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Disability Management: The Potential Benefits for the FECA Program

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As some of you may know, I'm a former employee of the U. S. Department of Labor. With that in mind, I wondered what was going to happen if Secretary Komarek went beyond his fifteen minute time slot. (Laughter) I wondered whether I was going to be able to gavel him down and whether that would give me some special feeling of satisfaction or whether I would still be as intimidated as I was twenty years ago when I was a Federal employee. (Laughter) Fortunately, he held to his time as did the other speakers which allows me to use all the available time that's left.

Your program suggested Allan Hunt will be the fourth speaker today speaking on Disability Management and Potential Benefits for the FECA program. I am not Alan Hunt. Nine days ago, Allan Hunt became a father for the first time. Father and daughter are doing well, and one reason she's doing well is that he postponed this trip and decided he'd spend these days with helping mom. He is co-author of the paper with Rochelle Habeck. She would have been here, but she became a mom nine days ago, too. He thought it would be prudent for her to stay in Michigan. With that in mind, this is the second time in my career that I will read a speech written by Allan Hunt, but I will do that. And it's slightly over fifteen minutes in length, but Alan said, Peter you really speak fast and you should be able to get most of it in. In any event, I'm sorry that Alan won't be here to take questions, but let me begin.

PETER S. BARTH (READING THE HUNT/HABECK PAPER)

During the past decade or so, as employers have struggled to cope with rapidly rising costs under most state workers' compensation systems, a "disability management" movement has gradually emerged that encourages employers to try and take more control over these areas. In some circles, disability management has come to be synonymous with methods to dissuade workers from filing claims, or with contesting claims in an aggressive manner.

But the true goal of disability management is to prevent human suffering <u>and</u> economic loss by minimizing the occurrence and the impact of disability on individual workers, and thereby on the workforce as a whole. When it is done well, it represents a common ground between the interests of management and labor, because it can simultaneously improve the quality of life for workers, and reduce the costs of disability for the company.

The research findings we will present here represent the results that employers, largely from the private sector, are obtaining under one state workers' compensation statute. You know better than we how unique the FECA program is. But we, (Hunt and Habeck) believe that the concepts and practices of disability management that work in the private sector can also work in the public sector.

In general, disability management can be described as first, a proactive, employer-based approach to prevent the occurrence of accidents and disability. Second, a process to provide early intervention for health and disability risk factors. Third, a method to coordinate administrative and rehabilitative strategies for cost-effective restoration to health and return to work.

This research effort began with the assumption that some significant portion of the variability in workers' compensation experience among Michigan employers (and employers in general) is due to organizational factors and practices that are within the control of the employer, at least to some degree. Further, based on the growing body of employer experience, three organizational factors have been the focus of research efforts by Hunt and Habeck over the last four or five years:

1. Disability management and rehabilitation techniques

2. Safety and accident prevention activities

3. Corporate culture and management philosophy

We believed these factors account for a significant portion of the variability among employers in their disability experience. We looked at four industries and analyzed the differences between good performers and bad performers in workers' compensation claims in Michigan in 1986.

We chose the following industries on the basis of their representativeness, their employment levels and their varying levels of worker's compensation claims. That is food production, fabricated metals, transportation equipment (not an unimportant sector in Michigan), and health services. Then, we ranked these firms according to the number of workers' compensation claims per 100 employees in 1986. We decided to focus attention on one group of "Low Claims Employers," which were those from the lowest 15 percent of industry and another group of "High Claims Employers," from the highest 15 percent of each industry distribution. Then we compared establishments to others in the same or closely related 2-digit industry.

We developed a survey instrument to probe the areas of interest in the 73 items. We conducted a mail survey of 124 firms from these four industries in the first half of 1988. The response rate was 44 percent.

The findings: The low claims employers in the survey were much more likely to engage in a whole set of practices described as disability management. Low claims employers were significantly more likely to use modified work to assist injured employees to return to work sooner than otherwise possible; to encourage supervisors to assist in the return to work of injured workers; to provide wellness programs and fitness resources for injured workers or to provide employee assistance programs; to screen their employees regularly for health risks, not just at intake to screen out those with problems.

