

Risk Reduction (R²) Scorecard: A Safety Management Case Study from the Hospitality Sector

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Abstract: Efficient operation of hotels is essential to remain competitive in the Hospitality Sector where profit margins are squeezed quite thin. Behind employee compensation and either utility debt service expenses, insurance expenses from injuries and litigated guest incidents could rank third on the list of most costly expense line items that can eat away at what little profit margin remains. This article presents a case study from a Hotel Management and Ownership company in the U.S. which deployed a complete Safety Management System (SMS) approach to preventing employee and guest injuries. An overview of the tools and activities designed into the SMS for the Hospitality Sector will be described, along with the resulting reduction in workers' compensation insurance premiums. The custom-designed SMS included deploying the tried and true components detailed in the ANSI Z-10 standard including: Accountability (Management & Employee), Training & Education, Job Safety Analyses, Observations, Claims Management/Return to Work, Sharing Best Practices and Independent Auditing. Risk and injury prevention activities, as well as insurance incident metrics were measured and reported in IMA's Risk Reduction (R²) Scorecard every month to hold management accountable to drive the program forward. Job Safety Analyses (JSA) were customized for the high-frequency incident generating departments of Housekeeping, Food & Beverage service, and Maintenance. These JSAs then became the basis for Safety Training including proper Ergonomics, regular safety training, and follow-up personal observations and coaching. Managers were coached on how to improve their claims management processes and regular leadership meetings were convened to share best practices and observations from the independent audits. The results included a 16% reduction in injury frequency, a 41% reduction in lost time claims, a 21 point reduction in the Experience Modifier Rate (EMR), and an increased interest in bidding insurance companies resulting in a 35% reduction in workers compensation insurance rates per \$ 100 of payroll (from \$ 11.81 to \$ 7.61). A review of the components of the SMS is described herein, along with ergonomics best practices for housekeepers, components of the R² Scorecard, and the financial impact of the SMS on workers' compensation insurance premiums.

Keywords: hotels, observations, safety management system

1. Head Winds in the Hotel Management Industry

Behind employee compensation and utility or debt service expenses, insurance expenses from injuries and litigated guest incidents could rank third on the list of most costly expense line items that can eat away at what little profit margin remains from the operation of a hotel. Robert Madelbaum (Director of Americas Research Information service) reports that labor costs represent at least 45% of operating expenses for a hotel (Sickel, 2017). This expense will continue to rise with continued increases in healthcare costs and increases in the minimum wage which was voted into law in 2016. Additionally, as the economy improves and pressure is applied from Washington on immigration policies, unemployment rates may continue to drop and hotels will have to work hard to compete for a limited talent pool.

Hotels have recently enjoyed a recovery period from 2010 to 2015. In 2017, revenue per available room (RevPAR) growth is projected by analysts to be 3%. However, against that, operational expenses are forecasted by analysts such as Madelbaum to be 4%, which leaves very little profit for the bottom line and Wall Street (Sickel, 2017).

Manual workers' compensation rates in highly litigious states such as California and New York can fluctuate between \$ 10 and \$ 20 per \$ 100 of payroll, which then puts workers' compensation expenses for a hotel management company somewhere in the 5% range of their total expense line. It is because of just this type of expense load that a hotel

management company approached IMA in 2015 for assistance in controlling their workers' compensation costs. And in response to this need, IMA's Hospitality Risk Control Team designed a Safety Management System to improve safety, control risk, and drive down the Total Cost of Risk for workers' compensation.

2. Safety Management Systems (SMS) – ANSI Z-10

Safety professionals and seasoned safety practitioners alike have gathered, from experience and trial and error, a core set of activities which they know can yield positive results in a company's safety performance. In fact, there is so much consensus that ANSI gathered and published guidelines in 2012 for managing safety. In partnership with AIHA and ASSE, ANSI published the Z10 standard for Occupational Health and Safety Management Systems (Table 1).

