BUILDING AN INCENTIVE PROGRAM FOR THE REAL WORLD

By Matthew T. Jacquel

Safety incentive programs were long considered a positive method of promoting employee safety and health, but in 1997, the National Advisory Committee on Occupational Safety and Health formally recommended to OSHA that such programs be viewed with some skepticism (Atkinson, 2000).

While much discussion took place regarding a federal injury and illness prevention program (I2P2) standard, OSHA has since backed off the I2P2 legislation and focused on other initiatives. A search of the agency rule list updated in fall 2022 does not even show I2P2 as part of its current plans (Reginfo.gov, 2022). However, poorly executed incentive programs continue to be a liability, as demonstrated through a 2018 OSHA document that provides clarification.

The main concern with safety incentive programs is that they may promote underreporting of injuries. Opponents of these programs also believe that they can deflect attention away from real issues and that employees are quick to learn how to manipulate the program, thereby reducing the efficacy of an established safety and health program by having a long-term toxic effect on the behavior of an organization, such as not reporting injuries to keep an award (Prichard, 2001). At the 2010 Voluntary Protection Programs Participants' Association Conference in Orlando, FL, the organization's executive director R. Davis Lane stated:

> The association and its members disapprove of programs that discourage employees from reporting injuries because they want to receive a reward. Good incentive programs feature positive reinforcement for demonstrating safe work practices and taking active measures in hazard recognition, analysis and prevention. (Smith, 2010)

This could cost companies dearly. How does one implement a successful safety incentive program without negatively affecting workplace safety practices and procedures and without increasing an organization's liabilities? In 2018, OSHA issued a memorandum providing clarification on the matter. Titled, "Clarification of OSHA's Position on Workplace Incentive Program and Post-Incident Drug Testing Under 29 CFR § 1904.35(b)(1)(iv)," the memorandum provides some details on how to prevent an incentive program from becoming a liability. OSHA clearly defines specific methods such as:

- evidence that the employer consistently enforces legitimate work rules,
- positive actions taken when a worker reports near misses and hazards,
- encouraging involvement in a safety and health management system, and
- providing a rate-based reward for going injury free (OSHA, 2018).

While rate-based programs, also called traditional programs, caused some confusion as to whether OSHA views them as legal and proper means of reducing losses, they can still be used if managed carefully. It is easy to fall into the punishment realm with these programs, which would raise OSHA's concern when evaluating the program. Fortunately, there are ways to properly manage these programs if you choose to utilize them.

Program Types

Although safety incentive programs can be broken down into an almost infinite number of utilization methods, organizations follow three basic types of incentive programs. These are:

- traditional programs,
- behavior-based programs, and
- nontraditional programs (Atkinson, 2000).

It is important to understand how each program type works to ensure that companies select options that work best for them.

Traditional Programs

Traditional programs focus on results and typically reward employees for maintaining a certain time without an injury, incident or any other quantitative value that the company would like to set. OSHA generally categorizes these programs as rate-based programs. An example would be rewarding employees for working 6 months or 1 year without an injury. Although such incentives may seem straightforward, these programs have been losing favor in the safety community for some years. Such programs often result in the underreporting of injuries (Atkinson, 2000). Additionally, they may result in the underreporting of near misses, incidents and other important information that can be used to address unsafe conditions. Employees may also pressure each other to not report injuries or report them late to receive their awards. For example, if a company rewards a team of employees for working 3 months without an injury, an employee injured with 1 or 2 days remaining may be pressured into not reporting the injury.

The pressure to not report an injury in a group setting can be overwhelming (Oswald et al., 2019). If the reward is significant enough to have an impact, then people will want to get the award and may not always behave ethically. This can result in longer pain and suffering for the employee as well as increased claims costs for the company once the injury is reported. Essentially, instead of addressing the root cause of the problems, these programs may hide them. Traditional programs have lost traction over the past 10 years largely due to OSHA's view on these programs, coupled with the negative perception of these programs among safety professionals.

For companies that use or want to use this type of program, OSHA provides some guidance about how to avoid running afoul of the law. If the employer has implemented adequate precautions to ensure that employees feel free to report injuries and illnesses, OSHA may not have an issue with the program. Specifically, the agency recommends that the employer implement additional elements such as incentives for reporting unsafe conditions, regular training that reinforces employees' reporting rights and emphasizes a nonretaliation policy, and a means of accurately evaluating employees' willingness to report injuries (OSHA, 2018).

