



Office of the City Manager

WORK SESSION

October 13, 2009

To: Honorable Mayor and Members of the City Council
From: Ann-Marie Hogan, City Auditor
Subject: Investing in Long Term Cost Savings: Workers' Compensation and Wellness

The City will likely face significant reductions in available funds, beginning within the next two years. Council and the City Manager should consider investments or other steps to:

- Further reduce workplace injuries,
- Evaluate establishment of an employee wellness program, and
- Plan for targeted investments in the tools and training needed for the workforce of the future.

If properly planned, monitored, and adjusted, short term investments can result in long term cost savings. A good example is the decline in workplace injuries, which Human Resources attributes to the actions not only of their department but of management and employees Citywide. The contributions of City staff in all departments, the Citywide safety committee, supervisors and management are key to improvements to date and in the future.

FINANCIAL IMPLICATIONS

If total workers' compensations costs could be reduced by an additional five percent of 2008 costs, savings would be about \$375,000 a year, or \$1.9 million over five years, as noted in our June 2009 [audit](#). If an employee wellness program was successful, cost for sick leave would also decrease. Retirement benefits are another possible area for savings. According to the Police Chief, early retirements of public safety staff because of injuries and illness may increase rates paid to the Public Employee Retirement System (PERS).

Workers' Compensation

Efforts to reduce workplace injuries and workers' compensation costs have been ongoing since the late 1990s. The Citywide safety committee, composed of labor and management representatives, assumed a significant role in implementing and strengthening the Injury and Illness Prevention Plan, beginning in 2002. The efforts of this committee and of individual employees and supervisors resulted in a steady decrease in workplace injuries beginning in 2004.

On June 2, 2009, the audit report [Workers' Compensation Costs Can be Reduced by Improved In-House Processing and Adherence to Contract Terms](#) was presented to Council. Council Member Wozniak requested that Council discuss possible additional savings in future workers' compensation costs at a workshop on October 13.

In our audit we made 18 recommendations that, if implemented, should further reduce costs. In September of 2010, the City Manager will report back on progress made to date.

Employee Wellness

In our May 22, 2007 [Audit of lost time and overtime in the Fire Department](#), we recommended that the City Manager improve systems for oversight of sick leave and also consider performing an assessment of the costs and benefits of a comprehensive employee wellness program.

A pilot employee fitness program is currently underway in the Fire Department, including a contract managed by the Berkeley Fire Fighter's Association, aimed at improving fitness. Incentives for reducing time lost to sick leave as well as workplace injuries are under discussion in another department. However, the City Manager has not addressed the possibility of developing a Citywide program.

The existing programs should be evaluated by the City Manager so that elements that could be part of a Citywide effort can be identified. Any initiative in this area should include well-thought out ways to measure outcomes, and a careful consideration of how privacy concerns can be balanced with evaluation of the program.

Employee wellness programs, according to the [International Foundation for Employee Benefits and Compensation](#), are being implemented by over half the public employees responding to a national survey. Most of these government employers were taking incremental steps, with significant numbers reporting programs in place for more than five years.

Tools and Training

Many of our audits over the years have recommended that basic tools and systems for performing work efficiently and effectively include appropriate software, performance measures, and clear written instructions for how to do the work. We have also recommended continuous improvement in aligning the skills required to do certain jobs (such as budget monitoring) with the job classification descriptions and employee training.

Based on economic forecasts and projected increases in retirement and medical costs, it seems likely that the City's work force will shrink over the next few years, with an inevitable reduction in programs and service to the public. Retirements of long-time employees may also result in some service disruptions.

Before this happens, we should consider investing in the tools, training, and systems needed to improve the efficiency and effectiveness of service delivery while we have experienced staff on board to help guide the improvements. The City needs to update our software and other systems, align our training and our job descriptions with our future needs, and develop better ways to measure and monitor results. Efforts may be as simple as making sure that written procedures are in place, or as complex as addressing the redundancies and bottlenecks in our administrative processes. Our office will continue to address these concerns in our audits. Council and the City Manager will need to identify the resources to make long-term improvements, and to monitor the results.

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