



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Mark Danaj

**SUBJECT: WORKERS' COMPENSATION  
GAIN SHARING PROGRAM**

**DATE:** January 24, 2007

Approved

*Kay Winer*

Date

*1/25/07*

## RECOMMENDATION

- Approve the proposed Workers' Compensation Gain Sharing program to encourage departments to continue to promote a culture of safety and to work toward reducing injuries to employees and cost to the City.

## OUTCOME

The approval of this program would provide incentives to departments to continue to improve workplace safety, and therefore, reduce injuries to employees and cost to the City. This gain sharing program reflects the values of **innovation** in trying new approach to safety, **collaboration** in working in partnership among various departments to achieve a citywide objective of creating a safer workplace, and **celebration** in recognizing the efforts of employees to work more safely.

The gain sharing program also reflects the budget balancing principle in that improving safety and reducing injuries will lower cost to the City. This principle has been proven to work in the last three years as shown by declining number of claims and lowering of workers' compensation costs.

## BACKGROUND

In the Fall of 2003, a Workers' Compensation Task Force was established to analyze major factors affecting safety and injuries to employees and costs to the City and to make recommendations on how to address these factors. The Task Force consists of members from the City Manager's Office, Human Resources, Finance, Employee Relations, Environmental Services, Airport, General Services, Police, Fire, Parks, Recreation and Neighborhood Services, and Transportation. In the Spring of 2005, the Workers' Compensation Task Force recommended the following:

- ◆ Implement the Eight Point Proactive Safety Program. This program was developed by members of the Task Force based on best practices and industry standards on Safety.
- ◆ Form partnership with line departments, which account for a majority of costs and claims (Police, Fire, DOT, PRNS, GS, Airport, and ESD) to work on injury prevention and cost control.

- ◆ Develop a recognition program for recognizing those departments which have reduced the number of claims from previous year.
- ◆ Develop a gain sharing program for Citywide workers' compensation saving. The savings would be placed in a Citywide Safety and Health improvement fund. The allocation of this fund would be managed by the Safety and Health Steering Committee.

Since that time, HR has been working with the Budget Office, and General Fund line departments (Police, Fire, DOT, PRNS, GS) to implement the recommendations. The proposed gain sharing program is the result of the Task Force recommendations to develop a recognition program and a gain sharing program for workers' compensation cost savings.

## **ANALYSIS**

This section describes the purpose and structure of the program.

### **I. Purpose Of The Program**

- To provide incentives to departments to reduce claims and costs.

### **II. Description Of The Program**

#### **A. Gain Sharing Departments**

The program includes the five departments, which account for 90% of the General Fund workers' compensation costs. They are:

- ◆ Police
- ◆ Fire
- ◆ DOT
- ◆ GS
- ◆ PRNS

Human Resources would oversee the program and be eligible to work with all City departments to submit proposals to increase Citywide workplace safety and health of City employees.

#### **B. Gain Sharing Formula**

At the end of the fiscal year, if there are savings in the General Fund Citywide appropriation, 50% of the savings will be allocated to a newly established Citywide Safety and Health Improvement Fund (SHIF). The allocation will not exceed \$500,000.

### **C. Safety and Health Steering Committee**

A Safety and Health Steering Committee will be established to oversee this program. The purpose of the committee is to plan strategically for a safe workplace and healthy employees. Specific responsibilities of the committee will include:

- ◆ Developing safety and health policies
- ◆ Overseeing the containment of workers' compensation costs and claims
- ◆ Allocating funding from the Safety and Health Improvement fund

Eligible departments will be encouraged to submit proposals to the Committee for **one-time** safety and health projects. After reviewing the proposals, the Committee will make funding recommendations to the Budget Office.

Up to 10% of the SHIF will be put in reserve for preparation for those years when there are no cost savings in the General Fund Citywide Workers' Compensation appropriation. This reserve may be used to make up for the cost overrun in the Citywide General Fund Workers' Compensation fund.

### **Committee Membership**

Membership will include a chairperson from the City Manager's Office, representatives from the Budget Office, HR, Police, Fire, DOT, GS, PRNS, two members of the City Labor Alliance, and other line departments as appropriate. Committee members will serve a two-year term with half of the committee members rotated every year. Human Resources will provide staffing support to the Committee (Attachment A).

### **D. Eligibility Criteria**

In order to be eligible for funding, the departments will need to meet two criteria:

1. Successfully implement the Proactive Eight Point Safety Program (an assessment rating of 70% or higher). See Appendix B for the assessment of the Safety Program.
2. Meet claim reduction goals established by the Annual Actuarial Study.

