

# WORKPLACE SAFETY AND EMPLOYEE ENGAGEMENT

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Work-related injuries continue to be a major financial issue for employers, particularly in small construction firms across the United States. The financial burden of serious work-related injuries and illnesses impacts large and small firms alike, as do the hidden indirect costs that come with work-related injuries, such as lost work time, replacement workers, administrative costs, low morale, and decreased productivity. This paper presents a case study of a U.S.-based construction firm which dramatically reduced its number of on-the-job injuries. The company's efforts to alter its corporate culture to promote safety are discussed, and the specific strategies that were implemented are outlined. The relationship between workplace safety and employee engagement is also explored in this research. This research offers practical solutions to address the growing challenges of small construction firms in their efforts to improve worker safety, reduce accidents and increase profits.

**KEYWORDS: safety; accidents; employee engagement.**

## INTRODUCTION

Employee absenteeism, whether injury-related or not, causes disruption in day-to-day business operations, and is one of the most expensive hidden costs an organization faces. These costs include: lost productivity; overtime paid to other staff members; payments to temporary workers hired to fill in; decreased productivity for workers having to put in extra hours; and decreased employee morale which leads to further problems in productivity and turnover (Blumberg, 2006). According to the Bureau of Labor Statistics, 4.3 million full-time employees miss at least one day per week, which is over five percent of the total workforce. In the real estate sector, including property management companies, employees miss an average of six days of work per year as a result of work-related injuries (Bureau of Labor Statistics, 2006). Unplanned absences cost American employers between \$60,000 and \$3.5 million each year (CCH, 2005).

This paper examines workplace safety particularly within the multi-family housing sector. A case study approach is used to demonstrate how one company reduced workplace accidents and improved its overall financial performance through adoption of a corporate culture change centered on safety. New strategies for improving employee engagement are discussed and measurable results of the company's successful efforts are presented.

### Overview of the Apartment Industry

The National Multi-Housing Council (2004) estimates there are about 18 million apartment units in the United States. Experts expect an additional 2 million new apartments will be available by

2010 (National Multi-Housing Council, 2004). The majority of the apartments are located in buildings with 10 or more units, and are managed by paid staff working directly for the owner (in-house management) or by a third-party management company. The financial health of a given property is dependent on both internal and external factors. One of the most significant internal factors influencing the financial health of a property is Net Operating Income (NOI), which is measured by the difference between total revenue collected and total operating expenses. The largest increase (10.5%) in operating expenses was in the category of salaries and personnel (Sheehan and Freeman, 2006). The majority of expenses from injuries are reflected in this category.

According to the U.S. Department of Labor Bureau of Labor Statistics, employment in the apartment industry totals 637,900 jobs in January 2006. Employment trends predict a rise by at least 10,000 to 12,000 jobs annually, to reach nearly 740,000 jobs in 2010. Along with this increase in overall workforce, property management companies experience an average of 39 – 60% employee turnover per year, which is high for the service industry sector (CEL & Associates, 2006). The labor shortage, combined with the increase in operating expenses related to salaries, personnel and payroll insurance, forces multi-family management professionals to take a closer look at employee engagement and the role it plays in accident prevention.

### **Statement of the Problem**

LCM Real Estate Company<sup>1</sup> is a Georgia-based firm specializing in multi-family construction and management. LCM Real Estate has three primary business entities – development, construction and management – and the majority of its nearly 900 employees work on-site at over 116 locations, primarily in the Southeast United States.

LCM Real Estate was experiencing an elevated level of injury-related claims that were negatively affecting the company's financial performance. Between March 2001 and March 2002, the company documented cases of 114 claims totaling \$704,292 in direct costs. By the end of March 2002, the company was spending more than \$1 million related to workplace injuries; 75% of the claims are reported by the maintenance departments on the properties. When a closer look is taken at these work-related injuries, it is found that during this particular year of elevated claims, the company was spending \$22.02 for every \$1,000 dollars of payroll, and the average claim was costing \$6,178. These injuries result in over 450 days lost from work. Thirty-four percent of these claims are due to strain, followed by 20% lacerations and 13% of contusions.