Table 1. ANSI – Z10- (2012) – Occupational Health and Safety Management Systems

Key Components		Key Components	
1.	Management Leadership	7.	Procurement
2.	Employee Participation	8.	Contractors
3.	Planning & Resources for Safety	9.	Emergency Preparedness
4.	Risk Assessment	10.	Education, Training and Awareness
5.	Hierarchy of Controls	11.	Evaluation and Corrective Action
6.	Design Review and Management of Change	12.	Management Review

In this case study, based on the hospitality industry exposures and the state of the client's safety culture, a subset of the ANSI Z10 components was selected and packaged into a Safety Management System (SMS). The components included: Accountability (Management & Employee), Training & Education, Job Safety Analyses, Observations, Claims Management/Return to Work Procedures, Sharing Best Practices, and Independent Auditing. General Managers for each hotel were held accountable to senior management with monthly exhibits that outlined both lagging and leading indicators. Lagging indicators included workers' compensation claims frequency and lost-time claim frequency, both normalized per \$ 1 million of payroll to allow even comparisons between properties of dis-similar size. And to show the financial impact of workers' compensation claims, the cost of the claims were multiplied by standard development factors to show a worst-case scenario, and then normalized against payroll, and reported against a target workers' compensation rate in losses per \$ 100 of payroll, which insurance company underwriters would be looking for to identify an enticing risk.

In order to equip General Managers (GM) for success, education sessions were provided to share industry best practices from other hotel management companies and share best practices between properties within the client's portfolio of properties. Without a formal approach to claims management, a small group of employees had begun to take advantage of the state workers' compensation system to inflate claims for larger settlements and take advantage of extended time away from work, when they were physically able to return to work. So the education sessions assisted the GMs with how to manage workers' compensation claims and to utilize light-duty to facilitate an employee's return to full duty. Additionally, IMA deployed its Care Coordinator to assist the GMs with managing medical appointments and developing modified duty jobs to reduce lost-time wage payments.

Job Safety Analyses (JSA) were developed to provide safe procedures by which to perform jobs in the main departments within the hotel; namely Housekeeping, Maintenance, Food & Beverage, and Front Desk operations. These were used as the basis for monthly safety training, and then became the criteria by which employees were held accountable to follow the safe job procedures through regular observations and coaching by department supervisors and the GMs. The number of observations completed per month was utilized as one of the leading indicators in the monthly R² exhibit.

Outside auditing of the Safety Management System was provided by IMA in partnership with the workers' compensation insurance carrier. Each property received a risk control/loss prevention audit quarterly to review past claims, discuss lessons learned from the accident investigations, share best practices picked up from other properties, review the R² Scorecard metrics, check on safety training and observations, review the property for physical hazards, provide a safety meeting, and conduct observations.

3. Coupling JSAs, Training, and Observations

Most safety professionals agree that JSAs, Training, and Observations can have a huge positive impact on safety performance. But, how many safety practitioners would think about aligning these activities on a consistent topic every month. This was just the suggestion that was put forth by one of the General Managers in a grass-roots effort, and thus was adopted and inserted into the design of the Safety Management System. A two-year calendar of safety training topics was developed based on the exposures in the hospitality industry and allowing for seasonally pertinent topics. Ahead of each monthly training topic, a Job Safety Analysis was conducted on the same topic as the monthly safety training topic, and then the content of the JSA was formatted into a Safety Observation. Therefore, each property was provided a monthly email that contained a safety training handout, videos and online safety training to support the delivery of the topic from a variety of resources, and a corresponding observation form. This allowed the GM and department supervisors to deliver uniform training at the beginning of the month and then use the rest of the month to affirm the safety training with 20 observations that occurred during the remainder of the month. The documentation of these best practices and training, also provided a paper trail by which employees who choose to not change their bad habits after coaching, could be summarily dismissed from employment with due cause.

Results from these observations and the other injury prevention activities (leading indicators) were then measured and rolled into the Risk Reduction (R^2) Scorecard, and reported in exhibits to the GMs and the executive management team on a monthly basis.

4. Risk Reduction (R^2) Scorecard Drives Accountability

As noted above, operational responsibilities are numerous and vast for hotel General Managers; especially in limited service hotels. We tell GMs they are also responsible for safety, but safety often has to compete with financial expectations from the ownership or Real Estate Investment Trust (REIT), as well as the customer service, quality scores, and cost-control measures advocated by leadership at the hotel management company. Dan Petersen put a new spin on a concept put forth originally by W. Edwards Deming about managing only what you can measure by stating it this way "...most supervisors today know that they are responsible for safety, and they know what they should be doing, yet they don't do it. Why? Because they usually are not held accountable. That is, they are not measured in safety." (Petersen, 1996).