In addition to being eligible for funding, departments which meet or exceed their claim reduction goals will be recognized. Recognition will include the following:

- ◆ Public acknowledgement at City Council's meeting
- ◆ Feature article in CityLine
- ◆ A plaque hanging in a prominent public place
- ◆ Recognition for such achievement in the annual performance appraisal for department directors.

### **III. Program Evaluation And Monitoring**

To ensure the program is able to achieve its goals, the following efforts will be made:

- ◆ Human Resources will continue to work with departments in this program to review and analyze injuries and accidents to identify causes and trends in order to develop preventive and/or corrective measures. Quarterly meetings will be held with departments to share the results of the program and to track progress in implementing the Proactive Safety Guidelines. At the end of the fiscal year an assessment of the Department Safety Program will be conducted.
- ◆ Human Resources will submit quarterly financial reports to the Budget Office to keep the Office informed of the financial status of the program.
- ◆ The Safety and Health Steering Committee will meet every quarter (or as needed) to monitor the results of the program and the status of the SHIF.

### **PUBLIC OUTREACH/INTEREST**

Not applicable.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

### **COORDINATION**

The Gain Sharing program was developed in coordination with the Budget Office, Police, Fire, General Services, Parks Recreation and Neighborhood Services, Department of Transportation, and the Office of Employee Relations.

**COST SUMMARY/IMPLICATIONS**

At the end of the fiscal year, if there are savings in the General Fund Workers' Compensation Citywide appropriation, 50% of the savings will be allocated to a newly established Safety and Health Improvement Fund (SHIF). The allocation will not exceed \$500,000.

**CEQA**

Not a project.

  
MARK DANAJ  
Director of Human Resources

For questions please contact John Dam, Deputy Director of Human Resources, at 975-1438.

Attachment A: Safety and Health Steering Committee

Attachment B: Eight-Point Safety Guidelines

# **ATTACHMENT A**

## **Health and Safety Steering Committee**

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### **PURPOSE OF THE COMMITTEE**

To set policy and direction to ensure safe workplace and healthy employees.

### **RESPONSIBILITIES OF THE COMMITTEE**

1. Develop safety and health policies
2. Oversee the containment of workers' compensation costs and claims
3. Allocate funding from the Safety and Health Improvement fund

### **COMMITTEE MEMBERS**

- Chair: City Manager's Office Representative
- Members: Representatives from Human Resources, Budget Office, Police, Fire, DOT, GS, and PRNS, City Labor Alliance and other line departments as appropriate
- Staff: Human Resources

### **TERMS**

- Two years with half of the committee members to be rotated every year.

### **WORKING SCHEDULE**

- Quarterly meeting or as needed.

## ATTACHMENT B

### EIGHT POINT SAFETY PROGRAM ASSESSMENT

**Scale:**

Most of the time to always = 80% of total potential points

Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

#### 1.0 Management Leading and Promoting Safety

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	Management should conduct meetings with each division in their department to discuss safety.	5		0	
2	Safety should be an item for discussion at departmental staff meetings.	10		0	
3	Safety posters should be used and updated regularly.	5		0	
4	Managers should notice unsafe behaviors and correct them immediately, suspending violating employees pending an investigation if appropriate.	10		0	
5	Management should support Safety Officers in dealing with supervisors.	10		0	
6	Management should attend and support safety committee meetings whenever possible.	5		0	
7	Management should foster open communication with and feedback from employees in which accidents, near misses, and unsafe behavior can be discussed and corrected. Employees should have opportunities to suggest safety improvements and changes to management	10		0	
8	Management should be trained in all safety areas relevant to their employees.	5		0	
9	Appropriate managers should have the ability to suspend operations if they note unsafe behavior.	10		0	

Total Point 70

0

**ATTACHMENT B**

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Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

**2.0 Accountability for Safety**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	Departmental safety rules and procedures should be clearly established and employees should be aware of these work practices.	10		0	
2	Top management should communicate with employees regarding the importance of following safety rules and procedures (such as in staff meetings, as an agenda item in department meetings, in newsletters, memos etc).	10		0	
3	Employees who violate safety rules and procedures should be subject to the progressive discipline process (assuming employees are aware of and have been trained in regard to those rules and procedures, as is consistent with the City's enforcement of all r	10		0	