These work-related injuries cause both a drain to the company's financial resources, and directly impact the daily management operations. For example, a traditional garden-style apartment community with 340 units is typically staffed with one property manager, one assistant manager, two leasing consultants, one maintenance supervisor, two maintenance technicians, and possibly one housekeeper/groundskeeper. If the apartment community houses more than 700 people, including married couples and families, workplace injuries and employee absences can become extremely stressful for employees, particularly at the beginning or end of the month when

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<sup>1</sup> For the purposes of confidentiality, a pseudonym has been used, "LCM Real Estate Company". LCM and LCM Real Estate are also used interchangeably. Executives interviewed for this project are identified by first and last initial.

residents are moving out or new residents are moving in. If an employee is out of work due to an unplanned absence, there can be a higher level of stress to the remaining employees who do report to work.

National studies indicate that more than 85% of workplace injuries and accidents can be linked to human errors or omissions (LaBar, 1996). Some of these problems occur because policies and procedures have not been established. Other key factors within the work environment that can influence safety performance are poor communications between co-workers including work pressure, poor social climate, or weak communications between supervisor and his/her team members. Most employees find themselves trying to correct a problem or performing a task in a tight time frame, which can also contribute to injuries (Ayers & Kleiner, 2000). Liberty Mutual reports the top three causes of injury are a result of overexertion, falls on the same level, and bodily reaction. These injuries represent 51.3 percent of the total costs of serious workplace injuries in 2004, costing about \$25 billion a year or \$480 million a week (Liberty Mutual, 2006).

Service-providing industries make up 79 percent of private industry employment and have a rate of 122.4 injuries and illnesses with days away from work per 10,000 workers, a decrease of 3.4 percent from 2003. The most-prevalent event for these industries is overexertion- especially overexertion in lifting, followed by contact with objects and equipment (BLS, 2006). LCM Real Estate claims are very similar to those on a national level. The most prevalent injuries at LCM Real Estate occur in three areas: being struck against an object; slips and falls; and being caught in or compressed by an object.

## **Employee Engagement and Safety**

Employee engagement can be defined as the cognitive and emotional activity demonstrated in daily occurrences that lead to a bonding of an individual to their co-workers, their job and their organization (Harter, Schmidt, & Keyes, 2002). There has been considerable research on the impact of employee engagement as it relates to safety. Research by the Gallup Organization (2006) supports the connection between worker morale and overall well-being. Companies where employees feel a strong emotional bond to the organization have reduced absenteeism, fewer accidents, and increased productivity, and, in turn, are more profitable (Wagner & Harter, 2006). When the employee feels a strong connection with the mission of the company, commonly referred to as mission-driven work groups, these companies report 30 to 50 percent lower turnover. In fact, engagement scores show that people who feel part of a solidly committed team are routinely safer, better with customers, less likely to quit, and more productive. When workers feel more secure about their employment, there is a higher level of trust and commitment. Increased turnover often causes management to have an inexperienced and under-trained workforce, resulting in an increase in safety incidents (Kincaid, 1996).

Wagner and Harter (2006) further identify that “having a friend at work” averages 20% fewer accidents than a team with less cohesiveness. It is important to note that many employees work in teams and, therefore, often need to respond to hazards collectively rather than as individuals. Another factor that effect engagement, which also reduces accidents, is when companies focus on the progress of the individuals. In Gallup’s global database, business units that report “someone talked with them about their progress in the last six months” report 10 to 15% higher productivity and 20 to 40% fewer accidents (Wagner & Harter, 2006, p. 161). Numerous studies

(Tomàs, Melià and Oliver, 1999; Zohar, 2000a, 2000b) reveal that, when supervisors are actively engaged and monitor and reward safety performance, their subordinates engage in more safety-related behavior and experience safer overall performance than when they are not actively engaged. Tomàs, et al. (1999) find that the supervisor's attitude towards safety played a critical role in explaining co-workers' responses to safety (i.e. attitudes, behavior, risk and accidents). The studies indicate that when supervisors discuss, reward and encourage safe work habits, employees model similar behavior. This behavior results in higher safety performance levels and also shows effective financial performance (Komaki, Zlotnick and Jensen, 1986).

### **Change at the Leadership Level**

The degree to which the leader embraces safety can predict the level to which the entire organization values safety. Studies reveal that when leaders monitor and reward safe performance, employees follow suit (Hofman & Stetzer 1996; Hofman et al., 2003; Zohar, 2000a). According to senior management at LCM Real Estate, safety was not a primary focus of the company at that time, nor is it part of the company culture. Further, the service technicians were not focused on safe work practices and did not follow proper procedures. In order to shift the company's focus to safe work practices, the company founder made strategic leadership changes and appointed a new Chief Executive Officer, with the charge of ensuring safety as a top priority. His primary objective is to reduce loss and change the company's attitude toward safety and its processes. Simply stated, his strategy involves implementing change at all levels within the organization by involving all employees and making safety a "mission focus" throughout the company (B.D., personal communication, November 16, 2006). In order for safety to become a core value, it is integrated at every business unit and throughout all divisions.

