

Lost Work Days

A Billion Dollar Crisis Hidden in the American Workforce

During my years as an adjuster, I made countless phone calls to employers asking them if a light-duty job was available so we could bring an injured employee back to work. Nine out of ten times, the employer said, “NO! We have nothing available. The employee cannot come back unless he or she is full duty.” This was one of the most frustrating parts of the job. I finally started to ask, “Why can’t you make an effort to get the employee back to work?” The employer would inevitably respond, “I am afraid he or she will file another claim.” Through these conversations, I came to realize that employers do not understand the true impact of injuries on their abilities to run a profitable business.

Recently, I met with a client who wanted to reduce the number of injuries at their job site. Instead of focusing on the number of injuries, I asked him to bring the company’s Occupational Safety and Health Administration OSHA 300 log to the meeting so we could calculate their Return to Work Ratios—the number of lost days, the number of restricted days, the number of injuries, and the number of employees who never returned after an injury.

For calendar year 2006, this employer had 61 injuries that resulted in 1769 lost days, 255 restricted days. Yes, the frequency of injuries was huge, but it was staggering to look at the lost days—more than four years of productivity had been lost by employees who did not return to work after an accident.

We then randomly selected 5 of the employees who had been off work for more than 21 days. We reviewed the medical documentation associated with each worker to determine if these employees had a valid reason for being off work beyond the first seven days. The review showed that on average all 5 employees had been released by their treating physician to return to work—with limitations—by the second week after their injury. The review highlighted the fact that the employer had not entertained the idea of identifying a job that would accommodate these employees. These employees were allowed to remain off work until the physician released them to return to *full-duty* work.

As I did the research for this book, I found that employers seldom attempt to quantify the impact of allowing an employee who *could* return to work to stay at home. If the employer had asked one simple question—What is the cost of leaving this employee at home?—they might not have been so quick to say, “We have nothing available.”

So, what *is* the annual cost of not implementing a return-to-work program?

Injuries cost US employers more than \$160.4 billion, according to statistics that are readily available from the Bureau of Labor Statistics at www.bls.gov and from the National Safety Council’s Accident Facts®. This figure is based on payments made by insurance carriers and therefore does not include most of the

indirect or hidden costs.

What are these hidden indirect costs?

Loss of productivity. Decreased ability to complete jobs on time. Pulling existing employees from their duties and retraining them to replace the injured worker or hiring and training a replacement employee. Overtime. Supervisory time to manage injury paperwork. And the list goes on. Indirect costs are hidden because they are not a noted line item on a company’s financial records.

I recently spoke for the Florida Chartered Public Accountants Association; my topic was “Are Injuries the Inevitable Cost of Doing Business?” I highlighted that the hidden cost of injuries can create a situation in which even stable companies can go out of business. Solvency of any business is not only determined by the revenue that they generate but by the steps they have in place that reduce or eliminate workplace injuries.

Calculating the Hidden Indirect Costs of an Injury:

Company A has 225 employees in their manufacturing plant. Based on the company’s OSHA 300 Logs, it had 55 injuries in calendar year 2006. Typically, employees at the plant work eight hours each day at \$9.50 per hour. In 2006, this employer had 3827 lost days and 452 restricted days.

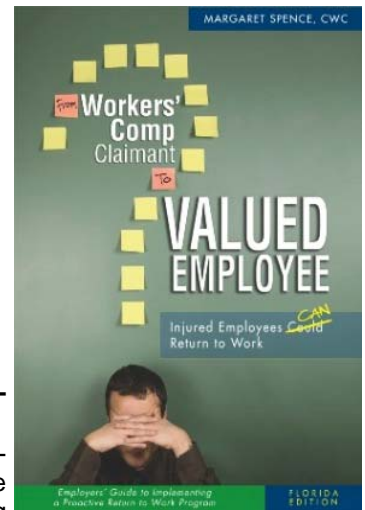
Calculation:	
Lost Days x Hours scheduled	3827 x 8 hours = 30,616 hours
Replacement Staffing Cost	30,616 x \$9.50 = \$290,852 + Overtime, Federal and State taxes.

What is the direct cost of lost productivity?

Most employers do not quantify the total cost of injuries, nor do they set goals that can realistically reduce the overall cost of injuries.

