

Older Workers Face More Serious Consequences From Workplace Injuries

By Jeff Biddle, Leslie I. Boden, and Robert T. Reville

Summary

Comparing the outcomes of workplace injuries in three states—California, Washington, and Wisconsin—suggests that older workers are more likely than their younger counterparts to have permanent disabilities as a result of those injuries. This is true even though older workers have fewer workplace accidents. In addition, older workers suffer larger wage losses over the first few years after injury, they have lower replacement rates from workers' compensation benefits, and they experience more injury-related days of non-employment.

Workers' compensation is a state-administered system that provides benefits, without regard to fault, to workers injured on the job. This brief explores the relationship between age and the consequences of workplace injuries. Other studies have found that the likelihood of workplace injuries declines with age. But, when injuries do occur, older workers suffer more restricted activity days and bedridden days than do younger workers, on average (Burton and Spieler, 2001).

This study used state administrative data on workers' compensation claims that the researchers linked to longitudinal earnings records. This approach enabled estimates of lost earnings of injured or ill workers.

Permanent Disability More Common Among Older Injured Workers

Workers' compensation benefits are set by formulas that differ from state to state. California, Wisconsin, and Washington, like most other states, pay both temporary total disability (TTD) benefits and permanent partial

disability (PPD) benefits. TTD benefits are intended to provide income support during recovery. PPD benefits are intended to compensate workers for the losses associated with a permanently disabling workplace injury. States also pay benefits for permanent total disability but these cases are relatively rare and are not included in this analysis. Nationally, benefits for permanent total disabilities are paid to less than 0.5 percent of all injured workers who receive workers' compensation cash benefits (National Council on Compensation Insurance, 2000).

In all three states, older injured workers are more likely than their younger counterparts to receive benefits for permanent, as opposed to only temporary, disability (Table 1). This is consistent with other findings that older workers suffer more lasting consequences of workplace injuries. The figures in Table 1 show the number of workers receiving permanent disability benefits as a percent of all injured workers with either temporary or permanent disability benefits. In Wisconsin, those with benefits for permanent disability account for 28 percent of injured workers age 55 and older compared to 21 percent of those ages 35–54. The increase

Table 1
Workers with Benefits for Permanent Disability
As a Percent of All Injured Workers Receiving Workers' Compensation, by Age

Sample	Age Group			Overall
	Under 35	35-54	Over 55	
Wisconsin ¹	14	21	28	18
Washington ²	17	27	39	23
California ³	37	47	49	44

1 Source: Wisconsin Division of Workers' Compensation, authors' calculations.

2 Source: Washington State Department of Labor and Industries, authors' calculations.

3 Source: Random sample of self-insured indemnity claims from 1991-1996, data collected by RAND.

in permanent disability with age is largest in Washington, where the proportion of injured workers who receive permanent disability benefits rose from 27 percent of those age 35-54 to 39 percent of those age 55 and older. Older workers in California were the most likely to receive benefits for permanent disability, perhaps because California used a relatively permissive description of permanent disability and, consequently pays more workers for permanent disability in all age groups. In California as in the other states, older injured workers are more likely than young injured workers to have permanent disability benefits.

Older Workers Have Larger Initial Wage Losses

Estimates of lost wages resulting from a workplace injury confirm that older workers face more serious consequences. In Wisconsin, for example, injured workers age 35-54 suffered an average loss of \$16,166 in pre-tax earnings over a 3-year period. For those age 55 and older, the average loss was considerably larger at \$30,723 (Table 2). In Washington, the difference in lost wages was smaller—an average \$18,228 for 35-54 year-old injured workers, compared to \$21,229 for those age 55 and older.¹

Table 2
Wage Losses by Age Group and State, PPD Cases (2000 Dollars)

Sample		Age Group		
		Under 35	35-54	Over 55
Wisconsin	Pre-Injury Quarterly Earnings	5,747	7,743	7,335
	Losses (3.5 years)	16,166	22,251	30,723
	Losses (Projected 6.5 years)	21,223	27,865	53,622
	Losses (Projected 10 years)	28,420	35,855	65,767
	Total Income Benefits Received	14,580	18,089	18,688
Washington	Pre-Injury Quarterly Earnings	5,758	8,024	9,067
	Losses (3.5 years)	17,738	18,228	21,229
	Losses (Projected 6.5 years)	26,718	27,390	36,354
	Losses (Projected 10 years)	36,460	37,332	52,763
	Total Income Benefits Received	17,748	18,780	14,914

1 Data limitations prevent the calculation of these estimates for California.

When losses are projected up to 10 years after the injury, the pattern of higher losses for older workers persists. In Wisconsin, the oldest workers had an average loss of \$65,767, about 80 percent more than the average loss of \$35,855 for the 35–54 year olds. In Washington, the average loss over 10 years for the oldest group was \$57,763; about 40 percent larger than the earnings loss for those age 35–54, at \$37,332.

