

Adapting to a multigenerational workforce

A three-part series



WORKERS' COMPENSATION



EMPLOYEE BENEFITS



RETIREMENT SERVICES

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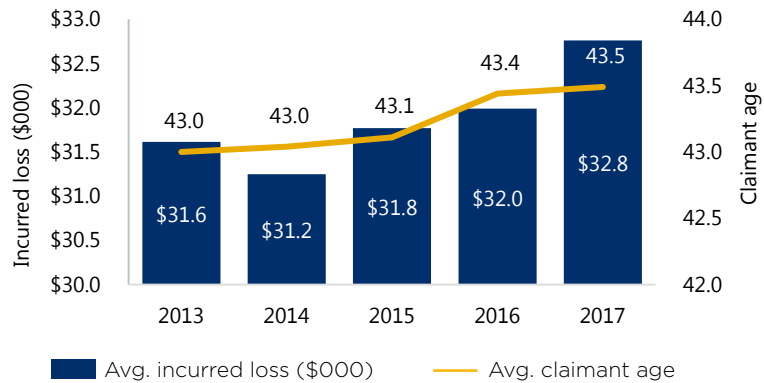
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This is part one of a three-part series where Lockton experts share how companies can design risk management and employee benefits programs with their multigenerational workforce in mind. To see all papers in the series, visit lockton.com/multigenerational-workforce.

Workers' compensation claim severity has continued to rise during the past 20 years, making it a key cost driver for managing organizational risk. The chart below shows an increase in claim costs of 3.6 percent between 2013 and 2017.

Shifting age demographics and the effect of age on claim costs are two notable factors contributing to this escalation in cost.

AVERAGE INCURRED ON LOST TIME CLAIMS



Lockton recognizes that employees of all ages are valuable and necessary for an optimal workforce. Lockton is in no way suggesting that an employee base be altered to reduce workers in this demographic. This paper will demonstrate how age plays into workers' compensation costs and provides ideas on how those costs can be planned for and mitigated.

Longevity in the workplace is increasing

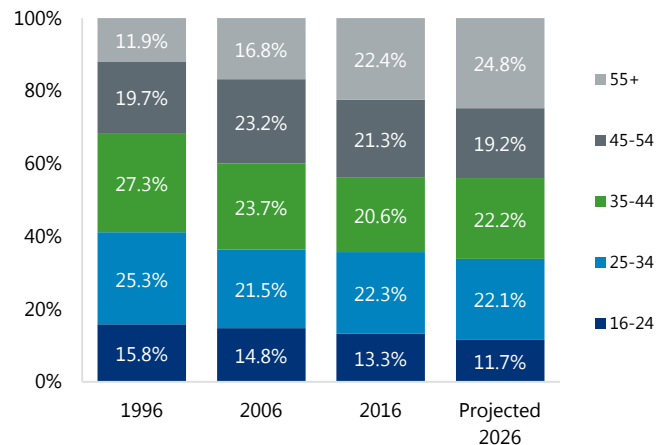
The Bureau of Labor Statistics estimates that the US labor force will continue to age. Employees ages 55 and over grew by 33 percent between 2006 and 2016, and are projected to grow another 10 percent by 2026.¹