The wake-up call for most companies comes when one of three things happens:

1. Your insurance carrier dispatches their loss control inspectors who evaluate your jobsite and determine that “Enough is enough—either you fix the problems, reduce the injuries or your coverage will be canceled.”
2. Your insurance agent informs you that your premiums are going up or that your policy has been canceled by your insurance carrier; in addition, no other carrier is willing to write your workers’ compensation policy because of your injury track record.



3. You end up on the dreaded OSHA excess accident list. OSHA notified 14,000 employers that they had high injury or illness rates on March 14, 2007 (you can see the complete list of employers at: [www.osha.gov/press releases](http://www.osha.gov/press_releases))

The issues that cause these scenarios to occur do not happen over night—accidents build over time. Insurance carriers monitor the frequency of accidents as well as the severity of accidents in their overall process of underwriting all businesses.

What are the financial benefits of implementing a return to work program?

Employers do not realize the amount of control that they have over the direct and indirect costs of workers' compensation. The workers' compensation system was built to benefit employers who implement injury prevention programs by allowing them to pay lower premiums. Most employers do not effectively control their costs, and some employers put their entire businesses at risk by not implementing programs that reduce or eliminate injuries and reduce lost work days.

Several years ago, when I first started my consulting practice, I received a panicked phone call from an insurance agent who advised me that his client received a Notice of Cancellation and that he had sixty days to find them new coverage. Apparently, the company had numerous accidents, large settlements and they had made no corrections after several visits from the insurance company's loss control representatives.

The agent advised me that he had already called several underwriters to find out if they would be interested in issuing a quote for this client. After he relayed the fact that the company's paid-in premium amount was \$280,000 and the claims paid-out total was \$850,000 the underwriters broke into hysterical laughter. No one was interested in providing workers' compensation coverage for this company. The client faced the real issue of closing his business because he could not secure coverage.

After meeting with this employer, I quickly realized that their injury management program was a cycle: injury, terminate, settle—the revolving door that had earned them their Notice of Cancellation.

Most companies focus their efforts on implementing safety procedures and they hope that their employees will follow directions and not have any injuries. In reality, employees are injured every day, so the key issue is how to eliminate or lower workplace injuries while simultaneously reducing the number of lost work days for injured employees. The solution is having a plan that addresses total injury management by reducing or eliminating injuries, reducing or eliminating lost work days and reducing or eliminating the readiness to litigate and settle workers' compensation claims. It is a total package.

Reducing or eliminating lost work days is a critical piece of any injury management program. Injured employees *can* return to work and be a productive member of your team. Employers are not in a win-win situation when it comes to workplace injuries. If you leave the employee at home, the insurance carrier pays

them to be there. This, in turn, affects the amount of money you pay for premiums. If you refuse to bring the employee back to work you may be in violation of the Americans with Disabilities Act – ADA. If you bring the employee back to work in a nonproductive light-duty position that has them counting paperclips, you are paying state and federal taxes as well as benefits for an employee who is not contributing anything to your bottom line. You also run the risk of aggravating the employee and driving them to seek legal representation.

Several years ago, an employer actually contacted me to find out if he could tell his modified-duty employee to sit under a tree in the parking lot. I asked him if this was a “regular” position that he had other employees doing. He said, “No; I want to make an example of the employee.” When I refused to condone his behavior, he contacted my supervisor to file a complaint. Modified-duty positions should not be used to intimidate employees or to demean them. Creating a hostile work environment for injured employees can open your company up to employment litigation that is not covered under the workers' compensation insurance policy.

Employers should identify, arrange and offer productive positions to injured employees. An injury management program *should* start on day one. Throughout this book, I will repeat this statement: *An effective injury management program starts before an injury happens, not on the day the employee files the First Report of Injury or Illness.*

If you can return one employee to work as a productive member of your team, how significant would that be to your company's productivity and profitability?

***About the Author**—Margaret Spence, CWC is the President and CEO of Douglas Claims & Risk Consultants, Inc. She is a Board Certified Workers' Compensation consultant, speaker and trainer who ranks among the experts in the field of injury management and return to work implementation. For more than two decades, she has managed workers' compensation claims for Fortune 500 Corporations, Public Entities and small businesses. Margaret is an expert at showing companies how to slash their workers' compensation cost by implementing strategies that drastically reduce injury rates, increase productivity and energize employees to work safely.*

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