

Key Terms and Concepts

Accident/incident theory	Inappropriate response
Ancestry	Industrial hygiene
Axioms of Industrial Safety	Internal factors
Behavior-based safety (BBS)	Mechanical or physical hazard
Causal relationships	Overload
Central factor	Preceding factors
Combination theory	Predispositional characteristics
Domino theory	Situational characteristics
Environment	Situational factors
Environmental factors	Social environment
Epidemiological theory	Stressors
Ergonomic traps	Systems theory
Fault of person	Unsafe act
Hazardous condition	Unsafe behavior
Human error	
Human factors theory	
Inappropriate activities	

Review Questions

1. Explain the domino theory of accident causation, including its origin and its impact on more modern theories.
2. What were the findings of Herbert W. Heinrich's 1920s study of the causes of industrial accidents?
3. List five of Heinrich's Axioms of Industrial Safety.
4. Explain the following concepts in the domino theory: preceding factor and central factor.
5. What are the three broad factors that lead to human error in the human factors theory? Briefly explain each.
6. Explain the systems failure component of the accident/incident theory.
7. What are the key components of the epidemiological theory? How does their interaction affect accident causation?
8. Explain the systems theory of accident causation.
9. What impact do stressors have in the systems theory?
10. List five factors to consider before making workplace decisions that involve risk.
11. Explain the principles of behavior-based safety.

Critical Thinking and Discussion Activities

1. First student: "All accidents, one way or the other, are the result of human error." Second student: "No, accidents are the result of a combination of things." First student: "I disagree, after all, any other factor that

contributes to an accident can be traced back to human error somewhere down the line." Join this debate. What is your opinion?

2. "I don't agree with any of the models of accident causation. No two accidents have the same cause. All accidents are different. These models are a waste of time." This is the opinion of one construction technology student at Barton State University. A fellow student disagrees. This student counters, "You are wrong. Select any one of the models, and I can use it to explain any accident." Join this debate. What is your opinion?

Application Activities

1. Identify a workplace accident or incident that was prominent enough to be included in safety and health journals. Analyze the accident or incident using the following models: human factors theory and systems theory.
2. Repeat Activity 1 using a different accident or incident and the following models: combination theory and behavioral theory.

Endnotes

1. National Safety Council, *Accident Facts* (Chicago: NSC, 2008), 23.
2. *Ibid.*, 24.
3. *Ibid.*, 26.
4. National Safety Council, *Accident Prevention Manual: Engineering & Technology*, 12th ed. (Itasca, IL: NSC, 2001), 76.
5. *Ibid.*, 81.
6. *Ibid.*
7. *Ibid.*
8. *Ibid.*
9. Topf, M. A., "Chicken/Egg/Chegg!" *Occupational Health and Safety* 68, no. 6 (June 1999): 60–66.
10. Goetsch, D. L., *Implementing Total Safety Management* (Upper Saddle River, NJ: Prentice Hall, 1998), 227.
11. *Ibid.*, 228.
12. *Ibid.*, 229.
13. Geller, E. S., "Behavior-Based Safety: Confusion, Controversy, and Clarification," *Occupational Health and Safety* 68, no. 1 (January 1999): 40–49.
14. *Ibid.*, 44.
15. Fern, B., and L. P. Alzamora, "How and Why Behavioral Safety Needs to Change," *Occupational Health and Safety* 68, no. 9 (September 1999): 69.
16. *Ibid.*

ETHICS AND SAFETY

MAJOR TOPICS

- An Ethical Dilemma
- Ethics Defined
- Ethical Behavior in Organizations
- Construction Professionals' Role in Ethics
- Company's Role in Ethics
- Handling Ethical Dilemmas
- Questions to Ask When Making Decisions
- Ethics and Whistle-Blowing

Practically everyone agrees that the business practices of construction companies should be above reproach with regard to ethical standards. Few people are willing to defend unethical behavior. For the most part, industry in the United States operates within the scope of accepted legal and ethical standards.

