

Strategies for Success—Billings Business News

Risk Management—Are you paying attention to the small stuff?

Joe Michels, PhD, P.E., C.P.L.
Solomon Bruce Consulting LLC
Billings, Montana 59106
406-672-6387
www.solomonbruce.com

The recent troubling economic times continues to cause many business owners sleepless nites and much trepidation. Cost containment, excessive costs and expenses as well as insuring that employees are not taking advantage of you and your business through workman's compensation insurance claims are real concerns.

I recently received a newsletter from my good friend Tom McGree, a Vice President with Payne Financial Group in Helena, Montana. Tom's newsletter goes to his many clients each week. This past week he addressed the topic of risk management and what a business owner can do to insure that he/she minimizes his risk exposure to the least amount possible.

Here are some of Tom's ideas to help reduce expenses and overall risk:

Job Descriptions: *By having a strong, clear job description you will be able to show a physician when an employee is able to return to work. If it's not on paper and clear to the doctor you are less likely to get the release.* This is important—irrespective of the number of employees that you employ. If you have just one employee, he/she should have a job description and the firm should have a well written and documented employee manual. Each employee should either be given a copy of the employee manual or have read it and provided written acknowledgement that he/she has read it, understands what it says and will comply with all directives contained in the manual. One copy of the acknowledgement should be filed in the employee's personnel file, while a duplicate copy is given to the employee. Having written documentation reduces many questions later when a possible injury or doubt about a company policy or procedure arises.

Subsequent Injury Fund: *If you have an employee who has a permanent disability they may qualify for this program. If they do, your liability and work comp costs are severely limited (a very good thing).* If you don't know about this program, call your insurance agent TODAY and find out about it. We never want an employee to get hurt or permanently injured, however, accidents do happen. Your insurance agent is best suited to address this matter today.

Time cards: *Make employees certify at the end of their shift (you can put it on their time cards) that they haven't been injured. It helps prevent injuries that the employee suddenly remembers the*

following week. This matter is best addressed with your lawyer to insure proper wording and employee acknowledgement. Fraudulent completion of timecards could be an offense that results in employee termination. This is another reason to have an up to date and acknowledged employee handbook in your firm.

Return to work: Offer the employee any job the doctor will approve. You can even ask the employee to volunteer at a local charity. Each dollar you pay in wages saves around four dollars in net workers' comp expenses. Many employers want to get the employee back to work as soon as possible in order to limit the employer's workmen's compensation expenses. Most employees want to return to work as well. However, be careful and not push something that either the employee is not ready to perform or will exacerbate his/her healing schedule. It is better from a management perspective to have the employee "fully functional" than try and accelerate his/her recovery time. Of course, with injuries that require a long healing time, there are, perhaps, some jobs that the employee can perform that will not interfere with healing time while still allow the employee to be back at work as soon as possible.

Communicate: Explain to your employees that work comp benefits come out of your (the business') pocket and that they won't get their full wage if they get hurt. They'll only get about 60% of their pay and there is a cap on the allowable amount. Most employees think work comp is a "right" and the money comes from an insurance company. That's not the case. This is a task that should be done each and every day. If the firm is so large that the owner is unable to attend a daily meeting, then he/she should schedule a meeting with all employees at least every two weeks to explain how the business is doing, what is new, what is upcoming and how the current economic environment is effecting the business and what the employees need to do to prepare for the eventual upturn in economic outlook, whenever that occurs. Employees like to see and hear the owner tell them what is going on. This is a task that the owner must do; do not delegate communication with your employees.

Watch out: Keep your eyes open (and have your managers do the same) for potential problems. If you suspect there is or could be fraud, watch what is happening and document everything. Explain your concerns to employees and your expectations. Letting them know you won't roll over may make them think twice about filing a questionable claim. I am familiar with a small family owned business where "filing a workmen's compensation claim" was a continual threat against the owner. The owner experienced several of these claims previously and "rolled over", electing to pay the claim instead of providing much better, i.e., more clearer and articulate roles, responsibilities, duties and job expectations. Once the owner developed the clear job descriptions, worked on a comprehensive employee manual as well as clearly communicating with all of the employees on what each employee's duties and responsibilities were, her workmen's compensation claims were reduced. This is also a company which through this economic downturn elected not to discharge any employees, however, did reduce hours worked each week.

Each employee retained a job, albeit at lower wages because of the shortened week, however, nobody got laid off.

Risk management is important to each business owner. Clearly documented, defined and identified procedures, a strong human resources manual and active, involved management goes a long way in insuring that your firm not only has satisfied and productive employees, but also a reduced workmen's compensation record.

Tom McGree is a Vice President for Payne Financial Network in Helena, Montana. He can be reached at 406-457-5165.