In order to objectively hold GMs accountable for proactive safety activities, IMA worked with The Garvy Group to develop the Risk Reduction (R^2) Scorecard (Figure 1). The scorecard of leading indicators was published monthly with the goal in mind of scoring 100 or more on the R^2 Scorecard. The scorecard itself has three sections. The first section, "Earning Points", allows the management team to earn the required 100 points by completing the monthly safety training for all associates, twenty observations, a facility hazard inspection, holding a safety committee meeting, and completing all the hazard inspection items from the month previous. This acts as an incentive for GMs and department managers to carve out time to get out in the hotel and connect with employees on a personal level.

In the second section, "Losing Points", twenty points are deducted for each lost-time injury, and one additional point is deducted for each lost workday where modified duty could not be accommodated. This dis-incentive puts pressure on the GM to be effective and purposeful in the activities in section one so as to prevent lost-time injuries, while not penalizing them for minor injuries and not cultivating an environment where injuries are not reported. And indirectly emphasis is put on the hotel management team to work hard to get employees back to work on modified duty.

The third section, "Getting Back in the Game", offers the GM and the team of supervisors an opportunity to "buy back" into the game by performing activities shown to reduce the severity and cost of workers' compensation claims after they occur. These pro-active, post-injury, activities include reporting injuries to a supervisor within 24 hours, reporting claims to the insurance company within 48 hours, obligating the department manager to complete an injury investigation and share lessons learned with the GM, and finally having the employee share lessons learned at the Safety Committee meeting. If all of these actions occur for each injury, twenty points can be earned back, thus negating the deduction of each lost-time injury. This also serves to expand accountability to supervisors and employees to participate in the SMS, and not conflict with OSHA's negative stance toward incentive programs.

Scores are totaled for each property and reported monthly in bar charts along with progress toward the annual goal. This allows the executive team to see which property is struggling, and thus needs assistance, and also exerts some natural peer pressure as the scores from each property are shared across all the properties in the portfolio. Additionally, IMA twice each year translates the benefit of the GMs' safety and injury prevention activities into how the GMs insurance expense allocations decrease on their monthly profit and loss statement.

IMA Risk Reduction (R²) Score Card

Property Name/Number: _____ Property Location (City/State): _____
 Reported By: _____ Date (Month/Year): _____
 Position: (GM/Asst. GM): _____ Number of Employees: _____

Earning Points

RISK REDUCTION ACTIVITY	AVAILABLE POINTS	SCORE
Safety Training Topic: _____ % Employees Trained: _____	% x 35	_____
Number of Observations Completed (goal=20/month) _____ (1 point for each observation)	20	_____
Facility Targeted Safety Inspection Completed (Yes/No): _____	15	_____
Monthly Safety Committee Meeting Date: _____	15	_____
Percent of Inspection Items Completed from last month: _____ %	% x 15	_____
TOTAL AVAILABLE POINTS	100	_____

Losing Points

EMPLOYEE INJURIES	AVAILABLE POINTS	SCORE
Number of Lost Time Injuries: _____ (-20 for each lost time injury)	-20	_____
Number of Lost Work Days without an Accommodation: _____ (-1 point for each lost workday) (Maxed out after 60 days)	-1 each day	_____
TOTAL LOST POINTS		_____

Getting Back in the Game

EMPLOYEE INJURIES	AVAILABLE POINTS	SCORE
Number of Injuries Reported to Supervisor within 24 hours: _____ (+ 5 for each)	+5	_____
Number of Injuries Reported to Insurance Carrier/Corporate within 48 hours: _____ (+ 5 for each)	+5	_____
Lessons Learned shared by the Supervisor with the GM: _____ (+ 5 for each)	+5	_____
Lessons Learned shared by the Employee to the Safety Committee: _____ (+ 5 for each)	+5	_____
Number of GM/AGM "Caught you Being Good" Cards for Employees: _____ (+ 5 for each/4 Max)	+5	_____
TOTAL "Back in the Game" Points		_____