However, unethical behavior occurs often enough to require that construction professionals be aware of the types of ethical dilemmas they may face and know how to deal with such issues. How to deal successfully with ethics on the job is the subject of this chapter.

AN ETHICAL DILEMMA

Southland Prestressed Concrete (SPC) company has been awarded a contract to build an ultramodern multistory shopping mall. The "University Mall" is the largest contract SPC has ever undertaken. This is the good news. The bad news is that, to win the contract, SPC's vice president of sales and marketing had to agree to a completion date that, if not unreasonable, is at least going to be challenging. In addition, all exposed concrete surfaces on the project must be sprayed with a specified paint that is highly toxic and difficult to apply.

SPC's painting subcontractor has never used this particular type of paint before. Personal protective equipment (PPE) and other engineering controls can minimize the potential hazards, but all precautions must be stringently observed—with absolutely no shortcuts. In addition, the manufacturer of the paint recommends three full days of training for all employees who will work with the paint. But there is a problem: The recommended training cannot be provided soon enough to fit into SPC's expedited schedule for this job.

In a secret meeting, SPC's executive managers decide to purchase the necessary PPE, use the toxic paint as specified, and forgo the recommended training. In addition, the executives decide to withhold from employees all information about the toxicity of the paint. Camillo Rodriguez, safety engineer for SPC, was not invited to the secret meeting. However, the decisions made during the meeting were slipped to him anonymously. Rodriguez now faces an ethical dilemma. What should he do? If he chooses to do nothing, employees of SPC's painting subcontractor might be inappropriately exposed to a highly dangerous substance. If he shares what he knows with the subcontractor, he might be called upon to testify about what he knows—a step that could cost him his job and threaten his career. This is an example of the type of ethical dilemma that construction professionals may face on the job.

ETHICS DEFINED

Any time that ethics is the topic of discussion, terms such as *conscience*, *morality*, and *legality* are frequently heard. Although these terms are closely associated with ethics, they do not, by themselves, define it. For the purpose of this book, ethics is defined as follows:

Ethics is the study of morality within a context established by cultural and professional values, social norms, and accepted standards of behavior.¹

Morality refers to the **values** that are subscribed to and fostered by society in general. Ethics attempts to apply reason in determining rules of human conduct that translate morality into everyday behavior. **Ethical behavior** falls within the limits prescribed by morality.

How then does a construction professional know if someone's behavior is ethical? Ethical questions are rarely black and white. They typically fall into a **gray area** between the two extremes of right and wrong. Personal experience, self-interest, point of view, and external pressure often cloud this gray area even further.

Guidelines for Determining Ethical Behavior

Guidelines are needed for construction professionals to use when trying to sort out matters that are not clearly right or wrong. First, however, it is necessary to distinguish between the

SAFETY FACTS & FINES

It is not uncommon for the Occupational Safety and Health Administration (OSHA) to inspect a company on the basis of a complaint from an employee or other concerned individual. This is what happened to a company in Houston, Texas. The company was fined \$128,000 and cited for unsafe electrical conditions, failure to provide adequate personal protective equipment for employees, and improper electrical grounding of machines. There are no secrets when it comes to unsafe working conditions.

the right of due process? Do employees have access to an objective grievance procedure? Are there appropriate safety and health measures to protect employees? Are hiring practices fair and impartial? Are promotion practices fair and objective? Are employees protected from harassment based on race, gender, or other reasons? A company that establishes an environment that promotes, expects, and rewards ethical behavior can answer yes to all of these questions.

One effective way to create an ethical environment is to develop an ethics policy and specific, written guidelines for implementing that policy. A sample ethics policy follows:

J. R. Makin Construction Company will conduct its business in strict compliance with applicable laws, rules, regulations, corporate policies, procedures, and guidelines. We will conduct all business with honesty, integrity, and a strong commitment to the highest standards of ethics. We have a duty to conduct our business with both the letter and the spirit of the law.

