

Workers' compensation strategies for a recovering economy

A Five Point Plan to help you keep your workers' compensation costs in check

Fact: New hires increase workers' compensation costs:

- Results from a recent Society for Human Resources Management poll say that 62 percent of companies indicate they are now hiring full-time staff; 47 percent say they are replacing jobs lost during the recession.¹
- During a stable economy, workers with less than one year of experience make up only a quarter of the workforce, yet they are responsible for over a third of the lost time claims.²
- Zurich's own historical data shows that 43% of claim dollars come from employees with under one year's tenure.

Conclusion:

Your lost time claim costs can increase as new hires make up a greater proportion of your workforce.

An increase in hiring is a welcome sign after a recession, but along with it might come an increase in workers' compensation claims. As the data above shows, newly hired employees can drive up your workers' compensation costs – even in a stable economy. Zurich is prepared to help our customers combat this challenge with effective tools, education and best practices. Our goal is to help you manage these risks, keep costs in check and reap the full benefit of expanding your workforce to help grow your business as the economy recovers.

Here are some of the risks you'll be facing, followed by an introduction to Zurich's Five Point Plan for helping you manage them:

Hiring and retaining qualified employees will be more difficult.

The majority of employers are, or will soon be, hiring new workers, thereby increasing the competition for qualified individuals. Many post-recession jobs will require new skills, adding to the difficulty of attracting qualified workers.

In addition, employee turnover among your existing workforce is likely to increase. An improving job market will encourage your current workers to consider alternative employment as compensation and work environment begin to take priority over job security.

As your workforce grows, it's more important than ever to be diligent with your hiring practices in order to avoid placing new or existing employees into a position for which they're unqualified. The cost of correcting a poor hiring decision, such as replacing an unqualified employee, can be up to five times the salary expense.

New employees are more likely to become injured.

Zurich's own claim data, along with trend data from the insurance industry as a whole, show that new employees account for a disproportionate share of workers' compensation claims and related costs.

Reasons include inexperience, lack of skills or training, unrecognized hazards, unfamiliar surroundings, and careless or reckless efforts to complete tasks on time.

Young workers – those under age 25 – are twice as likely to be injured on the job as older workers. Yet the increased injury potential also affects older, more experienced workers new to an industry or a company. Like many companies, you may have been forced to do more with fewer workers during the recession. Changes you may have made to work processes, materials and equipment can lead to the same challenges for former employees rehired into similar positions.

Talk to your broker or Zurich representative to find out more, or visit our Website to receive more information on workers' compensation cost reduction strategies at www.zurichna.com/workerscompensation

More new hires mean more claims, leading to higher workers' compensation costs

You've probably seen your workers' compensation costs remain steady or even decrease during the recession since current workers' compensation costs reflect an experienced workforce, declining injury frequency and relatively stable system costs for most states. However, these costs might increase as new employees become a greater proportion of the workforce.

As you bring in less experienced workers, as is generally the case after a recession, your workers' compensation experience can be affected by the typically lower wages and higher claim costs associated with new workers. And this experience will affect your future costs even after you take corrective action to control claims – so prevention is critical.

Regulatory compliance may be more challenging.

Legislative and regulatory changes introduced since the recession began in 2008 affect the hiring process and can raise compliance issues for many employers. The Americans with Disabilities Act Amendments and Genetic Information Nondiscrimination Act, both of which became effective in 2009, are two regulatory changes you need to be prepared to address as you hire more workers. Fines and penalties and the expense of employment litigation can result in substantially higher costs for employers.

How Zurich's Five Point Plan can help

Operating in a recovering economy doesn't have to mean having your expected increase in profitability drained by higher workers' compensation costs. With Zurich's help, you can start taking action right now to minimize the negative impact and increased costs associated with growing your workforce.

Five key actions can help put you in control:

Point 1: Job Analysis. Before you ramp up your hiring efforts, you should conduct a thorough job analysis for each position, including physical job demands, and make sure they're kept current and referred to during the hiring process.

Point 2: Recruiting and Interviewing. Make sure your recruiting practices are designed to set realistic expectations and attract qualified individuals who fit your organization.

Point 3: Regulatory Compliance. Maintain hiring policies and practices to assure compliance with current employment law and ensure that managers and supervisors have the tools and guidance necessary to select qualified candidates in compliance with employment regulations.

Point 4: Pre-placement and Post-offer Testing Strategies. Use conditional offers combined with pre-placement, post-offer testing to help you validate applicant qualifications and assure successful job placement in compliance with employment law.

Point 5: Orientation and Training. Employee orientation should include acknowledgement of employment policies, including job safety requirements; training for new employees should reflect current job processes and focus on worker and workplace safety. New employees, regardless of experience, should be mentored and monitored to assure safe, successful performance.

Zurich HelpPoint is here to help you look at the complete picture of your workers' compensation costs and keep them from eating into your profits – no matter what economic forces you face.

¹ Society for Human Resource Management "Post-Recession Hiring" poll, March 2010

² Analysis of U.S. Bureau of Labor Statistics data for all industries by NCCI

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