TOTALS	TARGET	SCORE
Monthly Score	100	_____
YEAR TO DATE SCORE		_____

Figure 1. Risk Reduction (R²) Scorecard

5. Ergonomics Related Initiatives

With a majority of the claims and losses arising out of the Housekeeping Department, each aspect of cleaning and preparing guest rooms has been subsequently been evaluated using a JSA process. Simple things like opening the blinds and turning on lights and fans has been identified as best practices to prevent slips and trips. Ordering proper types and quantities of linen, and having the houseman load the carts with only enough linen until the first break, can go a long way to prevent overloading carts and the resulting shoulder and back injuries. Techniques for making beds including tools such as the “Bed Wedge” and methods for inserting pillows into pillow covers, have been evaluated to prevent hand injuries and musculoskeletal illnesses.

Wet areas in the bathroom tub and shower can present dangerous slip and fall hazards. Therefore, using long-handled tools to scrub showers and specialized procedures for rinsing shower walls with the EcoLab cup are being evaluated to prevent strains as well as falls in these wet areas. Procedures and observation tools were developed to improve vacuuming techniques, with a spill over benefit of addressing education on preventing needle sticks while making beds and pull-out coaches.

From a material handling point of view, spring-loaded tubs have been shown to be effective in limiting heavy lifting of wet linens and prevent unnecessary bending and twisting; and thus are being purchased for hotel laundry departments. Taking advantage of EcoLab’s new solid canister of laundry detergent, which comes in a small 2 liter container instead of a large five gallon bucket, has also reduced much of the heavy lifting in the laundry areas. Finally, a recent effort to focus on slip-resistant footwear has been launched in response to a fair number of slip and falls in areas across the hotel. All of these are small initiatives, and would have been otherwise overlooked if not for the monthly emphasis on building JSAs, training materials and observation tools.

6. Results

Since being engaged by the client to help drive down the frequency and cost of workers’ compensation claims two years previously, the client has experienced a 16% reduction in injury frequency and a 41% reduction in lost time claims. Along with this improvement in lagging indicators, the GMs have seen how taking a more active role in claims management has sent a signal across the organization that “working the system” will not be tolerated. Anecdotally, many supervisors have reported that marginal employees have subsequently left their employment, and other employees have sought them out from working with them previously; a testament to the culture that has been cultivated. Additionally, the balanced approach to education, coaching, and discipline has improved and supported the culture which they strive for as an organization.

One grass-roots effort where each employee was offered a raffle card after being observed, has grown into a process whereby quarterly a number is drawn from the raffle cards for a flat-screen TV. This activity has resulted in employees requesting to be observed and improved attendance at safety meetings; knowing the information presented would be the same criteria by which they would be observed later in the month. After sharing this approach at a managers meeting, the activity was subsequently approved by the ownership group for use across all properties and is being deployed across all properties.

After year two of this Safety Management System being in place, coupled with the reduction in claims frequency and severity, the client recently experienced a 21 point reduction in their Experience Modifier Rate (EMR). This favorable metric along with severity rates coming in at a level of 60% below the cost of insurance has increased interest in bidding this client’s risk by competing insurance companies resulting in a 35% reduction in workers compensation insurance rates per \$ 100 of payroll from \$ 11.81 to \$ 7.61.

7. Conclusions

Although originally developed from best practices within the manufacturing sector, the ANSI Z-10 standard for occupational health and safety systems has been shown to be equally effective in many other industries; including now the hospitality sector. Education, coaching, and observations of employees will become even more critical as the employment pool shrinks for hotels searching for housekeeping and food and beverage positions. Using JSAs to design work safely and leveraging relationships with vendors has been shown to be highly effective for hotels wishing to drive down their workers’ compensation expenses. All these activities coupled with accountability for safety at all levels including the GM, department managers, food servers, guest room attendants, even the maintenance engineers, is the “glue” that keeps the safety management system moving forward. If all of these efforts can be aligned in lock-step, then workers’ compensation costs can easily be reduced, allowing for a stronger working environment and a more profitable hotel venture.

8. References

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