Despite the uniqueness of people, when placed in the same system, people tend to produce similar results (Senge, 1990). Senior management then shifts its focus to making and integrating transformational changes, such as values and beliefs, particularly with regard to safety in the workplace. One senior executive states: "Before we can reduce the number of accidents, we must first change how people think about safety in order to affect the behavior that is associated with these practices" (B.D., personal communication, November 16, 2006). A total paradigm shift is required that goes beyond assessing the "root cause" and making changes. From a top-down perspective, the entire way safety is viewed has to change, including developing an executive position to oversee safety policies and procedures. As a result, for the first time in the history of the company, safety is not reported in terms of losses, but is now being reported in terms of successes.

### **Solutions**

LCM Real Estate executives center their strategic plan on the idea that "most people tend to support that which they help to create." As a result, they solicit the help of on-site employees in creating the central theme in which all employees would be reminded of safe work practices. The employees are asked to submit a theme for the campaign, and the majority of LCM's nearly 900 employees participate and submit ideas. Based on their input, one central message is selected: "*Safety's Intention is Accident Prevention.*"

Once the theme is established, the message is made visible. Posters are placed at every site and every maintenance employee is given a red cap to wear on Thursdays as a reminder to all employees, as well as residents, that the company embraces safe work practices. The vice president of safety also schedules a conference call with all field supervisors on Thursdays to review the week's safety performance and reiterate any necessary procedures. These initiatives lead to fully integrating safety in the on-site systems. The VP of Safety reports that until safety became a core value, the only thing that is measured is the injuries and the dollars that are lost due to an accident (H.B., personal communication, October 24, 2006).

In order to further define better systems, he and fellow executives look to other industries to find strategies for reducing loss, which are incorporated into LCM Real Estate's new initiatives. Others include:

***Safety as a core value:*** It is important for everyone in the organization to embrace safety. A company's culture forms the basis for everything that is valued in the company, including its attitudes towards safety. Neal & Griffin (2006) define a safety climate "as a process model that draws important distinctions regarding the key dimensions of safety behavior: determinants of safety performance (i.e. safety knowledge) and safety motivation, safety performance (i.e. following safety protocols) and safety outcomes (i.e. occurrence and non-occurrence of injuries)" (p.17).

***Values are manifested in actions and behavior:*** They are reflected in what management does, pays attention to, and what is ignored, measured and controlled. It is through management's actions and behavior that employees become aware of the organization's meanings and learn what is expected of them and how to behave. Through a reward and punishment system, the culture in an organization is maintained. Behaviors that are rewarded will be repeated. As behaviors are rewarded and repeated, they become unconscious (Erickson, 2000). LCM Real Estate's vice president of safety reports that, if the injury investigation reveals that the injury is due to policy violation or negligence, a performance interview or counseling is performed, which can include termination. If a supervisor is present during the injury and allowed the policy violation they too receive a performance interview or counseling. A full review of the procedure that can prevent the accident is reviewed with the entire staff during the investigation period.

***Training is ongoing and occurs at all levels:*** Safety professionals attend many seminars and conferences to make their workplaces safer. However, knowing is different from doing, and being able to execute this new knowledge is a separate issue. LCM Real Estate recognizes its associates when this knowledge is put into action. Each month an issue of "Safe Times," a safety newsletter, is distributed to each employee both in Spanish and English.

***Communication is open and circulates:*** Management acts on the recommendations and suggestions from the field. Communication is only effective when it is heard and actions are taken immediately to affect change. Senior management encourages involvement and solicits suggestions from every level of management. A prime example is when the majority of all LCM employees sent suggestions for the marketing campaign slogan.

***Innovation and integration are strongly encouraged:*** LCM Real Estate’s new way of thinking encourages many of the “veteran employees” to develop new systems of reporting and more efficient ways of integrating these changes at the site level.

***Safety is respected:*** LCM Real Estate recognizes that it not only provides shelter, but also provides intangible benefits that its residents have come to appreciate. By focusing on safety and treating it with respect, the employees, as well as the residents, can be proud of a safer environment in which to live, work and play.

