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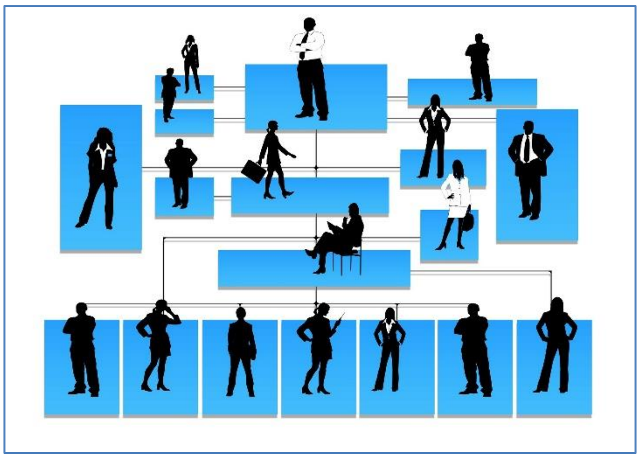
Workers' Comp; Your Company's Organizational Chart; and Common Sense



An Organizational Chart is defined in the Encarta dictionary as a chart that shows the management structure of an organization. New companies start out with core members of management and employees that tend to wear many hats. Their names may be in several places on the Organizational Chart. As the company grows, the demands are such where more management and employees are hired in order for the company to meet those demands and so grows the company's Organizational Chart.

Organizations must be profitable to exist, therefore people are hired only when there is work for them to do. It could be said that people are hired to solve problems an organization has or predicts they will have at some point in the future. If there aren't enough widgets being sold, salespeople are hired. If too many widgets are sold, more people are hired to make them. If money needs better management, finance people are added, etc.

We have seen a prime example of this with Risk Management. Fifty years ago there was no such name on an Organizational Chart. As business climates changed, a need was born, and today Risk Management is a key position and need for any organization to prosper.

We have seen the same evolution with regards to Workers' Compensation, Safety and other positions. As these issues became more demanding, corporations around the world dedicated assets and management positions on their Organizational Chart to address them. The structure of an organization is not static. Organizations must be nimble and responsive in order to succeed in today's world markets.

As mentioned earlier, organizations must be profitable to exist. There is always intent to increase gross revenue, while keeping costs to a minimum to effect higher net profits. This is why the following observation was so surprising to us and I am sure will be to you as well.

We have worked with many organizations and have become aware of a considerable void in today's Organizational Charts. This void is costing corporations around the world billions of dollars' worth of production and Workers' Comp costs. It did not exist 100, 50 or even 25 years ago because the specific problems faced by organizations today didn't exist to the degree they do now.

In times when profits were high (high-tech boom for example) this void could be tolerated. However, today and for most organizations the void is no longer acceptable.

What if it was possible to save your company hundreds of thousands or millions of dollars (depending on the size of the company) by simply filling this management void and doing it inexpensively?

We would all agree that Workers' Comp costs are a major concern and in many cases a substantial drain on a company's profit.

The Organizational Charts of an organization are posted with Risk Management, Workers' Compensation, Safety and Human Resource personnel among many other key positions. A very wise philosopher said - if a serious problem persists you haven't found the right cause! Workers' Comp costs have been a sizeable problem since at least 1990. Governors have even been elected with solutions to these issues as part of their election platform. Yet in 2007 we are still fighting the battle across North America, Europe and Australia.

Whether it is improving or not one could debate, but what is incontrovertible is the fact that Workers' Comp costs are much too burdensome to most organizations. Why does this problem persist year after year? The unequivocal answer is we are attacking the problem too far downstream, i.e. away from the basic source. This is the reason high Workers' Comp costs persist. There is no other
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What is the lowest common denominator of all legitimate claims? Pretty simple answer - the injury itself. It has been written that 98% of Workers' Comp costs are directed at the claim (70% on the injury and 28% on the administration of the claim). Which leaves only 2% left to attack the cause. This is an amazing and important fact!

I just finished reading a book about World War I. The analogy would go like this: The enemy has artillery guns pounding and devastating your soldiers. You allocate 98% of your resources at tending to the wounded, to get them well enough to go out to the front lines again; 2% on taking out those big damn guns. Even an incompetent General promoted because of his good looks or who his father was, would know that it would be foolhardy to fight a battle this way. It would create a state of continual coping with the problem versus eliminating the problem in the first place. It would be a top priority to wipe out that artillery while of course tending to the wounded. The source of a problem must always be the target.

Picking the wrong target or ignoring the correct target produces the same result – a continuation of the problem and in the case of Workers' Comp, a hugely expensive one. How much money and time does your organization allot to managing sprain/strain claims compared to stopping them?