Claimant age has a direct correlation with average claim costs

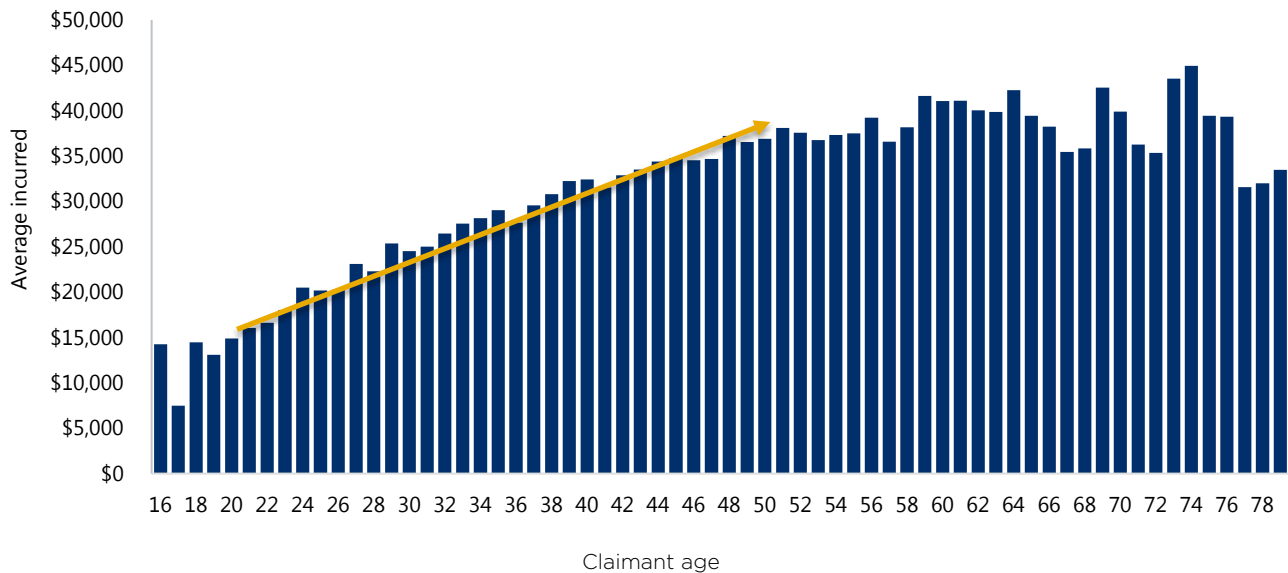
Lockton Analytics has researched a large base of workers' compensation claim trends to provide additional insight on how age impacts total costs, and how companies can adjust to this evolving reality.

Lockton's study shows that **between ages 20 and 50, average claim costs increase by \$722 for each year of employee age.**² The trend levels off a bit between ages 50 and 60, and incurred costs on either end of these ages are a bit more volatile.

LABOR FORCE SHARE, BY AGE GROUP, 1996, 2006, 2016 AND PROJECTED 2026



AVERAGE INCURRED ON LOST TIME CLAIMS



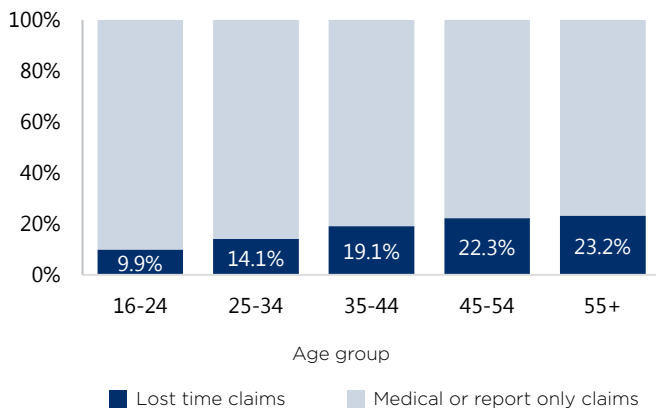
¹ "Employment Projections — 2016-26" by Bureau of Labor Statistics, 10/24/17.

² Based on a linear trend of 68,854 Lost Time claims valued at 18 months, with an R² value of 0.972.

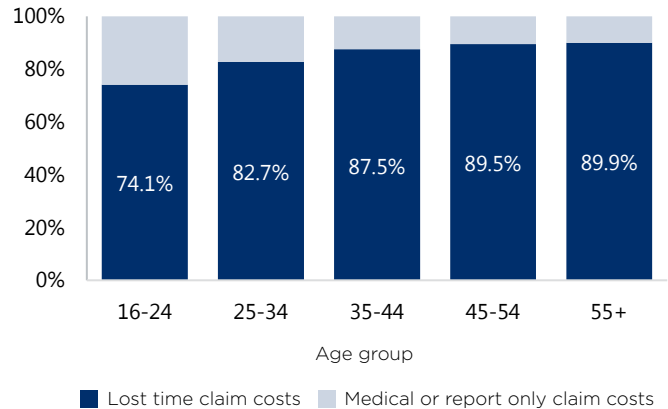
Employee age impacts time off for illness or injury

- As employees age, it becomes increasingly likely that claims will include a lost-time component.
- The percentage of claims that include lost time grows from 9.9 percent to 23.2 percent from the youngest to oldest age group.
- The cost of lost-time claims is significant, growing from 74.1 percent of total claim costs to 89.9 percent for employees 55+.