## Measurable Results

As a result of these changes, LCM Real Estate reports 4.88 recordable injuries per 100 employees in 2005, and, in 2006, improves to 2.59 recordable injuries per 100 employees. A recordable injury is defined by OSHA as a work injury in which medical treatment is sought. According to the vice president of risk services at Wachovia Insurance Services, the national average is 4.11; LCM Real Estate went from average to better than average in one year’s time (E.D., personal communication, December 11, 2006). Incidentally, the average company size for residential apartment management is 417 employees and LCM Real Estate is nearly twice that size. In most cases, the increase in the number of employees actually complicates safety and controlling hazards.

Another measurement is experience modification rate (an insurance rating tool). Officials report that top management companies have a rate that ranges between 0.80 and 1.00. A company with the greatest success in minimizing the number of claims typically has the lowest rating; a company with a 1.00 rating has an average number of injury claims. Based on this rating system, LCM Real Estate is 15% better than the average company operating in the State of Georgia. The Wachovia representative states: “In summary, I can say they are safer than the majority of companies in this industry and definitely have a better recordable rate than the industry. It is clear that companies that focus on safety are going to be better than those not emphasizing safety on a regular basis” (E.D., personal communication, November 28 2006). LCM Real Estate is now averaging \$3.27 per \$1,000 of payroll as of March 2007, with an average claim cost of \$3,625.00, as shown in Figure 1 (E.D., personal communication, February 15, 2006, July 12, 2007). The low claim rate in the period between March 2005 and March 2006 is a reflection of a reduced number of accidents, and lower number of serious injuries.

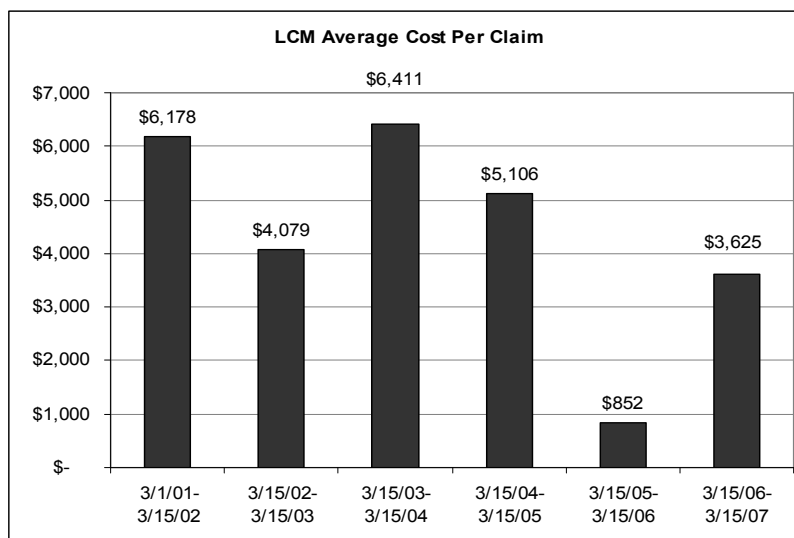


Figure 1: LCM Real Estate Average Cost Per Claim (LCM Real Estate, 2006)

Further, only 22 percent of report claims since March 2006 result in lost time from work. The reduced number of claims and reported absences represent a significant financial savings, as well as an improvement over the company’s ability to successfully manage day-to-day operations, as shown in Figures 2 and 3 (LCM Real Estate, 2006).