This statement would set the tone for all employees at J. R. Makin Construction Company—letting them know that higher management not only supports ethical behavior but also expects it. This approach makes it less difficult for construction professionals who find themselves caught between the pressures of productivity and the maintenance of safe work practices.

Setting an Ethical Example

Companies that take the “do as I say, not as I do” approach to ethics do not succeed. Employees must be able to trust their company leaders to conduct all external and internal dealings in an ethical manner. Companies that do not pay their bills on time, companies that pollute, companies that place short-term profits ahead of employee safety and health, companies that do not live up to advertised quality standards, companies that do not stand behind their guarantees, and companies that are not good neighbors in their communities are not setting a good ethical example. Such companies can expect employees to mimic their unethical behavior.

A final word on the company’s role in ethics: In addition to creating an ethical internal environment and handling external dealings in an ethical manner, companies must support employees who make ethically correct decisions. This support must be given not just when such decisions are profitable, but in all cases. For example, in the ethical dilemma presented earlier in this chapter, imagine that Camillo Rodriguez decided that his ethical choice was to confront the management team with his knowledge of the hazards associated with the paint. Management had given the order to

withhold critical information. This was obviously the profitable choice in the short run. But was it the ethical choice? If Rodriguez did not think so, would higher management stand behind him? If not, everything else that the company does to promote ethics will fail.

HANDLING ETHICAL DILEMMAS

Nobody serves long as a construction professional without confronting an ethical dilemma. How then should one proceed? There are three steps (Figure 4-4):

1. Apply the various guidelines presented earlier in this chapter for determining what is ethical.
2. Select one of the three basic approaches to handling ethical questions.
3. Proceed in accordance with the approach selected, and proceed with consistency.

Step 1: Apply the Guidelines

In Step 1, you should apply as many of the tests set forth in Figure 4-1 as necessary to determine the ethically correct decision. In applying these guidelines, attempt to block out all mitigating circumstances and other factors that tend to cloud the issue. At this point, the goal is only to identify the ethical choice. Deciding whether to implement the ethical choice comes in the next step.

Step 2: Select the Approach

When deciding how to proceed after Step 1, you have three basic approaches, as set forth in Figure 4-3: the best-ratio, black-and-white, and full-potential approaches. These approaches and their ramifications can be debated ad infinitum; however, selecting an approach to ethical questions is a matter of personal choice. Factors that affect the ultimate decision include your personal makeup, the expectations of the company, and the degree of company support.

Steps for Handling Ethical Dilemmas

1. Apply the guidelines.
2. Select the approach.
3. Proceed accordingly and consistently.

FIGURE 4-4 Handling ethical dilemmas.

Step 3: Proceed with the Decision

The approach selected in Step 2 dictates how you should proceed. Two things are important in Step 3. The first is to proceed in strict accordance with the approach selected. The second is to proceed consistently. *Consistency* is critical when handling ethical dilemmas. Fairness is a large part of ethics, and consistency is a large part of fairness. The grapevine will ensure that all employees know how an ethical dilemma is handled. Some will agree and some will disagree, regardless of the decision. Such is the nature of human interaction. However, regardless of their differing perceptions of the problem, employees respect consistency. Conversely, even if the decision is universally popular, you may lose respect if the decision is not consistent with past decisions.

QUESTIONS TO ASK WHEN MAKING DECISIONS

Construction professionals often must make decisions that have ethical dimensions. A constant state of tension exists between meeting contract schedules and maintaining employee safety. Construction professionals will find themselves right in the middle of these issues. The following questions can and should be asked when decisions are being made about issues that have ethical dimensions. Construction professionals should ask these questions themselves, and they should encourage other decision makers within their organizations to do the same.

- Has the issue or problem been thoroughly and accurately defined?
- Have all dimensions of the problem (e.g., productivity, quality, cost, safety, health) been identified?
- Would other stakeholders (employees and customers) agree with your definition of the problem?
- What is your real motivation in making this decision? Meeting a deadline? Outperforming another organizational unit or a competitor? Self-promotion? Getting the job done right? Protecting the safety and health of employees? Some combination of these?
- What is the probable short-term result of your decision? What is the probable long-term result?
- Who will be affected by your decision and in what way? In the short term? In the long term?
- Did you discuss the decision with all stakeholders (or all possible stakeholders) before making it?
- Would your decision withstand the scrutiny of employees, customers, colleagues, and the general public?