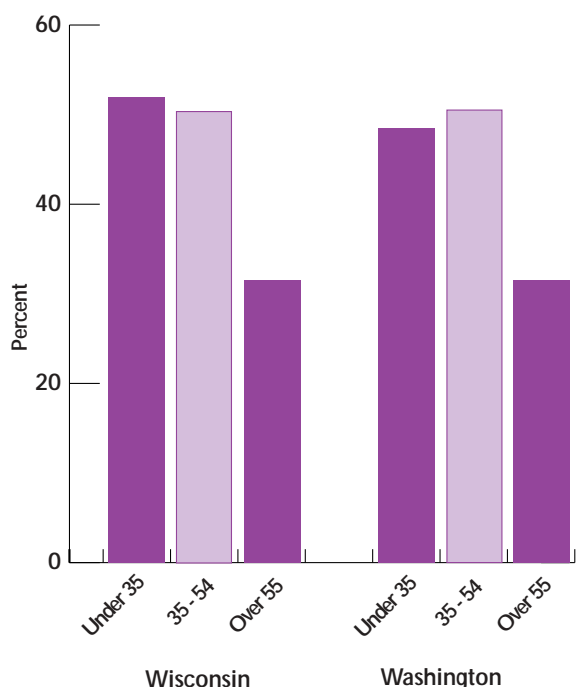
Lower Benefit Replacement Rates for Older Workers

The level at which workers' compensation benefits replace lost wages is an important measure of how well the programs compensate injured workers. Ten-year, total replacement rates show combined benefits workers receive for temporary and total disability as a percent of their lost wages over the 10 years after the injury (Figure 1). These replacement rates indicate that, on average, older workers have less of their long-

term wage losses compensated by workers compensation. In both Washington and Wisconsin, injured workers age 55 and older received benefits that replaced 28 percent of their lost earnings over 10 years, while younger workers received benefits that replaced about one-half of their lost earning before taxes. Because earnings are subject to taxes while workers' compensation benefits are not, after tax replacement rates would be somewhat higher for each age group.

The results in Figure 1 suggest that the adequacy of replacement rates is lowest for the oldest injured workers. It should be noted, however, that the 10-year replacement rate provides a limited window during which to observe losses. Consequently, it is unclear whether the net losses of younger injured workers would outpace the net losses of older workers as time passes. It is possible that losses beyond the first decade will be considerably lower or nonexistent for those in the oldest category because many would have retired at age 65 even if they had not been injured. Younger workers may lose less during the first decade, but over their lifetimes they may lose more.

Figure 1
Percent of Injured Workers' Lost Wages That Are Replaced by Workers Compensation, Projected 10-Year Benefit Replacement Washington and Wisconsin PPD Cases



Older Workers Experience More Injury-Related Time Out of Work

Particularly in permanent disability cases, absence from work following the initial return to work is common among workers with occupational injuries. To estimate injury-related time out of work, researchers examined differences in reported earnings between injured workers and their uninjured counterparts. When compared to non-disabled workers, workers age 55 and older with permanently disabling injuries are increasingly likely to be out of work as time from the injury increases (Table 3). This pattern suggests that a disabling workplace injury (as with the onset of other health conditions) may lead older workers to choose to retire earlier than they would have otherwise.

The causes and effects leading to age-related differences in employment and losses are unclear. We do not know the extent to which they are simply caused by age-related physiological effects, like delayed and incomplete recovery. Nor do we yet understand the interaction between retirement decisions and the onset of work-related disabilities. Health and disability have been shown to be primary reasons for retire-

Table 3
Injury-Related Nonemployment at Specified Quarters after the Injury, by Age Group
Injured Workers Receiving Workers' Compensation For Permanent Partial Disability
in Wisconsin and Washington

Sample		Injury-Related Nonemployment at Specified Quarters After the Injury (Percent)		
		3	5	10
Wisconsin	Under age 35	11	10	9
	Age 35–54	8	11	12
	Age 55 and older	12	17	27
Washington	Under age 35	13	11	7
	Age 35–54	12	12	10
	Age 55 and older	13	15	18

ment, but the extent to which they are driven by occupational factors is unknown.

