accidents More specifically, the pricing of workmen's compensation should reward good safety practices and penalize dangerous operations Employees should also have some incentive to follow safe work practices by sharing some of the losses Injured workers should have the opportunity and be encouraged to return to work as soon as they are physically able

Those who minimize this objective of workmen's compensation recognize the importance of safe work places and procedures but believe that workmen's compensation rates and other incentives have little effect upon how employers behave Consequently they favor other approaches, such as public safety inspectors and criminal penalties

Proper cost allocation

The fourth objective of workmen's compensation, which has a narrower support than the first three, is to allocate the costs of the program among employers and industries according to the extent to which they are responsible for the losses to employees and other expenses Such an allocation is considered equitable by supporters of this objective because each employer and industry pays its fair share of the cost The economic effects are considered desirable because this allocation tends in the long run in a competitive economy to shift resources from hazardous industries to safe industries and from unsafe employers within an industry to safe employers Higher workmen's compensation costs will force employers with hazardous operations to consider raising their prices To the extent that consumers will not accept the price increase, employer profits and their willingness to commit resources to this use will decline

Critics of this objective argue that workmen's compensation costs are such a small part of the cost of production that they have little, if any, effect on resource allocations Consequently, they would avoid the complicated pricing practices necessary to achieve this objective

Major Characteristics

Covered employment

While most of the state workmen's compensation laws apply to both private and public employment, none of the laws covers all forms of employment For various historical, political, economic, or administrative reasons, each of the laws has certain gaps Laws that are elective rather than compulsory permit the employer to reject coverage, but in the event he does, he loses the customary common law defenses assumed risk of the employment, negligence of a fellow servant, and contributory negligence

A few states still restrict compulsory coverage to so-called hazardous occupations Many laws exempt employers having fewer than a specified number of employees The most common exception is for employers having fewer than three employees, the range goes from fewer than two employees in two states to fewer than 15 in one state Most of the laws exclude farmwork, domestic service, and casual employment Many laws also contain other exemptions, such as employment in charitable or religious institutions

Two other major groups outside the coverage of the compensation laws are interstate railroad workers and maritime employees Railroad workers, any part of whose duties involve the furtherance of interstate commerce, are covered by the Federal Employers' Liability Act (FELA) Maritime workers are subject to the Jones Act, which applies provisions of the FELA to seamen The Federal Employers' Liability Act is not a workmen's compensation law It gives an employee an action in negligence against his employer and provides that the employer may not plead the common law defenses of fellow servant or assumption of risk, moreover, the principle of comparative negligence is substituted for the common law concept of contributory negligence

As to the state and local employees, the actual number of these employees subject to workmen's compensation or provided with such protection voluntarily is not available All states (as well as Puerto Rico and the District of Columbia) have some coverage of public employees but with marked variations Some laws specify no exclusions or exclude only such groups as elected or appointed officials Others limit coverage to employees of specified political subdivisions or to employees engaged in hazardous occupations