Unfortunately, if you look at each of the statements OSHA provides regarding how to manage the program, there is a lot of room for interpretation. It may be difficult

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for any company to meet the examples provided in an objective manner. Questions companies should consider include:

•How often are employees reporting unsafe conditions and could you provide OSHA with concrete examples? How many reports of unsafe conditions would be considered adequate?

•What meets the standard of regular training? How in-depth is the training and exactly what does it cover? Is the training of adequate length to demonstrate the seriousness of the company?

•How does a company analyze employees' willingness to report injuries? How much of a challenge would it be to get honest feedback? Would going a long time without injury in an industry that is considered high risk be viewed as an unwillingness to report injuries?

Clearly, managing this type of program in a way that minimizes risk to the organization has some challenges. This is yet another reason why these programs have continued to fall out of favor. The reality is that incentive programs based on lagging indicators often end up rewarding the wrong behaviors (Blair, 2017), despite a company's best efforts to avoid this.

Behavior-Based Programs

Unlike traditional programs, behavior-based programs are focused on rewarding employees for specific behaviors or actions (Atkinson, 2000). These programs are open to interpretation and development. However, the basic program elements typically include:

•identifying unsafe or unwanted behaviors,

•training employees in the proper safe behaviors,

•requiring employees to observe each other's operations, and

•engineering out observed hazards (Atkinson, 2000).

These types of programs rely heavily on timing and training. Safe behaviors must be rewarded quickly, otherwise the effect of the reward will be lost. Behavior-based programs also require safety observations, clear goals, feedback and, of course, incentives (Oswald et al., 2019). Training is also imperative to ensure that safety observations are performed properly and feedback is correctly applied. If employees are not trained on the expected behaviors, they may become frustrated with the program and lose interest. Lack of training also reflects a lack of management interest in committing the necessary resources to

properly train employees on the details of the program and how it will be managed. A lack of effort on management's part may result in lack of effort on the employee's part.

Drawbacks of these programs include the significant upfront effort to properly establish them, employee burnout regarding observation requirements, and safety observations potentially becoming a tool of punishment and blame, thereby eroding employee trust. Another issue can be employees focusing on the number of observations made (Oswald et al., 2019) instead of the quality of the observations, which can create a "numbers game." It then may become far too easy for management to reward the people or teams that have made the most observations, even if the observations provide little or no value. As a result, those trying to manage the program properly may become frustrated and either join in on the "observations chase" or simply decide to not participate at all.

Nontraditional Programs

Nontraditional programs are activity based. These programs reward employees for actively participating in activities that can improve safety. An example would be participating in a safety committee, noting safety observations, or drafting an activity hazard analysis (AHA) or job hazard analysis (JHA). A drawback to this type of program is that it cannot guarantee that everyone will participate (Atkinson, 2000). These programs are generally voluntary, although a company may require certain titles or roles within a company, such as frontline supervisors, to participate.

Since employees are typically focused on their daily job duties and responsibilities, not everyone is interested in taking on additional work, especially if they view it as an added responsibility and are not compensated for it. This can result in the same individuals volunteering and cycling through the program. Even if a company mandates participation, it does not mean that those who are required to show up and contribute will apply meaningful effort.

Fundamentally, these are behavior-based programs, but with a few more tangible elements. While they certainly help create a more subjective way to evaluate the program, they can fall into the same traps as behavior-based programs. For example, requiring that daily JHAs be completed to be eligible for an incentive can turn into a low-value task

of simply ensuring that each work group completes a JHA each day, rather than evaluating each JHA to make sure it was properly completed and effectively addressing the hazards. Examples of this can be found at many construction sites, where general contractors often require daily JHAs. Sadly, in the author's experience, these programs tend to be pencil-whipping exercises. They are done because they are required, not because they provide value. Employees may feel the task is mundane and that it is hard to see the value of writing a JHA for the same process every day.

Another risk with these types of programs is that just because the company has a safety committee does not mean it is worthwhile. Safety committees are typically a gathering of selected people or volunteers attending a meeting. Many professionals can likely agree that if poorly run, meetings can have little value and create nontangible results, accomplishing little else besides checking the box that says they will meet to discuss safety.

However, if the program incorporates the positive elements of behavior-based safety and safety committees truly hold purposeful meetings that generate tangible results, then these programs can add significant value. A committee of people reviewing what has occurred during the preceding month or other agreed-upon time frame and identifying successes, failures, and how to promote the successes and address the failures could provide great benefits. This is especially true if the rewards are based on a function such as a superbly completed JHA that identifies a previously unknown hazard, rather than rewarding the most JHAs completed.