Insights into Broader Effects of Health and Disability

Our data indicate that workplace injuries and illnesses are important sources of disability throughout the working life but that they are particularly so for older workers. When older workers are injured, they appear to suffer more permanently disabling injuries, and those with permanent disabilities experience more injury-related non-employment. Older workers in these states appear to recover a smaller proportion of their loss earnings from workers' compensation than do younger injured workers, at least during the first decade after injury. This situation raises concerns about the adequacy of the benefits that older injured workers receive.

The number of workers age 55 and older is expected to grow as Baby Boomers enter this age group over the next two decades. This makes it particularly timely to improve our understanding of the economic consequences of workplace injuries for older workers. These

analyses will help policymakers understand more about the aging labor force and, beyond that, more about the labor-market impacts of non-workplace health shocks on older workers. Questions about how workers' compensation for older workers interacts with other disability and retirement benefits and health coverage also merit attention as the workforce ages.

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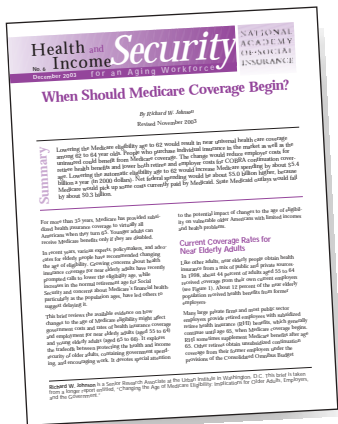
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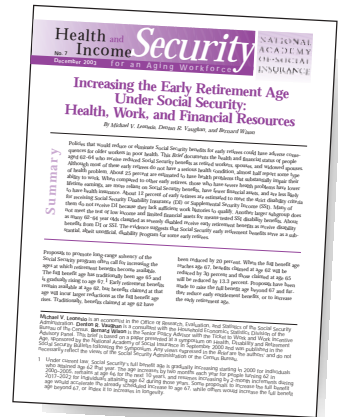
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by Michael V. Leonesio, Denton R. Vaughan, and Bernard Wigton

December 2003

Policies that would reduce or eliminate Social Security benefits

for early retirees could have adverse consequences for older workers in poor health. This Brief documents the health and financial status of people aged 62–64 who receive reduced Social Security benefits as retired workers, spouses, and widowed spouses. Although most of these early retirees do not have a serious health condition, almost half report some type of health problem. About 25 percent are estimated to have health problems that substantially impair their ability to work. When compared to other early retirees, those who have severe health problems have lower lifetime earnings, are more reliant on Social Security benefits, have fewer financial assets, and are less likely to have health insurance. About 12 percent of early retirees are estimated to meet the strict disability criteria for receiving Social Security Disability Insurance (DI) or Supplemental Security Income (SSI). Many of them do not receive DI because they lack sufficient work histories to qualify. Another larger subgroup does not meet the test of low income and limited financial assets for means-tested SSI disability benefits. About as many 62–64 year olds classified as severely disabled receive early retirement benefits as receive disability benefits from DI or SSI. The evidence suggests that Social Security early retirement benefits serve as a substantial, albeit unofficial, disability program for some early retirees.



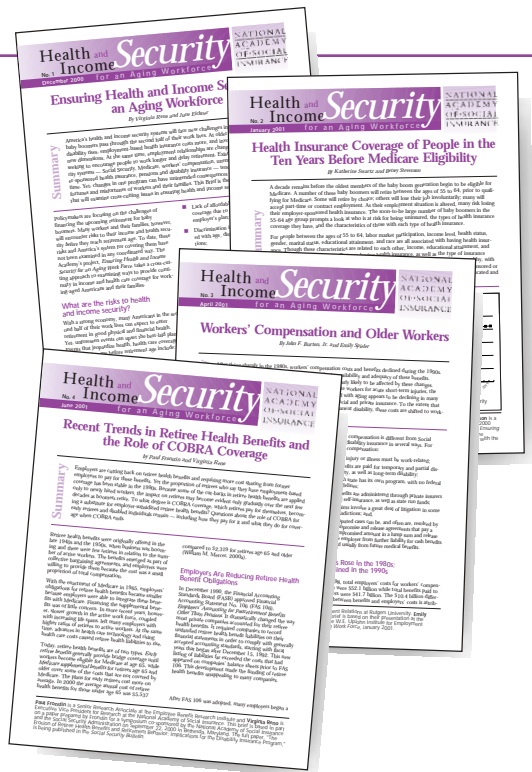
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Health and Income Security

No. 5
December 2003 for an Aging Workforce

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