Michigan’s first workers’ compensation law was approved in 1912. Its goal was to guarantee continued income and medical care to employees disabled by an occupational injury or disease without regard to fault or blame. In exchange for guaranteed benefits, workers’ compensation became the “exclusive remedy” against employers. That is, employees could not sue employers in the civil courts for damages but could rely upon certain, speedy workers’ compensation payments for their work injuries.

Michigan’s program worked well until the 1960s and 1970s when the law expanded to include lifetime benefits and court decisions extended the benefits to people who could still work post-injury at many different types of jobs; people who were laid off for economic reasons; people who voluntarily retired; and people who thought their job made them mentally ill. Workers’ compensation costs increased sharply as a result.

By the 1980s, Michigan workers’ compensation costs were among the highest in the nation. To remedy the problem, the Legislature passed reforms designed to control costs while still protecting workers. Maximum weekly rates of compensation were dramatically increased, for example, in exchange for limitations on the number of disability claimants who would qualify for this increased level of benefits. Adverse court rulings followed, however, particularly in the early and mid-1990s, and effectively gutted many of these 1980s legislative reforms. Consequently, while workers’ compensation rates increased, the pool of eligible claimants did not shrink as the Legislature had intended.

Fortunately, more recent Michigan Supreme Court decisions have overruled the faulty decisions of the 1990s. It has taken a long time, but the Legislature’s reform of workers’ compensation is now finally realized. These developments have helped Michigan compete more effectively for new jobs and businesses by ending abuses and closing loopholes that drove up workers’ compensation costs and placed our state at an economic disadvantage when competing for business. It is crucial that the recent decisions that finally give fruition to these legislative reforms be maintained.
Workers’ Compensation In Michigan - A Brief History

Before 1912, like most other states, Michigan had no workers’ compensation law at the time. Injured workers were forced into court to secure medical care or payment for their injuries. Unfortunately, most employees lost in court, received nothing and had to rely on charity and family for support. In those instances when an employee succeeded in court, employers were usually hit with disastrous and unpredictable damage awards that crippled their business.

Employers and the state’s major labor unions agreed that a workers’ compensation law was needed for everyone’s benefit and protection. In late 1910, the state’s major employers were called to a conference in Detroit. The meeting announcement called it a “Public Conference to Consider the Subject of Presenting to the Legislature Some Form of Workers’ Compensation.” After several revisions of the first workers’ compensation bill failed to pass the Michigan Legislature in 1911, Governor Chase S. Osborn named a commission of three employer and two labor union representatives to craft a consensus bill.

The bill that represented the unanimous recommendation of the commission was passed at a special session of the Michigan Legislature in February 1912, with the support of the MMA, the Employers Association of Michigan (now the American Society of Employers), and the Michigan Federation of Labor. It was signed into law by Governor Osborn on March 20, 1912.

Purpose Of Workers’ Compensation Law

The law was simple and straightforward. It required employers to guarantee medical care and a certain level of compensation for injured workers. In exchange, it prohibited workers’ from suing employers and co-workers in civil courts in relationship to their work injuries.

The law was based on five guiding principles:

• Certainty of reasonable compensation and medical care for all injured workers;
• Fair and predictable costs for employers;
• Incentives for injured workers to return to the job;
• Payment of compensation without litigation; and
• Increased employer incentives to reduce workplace accidents.

Today, the state’s workers’ compensation law and system are administered by the Michigan Workers’ Compensation Agency, in the Department of Licensing and Regulatory Affairs (LARA). The law provides for weekly compensation, medical care, and rehabilitation services for injured workers. Essentially, all employers with one or more full-time workers are covered under the law.
Then Came 1965

The law worked well for many decades. Coverage was affordable for employers, and employees were compensated fairly. Then, in 1965, the Legislature approved a law increasing the duration employers must pay workers compensation disability benefits. Until then, benefits generally ended after about 10 years.

The new benefits scheme passed by the Legislature combined with ongoing judicial developments in the 1960s and 1970s greatly accelerated costs, delayed payments to deserving workers, and threatened to capsize Michigan’s entire workers’ compensation system. There was a huge backlog of cases on appeal and skyrocketing medical and legal costs were escalating employer costs across the state.