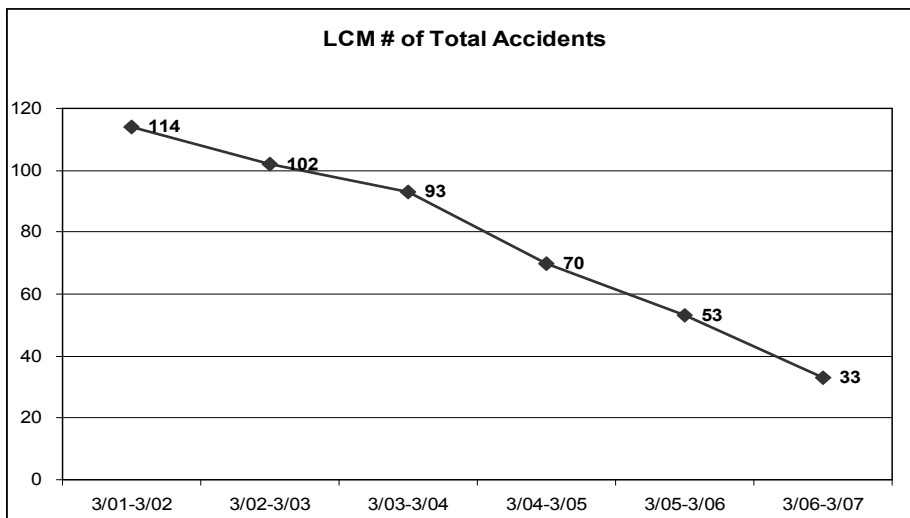


Figure 2: LCM Real Estate Total # of Accidents (LCM Real Estate, 2006)

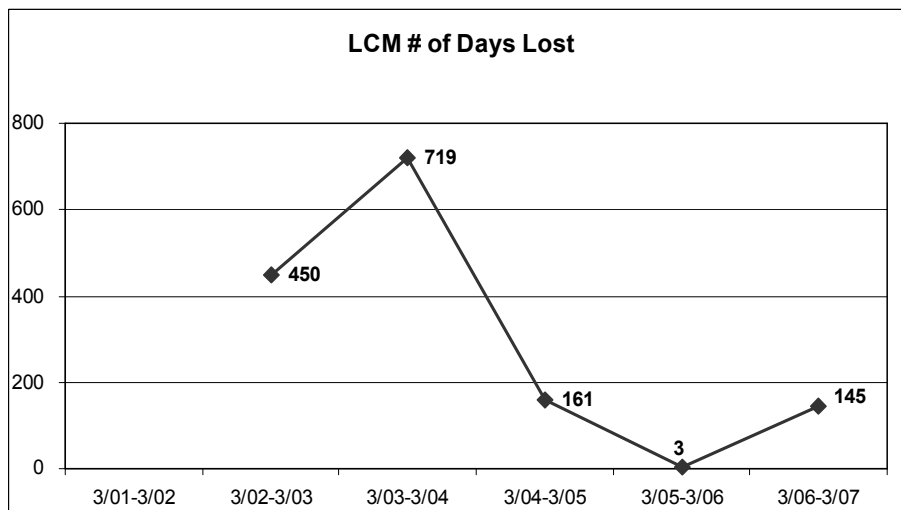


Figure 3: LCM Real Estate Total # of Days Lost (LCM Real Estate, 2006)

This dramatic reduction represents a significant improvement over national statistics on report claims. According to the 2005 National Multi Housing Council Survey, the national average cost per claim for similar properties is \$4,293, as compared to LCM Real Estate's average claim of \$3,391. Though the results are not achieved overnight, the company attributes their success to "everyone taking an active role and embracing a safety culture in each and every action."

## **CONCLUSIONS**

Workplace accidents and injuries continue to create a financial burden for companies, both in direct and indirect costs. The paper presents a case study of one multi-family housing management company's efforts to successfully reduce the number and cost of employee injuries. These efforts require a paradigm shift in the company's attitude toward safety and its processes, beginning at the executive level. Through solicitation of employee input and development of innovative marketing, communication and education strategies, company executives are able to implement a strategic plan that emphasizes safety as a core value at the corporate level. The case study demonstrates that efforts to engage employees can result in a work environment in which there is a shared commitment and responsibility to safety, leading to positive financial outcomes.

The study concludes that, in order for these types of changes to occur in other organizations, it is necessary to take into account the organization's culture, as well as the systems and processes that are currently in place. Although there are numerous studies on ways to improve workplace safety, there is limited research that focuses specifically on the multi-family housing industry. In the past, the multi-family industry has been extremely focused on revenue maximization and value enhancement. Until recently, issues such as talent management and increased operating costs (payroll, worker's compensation insurance) have forced owners and operators to explore practices that extend beyond the traditional models. Corporate culture, leadership styles, team dynamics and individual employee behavior will become more closely scrutinized as organizations create their own safety climate.

Further research and development must be undertaken in the areas of training and development of safety programs that are effective in a high-turnover environment. In addition, further research is needed to understand the root causes of accidents and the level of engagement that is required to provide a safer work environment, particularly over time, rather than the immediate reductions following changes in safety procedures. While positive team dynamics can increase employee engagement, further study is needed on the extent to which each member assumes responsibility for working safer and takes an active role in accident prevention.

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