In World War I, artillery evolved to carry large sums of explosives and was responsible for the largest number of casualties in a war that killed over nine million people. The steel helmet came into being as a result. This by itself would have been a woefully inadequate form of defense. A more offensive approach had to become part of the solution. Tanks and aircraft technology were evolved to help destroy enemy artillery. You see, the source of the problem had to be eliminated. Steel hats were helpful but not the final answer to preventing huge losses.

Back to Workers' Comp, Risk Management and the Organizational Chart. When our company, FIT, approaches an organization regarding "blowing up the enemy's artillery", in our case, the prevention of back injuries, or carpel tunnel and other sprains/strains, we sometimes end up speaking with someone who doesn't have this responsibility as a primary focus of their job description. Nor do they have the adequate time to give it the proper attention it needs. Yes that is correct. No one is posted on the Organizational Chart that is in charge of attacking the only true source of Workers' Comp claims!! It defies logic and all business sense.

Perhaps it would fall under Risk Management, or Human Resources, Workers' Comp or safety. But you see that is the real problem here. Management thinks it is being addressed by someone else but it is not. It has somehow fallen through the cracks. Can the ultimate source of Workers' Comp costs continue to be a low level priority?

Workers' Comp is mostly focused on existing claims. Safety - It amazes me how many safety issues these professionals have to be aware of. I have no idea how they keep up with these issues plus keep the company in compliance with regulations. Risk Management and Human Resources? Stand up if you are a RM or HR manager looking for more to do in your day?

So who in your company is the Director of Employee Injury Prevention and Wellness? There isn't one! The job of eliminating the underlying source of your Workers' Comp problems is unoccupied or at best a secondary function of someone else's job.

We end up working with companies that figure out how important it is to put someone in charge of this. Why? Just think if you could cause a 10%, 15%, 25%, 40% reduction in sprain/strain injuries alone? What effect could that have on production, lost time, Workers' Comp costs and yes, group health insurance costs (a trained employee who knows how to prevent back injuries or carpel tunnel at work also knows how to prevent them at home and would know how to pass that knowledge onto
Their spouse and family members).

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Back in the 90's, United Airlines became aware of this void in their Organizational Chart. Safety is a huge concern for airlines, therefore safety positions were well posted on their organizational chart. Workers' Comp was taking care of new and existing claims. Upon further evaluation, it was discovered that everyone was extremely busy doing their jobs, but no one had the job of preventing tomorrow's claims. Particularly their most expensive claims - like most companies, back injuries and other sprains/strains, were appearing as old claims were being closed, the typical treadmill of Workers' Comp.

A position was formed to coordinate between Safety and Workers' Comp that had as a function - Wipe out the enemy; prevent claims from occurring in the first place to lower absenteeism, lost time and Workers' Comp costs.

FIT was contacted and got the opportunity to work with good leadership and passionate people in charge of preventing future injuries to flight attendants and to keep them healthy and on-the-job. It became one of the most rewarding, cost-effective and employee embraced activities the company has ever done. As a result of working with us and with their proactive and aggressive approach to injury prevention, United Airlines won the coveted Diamond Award for Safety and was honored by the highly regarded "On Board Services" magazine. It is special when a manager can lower costs considerably, increase morale and strengthen union relations, simultaneously.

It is now 2007, the beginning of a new year that brings with it new opportunities for accomplishment and advancement. Who wants a promotion? Who wants a job that will have a huge impact on corporate profits? Who wants a fulfilling job that has a direct impact on employees' lives? I can almost guarantee you that this position is vacant at your company; Director of Employee Injury Prevention and Wellness.

Exactly where this position should sit in your company's Organizational Chart, I cannot say. It might be in Risk Management, HR, or even under the CFO. But I do know that it is a critical Management position that needs to carry enough weight in the organization to command respect from Operational Departments.

How much should it pay? I don't know that either, but if your organization's Workers' Comp costs are an issue, no matter what you are paid, it would be dwarfed by the on-going savings you would generate. If possible, have a bonus as part of your compensation package, tied to savings to Workers' Comp costs.

In summary, the Workers' Comp system is tremendously flawed because vendors have focused your attention on post claims strategies, not the root cause of claims. It is a multi-billion dollar industry and will continue to be so unless we get smart. Attack the source by dedicating resources to stop your employees from getting injured.

Good leaders realize that to lead you can't be a follower. Do something different, bold and fulfilling this year. The same approach that worked 25 years ago is, well, old. It takes some courage to do things differently sometimes, but to do otherwise in this case would be negligent. United Airlines and now many other companies have seen the wisdom in this approach and have been rewarded many times over. Stop injuries, save on Workers' Comp costs, and then listen to the employees thanking you for caring about them.

Prevent tomorrow's injuries today! ™
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