Construction professionals should ask themselves these questions, but equally important, they should also insist that other managers do the same. The manager responsible for meeting this month’s deadline may be so focused on the date that he or she overlooks safety. The manager who is feeling the pressure to cut costs may make decisions that work in the

short term but have disastrous consequences in the long term. Questions such as these can help managers broaden their focus and consider the long-range effects of their decisions.

ETHICS AND WHISTLE-BLOWING

What can construction professionals do when their employer is violating legal or ethical standards? The first option, of course, should be to bring violations to the attention of appropriate management executives through established channels. In most cases, this is sufficient to stop the illegal or unethical behavior. But what about those occasions when you are ignored or, worse yet, told to “mind your own business”? These are the types of situations that have led to the concept of whistle-blowing, which can be defined as follows:

Whistle-blowing is the act of informing an outside authority or media organ of alleged illegal or unethical acts on the part of an organization or individual.

Problems with Whistle-Blowing

American society has an interesting attitude toward the concept of whistle-blowing. There seems to be an inherent uneasiness with the concept that is deeply rooted in the American psyche. Even when the illegal or unethical practice in question threatens the safety and health of employees, some people still do not like whistle-blowers. There is often a “don’t tell” mentality that causes whistle-blowers to be shunned and viewed as outcasts. As children, we learned not to be tattletales. Many adults still seem to hold to this philosophy.

The “don’t be a tattletale” attitude is only one of the problems that works against whistle-blowing. Here are some others.

- *Retribution.* People who blow the whistle on their employer may be subjected to retribution. They may be fired, transferred to an undesirable location, or reassigned to an undesirable job. They may also be shunned. There are numerous ways—legal ways—for an employer to take retribution against a whistle-blower.
- *Damaged relationships and hostility.* Blowing the whistle about an illegal or unethical practice can often damage relationships. Somebody—by commission or omission—is responsible. That person, or those persons, may be disciplined as a result. When this happens, people tend to choose sides, which, in turn, leads to damaged relationships. Damaged relationships are often manifested in the form of hostility directed toward the whistle-blower.
- *Loss of focus.* Whistle-blowers often find that their time, energy, and attention are overtaken by the events surrounding the claim of illegal or unethical behavior. Rather than focusing on doing their jobs, they find themselves dealing with retribution, damaged relationships, and hostility.

SAFETY FACTS & FINES

Companies are subject to fines not just from OSHA, but also from organizations such as the Environmental Protection Agency (EPA). The EPA is especially watchful when it comes to how hazardous waste is stored and disposed of. A construction waste processing company in Philadelphia was fined \$400,000 by the EPA for violation of waste-storage rules. Specifically, the company was cited for storing more waste than its permits allowed, failing to keep its emergency management plan up to date, and failing to notify the EPA of these violations. In addition to the fine, the company was required to change the way it operates. It was required to scale back the amount of waste it handles by 2,000 tons per day and to hire an environmental manager to oversee its daily operations.

