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Hiring the right employees can save money

By Lisa Pinion

The type of employees you hire can affect profitability factors, company culture and atmosphere as well as insurance premiums. From an insurance standpoint, the “wrong” employees can affect the cost of your insurance program for years to come, as five years worth of loss history data is used in the underwriting process.



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strategies, programs, policies and procedures for the company.

To avoid litigation and be in compliance with statutory requirements for pre-employment background investigations, your company should have a well documented hiring process in place. Concrete evidence of established protocols, compliance with statutory requirements, and completed documentation in personnel files will strengthen your company's defensibility with litigation concerns and assist defense attorneys. A strong defense equates to decreased claims, which ultimately means lower insurance premiums.

The following steps are essential to keeping in compliance with statutory hiring requirements:

• **Pre-employment screening and hiring:**

This is one of the most important steps in the hiring process. A proper background investigation enables the employer to verify information contained in the employment application. This step functions as a big part of the foundation for the decision to hire or not to hire.

• **Employee orientation:** This should provide guidelines and rules concerning company policies and practices, management philosophies, standards and expectations concerning documentation, where applicable.

• **Training:** This formal process should advise new and current employees about procedures and protocols that are to be followed. Supervisors should begin to evaluate skills, knowledge, and performance potential of the new employee during this process.

• **Performance evaluation:** Periodic and scheduled evaluations enable supervisors to communicate one-on-one with each employee. These evaluations allow employees the opportunity to express feelings or observations in the work environment.

• **Retention/termination:** The decision to retain or terminate an employee after deficiencies in performance have been identified and documented will depend upon the nature and extent of deficiency or deficiencies identified. Close supervision and more frequent appraisals of that employee's performance or behavior must follow the identification of deficiencies.

• **Exit interviews:** Documented exit interviews are essential, since the extremely high turnover rate in the industry ensures that many witnesses in litigation situations will be former employees. Documentation of the reasons for departure, and the feelings and attitudes of these individuals at the time of their departure, provides a very useful tool for defense attorneys in litigation.

Improving employee relations

For years, workers' compensation has been viewed as an adversarial issue that pits businesses against workers. This seems to stem from a basic distrust between employers and employees. While there are real concerns, not all workers try to “milk the system” as the media might portray. On the contrary, studies of lost time claims indicate that most workers' compensation claims are legitimate and most injured workers want to return to work.

Poor claims management is the major reason so many claims become problematic. Squabbling over benefits, taking a hard line on claims that show substantial merit, and neglecting injured employees scares and angers them. And while most employees have a vague understanding that workers' compensation is available for job-related injuries, few really understand the extent of their rights and benefits under the workers' compensation laws.

Some employees even fear retribution for filing a claim.

Employers can stave off many of the problems associated with claims by fostering an atmosphere of trust and cooperation. To gain an employee's trust, the employer must first exhibit a certain degree of trust. Employers need to give employees the information they need and treat them as assets rather than liabilities, both before and after an injury occurs. In this manner, the morale of injured and non-injured workers alike is enhanced, which in many cases translates into direct and measurable cost savings.

Employers can take steps to control this aspect of the workers' compensation system by managing the process. The most visible rewards to the workers' compensation system for cultivating an atmosphere of trust between management and employees include a faster return to work, fewer litigated claims, improved morale and greater loyalty.

Numerous companies have reported positive financial outcomes from their efforts to improve relations with injured workers. In addition to direct savings, improvements in morale and loyalty can lead to increased productivity and job satisfaction, and enhance the overall corporate atmosphere. These factors, in turn, may lead to lower turnover rates, which cut recruiting and training costs.

In sum, the benefits to the employer extend well beyond the savings realized on a particular workers' compensation claim.

Quick Facts

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Assurance specializes in creating highly personalized client relationships that allow us to deliver exceptional insurance solutions. We work with clients in the toughest parts of the market, specializing in providing business and personal insurance, employee and executive benefits, safety consulting, claims advocacy, surety bond and retirement advisory services.