



# **The Important Role of Safety Incentive Programs**

**LORMAN<sup>®</sup>**

Published on [www.lorman.com](http://www.lorman.com) - November 2017

The Important Role of Safety Incentive Programs, ©2017 Lorman Education Services. All Rights Reserved.

## INTRODUCING

Lorman's New Approach to Continuing Education

# ALL-ACCESS PASS

The All-Access Pass grants you **UNLIMITED** access to Lorman's ever-growing library of training resources:

- ✓ **Unlimited Live Webinars** - 120 live webinars added every month
- ✓ **Unlimited OnDemand and MP3 Downloads** - Over 1,500 courses available
- ✓ **Videos** - More than 1300 available
- ✓ **Slide Decks** - More than 2300 available
- ✓ **White Papers**
- ✓ **Reports**
- ✓ **Articles**
- ✓ **... and much more!**

Join the thousands of other pass-holders that have already trusted us for their professional development by choosing the All-Access Pass.



**Get Your All-Access Pass Today!**

# SAVE 20%

Learn more: [www.lorman.com/pass/?s=special20](http://www.lorman.com/pass/?s=special20)

Use Discount Code Q7014393 and Priority Code 18536 to receive the 20% AAP discount.

\*Discount cannot be combined with any other discounts.

Every business wants to operate a safe workplace. While some workplaces are more dangerous than others -- a warehouse vs. an office, for example -- most businesses have experienced some sort of accident in the workplace.

According to OSHA, businesses pay nearly one billion dollars a week in workers' compensation costs <http://www.osha.gov/dcsdp/products/topics/businesscase/costs.html>. What's more, businesses suffer about \$60 billion in losses each year due to loss of productivity.

The National Safety Council has also determined that there is an annual loss of \$142.2 B for all U.S. companies due to workplace illness and injuries. The average person who gets ill or injured in the workplace misses nine days of work. According to the Bureau of Labor and Statistics, people who suffer from more serious injuries miss an average of 31 days of work.

While the loss for small businesses will often be smaller than it will be for larger businesses, any loss for most businesses is unacceptable. What's more, all it takes is for one major incident to occur for a start-up, small or medium size business to be pushed out of business due to excess cost because of an employee injury that occurred on the job.

There are other costs associated with job

site injuries that businesses often overlook until they actually see the costs. For example, a company that experiences a lot of worker's comp claims will experience an increase in their insurance premiums.

There are also training costs companies have to pay when replacing an employee that is out due to an injury or illness. What's more, because businesses are required to provide the injured employee with a job when they return to work, they could be training someone who will only be working for the company for a short period of time.

Companies cannot overlook the potential legal costs that may come their way due to workplace accidents or illness. An injured employee that decides to sue can be quite a costly employee. While some of this cost will be covered by worker's insurance, which is liability insurance, not all of these costs are guaranteed.

### **Employers Responsibility to Employees Injured or Made Ill at the Workplace**

Many employers don't realize that the laws for worker's compensation vary from state to state, as are the employers responsibilities for maintaining a safe workplace. It's important that every business owner to be fully aware of what the requirements are for their state.



Here are some of the more common requirements:

- Purchase Worker's comp insurance when a company has three or more employees.
- Insurance must be purchased from a private insurance company.
- Employees have up to 30 days to report an injury or work related illness.
- Worker's comp insurance has limits.
- When the insurance limits are reached, employers are responsible for all costs.
- Employers are not responsible for illness or injuries that occur as a result of proven employee negligence, if an employee has been drinking, due to a weather incident, if someone is off the clock or for volunteers in the workplace.

Many on the job accidents are caused by careless employees, something that employers find difficult to combat. When an accident occurs due to faulty equipment, an employer can affect repairs on that equipment. When an accident occurs due to a careless employee, however, sometimes an employer has no recourse, especially if they can't prove the accident was caused by the carelessness, which means that the employer has to pay; this is paid through worker's comp insurance.

Worker's compensation insurance is a requirement in every state. In most cases, employers will not have to purchase this insurance for their company until they have at least three employees. If a company has three or more company officers, they can sign a waiver that waves this requirement. Outside of that, a company must purchase this coverage.

Private insurance companies sell worker's comp insurance. The cost of this insurance will vary depending on the type of company that is purchasing it. What's more, a safety audit of a company can lower or increase worker's compensation premiums.

Most states have a maximum time limit of 30 days for a worker to report an injury or illness caused by their workplace. However, individual businesses may have their own time limits, which may be placed on them by the insurance company providing the worker's comp insurance.

Where businesses tend to suffer is when the worker's comp insurance limits are reached. The limits are applied per incident, not for a company as a whole, however. What this means is that if a business chooses an insurance cap limit of \$100,000 and an incident exceed this max, the company has to pay the difference in costs. If a new incident occurs, however, the cap is reset and

the new incident has a \$100,000 limit. Each state has a per incident minimum that a company must maintain.