The low claims firms were also more likely to engage in certain safety information activities. They were included in a more proactive approach exemplified in the disability management definitions already explained. Those firms were significantly more likely to devote significant resources to monitoring and correcting unsafe behaviors. They have company leaders model and attend to safe behaviors and they provide safety training immediately for new or transferring employees.

Further we found that there were significant differences in the management climate and culture of low claims firms and those with high claims. Low claims firms were more likely to demonstrate a commitment to employee participation, problem solving and decision making. They were more likely to use a gain sharing program to stimulate and reward productivity of employees at all levels. And they were more likely to utilize communication channels from the bottom up as well as from the top down within the organization.

In addition, the low claims firms were larger firms, were growing faster, and they had a higher proportion of employees working overtime. They also exhibited substantially lower rates of turnover and absenteeism, and recorded fewer grievances, although only the turnover difference was statistically significant.

Unfortunately, due to data limitations, these indicators cannot be linked precisely to cost differences. But it is worthy of note that our high claims employers had twice as many OSHA recordable incidents (accidents) per 100 workers as the low claim employers.

However, they actually had four times as many workers' compensation claims, controlling for industry and size. We assume that cost differences would be even greater.

There were also a set of characteristics that were associated with the high claims firms. First, as indicated above, they had higher turnover rates, more grievances and greater absenteeism. We think this indicates that they were less desirable places to work overall. They were also nearly twice as likely to be unionized firms. This is a controversial finding, and we have made no judgment as to which is cause and which is consequence. However, it is worth noting that a very significant percentage of the low claims firms were also unionized, so the presence of the union is obviously not an insurmountable barrier.

The high claims firms also had substantially more workers with less than 2 years tenure with the firm. Although this difference was not statistically significant, it is the conventional finding that early exposure to the job is the most dangerous time for industrial accidents. High claims firms were also characterized by a higher proportion of minority workers. We believe this is the result of the fact that a higher proportion of the high claims firms were located in Detroit than out-state, and because of historical labor market discrimination; minorities are less likely to get the "best" jobs.

Overall these results suggest that low claims employers are more successful in demonstrating their commitment to employee well-being, productivity, participation, and accountability and that in some as yet unclear way, these behaviors are translated into lower incidence of workers' compensation claims and, presumably, lower disability costs.

Our main conclusion is that employers do a great deal to help determine their own disability costs. Some do it consciously, some may do it unconsciously, but it seems clear that if there's room for employer influence, there is also room there, then, for improvement. Employers should assume that they can influence significant aspects of their disability experience and begin to address the factors that lie within their control.

We regard these results as very stimulating, but not yet sufficient to quantify the impacts of particular procedures in given environments. In combination with others working in this area, we are continuing to pursue these research issues. Our new study, DISABILITY PREVENTION AMONG MICHIGAN EMPLOYERS, began on December 15, 1989. It was designed as a three-year effort and is being funded by the Safety, Education & Training Division (SET) of the Michigan Department of Labor. SET works with employers on a voluntary basis to improve their workplace safety and health, including some targeting of firms based upon their workers' compensation
claims experience.

Our three-year SET grant supports a project designed to replicate and extend the findings of the pilot study and apply the research findings to the mission of the SET division by developing ways to more effectively assist employers in improving their workplace safety and disability performance.

We are committed to trying to extend the first study by quantifying the relationship between some of the "best practices" that employers are using today in disability prevention and management and the reductions in disability costs and workers suffering that are being achieved. We believe that every employer could improve their disability performance, but the value of demonstrating what can be done by actual employers in real world situations will have greater impact on those employers who are doing poorly. Working with the SET division of the Michigan Department of Labor, we hope to demonstrate to employers over the next year or two that they can do something to improve their own performance and thereby reduce the overall incidence of work-related disability in Michigan.

Now, the implications: we believe that these lessons from the private sector should not be lost on the Federal Government in its role as employer. We would suggest that within every governmental agency, there are significant differences among establishments in the incidence of accidents and of FECA claims, although we were not able to secure data to verify that as a fact. We believe that, like the private firms in our study, there are systematic differences in disability performance that can be linked to managerial and policy implementation differences at the local level.