- **Scapegoating.** Negative consequences can certainly occur as a result of whistle-blowing. Because of this, some people may decide to ignore the issue or to raise it to the next level of management and let it drop there. The problem with this approach is the issue of *accountability*. When an employee is injured or the environment is damaged, the actions of construction professionals are certain to be closely scrutinized: "Did you know about the hazardous condition?" "Did you do everything in your power to prevent the accident or incident?" These types of questions are always asked when litigation is brought, as is often the case. An irresponsible organization facing charges of negligence may begin looking for a convenient scapegoat. Managers and supervisors can become targets.
- **Unlawful acts by employers.** It is unlawful for an employer to intimidate, threaten, restrain, coerce, blacklist, discharge, or in any other manner discriminate against any employee because this employee has engaged in a protected activity.
- **Complaint.** An employee or employee representative may file a complaint charging discrimination in violation of the ERA within 180 days of the discriminatory action. A complaint must be in writing and should include a full statement of facts, including the protected activity engaged in by the employee, knowledge by the employer of the protected activity, and the basis for believing that the activity resulted in discrimination against the employee by the employer. A complaint may be filed in person or by mail at the nearest local office of OSHA, U.S. Government, Department of Labor, or with the Office of the Assistant Secretary, OSHA, U.S. Department of Labor, Washington, D.C. 30210.
- **Enforcement.** OSHA reviews the complaint to ensure that it makes an initial showing of discrimination. If not, or if the employer provides clear and convincing evidence that there was no discrimination, there is no investigation. If the required showing is made, OSHA notifies the employer and conducts an investigation to determine whether a violation has occurred. Either the employee or the employer may request a hearing.
- **Relief.** If discrimination is found, the employer is required to provide appropriate relief, including reinstatement (even in the period between the decision and appeal), back wages, or compensation for injuries suffered from the discrimination, and attorney's fees and costs.

OSHA and Whistle-Blowing

OSHA dealt with the issue of whistle-blowing for certain employees when it adopted regulations governing the *employee protection* provisions of Section 211 (formerly Section 210) of the Energy Reorganization Act (ERA). This statute makes it illegal for an employer covered by the act to discharge an employee or otherwise discriminate against an employee in terms of compensation, conditions, or privileges of employment because the employee or any person acting at the employee's request performs a protected activity.

Employers covered by the ERA include the following:

- Licensees of the Nuclear Regulatory Commission or an agreement state (including applicants for a license)
- A contractor or subcontractor of a licensee or applicant
- A contractor or subcontractor of the Department of Energy

Key provisions of the ERA are summarized as follows:

- **Right to raise a safety concern.** You are engaged in protected activity when you (1) notify your employer of an alleged violation of the ERA, (2) refuse to engage in any practice made unlawful by the ERA if you have identified the alleged illegality to the employer, (3) testify before Congress or at any federal or state proceeding regarding any provision or proposed provision of the ERA, (4) commence or cause to be commenced a proceeding under the ERA or a proceeding for the administration or enforcement of any requirement imposed under the ERA, (5) testify or are about to testify in any such proceeding, or (6) assist or participate in such a proceeding or in any other action to carry out the purposes of the ERA.

Noncovered Whistle-Blowing

The ERA covers a number of different types of organizations, but most employers fall outside of the law's coverage. Consequently, employees in many organizations have no special protection when they blow the whistle on an unethical employer. This is one more reason why construction professionals should encourage their employers to develop comprehensive safety and health policies.

A key element of such a policy should be a mechanism that allows employees to raise questions about safety and health concerns. Such a mechanism should contain provisions that protect employees who have raised the concerns from retribution by the employer.

Summary

Ethics is the study of morality. Morality refers to the values that are subscribed to and fostered by society. Ethics attempts to apply reason in determining rules of human conduct that translate morality into everyday behavior.

Behavior is ethical when it falls within the limits prescribed by morality.

Legal and *ethical* are not the same. If something is illegal, it is also unethical. However, just because something is legal does not mean that it is ethical. An act can be legal but unethical.

To determine if a choice is ethical, you can apply the following tests: *morning after*, *front page*, *mirror*, *role reversal*, and *common sense*.

Safety and health professionals have a three-pronged role with regard to ethics. They are responsible for setting an ethical example, helping employees to make ethical decisions, and helping employees to follow through and actually undertake the ethical option.

Safety and health professionals have three approaches available in handling ethical dilemmas: best ratio, black and white, and full potential.

The company's role in ethics is to create an ethical environment and to set an ethical example. An effective way is to develop a written **philosophy of ethics** and share it with all employees.

Three personality characteristics that can influence an employee's ethical behavior are *ego strength*, *Machiavellianism*, and *locus of control*.