Program Implementation

Program implementation can be outlined in six phases, the most important being the complete and total buy-in and support by management. Generally, these phases include:

1. management support and buy-in
2. needs analysis
3. design and development of a written program
4. training
5. implementation
6. evaluation (Blanchard & Thacker, 2010)

Primary to the successful implementation of a safety incentive program is management's involvement and support. Employees must believe that the program is fair, properly administered and attainable in terms

of goals. Therefore, a company must ensure that its management is ready to commit to, administer and actively participate in a safety incentive program prior to implementing one. Any issues between management and employees should be addressed first. Management must remain committed to the program; failure to do so will result in the eventual breakdown of the entire program (Prichard, 2001).

Likewise, employees must be motivated and have a desire to commit to the safety incentive program. To ensure employee participation, a company must first ask whether the basic needs of the employees have been met. Essentially, do the employees feel accepted, respected and recognized? Also, management can encourage participation by asking frontline supervisors and employees what incentives would motivate them. This will also help ensure that the incentives are significant enough to matter to employees (Stroschein, 2010).

It is preferable to recognize many employees with smaller rewards than only a few employees with large rewards. By motivating as many people as possible to participate in and publicize the program, management ensures that as many people as possible are actively involved in and benefiting from the program. The rewards should be easy to display, such as hard hat stickers or T-shirts, rather than hidden rewards, such as gift certificates that only the recipient sees (Geller, 2001). A good way to achieve the goal of rewards being meaningful and visible is to provide a reward with significant value, such as a $100 gift card, along with a shirt.

The rewards must be significant enough to motivate. In a study by Oswald et al. (2019), rewards that were perceived to be disproportionate to the goal met were very dissatisfying and unmotivating, such as being given a T-shirt for going 1 year without an incident. Feedback from participants was resoundingly negative for such rewards. Managers should give considerable thought to what the reward should be for each goal and ensure that it will generally be met with positivity. While making everyone happy is unlikely, aim to make as many people happy with the incentive as possible.

Groups of employees should not be punished because of a single employee (Geller, 2001). For example, disqualifying an entire work crew from receiving a reward because one worker was not wearing safety glasses can demoralize the entire crew. This can lead to the harboring of resentment toward the individual; moreover, negative emotions

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may develop, and a pessimistic outlook may start to infiltrate the workforce. It is imperative that the program focus on the positive, as the main reason for the program is to encourage positive behavior. Highlighting negative behaviors will only lessen the effectiveness of the program. Another factor to consider is that the study by Oswald et al. (2019) found that the individual awards appeared to have a greater influence as motivators than the group awards.

The rewards themselves may be extrinsic, such as money, shirts, stickers and hats, or intrinsic, such as sincere and public appreciation (Stroschein, 2010). Preferably, rewards should encompass both. For example, an employee is observed going out of their way to speak with a coworker who is about to use a defective ladder. The extrinsic reward could be a pin or hat showing that the employee is a team player who helps coworkers. At the same time, a donation given in the employee's name to their preferred charity could be awarded. By doing this, the person receives a tangible reward they may show off as well as the pride that comes with helping others.

If management chooses to provide monetary awards, consider incorporating the person's family. For example, a $100 gift card to a construction supply store helps only the employee. However, a $100 gift card to a grocery store also makes an impact on the employee's family. One company learned this by mistake when management forgot to buy gift cards for employees from a home improvement store and out of desperation bought grocery store gift cards for the same amount. The gifts were of significant value and were greatly appreciated by workers, who shared them with their families. Afterward, many employees mentioned how their family members appreciated the gesture and how much the gift cards helped the entire family. One employee stated that his wife was now especially vigilant in speaking with him about safety and reminding him to remain safe. She wanted the family to continue to be eligible for the rewards, so conversations about safety became more frequent for the family. The gift cards helped keep safety front of

mind for the family. While the company's program was not perfect, this aspect was an important discovery, which ultimately helped to improve the program.

Program Pros & Cons

The benefits of a well-run program are simple; practicing safe behaviors becomes instinctive for employees. As the program evolves, the reward becomes of less importance while the act of performing tasks properly becomes more important. As a result, the company should see fewer injuries, incidents and near misses, while also receiving the benefit of providing a safer work environment. All these factors result in both direct and indirect savings for the company, thereby increasing profitability.

However, an improperly run program can create disastrous consequences. A poorly run program may result in the underreporting of injuries, incidents and near misses. Underreporting can result in management failing to take corrective actions, thereby increasing the likelihood of repeat incidents or failure to identify serious safety hazards. A poor program can also reward the wrong behaviors and result in continued negative actions (Prichard, 2001).

