

TESTIMONY OF MICHAEL J. WIDMER  
BEFORE THE JOINT COMMITTEE ON COMMERCE AND LABOR  
MARCH 21, 2001  
H. 777

Chairman Lynch and Chairman Greene, members of the Joint Committee on Commerce and Labor. I am Michael Widmer, President of the Massachusetts Taxpayers Foundation, and I appreciate the opportunity to testify in opposition to H.777.

Over the past ten years the Legislature has approved a long list of initiatives -- such as workers' compensation reform and targeted tax relief -- to improve the competitive landscape for Massachusetts employers. These steps have recognized the reality that most Massachusetts businesses, especially manufacturers, face serious cost disadvantages vis-a-vis their competitors in other states.

No change has had a clearer impact on the competitive position of Massachusetts employers than the workers' compensation reforms of 1991. In 1989 premiums for workers' compensation insurance in Massachusetts were the 14<sup>th</sup> highest of the 46 states that sold commercial coverage, 13 percent higher than the national average. By 2000 Massachusetts ranked 31<sup>st</sup>, with employers now paying 15 percent less than the national average. Among our major competitor states, only North Carolina has lower workers' compensation costs.

Because of the reforms, we now have a much fairer and stronger system. Claims and disputes are settled faster to eliminate backlogs and delays; benefits support a reasonable temporary income while encouraging a return to work; more effective rehabilitation programs get workers back on the job more quickly; and financial incentives encourage employers to provide a safe workplace. These measures have enabled the system to operate at a lower cost while maintaining appropriate benefits to injured workers.

Unfortunately, H.777 would reverse the positive changes enacted in 1991, heading us back towards a system characterized by enormous backlogs, misguided financial incentives, and exploding premium costs that harmed both employers and employees.

Make no mistake, despite the 1991 improvements and other positive initiatives, Massachusetts remains a very high cost state for business and we can ill afford to turn the clock back on workers' compensation reform:

- ! Our unemployment insurance rates are the seventh highest in the country, almost double the national average;
- ! Our commercial and industrial energy rates rank seventh and fourth, respectively;
- ! Our health care costs are consistently at or near the highest in the nation.

When all these costs are combined, Massachusetts still ranks as the second most expensive state to do business, according to the economic forecasting firm RFA in a November 1998 report.

With the national and state economies softening dramatically, this is the worst possible time to increase the cost of doing business in Massachusetts vis-a-vis our competitor states, as H.777 would certainly do. I urge the Commerce and Labor Committee to oppose H.777 and to protect the hard-won gains over the past decade that have encouraged employers to retain and expand their operations in Massachusetts. In that way we will protect the jobs of Massachusetts workers.

## **Massachusetts Workers' Compensation Insurance Rates**

<b>Year</b>	<b>Manual Rates (per \$100 of payroll)</b>	<b>US Average</b>	<b>% Difference from US Average</b>	<b>Massachusetts Ranking</b>
1989	\$2.51	\$2.23	+13%	14
1995	\$5.54	\$5.39	+2.8%	19
2000	\$2.73	\$3.21	-15%	31

Source: Actuarial & Technical Solutions, Inc., *Workers Compensation State Rankings: Manufacturing Industry Costs and Statutory Benefit Provisions*, 2000 Edition, Ronkonkoma, NY