People facing ethical dilemmas should apply the tests for determining what is ethical, select one of the three basic approaches, and proceed consistently.

Whistle-blowing is the act of informing an outside authority or the media of alleged illegal or unethical acts on the part of an organization or individual.

Key Terms and Concepts

Best-ratio approach	Legality
Black-and-white approach	Locus of control
Common-sense test	Machiavellianism
Conscience	Mirror test
Ego strength	Morality
Ethical behavior	Morning-after test
Ethical environment	Philosophy of ethics
Ethics	Role-reversal test
Front-page test	Values
Full-potential approach	Whistle-blowing
Gray area	

Review Questions

1. Define the term *morality*.
2. Define the term *ethics*.

3. Briefly explain each of the following ethics tests: *morning after*, *front page*, *mirror*, *role reversal*, and *common sense*.
4. What is the safety and health professional's role with regard to ethics?
5. Briefly explain the following approaches to handling ethical behavior: best ratio, black and white, and full potential.
6. Briefly explain a company's role with regard to ethics.
7. Explain how one should proceed when facing an ethical dilemma.
8. Write a brief philosophy of ethics for a chemical company.
9. List the individual and social factors that may influence an employee's ethical behavior.
10. List and briefly describe the *Five Ps of Ethical Power* as set forth by Blanchard and Peale.
11. What question should safety and health professionals ask when making decisions that have an ethical component?
12. Explain the most common problems associated with whistle-blowing.

Critical Thinking and Discussion activities

1. You are a safety supervisor for Mid-West Construction Company. Part of your job is investigating workers' compensation claims that the company thinks might be overstated or even fraudulent. Your son is a warehouse foreman for a branch of Mid-West that is located in another city. Your son is visiting you while recuperating from a back injury for which he is collecting workers' compensation. You got your son his job at Mid-West. While visiting, he jogs, lifts weights, and plays softball with friends. You realize from this that your son is not really injured. What should you do?
2. The framing supervisor and the union representative have just had a chin-to-chin disagreement about removing the new safety guards from sawing machines used to prefabricate roof trusses. They have asked you—the safety manager for the company—to mediate the dispute. According to the framing supervisor, "We ran these machines for five years without these so-called safety guards and never had an accident. The only reason we put them on was because some OSHA inspector suggested it. They are fine when we aren't in a hurry, but they slow us down when the rush is on, and it's on now." The union representative counters, saying, "These machines are dangerous. He's so worried about making a deadline that management never should have agreed to in the first place that he doesn't care about the safety of my people." What is the right thing to do here? What is your opinion?

3. You are the designated "competent person" responsible for safety at your company's "Bay Bridge construction site." Your company has the contract to build a four-lane bridge across Martin's Bay. Much of the heavy work is done using a crane floated on a barge. The project got off to a good start and was even running ahead of schedule. Then the hurricane season came, and the water was too choppy to use the floating crane for two full weeks. To make matters even worse, the choppy waters banged the barge against a test pile, creating enough damage to put it out of action. Fair weather has returned, and everyone is anxious to get caught up. In fact, the state road department is threatening to enforce the \$5,000 per day penalty clause in the contract if the bridge is not completed on time. The pressure to produce is intense. A replacement barge has been located and put in service. This is where your dilemma comes in. The barge is too small. The crane plus the loads it picks up exceed the rated capacity of the barge. Only you and your company's top managers know this. Work has proceeded without incident so far, but you are concerned that it is just a matter of time before tragedy strikes. In your opinion—an opinion supported by the barge's specifications—the barge could actually capsize unless conditions on the water are perfect. They have been so far, but the water conditions change with the weather, and the weather is always unpredictable. What should you do? What is your opinion?