Some incidents that occur at a business are not necessarily the responsibility of the company. For example, if a group of employees are playing around at work and an accident occurs, then the company is not required to pay for the injuries. Naturally, a business will have to prove that the accident is the responsibility of the employee.

If an employee clocks out and continues to work, the company is no longer liable for any accidents that occur while the employee is working. The exception is if the company threatens the employee with unemployment if they don't clock out and continue working -- this is something that rarely happens.

Even if the company is not responsible for the medical costs associated with certain accidents, the cost of replacing the employee will still fall to the employer. No matter what, there are still costs to the employer. What's more, if the employees that are goofing off cause property damage, that can slow down or stop production of products or services until equipment or property can be repaired or replaced.

Businesses often struggle to keep these costs in control, but this can be very

difficult for any business. If a business happens to be a high risk business that employs construction workers, carpenters, demolition experts and so on, it will have much higher costs associated with employee injury's and loss than a doctor's office, a business office, etc. What's more, this will lead to higher insurance costs for certain groups as well.

This leads many businesses to wonder how to control the costs associated with employee injuries. While there is no perfect solution, an alternative that can save company a great deal of money is through the implementation of safety incentive programs.

### **Safety Incentive Program Defined**

A safety incentive program can work in a few different ways:

- Reward employees for maintaining a safe workplace.
- Reward employees for making suggestions the improve safety.
- Reward management team for meeting safety goals.
- A combination of all of these things.

A safety incentive program is used to show employees that they are doing well in the workplace. What's more, this type

of program can help employees gain an invested interest in the safety of the workplace and provide them with a forum to make suggestion for additional safety.

The key to a good safety incentive program, however, is not the rewards provided to the employee. A business needs to create an environment where employees want to be safe and productive, but don't feel fear about reporting any injuries or accidents for fear of being reprimanded by their boss or condemned by their fellow employees. This is where some businesses fail, especially when trying to create their own program without the help of experts who understand the perfect balance when creating a safety incentive program.

### **The Benefits of a Safety Incentive Program**

A major benefit to an effective safety incentive program is the reduction of financial loss in the workplace. What's more, a safety incentive program works to protect the employees working for a company as well. A good safety incentive program proves that a company cares both about their bottom line and the employees that work for them as well.

Many companies that implement a comprehensive safety incentive program find that there is an accident reduction of

at least 50 percent. Some companies will see a reduction in accident rates of 80 to even 90 percent. Naturally, there will be some companies that see more modest results, but nearly every company see some sort of improvement in their safety records.

In addition, some insurance companies will reduce the cost of worker's comp insurance when a business implements a safety incentive program. This cost savings could be quite significant once the plan is fully in place and the number of workplace accidents or illnesses is reduced.

Business with safety incentive programs also work more efficiently. This is because a reduction in accidents means that employees important to the running of a business don't miss work. Unskilled or new employees don't need to be brought in and trained to temporarily replace the injured employee(s). Again, this leads to more cost savings.

### **Worker's Comp Fraud**

Unfortunately, injury fraud is another area where businesses can suffer from financial loss. The use of a comprehensive safety incentive program can actually help negate some of that cost however.

Fraud is usually perpetrated by one of three groups, the employee, the medical provider or by lawyers.

*Employee Fraud* - Employee worker's comp fraud usually occurs when an employee fakes an injury in order to receive compensation from their employer. Because it's up to the employer to prove that the injury isn't a real one, or to prove the employee is at fault for the accident, employees have a lot of protection within the worker's comp system.

Often, this kind of fraud is perpetrated by a single employee; someone who is working alone. Sometimes, however, several employees will corroborate the story of a supposedly injured worker because they don't see how it actually hurts anyone. What's more, they don't want to risk angering their fellow employees.

When a safety incentive program is in place and the employees benefit from a safe workplace, they are going to be less likely to support a story that they know to be false. They will also be more likely to come forward if they know that an employee deliberately caused an accident in order to receive compensation.

*Medical Provider Fraud* - Unfortunately, there are some medical providers that will file for claims that may not have

merit. They may request labs, x-rays, CAT scans and so on in order to gain more money on their end.

*Attorney Fraud* - Attorney fraud is a bit tougher to prove. There are some lawyers that take advantage of the worker's comp system that tends to give the employee the benefit of the doubt. An attorney may know that their client isn't injured but choose to press forward with a lawsuit that can cripple a company.

Both medical provider fraud and attorney fraud can be limited with a safety incentive program in place. Fewer claims create fewer possibilities for either of these types of fraud to take place.

### **Establishing a Safety Program**

Establishing a safety program in any business is more than important, it's a legal requirement. Many companies feel that their SOP manual is all that they need to provide adequate safety regulations for their employees, and for some companies this may meet their legal obligations.

Other companies create a 30 minute video that discusses safety in the workplace. These videos are not nearly comprehensive enough or interactive enough to provide correct information to employees or engage them adequately.