LOST-TIME CLAIMS AS A PERCENT OF TOTAL COUNTS



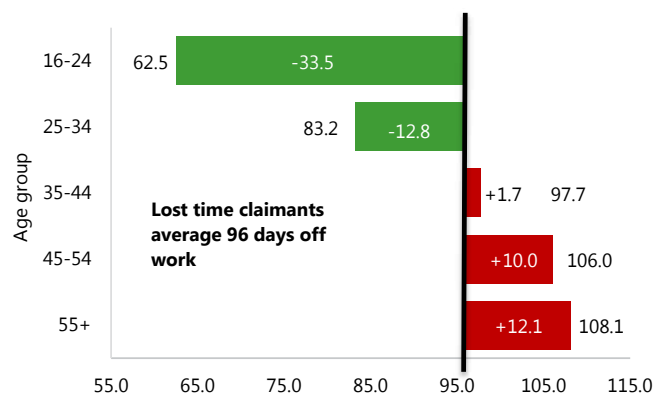
LOST-TIME CLAIMS AS A PERCENT OF TOTAL INCURRED



Lost-time claimants average 96 days off work across Lockton's data set. The youngest employee group uses 33 fewer days than average, while those 55+ take about 12 days longer than average.

Longer time off, coupled with typically higher wages for more seasoned workers, drives indemnity costs higher with age.

IMPACT OF AGE ON AVERAGE LOST TIME DAYS



Understanding the cause of injury can help mitigate risk

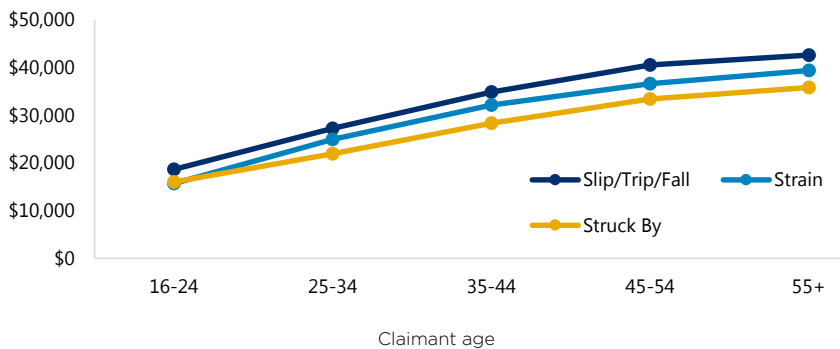
Slip/trip/fall is the most costly cause of injury for those ages 55+. Risk managers familiar with the age profile of their employee base can better tailor safety programs to be impactful on loss experience. Consider the table below, showing the top three most costly causes of injury, and how they change by age group.

TOP THREE MOST COSTLY CAUSES OF INJURY

	16-24	25-34	35-44	45-54	55+
1st	Strain	Strain	Strain	Strain	Slip/trip/fall
2nd	Struck by	Slip/trip/fall	Slip/trip/fall	Slip/trip/fall	Strain
3rd	Slip/trip/fall	Struck by	Struck by	Struck by	Struck by

For each of the top three causes of injury, average claim costs are more than twice as expensive for claimants aged 55+ as for those in the 16-24 age group.