**Total Point**

## ATTACHMENT B

### EIGHT POINT SAFETY PROGRAM ASSESSMENT

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Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

#### 3.0 Safety as an Element of Performance Appraisal

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	Safety should be an important part of all appropriate supervisors' performance appraisals.	10		0	
2	Management should review safety goals with supervisors at least each quarter.	5		0	
3	Supervisors should be responsible for ensuring that all accidents and injuries in their work group are properly investigated.	10		0	
4	Supervisors should ensure that their employees attend safety related training and track attendance.	10		0	
5	Supervisors should hold employees accountable for violations of safety rules and policies (independently of injuries that may have resulted from those violations).	10		0	

**Total Point** 45

0

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Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

**4.0 Establishing Safety Goals for Each Unit**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	Major units in the department should have claims reductions goals.	10		0	
2	The department should have a process to analyze safety results in order to help ensure goal accomplishment, and make changes to improve workplace safety.	10		0	
3	The department should review safety goals with supervisors and managers at least on quarterly basis and makes corrections as needed.	5		0	

**Total Point**

**ATTACHMENT B**

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**Scale:**

Most of the time to always = 80% of total potential points

Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

**5.0 Safety Training**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	All employees should receive safety training as required.	10		0	
2	The department should use safety data to improve their safety training.	5		0	
3	The department should be in compliance with Cal-OSHA training requirements.	10		0	
4	Employees should be able to evaluate their training through feedback or rating mechanism.	5		0	

**Total Point**

**ATTACHMENT B**

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Most of the time to always = 80% of total potential points

Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

**6.0 An Effective Safety Committee (Network)**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	An established committee or network should report directly to top management (Deputy Director and above)	10		0	
2	A committee (representative of department operations) should exist and meet regularly. The committee should consist of a mix of departmental employees such as: line personnel, supervisors, management, etc.	10		0	
3	The committee should have oversight or a scope of work that may include the following areas (the Committee should at no time discuss confidential employee medical or claims information): · Determination and communication of safety objectives, policies and	10		0	
4	4. Effective and results oriented meetings can be defined as the following: · Regularly scheduled · Agendas are produced and used · Notes taken · Action items assigned · Results are communicated to the organization	5		0	
5	5. The committee should solicit input, opinions, and suggestions from department staff such as: · Suggestion system (box, letters, etc) · department survey · A continuous improvement program	5		0	

**Total Point**

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- Often = 60% to 80% of total potential points
- Occasionally = 40% to 60% of total potential points
- Seldom = 20% to 40% of total potential points
- Rarely to never = 0% to 20% of total potential points

**7.0 Hazard Identification and Elimination**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	Facilities, workplace should be inspected quarterly (additional inspections may be established by the Safety Officer of the department) to identify hazards.	10		0	
2	There should be an inspection form (developed by Safety Officer) to guide supervisors in conducting regular inspections.	5		0	
3	There should be a log for tracking the elimination of hazards (developed by Safety Officer).	5		0	
4	Hazards should be eliminated within the timeframe recommended by Safety Officer. Those hazards requiring additional funding and/or assistance from another department should also be identified and tracked.	10		0	
5	Facilities, work processes, equipment, and the workplace must meet legal safety and health regulation requirements (OSHA).	10		0	
6	The department should have an Ergonomic Plan to identify, evaluate, and resolve ergonomic problems.	10		0	

**Total Point**

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Often = 60% to 80% of total potential points

Occasionally = 40% to 60% of total potential points

Seldom = 20% to 40% of total potential points

Rarely to never = 0% to 20% of total potential points

**8.0 Investigate All Injury and Accidents**

#	Assessment Criteria	Potential Points	Scale Rating	Actual Points	Comments
1	All appropriate supervisors should be trained in accident investigation.	10		0	
2	All injuries and accidents should be investigated. All lost time cases involving machinery/equipment or outside parties not with the City should be referred to the City Attorney's Office to coordinate the investigation. Stress and harassment claims shou	10		0	
3	The department should have an accident review board, which reviews all major accidents and trends (safety committee could act as review board).	10		0	
4	The department should maintain records of all accident investigations and the associated corrective actions that have been taken to control and eliminate identified hazards.	5		0	
5	Information regarding accident trends and corrective actions should be communicated to employees in the workplace (via newsletters, workplace postings, tailgate meetings, etc.	5		0	

**Total Point**

**GRAND TOTAL POINT**

**Index Score (Grand Total Actual Points / Grand Total Potential Points) =**