Even comprehensive training programs can mean little to employees. Often these types of programs are treated like a joke or they're simply a way to get paid while not working. Without a vested interest in the program many employees simply don't care.

For many companies, the first step is to hire an employee that's in charge of safety, but this can lead to difficulties for a company that sees a lot of turnover. When that position becomes vacant, it can mean that there is no one in an oversight position for an extended period of time. What's more, it takes time to train a new employee for that role as well.

Establishing a safety incentive program can eliminate this problem. By creating a program where almost every employee is invested in the safety of the company means that everyone is working towards the goal of safety. What's more, large companies may find that some of their employees might be willing to volunteer to oversee the program for each department because it actually benefits the individual personally.

While a company will still want a person who handles any incidents, if this person leaves the company, there will still be people in place to ensure that the rules of safety are still being followed.

## **Meeting OSHA Constraints**

There are some reports that OSHA doesn't agree with safety incentive programs. The truth is that OSHA simply insists that incentive programs such as these meet very specific criteria. It's important that businesses not create programs that cause employees to be leery about reporting when an injury or illness occurs on the job.

OSAH has specific programs that they discourage employers from using. Many employers have difficulty creating an acceptable program on their own, thus creating a situation where they face fines or recrimination from governing bodies.

OSHA is the only federally appointed governing body for safety in the workplace; OSHA is an arm of the United States Department of Labor. While it's safe to say that OSHA cannot directly govern every business in the U.S., if the people who operate this organization decide a company isn't following the rules, then they will personally inspect the business in question. That's why it's important that every business have a safety program in place of which OSHA approves.

## **A Paycheck as Incentive**

Some employers take the stance that an employee getting paid should be



incentive enough for the employee to stay safe in the workplace. The question that any business owner with this point of view should ask is how is that working out. If the answer is that it isn't, then it's safe to say that a paycheck isn't incentive enough.

The problem that many employers face is that they have some employees that are always safe and some that simply seem to be more prone to accidents. What's more, one employee may face an accident due to the negligence of another employee, but that doesn't mean that the worker's policy won't come into force. Was employee number two being unsafe because they had an accident due to employee number one's negligence?

Often, an incentive program can create a situation where everyone is more diligent. Perhaps a third employee might notice that another employee has created a hazardous situation and take steps to correct it. These scenarios aren't impossible or even improbable, incentive programs are effective.

### **Employee Moral**

Businesses shouldn't forget that happy employees tend to be more conscientious than those that are unhappy. What's more, studies have proven that happy employees are also more productive as well.

Safety incentive programs can create a happier workplace, especially for employees who already take care when they are at work. Providing them with a reward for being safe can be a great moral boost.

### **The Cost of Safety Incentive Programs**

Employers might feel that a safety incentive program may be too expensive for them to implement. The good news is that a good program doesn't actually have to be expensive. In some cases, it's the perceived value of the program that is going to benefit employers the most.

According to Robert Ryan, CSP, President of Safety Metrics, Inc., recognizing employees with accolades, certificates of thanks and so on often yields excellent results. Many employees simply want to be recognized for their good work and something this simple may be the perfect solution.

Employees want to feel as though they are appreciated for their efforts in the workplace. This actually applies to every aspect of the workplace, and not just for safety aspects. While pay raises and bonuses should be considered in any place of business that can afford it, this isn't the same as recognizing someone individually for something that they've done well.

If a business decides to implement an incentive program that leads to paid days off, an office party and so on, there will be some costs involved. That's why finding the right program, one that balances out the cost of paying for the incentive without overriding the cost benefits of reducing accidents, is vital.

It's also important to create a program that is fluid and can change with the changing needs of the company and the employees. Most companies have no idea how to do this and need some kind of guidance during this process.

## **Conclusion**

Choosing the right safety incentive program can be a great benefit to any type of business. Businesses that see few accidents in a given year probably don't need an expansive plan, but companies that have a higher risk of accidents need to put something into place that creates the attitude that accidents can be prevented and there are real benefits, beyond lack of injury and avoiding being in trouble with the boss, to preventing accidents.

Business owners need to move past the idea that their workers should act like professionals all of the time. The truth is that even business owners let their personal lives and feeling affect what happens at work. This is a simple fact of

life. By implementing a plan that has employees watching out for each other and ensuring that their surrounding areas are safe, employers can mitigate the safety issues that often occur in the workplace.

The material appearing in this website is for informational purposes only and is not legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship. The information provided herein is intended only as general information which may or may not reflect the most current developments. Although these materials may be prepared by professionals, they should not be used as a substitute for professional services. If legal or other professional advice is required, the services of a professional should be sought.

The opinions or viewpoints expressed herein do not necessarily reflect those of Lorman Education Services. All materials and content were prepared by persons and/or entities other than Lorman Education Services, and said other persons and/or entities are solely responsible for their content.

Any links to other websites are not intended to be referrals or endorsements of these sites. The links provided are maintained by the respective organizations, and they are solely responsible for the content of their own sites.