Further, the public sector is now one of the most highly unionized sectors in the economy, and union presence was negatively related to claims incidence in our study. Public employers at the establishment level may be less likely to have professional benefits management staff as well. Human resource functions often are divided among several departments which can result in uncoordinated efforts to manage disability claims and other benefits. Civil service regulations may also serve to inhibit innovative approaches to human resource management.

Admittedly, there is less scope for management prerogatives or local labor-management initiatives in the public sector. There are also fewer economic incentives to motivate the cost reduction aspect of disability management. Yet, we believe that enlightened managers and labor leaders in public sector organizations will come to understand the broader impact of disability management as a human resource conservation process.

The connection between good labor-management relations and good accident and disability performance is no accident. It seems clear to us that the nature of the relationship is demonstrated in the attitude with which management approaches the disability management area and that within which labor reacts. In a healthy employment relationship, management can show its concern for worker well-being without being afraid of looking "soft".

Labor, on the other hand, can participate in disability management initiatives without getting derailed by the goal of maximizing jobs. One of the clearest illustrations of this is in the application of the modified work or light duty concept. The traditional union attitude toward modified work assignments was that it violated the seniority agreement by denying high seniority workers the "easy" jobs they had earned by long years of service. In addition, bringing someone back to work early would only serve to deprive someone else of a job and a good income. Better to leave the injured worker home until he or she was fully recovered, (traditional union) and maximize the number of people receiving an adequate income.

But staying home until fully healed may not be healthy in a social sense. Learned dependency behavior is very real, and the social isolation that can result from injury and disability is very dangerous. In addition, imposing extra costs on employers without offsetting productivity gains in an internationally competitive world can undermine job security faster than any other strategy yet devised.

We believe that there are many parts of the Federal Government that are susceptible to the same labor-management problems as much as the private sector. While FECA is quite distinct from state workers' compensation statutes, it is distinct partly in ways that make it even more susceptible to overuse, both conscious and unconscious. Your non-adversarial system has the advantage of treating workers with more humanity, but it can have the disadvantage of not forcing the issue of when it is time to go back to work, in the interest of both the worker and the employer. It will take committed leadership to create a positive work climate and effective early intervention procedures to avoid these potential disincentives.

Disability management is more than just a set of techniques, it is a way of looking for small everyday solutions to the large problems of disability. It is a philosophy that is incorporated in the Americans with Disabilities Act (ADA). ADA will require employers to make reasonable work-site accommodations for otherwise qualified persons with disabilities. We believe that those employers who have already developed the ability to accommodate their own injured employees through effective disability management are likely to be much more able to comply with ADA in a timely and cost-effective manner. Federal employers have valuable experience in accommodating disabled persons as required under Section 501 of the Rehabilitation Act. These strategies should assist federal agencies in adapting jobs to accomplish the task of putting injured workers back to work.

Thus, the thrust of disability management is to move upstream to prevent unnecessary displacement from employment due to work-related injuries and illnesses. Employer-based strategies for disability management have distinct advantages over the traditional approaches to vocational rehabilitation, applied after work disability has been firmly established. When the policies and practices of disability management are achieved within the organization, many of the socioeconomic consequences of disability can be avoided before the fact. This is far more effective and more satisfying than efforts to regain employment after it is too late. We believe there is an important role for disability management in the overall Federal human resource management strategy.

I thank you and they thank you.

THOMAS C. KOMAREK

CHANGING FECA FROM A FIXED TO A VARIABLE COST PROGRAM

RUTGERS UNIVERSITY FECA CONFERENCE

A review of Workers' Compensation costs in the Federal Government over the past several years has shown that these costs escalated from $800 million in 1983 to over $1.4 billion in 1991. This is not unlike the private sector which has experienced a similar increase in workers' compensation costs. Like the private sector, we in the Federal Government must control our bottom line, particularly now that we have the Budget Enforcement Act of 1990. That Act effectively caps the total amount that the Federal Government can spend each year. That in turn means that each

