
Drug Testing Proves Positive Results in Decreasing Workers' Compensation Mods

Study revealing the results of drug testing and its
impact on in reducing workers' compensation
experience-rating modification factors

Provided by: The Jacobs Company, Inc.



Introduction

From international corporations to small local contractors, construction companies that test for drugs appear to be successfully reducing workplace injuries, according to a new Cornell University study. "While drug testing is controversial, the study provides useful data on a readily measurable outcome," says its author, Jonathan Gerber, a May 2000 graduate of Cornell's School of Industrial and Labor Relations. The study was part of his three-year independent research project. ILR Professor of Labor Economics, Robert S. Smith served as adviser to the study, which has caught public attention and is pending publication in a national journal.

In the past 15 years, drug testing in the U.S. workplace has gone from ground zero to widespread employer acceptance. In 1983, less than 1 percent of employees were subject to drug testing. Today, about 49 percent of full-time workers are subject to some form of workplace drug testing, according to the Substance Abuse and Mental Health Services Administration, a division of the U.S. Department of Health and Human Services.

This growth is particularly evident within the construction industry. High rates of drug and alcohol abuse in the industry, coupled with the high-risk, safety-sensitive nature of the industry for workers and the general public, have prompted many companies to implement a variety of safety strategies, including drug testing.

In his study, *An Evaluation of Drug Testing in the Workplace: A Study of the Construction Industry*, Gerber proposed to test how effective drug-testing programs at construction companies were in making the workplace safer. He developed a survey that he sent in December 1999 to a randomly selected national sample of officials at 405 construction companies. Officials

at 71 companies responded. Gerber examined the data on injury incident rates and workers' compensation experience-rating modification factors compiled over a five-year period and supplied by National Council on Compensation Insurance.

The study's findings

On average, those companies in the study sample that tested workers and job applicants for drugs experienced a 51 percent reduction in injury rates within two years of implementing a drug-testing program, compared with only a 14 percent decline in injury rates in the average construction company in general during the same two-year period. Specifically the injury rate at construction companies that tested for drug use dipped from 8.92 incidents per 200,000 work-hours before the drug-testing program was put in place to 4.36 incidents afterward.

Construction companies that test for drugs may save substantially on their workers' compensation premiums. As a result of fewer job site accidents and injuries, the average drug-testing company in the study sample experienced an 11.41 percent reduction in its workers' compensation experience-rating modification factor. At the same time, companies in the study sample that did not employ drug testing saw no such decline. Experience-rating modification factors are part of a program to help insurance companies establish workers' compensation premiums based on company safety records. Companies with an average safety record within their industry and state have an experience-rating modification factor of 1.0, while companies with a better than average safety record have a modification factor of less than 1.0.

Drug testing is most effective in reducing workers' compensation experience-rating modification

factors in the first three years following the implementation of a program. The vast majority of respondents, whether or not their companies tested for drugs, believed substance abuse was a "moderately serious problem" in the construction industry. However, most believed workplace drug and alcohol abuse dropped between 1994 and 1999.

Seventy-two percent of the respondents at companies with drug-testing programs in place said they believed the benefits of drug testing outweighed the costs.

Respondents generally believed that their company's drug-testing programs had had a positive impact in virtually every respect. They cited better overall safety of the work environment, reductions in workers' compensation costs and improved quality of job applicants.

The number one reason why officials at the construction companies surveyed tested employees and job applicants for drugs was to promote worker and customer safety. Respondents believed that drug testing contributed positively to a company's image and was an effective deterrent to workplace drug abuse.

The number one reason why some employers did not test employees and job applicants for drugs was concern of increased legal liability: other reasons included high cost and restrictive state legislation.

The study also revealed that larger construction companies were significantly more likely to test workers for drugs and alcohol. That finding suggests small firms are particularly vulnerable to substance abuse problems, as drug users may intentionally seek out employment at companies where their substance abuse is not likely to be detected.

While the study's results are interesting and suggest that further examination of the subject is warranted, "people should bear in mind that the data used [in Gerber's study] were from firms willing to participate," said Smith, Gerber's adviser.

Managing your mod

As this study indicates, the positive effects of a drug-free workplace policy are many — and it all starts with proper screening of job applicants and periodic random testing of employees.

The Jacobs Company, Inc. has the expertise to assist your company in developing or enhancing your current drug and safety policies. Contact us today at 410-995-6611 to learn how we can assist you in reducing your injury rates and mod to impact your bottom line.

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