Legislative Reforms Of The 1980s

By the 1980s, Michigan’s costs were the highest among the Great Lakes states and fifth highest in the nation – 35 percent more than the national average.

Legislation was passed in the early and mid-1980s to address these problems through significant reforms to the system, including:

- Amending the definition of “disability” to narrow the pool of eligible claimants
- Increasing the weekly amount of compensation payable to those deservedly deemed disabled
- Providing for coordination of benefits with other employer-financed benefits
- Establishing an administrative process for dispute resolution through the Worker’s Compensation Board of Magistrates and the Workers’ Compensation Appellate Commission
- Mental disability claims would only be compensable based on real events, not just the worker’s perception.

Veteran Capitol watchers recall the 1980 workers’ compensation debates as among the most heated in modern Michigan legislative history. Though much good came from those reforms, many of the provisions were eroded by Michigan Court of Appeals and Supreme Court decisions in the 1980s and into the 1990s.

Court Decisions in the Early 1990s Dilute Reforms

Several Michigan Supreme Court and Court of Appeals rulings in the 1990s ran contrary to the Legislature’s 1980s efforts to reform workers’ compensation in Michigan and set employers up for cost increases and a competitive disadvantage.

For example, the Supreme Court said that the Legislature intended by its 1980 reforms to designate a person “disabled” if there was only one job the employee could not do, even though the worker could do any number of other equally well-paying jobs. The courts also approved claims for workers who were able to return to work but refused to do so because they chose to live in another state, developed
mental problems from ordinary events of employment, were injured after starting fights or were intoxicated on the job.

**Recent Supreme Court Decisions Right The Ship**

Fortunately, in this decade, the Michigan Supreme Court recognized that prior court opinions frustrated legislative intent and devastated employers. Michigan’s workers’ compensation system has now largely been placed back on the right track. Much of the prior bad case law has now been rectified.

- **Sington v Chrysler Corp.** (467 Mich 144, 2002). The Supreme Court said the Legislature, when enacting its definition of “disability” in the 1980s, meant that a person is not “disabled” if he or she can perform other available jobs which pay within his or her qualifications and training. The Supreme Court, therefore, overruled Haske and placed the law back in line with the Supreme Court’s preliminary opinion on the Legislature’s definition of disability as expressed in Rea.

- **Stokes v Chrysler LLC** (481 Mich 266, 2008). The Supreme Court explained how its Sington definition of disability is to be applied at the administrative level. The Supreme Court set forth a multi-step process for both claimants and employers to clearly define how each is to present proofs on whether or not the claimant is disabled.

- **Robertson v DaimlerChrysler Corp.** (465 Mich 732, 2002). The Supreme Court gave effect to the mental disabilities provision enacted in the 1980s saying employee’s psychological problem depends on whether a reasonable person would view the employment events as psychologically troublesome on an objective basis. In reaching this conclusion, the Supreme Court overruled Gardner, which had diluted the meaning of mental disability reform legislation.

- **Mudel v Great Atlantic & Pacific Tea Co.** (462 Mich 691, 2000). The Supreme Court restored the Legislature’s intent in streamlining the workers’ compensation appeals process and said that the courts should not duplicate the efforts of the workers’ compensation appellate body, but defer to that body except in limited circumstances. In reaching these conclusions, the Supreme Court overruled the aberrant decisions of the 1990’s and placed the law back in line with the legislators’ procedural reforms as the Court had originally recognized in Holden.

**Workers’ Compensation Today**

The recent Supreme Court opinions have greatly improved the workers’ compensation climate. Recent decisions will help maintain Michigan’s competitiveness by ending abuses and closing loopholes that drive up workers’ compensation costs.

Furthermore, some stability in workers’ compensation is absolutely necessary. The law regarding who is and who is not “disabled,” for example, has swung wildly back and forth over the last 15 years. Such instability has resulted in innumerable cases being sent back by the higher courts to the trial level for reconsideration and new proofs. This has created uncertainty and turmoil in the system. Employers
cannot fairly determine when their employees are “disabled” when the criteria are forever changing. All parties to the system need to know what the law is so they can order their affairs accordingly. Now that the Legislature’s prior reforms are solidified by court case law, the workers’ compensation statute should be revised to codify and put an end to this tumultuous debate. The system needs a rest from the turmoil.