AVERAGE INCURRED OF THREE MOST COSTLY LOST TIME CLAIMS





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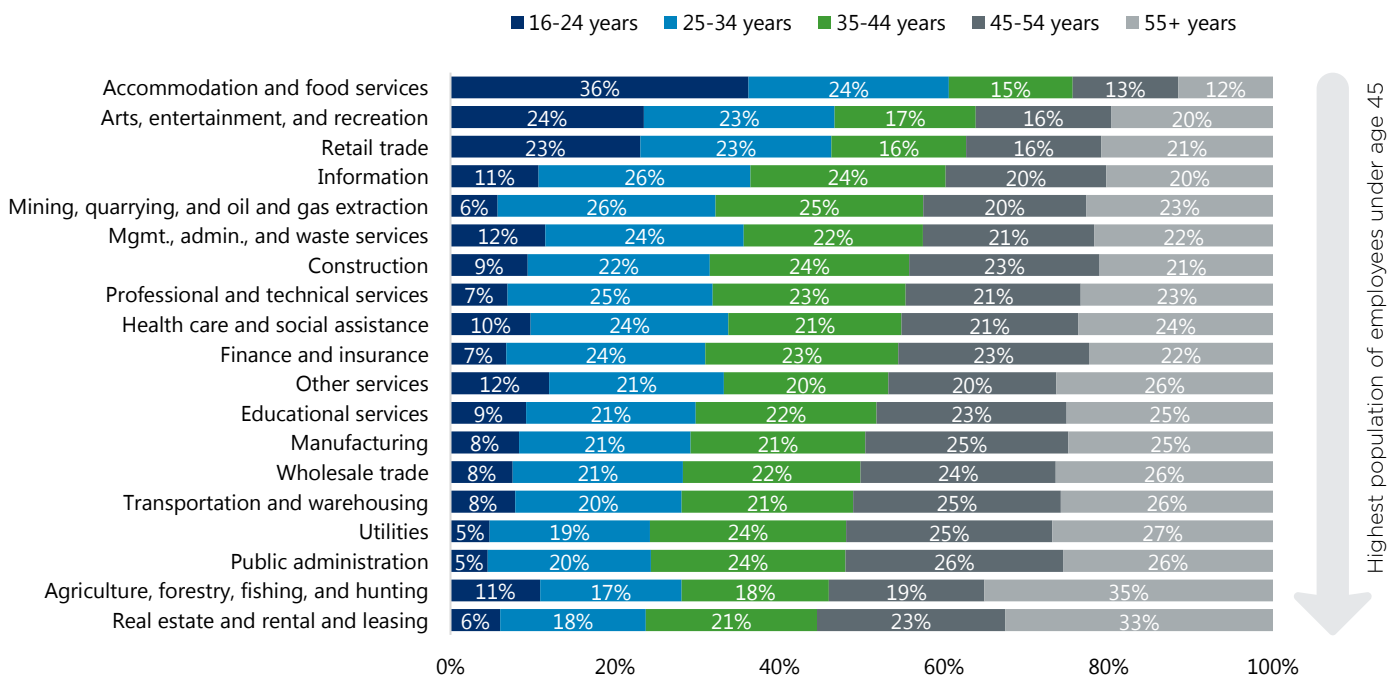
Phase 4 (Week 4)

Phase 4 (Week 4)
TV RADIO BILLBOARD SOCIAL MEDIA PRINT DIRECT MAIL EVENTS

Workforce age profiles vary by industry

The following chart shows the 2017 labor force make-up by industry. Risk managers can benchmark their employer against its respective industry. If an employer is using standard risk practices for the industry but has a significantly different age profile from the norm, there may be opportunity to tailor safety measures and improve losses.

2017 LABOR FORCE BREAKDOWN BY INDUSTRY AND AGE GROUP (SOURCE: BLS)



Creating a multigenerational workforce safety strategy

As people continue to stay in the workforce longer, multigenerational workforces will undoubtedly have an impact on future workers' compensation costs. This will require employers to implement plans for effective intervention and integration of older workers into the workforce. Here are safety tenants that can help create a successful strategy:

1. **MATCH THE WORKER'S SKILLS AND ABILITIES WITH THE WORK ENVIRONMENT.** Workers should have sufficient physical capabilities to perform the key functions of their jobs.

