RYAN® TURNER SPECIALTY

WORKERS' COMPENSATION

THE COST OF FLEXIBILITY: CHALLENGES IN TEMPORARY STAFFING

Temporary staffing firms play a critical role in helping businesses adapt to changing workforce needs. But with that flexibility comes a unique set of workers' compensation challenges. From varying job duties and changing work environments to multi-state operations and complex claims management considerations, staffing firms often face risks that differ significantly from those of traditional employers.

WHY IS WORKERS' COMPENSATION SUCH A SIGNIFICANT CONCERN FOR STAFFING FIRMS?

Unlike employers with a relatively stable workforce and predictable job duties, staffing firms place employees at multiple client locations and across a variety of occupations.

A single staffing company may provide clerical personnel, warehouse workers, healthcare professionals, or skilled tradespeople, each with different exposure levels and workplace hazards. This diversity can make it more challenging to assess risk, maintain consistent safety standards, and effectively manage claims activity across the organization.

WHAT MAKES TEMPORARY WORKERS MORE VULNERABLE TO WORKPLACE INJURIES?

Temporary employees often begin assignments in unfamiliar environments where they must quickly adapt to new procedures, equipment, and workplace expectations.

The first days of an assignment can present increased exposure if job responsibilities, training requirements, or safety protocols are not clearly communicated. Employees who understand the work environment, reporting procedures, and potential hazards are generally better positioned to perform their duties safely.

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WHAT ARE THE BIGGEST WORKERS' COMPENSATION CHALLENGES STAFFING FIRMS FACE?

Several factors can complicate risk management for temporary staffing agencies, including:

- Frequent employee turnover
- Changing job descriptions and work environments
- Difficulty maintaining consistent safety practices across multiple client locations
- Multi-state operations and varying regulatory requirements
- Managing claims involving both the staffing firm and the host employer
- Accurately classifying employee duties and exposures
- Reducing the risk of lapses in coverage amid changing operations and workforce demands
- Each of these factors can influence claim frequency, claim severity, underwriting outcomes, and overall program performance.

CONTACT

For more information, please contact your local RT Specialty WC broker or underwriter.

HOW IMPORTANT IS CLIENT-SITE SAFETY WHEN MANAGING WORKERS' COMPENSATION RISK?

Client-site conditions are among the most influential factors affecting injury outcomes for temporary workers. While staffing firms employ the workers, host employers typically oversee daily operations and workplace conditions. As a result, communication between all parties is critical.

Many successful staffing organizations conduct job-site evaluations, review workplace hazards, clarify job responsibilities, and establish reporting protocols before employees are placed. Ongoing communication can help promote safer working conditions and improve overall risk awareness.

WHY CAN JOB CLASSIFICATIONS BE CHALLENGING IN THE STAFFING INDUSTRY?

Staffing firms frequently place employees in a wide variety of occupations, and duties may evolve throughout an assignment.

Accurate classification is important because workers' compensation pricing and underwriting are heavily influenced by the work being performed. A worker initially assigned to administrative duties may later assume responsibilities involving different exposures.

Misclassification can create challenges during underwriting and may result in unexpected audit findings or premium adjustments.

WHICH STAFFING CLASSIFICATIONS OFTEN RECEIVE GREATER UNDERWRITING SCRUTINY?

Every account is evaluated on its own merits, but positions involving physical labor, repetitive motion, patient handling, machine operation, material movement, or specialized technical work often receive closer review.

Underwriters generally focus on the specific duties being performed, the associated workplace exposures, and the controls in place to help mitigate injury potential.

HOW DOES EXPERIENCE MODIFICATION AFFECT STAFFING FIRMS?

A staffing firm's experience modification factor, commonly referred to as its E-Mod, can play a significant role in workers' compensation costs.

Carriers use experience modification as one measure of historical loss performance relative to similar businesses. Strong safety programs, effective claims management practices, and favorable loss experience can contribute to improved E-Mod performance over time, while unfavorable claim activity may increase overall program costs.

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WHY DO UNDERWRITERS CLOSELY EVALUATE STAFFING FIRMS?

Workers' compensation underwriting for staffing firms typically extends beyond payroll and loss history.

Underwriters may review:

- Industries served
- Employee screening processes
- Safety and training procedures
- Client-site selection practices
- Claims management protocols
- Return-to-work strategies
- Geographic footprint and states of operation

These factors help carriers develop a more complete understanding of the account's risk profile and operational practices.

WHAT INFORMATION SHOULD STAFFING FIRMS HAVE AVAILABLE WHEN SEEKING COVERAGE?

A comprehensive submission can help streamline the underwriting process and provide a clearer picture of the organization's operations.

Information commonly requested includes:

- Current and historical payroll data
- Employee classifications
- Loss runs and claims history
- States of operation
- Current deductible programs or risk financing structures, if applicable
- Industries served
- Safety and training programs
- Details regarding claims management procedures
- Excess employers liability limits and/or any contractual requirements
- Accurate and organized information helps insurers evaluate exposures more effectively.

HOW DO MULTI-STATE OPERATIONS AFFECT WORKERS' COMPENSATION PROGRAMS?

Many staffing firms place workers in multiple jurisdictions, creating additional compliance and coverage considerations.

Workers' compensation regulations, benefits, reporting requirements, and employer obligations can vary significantly from state to state. As operations expand geographically, maintaining compliance across multiple jurisdictions becomes increasingly important.

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HOW DO CONTRACTS BETWEEN STAFFING FIRMS AND CLIENT COMPANIES AFFECT WORKERS' COMPENSATION EXPOSURES?

Contracts can play an important role in defining responsibilities between staffing firms, their clients, and any subcontractors involved in the work arrangement. Clear language regarding job duties, workplace safety expectations, injury reporting procedures, and other risk-related obligations can help reduce confusion when incidents occur. Understanding how these agreements align with operational practices is an important component of effective risk management.

WHAT ROLE DOES RETURN-TO-WORK PLANNING PLAY IN CLAIMS MANAGEMENT?

Return-to-work programs can be an important part of a comprehensive workers' compensation strategy. When medically appropriate, transitional work opportunities may help employees remain engaged in the workforce while recovering from an injury. Effective return-to-work planning can support employee recovery, improve claim outcomes, and contribute to overall program stability.

HOW CAN STAFFING FIRMS HELP REDUCE CLAIMS AND IMPROVE OUTCOMES?

Many organizations focus on proactive measures designed to promote workplace safety and improve injury management, including:

- Thorough client vetting and site evaluations
- Well-defined job descriptions
- Clear communication regarding job responsibilities and hazards
- Safety orientation and ongoing training initiatives
- Prompt incident reporting procedures
- Return-to-work planning and claims oversight

A proactive approach can help minimize workplace injuries while supporting better outcomes when claims do occur.

WHY WORK WITH A WORKERS' COMPENSATION SPECIALIST WHEN PLACING STAFFING ACCOUNTS?

Staffing firms are not all alike. Risk profiles can vary significantly based on employee classifications, industries served, geographic footprint, client mix, and operational practices. Two organizations operating under the same staffing umbrella may present very different workers' compensation considerations.

KEY TAKEAWAYS

Temporary staffing firms help businesses remain flexible in a rapidly changing labor market, but managing employees across multiple job sites, industries, and roles introduces a unique set of workers' compensation considerations. By focusing on workplace safety, operational controls, claims management, and accurate exposure evaluation, staffing organizations can strengthen their programs and better protect both their workforce and long-term business objectives. For additional information regarding temporary staffing firms and other workers' compensation topics, please contact RT Specialty's knowledgeable workers' compensation team. RT Specialty is always ready to assist.

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