been collated and synthesised to provide summary information on the programs.

FINDINGS:

Broadly speaking, the effective use of incentives in public policy requires that the implemented measure provides sufficient motivation for the intended target to voluntarily change their behavior or actions. In relation to these programs, the aim is that the financial incentives offered are sufficient to motivate new employers to hire workers with past work-related injuries.



Injury Schemes Seminar*

Balancing Outcomes

10–12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



**Actuaries
Institute**

**Call for Papers
and Presentations**

In the programs reviewed the main types of incentives used include wage subsidies, protection from the costs of subsequent injuries, and exemption of the worker's salary from calculation of the employer's WC premium. Various other programs are also offered such as the subsidisation of work trials, on-the-job training programs and workplace accommodations. It is acknowledged that there may be debate about whether these types of initiatives should be classified as an incentive program for new employers. There is often no requirement that the employer hires the worker on completion of the training/trial and workplace accommodations may be equally available to all employers not just new employers. However employers supervising a work trial or providing training typically receive a benefit in that they don't incur wage costs for the labour provided, and are able to assess the suitability of the worker for the position without a hiring commitment. Through these means the incentive may indirectly facilitate the worker's employment. For the purposes of this review a broad definition of an incentive program has been used and such initiatives have been included as they represent part of the continuum of programs available.

There is substantial variation in existing programs in regards the range of incentives offered and in the specific features of the incentives. For example, some programs include a wide array of incentive features whereas others focus on one or two. Some limit the availability of the benefits to new employers, others are more open and allow original employers to also access some of the benefits. Some also include benefits for injured workers. In terms of the specifics of an incentive, in relation to wage subsidies some programs provide the subsidy as a set amount per week, in others it may be a variable percentage of the worker's salary, it can be based on the severity of the worker's previous injury or it can be tied to the worker's participation in training. Features of existing Australian, Canadian and US programs will be described and compared.

Despite the commendable aims of these programs numerous implementation and contextual issues have been raised by stakeholders. A key issue is the limited awareness of the programs which creates a barrier to up-take. Time consuming administration procedures and the inadequacy of the benefits offered relative to perceived risks are other matters of concern. An additional issue is the lack of objective evaluation of the effectiveness of these programs even though some have been operating for a number of decades. Issues nominated by stakeholders as likely to be impacting on the success of the programs will be discussed.

Lastly, it is important to consider options to improve the up-take and/or effectiveness of the programs. Improved awareness, more focused communication channels, greater flexibility and more generous incentives are measures that have been suggested. Potential opportunities to enhance the effectiveness of the programs will also be presented.

CONCLUSION:

Programs to facilitate the return to work of injured workers when they are unable to continue in their previous employment have been implemented by numerous workers compensations jurisdictions across Australia, Canada and the US. The programs offer a range of incentives to employers encouraging them to hire the worker.

In some programs the incentives are provisional on the worker being employed. In others the provision of the incentive e.g., subsidizing the worker's wage during an on-the-job training program may facilitate the employment of the worker in a more indirect way. There is also variation in the range of incentives offered and in the specifics of the incentives.



Injury Schemes Seminar*

Balancing Outcomes

10-12 November 2013
Sheraton Mirage Gold Coast

* Formerly the Accident Compensation Seminar



**Actuaries
Institute**

**Call for Papers
and Presentations**

A number of issues are challenging the use of these programs. First, there appears to be limited awareness of the existence of the programs amongst employers and second, little evidence on their effectiveness is available. If it is not known whether the schemes are having a positive impact on return to work outcomes, then it can't be assessed whether or not they are an efficient use of time and money.

IMPLICATIONS:

Despite limited evidence of their effectiveness, greater knowledge of programs offered by different jurisdictions is useful for compensation schemes considering implementing a similar initiative. Such information is also valuable for jurisdictions wanting to review their own program as it allows them to assess whether alternative strategies may be more or less acceptable and effective than their own.