



# Human Resources Information Sheet

## Workers Compensation – How to Manage the Costs?

Source – The Journal

### How to manage the costs

#### Why should you care?

You have got enough on your plate running your business so why should you bother about Workers' Compensation, Injury Prevention and Return to Work Practices?

Financially you will be surprised at how much it really costs – both in direct and indirect costs – and as a result you will need to generate extra revenue or gross profit to cover these costs.

Return to Work Practice encourages safe, timely and a successful return to work. There are many reasons for you to be involved. It is good for your business to manage workplace injuries.

It can actually save you money:

- ❖ You will have a more motivated and engaged work place
- ❖ You can become an employer of choice
- ❖ It's good publicity – it enhances a positive company image with the public
- ❖ It maintains an experienced workforce / skill base
- ❖ It accelerates recovery
- ❖ It establishes a culture where early return to work is the usual course of action
- ❖ It's the law.

If all employers in your industry make their workplaces safer, the overall number of compensation claims will reduce. In turn, so should your annual levy.

## Myths

Some common misconceptions are widely held about Workers' Compensation. Clarifying these is important in understanding how developing a proactive return to work philosophy can benefit your business.

*People who are injured need total rest and removal from everyday life in order to recover.*

Anecdotal evidence suggests that it is bad for a person's health to be removed from usual activities of daily living. Psychosocial issues, depression and social isolation are common consequences of a delayed return to work. Recovery will progress quickly and successfully when there is a combination of early mobilisation, treatment and increased transition back to a pre-injury way of living.

*Employees must be 100% fit for work before returning to work.*

Employees may not be able to complete their normal job straight away but most will have the ability to complete tasks that have been modified. For example, if an employee has a back injury this does not necessarily mean that they cannot complete tasks like writing, or phone work while gradually returning to their normal job. Let your employees know that you don't expect them to be 100% recovered when they return to work and that you will work with them and their treatment provider so they return to work safely.

*It is up to the agent to bring my employee back to work.*

Return to work is a joint responsibility and the longer an employee is off work the higher the cost to you. The workplace is the focal point of return to work and is best done at the workplace. An employer has an essential role in initiating and facilitating return to work success.

*I don't have any light duties – all my duties are heavy.*

If you are able to provide meaningful suitable duties, not only are you benefiting your company, but also assisting your employee's independence. Arrange for assistance from other employees to do parts of the job that are not compatible with the current medical restrictions as stated on the medical certificate.

Consider obtaining a job analysis to assist you in identifying jobs that may be able to be modified to suit the injured worker while he / she rehabilitates back to his / her normal duties or perhaps offering any "when I get time" tasks that may be suitable.

*What will happen if I don't support return to work?*

The longer an employee is off work the less likely they will be to return. An employee who has been absent from work for 6 months only has a 50% chance of ever returning to work.

The benefits of supporting a return to work include minimising the financial impact on your premium. Early return to work will keep claims costs down. You will also decrease the costs of employing & training new staff to cover the absence.

### *What does it really cost?*

Your annual premium may rise if you have a workers' compensation claim. Every time an employee suffers a work place injury, there is an impact on your business. The obvious costs are the direct claims costs from your agent as it relates to your annual premium.

There are other hidden costs to your business as well and these are often either not well known or not calculated into the total costs of a work place injury.

In fact, there is some evidence to suggest that in some cases work place injury can cost between 8% and 16% of your total payroll.

These are some of the many hidden costs to your business:

- ❖ Providing first aid and the cost of supplies and equipment
- ❖ Transportation to hospital or medical centre – ambulance or taxi
- ❖ Assessing and repairing damage to equipment – parts
- ❖ Coordinating repair work – outside contractor costs
- ❖ Clean up time / lost productivity
- ❖ Hiring replacement workers – recruitment costs
- ❖ Rescheduling other workers
- ❖ Paying employees overtime to cover the workload
- ❖ Trainer time for new worker
- ❖ Lost productivity (waiting to resume work, or reduced efficiency – e.g. it takes twice as long to complete the job – at the same hourly rate)
- ❖ Time taken to investigate the accident and complete paperwork

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