

Opinion Piece by Governor John Engler  
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South Carolina, one of the safest places to work in America, is in danger of becoming one of the most unsafe places to invest in jobs.

Consider: Overall, South Carolina's injury rates are lower than neighboring Southeastern states, with one of the best safety rates in the country. That's good news for South Carolina workers and evidence that local employers make safety a priority. Little wonder that seven years ago South Carolina's workers' comp premium rates were as balmy as Charleston weather—ranked at 49th place in cost.

Now South Carolina workers' comp costs have zoomed 24 places to rank the state at 25th place, with double-digit increases in premiums sure to drive it up even more. Incredibly, South Carolina's workers' comp assessments are 10 times those of the nation's biggest state, California.

What went wrong?

The problem rests with the state's Workers' Compensation Commission. In 32 other states, similar bodies use objective standards like those of the American Medical Association to match compensation with injuries—but not in South Carolina.

When it comes to deciding how much to compensate, the commission uses the venerable “bigger than a breadbox” standard. As a result, awards are uneven, unfair and unpredictable.

But the commission's subjective approach does leave room for one unyielding set of standards—the moneyed interests of well-heeled trial lawyers. The state's original workers' compensation plan did not require lawyers. Today in many cases, attorneys advise claimants that the commission will increase their “impairment rating” by at least 50 percent to cover legal fees.

Alarmed by the resulting rise in premiums, South Carolina business petitioned leaders in Columbia for relief. In June, Gov. Mark Sanford signed a reform package, streamlining the appeals process, toughening language on “repetitive trauma” claims, requiring stricter standards for “expert” medical testimony and enacting other reforms to ensure consistency while respecting workers' need for fair compensation.

In late September, Gov. Sanford followed up by issuing an executive order that requires the Workers' Compensation Commission to adopt AMA standards. Insurance companies told the state insurance director that they would drop premiums by 10 to 15 percent.

This is no surprise. Since enacting reforms in 2003, California has enjoyed a cumulative rate reduction of 55 percent; Florida has seen a 13-percent decrease in workers' compensation rates in one year alone.

But where entrenched interests are concerned, reform rarely comes easily. Despite the fact that the governor appoints these commissioners – who are part of the executive, not judicial branch of government – they flatly refused to obey his order.

As the former governor of Michigan, this defiance leaves me baffled. When I was governor, I frequently used executive orders to clear roadblocks and red tape that were strangling business opportunities. As a former chairman of the National Governors Association, I can attest that Gov. Sanford's order requiring his executive branch appointees to conform to a reasonable standard is neither unusual nor improper.

A lot is at stake for the future of South Carolina's business development efforts. The National Council on Compensation Insurance estimates using objective standards, like the AMA guidelines,

should save South Carolina businesses \$72 million--money that could go to expansion, payroll and benefits.

South Carolina is competing for high-paying jobs and capital investment not just with aggressive regional competitors like North Carolina and Virginia, but with international competitors, as well. Global manufacturers, like all businesses, seek a fair, predictable business environment.

The enactment of Gov. Sanford's recent executive order would enable exactly that – and that would be a godsend for companies that want to relocate to South Carolina and to those who have already committed to invest in the state, like Beneteau, the French sailboat maker. Beneteau has manufactured sailboats in Marion County for more than 20 years, and now employs 300 South Carolinians. For companies that invest in the South Carolina future, the enactment of Gov. Sanford's executive order would be a fair wind indeed.

John Engler is the former governor of Michigan and the president of the National Association of Manufacturers.

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