PROCEEDINGS OF A CONFERENCE

CELEBRATING

THE 75TH ANNIVERSARY OF
THE FEDERAL EMPLOYEES' COMPENSATION ACT

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EDISON, NEW JERSEY
SEPTEMBER 10-13, 1991

A Conference Sponsored By
the Rutgers University Institute of
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and the
United States Department of Labor

CELEBRATING THE 75TH ANNIVERSARY OF THE FEDERAL EMPLOYEES' COMPENSATION ACT

Clarion Hotel, Edison, New Jersey

THURSDAY, SEPTEMBER 12, 1991

9:00 A.M. Registration

9:30 A.M. **Welcome from Rutgers University**
John F. Burton, Jr., Director
Institute of Management and Labor Relations

Welcoming Remarks
Lawrence W. Rogers, Director
Office of Workers' Compensation Programs

An Overview of the Program and Introduction of Planning Committee
Monroe Berkowitz, Rutgers University

10:00 A.M. **SESSION I**

An Introduction to the Federal Employees' Compensation Act
Chair: John D. Worrall, Rutgers University

PRESENTATIONS: "The FECA Program in Historical Perspective"
Willis J. Nordlund, Regional Director
United States Department of Labor

"The FECA Program Today: Its Accomplishments, Problems, and Prospects"
Thomas M. Markey, Director
Federal Employees' Compensation Program

"How FECA Differs from State Workers' Compensation Programs"
John F. Burton, Jr., Rutgers University

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12 Noon LUNCH

2:00 P.M. **SESSION II**

The Pros and Cons of a Non-adversarial System

Chair: John D. McLellan, Jr., former Director, Federal Employees' Compensation Program

PRESENTATIONS: "The Perspective of Organized Labor"
Herbert A. Doyle, Jr., Assistant to the President, National Association of Letter Carriers; former Director, FECP

"The Employer's Perspective"
Joel S. Trosch, Assistant Postmaster General Employee Relations Department, United States Postal Service

"The Pros and Cons of a Non-Adversarial System for Workers' Compensation"
Theodore J. St. Antoine, University of Michigan Law School

DISCUSSANTS: Michael J. Walsh, Chairman, Employees' Compensation Appeals Board

Carol A. DeDeo, Associate Solicitor for Employee Benefits, United States Department of Labor

Craig A. Berrington, General Counsel, American Insurance Association

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7:00 P.M. **DINNER** **Speaker:** **Julian De La Rosa**
Inspector General
United States
Department of Labor

FRIDAY, SEPTEMBER 13, 1991

8:30 A.M. **SESSION III**

Cost Containment Issues

Chair: Peter S. Barth, University of Connecticut

PRESENTATIONS: "The Use of Workers' Compensation to Encourage Occupational Health and Safety"
James Chelius, Rutgers University

"Medical Care Cost Containment: FECA's

Experiment with Medical Fee Schedules"
William G. Johnson,
Arizona State University

"Disability Management: The Potential Benefits for the FECA Program"
H. Allan Hunt, Upjohn Institute

"Changing FECA From a Fixed to a Variable Cost"
Thomas C. Komarek, Assistant Secretary of Labor for Administration and Management, United States Department of Labor

DISCUSSANTS: Donald Elisburg, Esq., former Assistant Secretary of Labor

Larry Matlack, Chief, Labor Branch
Office of Management and Budget

Norman Zigrossi, Inspector General
Tennessee Valley Authority

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11 A.M. SESSION IV

Rehabilitation and Return to Work

Chair: Cornelius Donoghue, Jr., Deputy Associate Solicitor for Employee Benefits, United States Department of Labor

PRESENTATIONS: "Rehabilitation Within the OWCP"
Sheila W. Hackett, Deputy Director, Federal Employees' Compensation Program

"Rehabilitation in the FECA Program"
Monroe Berkowitz, Rutgers University

"Return to Work practices in the Rehabilitation of Workers' Compensation Claimants"
David Vandergoot and Amy Gottlieb
National Center for Disability Services

DISCUSSANTS: Sally Kniepp, Counselling and Rehabilitation, Inc.

William Ryzewic, Naval Sea Systems Command

1:00 P.M. PROGRAM ADJOURNMENT