A. **IMPLEMENT POST-OFFER EMPLOYMENT TESTING (POET).** Have a testing program for all, not just older, workers performing heavy manual jobs. This can be an effective technique to ensure you are matching the worker's skills and abilities with the work.

B. **INVENTORY KEY JOB PHYSICAL DEMANDS.** This is an integral step of POET testing. The purpose is understanding in detail what forces are in play, what muscle strength is needed, the frequency of movements, what primary muscle groups are needed, what range of motion is required and the cardio demands. This assessment helps profile the physical traits that are needed by job or task so that we can better assign the employees who have the physical strength, agility and stamina to safely perform them.

C. **ASSIGNMENTS OF OLDER WORKERS:** When and where possible, consider assigning older workers to areas where potential fall risks are minimal. We learned previously that injuries for employees in the 50+ category most frequently result from falls. Medical research confirms this trend and has shown that the effects of aging include loss of balance, agility in walking, and climbing and descending stairs. To the extent possible, consider assignments where there is less walking, maneuvering around obstacles, and the need to frequently climb stairs or ladders.



2. **LEVERAGE ENGINEERING CONTROLS TO REDUCE THE WORK DEMANDS FOR HIGH REPETITION, BAD BODY POSITIONING OR EXCESSIVE FORCES.**

Investing in mechanical solutions to remove excessive body movements can play a huge role in reducing injury costs as well as improving the efficiencies of a specific operation. Engineering controls can include but not be limited to hand trucks, self-adjusting lift tables, vacuum-lifting equipment and self-leveling carts. If a company has a limited budget for ergonomic engineering controls, deploy equipment based on high physical demand positions and situations where older workers could benefit from the assist.

3. **INTEGRATE SAFETY AND WELLNESS INITIATIVES.**

Comorbidities such as obesity, diabetes, arthritis and respiratory disease can exacerbate the length and cost of an injury. Research confirms wellness programs that encourage and motivate our employees to practice healthier living are having a positive impact. These can include reductions in claims costs, fewer sick days and increases in productivity.

4. **LISTEN TO AND ENGAGE YOUR WORKERS.** Workers will tell you how they are feeling and what they are thinking. It's your job to ask. Some tools include senior safety committees, massage therapy, discomfort reporting, safety perception surveys and focus groups. When employees know you care and want to listen, they begin to trust and are more willing to share the real-world barriers to injury prevention.
5. **LEARN FROM THE PAST TO PREDICT THE FUTURE.** Active accident and injury root cause analysis will shed light on your safety system weaknesses. Root cause analysis, when done consistently and thoroughly, can be powerful. [Lockton INSIGHT™](#) can help diagnose the drivers of your workers' compensation claims and recommend changes to improve your outcomes.
6. **PLAN FINANCIALLY FOR A MULTIGENERATIONAL WORKFORCE.** During the budgeting and forecasting process, or when considering acquisitions, take note of upcoming changes in the employee base and budget with age as a consideration. If future employees will be heavily weighted toward being younger or older than the current base, that should be considered when projecting losses, estimating renewal premiums and setting accruals.

A multigenerational workforce is not a problem to be fixed but rather an opportunity to create a safer workplace by effectively deploying our entire workforce where we take advantage of their knowledge, skills and abilities through thoughtful planning. We understand that investing in safety can add expense such as purchasing ergonomic solutions or the reassignment of associates to jobs matching their physical skills.

When the claims do occur, the impact of older worker injuries must be factored into an employer's overall strategy. Lockton clients can access Lockton Analytics and Risk Control Services to investigate workplace safety opportunities that are specific to their risk profile by notifying their Lockton team.

Lockton's research was powered by InfoLock® P&C. The data set contains 584,310 claims from calendar years 2013-2017, valued at 18 months. The primary focus is on the 104,126 lost time claims, which make up 89.2 percent of total claim costs, but represent only 18.0 percent of total claim counts. Claims greater than \$250,000 were excluded from the data set to minimize the impact of unusually large claims.



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