



## The Cash Incentive Safety Initiative City of Gallup, New Mexico

### Introduction

The City of Gallup, NM, like many governmental bodies that employ field crews, suffered from an ever-increasing number of worker's compensation claims and associated annual increases in worker's compensation insurance premiums. The implementation of the Cash Incentive Safety Initiative has both improved the health of employees and reduced costs associated with absent and injured workers. As explained below, there is real potential for similar programs to benefit municipal and state governments nationwide.

### The Problem

Gallup's workers' compensation program had suffered from two chronic problems. First, as with many large public agencies, supervisors are reluctant to confront employees regarding work-habit issues until after a tragedy has occurred. Second, affected employees often feel that they have little to gain from safer work practices, since such practices may require more time or tedium to complete a given task safely, or believe that accidents "only happen to someone else."

Most public agencies have a program of employee safety training, but efforts to implement real change of work habits are hindered by a lack of management focus on safety issues. As a typical municipal entity of just over 500 employees, working in a myriad of outdoor vocations from linemen, to firemen, to policemen, to construction workers, the City of Gallup remains exposed to numerous workplace hazards and associated claims. Until the incentive program was initiated, insurance premiums for workman's compensation coverage alone rose to almost \$750,000 per year.

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## *The Cash Incentive Safety Initiative*

This recurring expense was untenable, given the numerous infrastructure needs and opportunity costs facing Gallup.

Ample employee training opportunities were offered, but accidents continued to increase each year, along with insurance costs. High-profile accidents or fatalities do little to improve a city's image, credibility, or reputation.

### **The Solution**

The challenge was to create conditions where both supervisors and employees had a personal stake in reduced accident frequency and severity. A countermeasure to the age-old problem of "management-by-friendship" was urgently needed. With 500 employees, any new incentive program would be costly. Instead of dedicating new funds to the program, safety incentives were tied to the annual cost-of-living raise.

Employees were divided into groups that worked together on a day-to-day basis and were affected by each other's actions. Utility crews were grouped together, as were respective parks and street department crews, linemen, and so on. An employee that stayed free of any job injuries or property-damage incidents was offered an annual incentive of \$100 cash for each eligible employee. An entire work group free of such incidents had their incentive doubled to \$200 per employee. This 'group incentive' effects an almost immediate change to the employee mind-set.

Virtually overnight, employees became hesitant to file fraudulent or nuisance claims, because of the adverse monetary consequences to themselves and co-workers. This program was implemented across both unionized and non-unionized work groups, with great success. The bonus is paid in early December, to further increase a worker's incentive to add to the holiday budget.

Supervisors were treated a little differently in that one-fourth of the typical annual raise percentage was withheld from all supervisors and divided among those with excellent or greatly improved department safety records. The incentive was withheld from supervisors with poor or declining safety records. Additionally, "safety record" is now one of the first items on their performance evaluations.

For both rank-and-file and management employees, the Cash Incentive Program is intended to reward and compensate those individuals that contributed to decreased municipal insurance costs. The cost of the program was \$40,000 the first year, and resulted in a decrease in annual workers' compensation premiums from \$750,000 to just \$580,000, for a net first-year savings of \$130,000.

The costs of incentive programs can invariably be rolled into the annual cost-of-living or merit increases granted as part of most organizations' compensation package. This concept is one that actually pays its own way, and can be applied to both union and salaried employees. An uncountable number of avoided accidents, avoided claims, and more productive workdays can be credited to the Cash Incentive Program.

### **Relevance to Massachusetts**

Similar programs could lead to a sweeping change in mind-set, similar that inspired by the national seat-belt initiative two decades ago, or the national effort to discourage drunk driving. To effectively deploy this program elsewhere would be relatively simple, provided a safety program with adequate components of required technical safety training is already established.

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	Totals
Notice of Injuries	7,724	7,848	7,008	6,751	6,667	6,502	6,187	48,687
Lost Time Claims	1,856	1,869	1,748	1,788	1,733	1,739	1,543	12,276
No Lost Time Claims	5,868	5,979	5,260	4,963	4,934	4,763	4,644	36,411
Med Only Claims	1,460	1,451	1,178	600	562	1,098	1,305	7,654
No Lost Time & No Med	3,719	3,867	3,321	3,192	3,211	3,021	1,089	21,420
<b>Claims Expenditures</b>	<b>\$42,088,194</b>	<b>\$45,067,841</b>	<b>\$44,982,066</b>	<b>\$44,413,562</b>	<b>\$47,480,384</b>	<b>\$48,563,137</b>	<b>\$46,601,614</b>	<b>\$319,196,799</b>

Possible steps are as follows:

- Determine the amount to be set aside from normally budgeted salary increases, and subsequently to be made available for the safety incentive.
- Identify the criteria and intended changes to employee behavior, i.e. reduced accidents, less property damage, attainment of training hours, measurable increase in production components, reduced customer complaints, etc.
- Identify and establish the work groups for unionized employees.
- Clearly communicate the details, goals and benefits of the program to the employees.
- Closely monitor and document subsequent accidents, lost-time injuries, and other measurable program criteria.
- Each December, preferably at the holiday gathering of agency employees, distribute the incentive payments to eligible recipients along with a public report of the program’s successes, shortcomings, savings achieved, and goals for next year.

The Commonwealth of Massachusetts could certainly benefit from such a program. In FY06 alone, state workers filed 6,187 workers’ compensation claims, which cost the state in excess of \$46 million. Since FY00, such claims have consistently cost the Commonwealth more than \$40 million a year.

### Conclusion

While this program is not designed to eliminate all of the fraud associated with workers compensation claims, or the high cost of the program, it can dramatically reduce both. Much like the welfare reform put into place by President Clinton in the mid 1990s, this has the potential to revolutionize a high cost drag on state and municipal budgets.