The author observed an example of poor program implementation at a large construction company. The company offered an annual safety award for employees. As part of the award process, the number of incidents at a jobsite was a key factor, with fewer incidents being considered better. However, because the criterion was not clearly explained, near misses were often overlooked and went underreported. The problem was revealed after one jobsite vastly exceeded every other jobsite regarding near-miss reports. To rectify this, the company's safety director addressed all supervisors and managers to inform them that near-miss reporting was considered a positive point. Once employees felt secure in reporting near misses, the occurrence of near-miss reports increased, while incidents decreased. (Of note: The jobsite with the most near-miss reports indeed had the least number of incidents that year.)

It is important to consider the effect of cutoff points in the program. For example, if the cutoff for receiving a reward is having an incident, the employee may not report the incident or, just as problematic, may decide to stop actively participating once eliminated from the chance to earn a reward. To prevent this, the program should be fluid and allow for employees

to regain eligibility by performing specific actions and steps set forth by management. Attention should be paid to correcting any issues but should keep moving toward the future. No one should be excluded or segregated from the crowd. Remember that the emphasis should be on the positive, not the negative.

A Combined Approach

A company can maximize the effectiveness of the program by combining a behavior-based and nontraditional program. As noted, these programs are similar and generously lend themselves to being combined. By incentivizing employees to actively involve themselves in safety committees and AHA updates as well as volunteer for programs, the company can encourage positive behavior. Also, by rewarding this active behavior, the company is more likely to see other employees increase their participation as well. People are often driven to want what others have and want to be recognized themselves. Employees who may not otherwise have participated in a behavior-based program will see participating coworkers being rewarded and achieving a better sense of self-satisfaction. Others may want to achieve the same sense of self-satisfaction and may begin to participate. These behaviors can also carry over into other aspects of the organization, such as production, housekeeping and quality.

The author observed an example of a combined approach with a subcontractor that had a large workforce on a company's jobsite. This subcontractor was highly involved in safety, and it showed in various ways throughout the organization. Employees regularly entered the office to show off rewards and demonstrate what they were doing to engage in safe behaviors. The contractor had a volunteer-based safety committee and incentivized employees to join it by making sure they understood they would have time to work on any initiatives without being asked to work longer hours or be pushed on deadlines. When jobsite safety inspections were conducted, they typically focused on how well something was done, not simply whether the action was accomplished. For example, when reviewing an AHA, which was required, the company did not focus on simply whether it was completed. To be considered adequate, the AHA had to represent that day's actions and address them clearly. While daily actions were often highly similar, typically at least one task was different and the review sought to note it.

While safety was incentivized, it was a part of the organization's culture. The incentives were adequate to inspire employees, made public and discussed regularly. At this company, safety was viewed as a "keystone habit." This is a habit that can influence how people work, eat, play, live, spend and communicate and one that can start a chain reaction (Duhigg, 2014). The incentive program was certainly a factor, but it was not everything. It was simply part of the overall program and culture. Safety also carried over into other aspects of the organization, such as housekeeping—not a single contractor had more organized gang boxes than this contractor. This began as part of the incentive program at first, as the focus was to ensure that safety equipment was stored safely and neatly. This resulted in ensuring that every other item was stored safely and neatly, and it eventually became part of the corporate culture.

A large general contractor, which managed a project the author's company insured, had a similar approach but applied it to the entire jobsite. While incentives were again significant and made public, over time, the habits of the workers at the jobsite became ingrained. While the incentives were certainly a part of the workers' thought process, they were not everything.

Importantly, what both organizations did not do was punish the injured workers or those workers' teams. While investigations were conducted on incidents or injuries, they did not punish people for making mistakes. This fostered an environment of open communication and trust. While no system or project is perfect, both examples discussed had exceptionally low incident and injury rates.

Conclusion

The combined program approach may be the most effective way to implement a safety incentive program. It synthesizes many of the positive elements that are desired in a program, such as including many participants, providing numerous intrinsic and visible rewards, rewarding positive behavior, avoiding negative reinforcement, and even providing an opportunity for a company to make sure employees feel good about their jobs. The combined program approach offers many options and can easily be adapted to a changing environment. Most importantly, a well implemented combined program can result in much more positive reinforcement and behavior. While the inherent risks such as underreporting and mismanagement remain, and implementing an effective program takes significant effort, once implemented, it can result in many positive returns. **PSJ**

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