Application Activities

1. Interview management-level personnel from a local construction company. Ask them to share (without naming companies or individuals) ethical dilemmas they have faced or of which they are aware. What were the factors involved? How was the dilemma handled? What were the consequences?
2. Conduct the library research necessary to identify cases in which companies made poor choices when facing ethical dilemmas. What were the circumstances? Who was involved? What happened? What should have been done?
3. Conduct a telephone survey to locate a construction company in your community or region that has a written ethics policy. Request a copy of the policy and analyze its contents. What is your opinion of the policy? Is it weak or strong? How could it be improved?

Endnotes

1. Goetsch, D. L., *Effective Supervision* (Columbus, OH: Prentice Hall, 2001), 81.
2. Blanchard, K., and N. V. Peale, *The Power of Ethical Management* (New York: Ballantine Books, 1988), 10–17.
3. Ibid., 79.
4. Trevino, L. K., "Ethical Decision Making in Organizations: A Person-Situation Interactionist Model," *Academy of Management Review* 11, no. 3 (1996): 601–17.

WORKERS' COMPENSATION AND OTHER KINDS OF CONSTRUCTION INSURANCE

MAJOR TOPICS

- Overview of Workers' Compensation
- Historical Perspective
- Workers' Compensation Legislation
- Modern Workers' Compensation
- Workers' Compensation Insurance
- Resolution of Workers' Compensation Disputes
- Injuries and Workers' Compensation
- Disabilities and Workers' Compensation
- Monetary Benefits of Workers' Compensation
- Medical Treatment and Rehabilitation
- Medical Management of Workplace Injuries
- Administration and Case Management
- Cost Allocation
- Problems with Workers' Compensation
- Spotting Workers' Compensation Fraud or Abuse
- Future of Workers' Compensation
- Cost-Reduction Strategies
- Other Kinds of Construction Insurance

OVERVIEW OF WORKERS' COMPENSATION

The concept of **workers' compensation** developed as a way to allow injured employees to be compensated appropriately without having to take their employer to court. The underlying rationale for workers' compensation has two aspects: (1) fairness to injured employees, especially those without the resources to undertake often lengthy and expensive legal actions, and (2) reduction of costs associated with workplace injuries (e.g., legal, image, and morale costs). Workers' compensation is intended to be a no-fault approach to resolving workplace accidents by rehabilitating injured employees and minimizing the personal losses that result because of their reduced ability to perform and compete in the labor market.¹ Since its inception as a concept, workers' compensation has evolved into a system that pays out approximately \$70 million in benefits and medical costs annually. Some of the highest workers' compensation insurance rates are in construction fields (e.g., roofers).

Workers' compensation represents a compromise between the needs of employees and the needs of employers.

Employees give up their right to seek unlimited compensation for pain and suffering through legal action. Employers award the prescribed compensation (typically through insurance premiums) regardless of the employee's negligence. The theory is that, in the long run, both employees and employers benefit more than either would through legal action. As you will see later in this chapter, although workers' compensation has reduced the amount of legal action arising out of workplace accidents, it has not eliminated legal actions.

Objectives of Workers' Compensation

Workers' compensation laws are not uniform across states. In fact, there are extreme variations. However, regardless of the language contained in the enabling legislation in a given state, workers' compensation has several widely accepted objectives:

- Replacement of income for injured employees
- Rehabilitation of the injured employee
- Prevention of accidents
- Allocation of cost²

The basic premises underlying these objectives are described in the following paragraphs.

Replacement of Income. Employees injured on the job lose income if they are unable to work. For this reason, workers' compensation is intended to replace the lost income adequately and promptly. Adequate **income replacement** is viewed as replacement of current and future income (minus taxes) at a level of two-thirds of actual income (in most states). Workers' compensation benefits are required to continue, even if the employer goes out of business.

Rehabilitation of the Injured Employee. A basic premise of workers' compensation is that the injured worker will return to work in every case possible, although not necessarily in the same job or career field. For this reason, a major objective of workers' compensation is to rehabilitate the injured **employee**. The **rehabilitation** program provides the necessary medical care at no cost to the injured employee until he or she is pronounced fit to return to work. The program also provides vocational training or retraining as needed. Both components seek to motivate the employee to return to the labor force as soon as possible.