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WORKERS' COMPENSATION

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Turning Your Safety Culture Into a Profit Center

Many employers view safety as an expense. However, companies large and small have proven that a change in safety culture can lead to increased profitability.

By David Leng

Face it: your employees are the engine that powers your company, much like an engine powers a race car. If you have a well-maintained, high-performance team, they can endure challenges and go the distance while achieving victory for you. In terms of business, they can help you stay ahead of your competition and create an enduring, profitable company. They allow you to open the throttle and GO!

A poor-performing team can hold you back and cause you to lose the race—and profits.

For many employers, the success or failure of a company's workers' compensation program is similar to a dipstick test that demonstrates the quality of their team. Is the engine performing well with clear and full oil, or is it being bogged down by thick, dark, and depleted oil?

Workers' compensation success can be measured by looking at and benchmarking a company's injury frequency, injury severity, and how those injuries are managed. Companies suffering from production and profitability issues have a significant number of injuries, and the reverse is typically true, as well—the most profitable and productive operations have fewer injuries.

When you have injuries, not only do you have to pay for the medical expenses and wages (directly or through increased future premiums) out of your profits, but also you have to pay for a number of items that workers' compensation does not cover. For example: workplace disruption, investigation time, production delays, damaged goods, upset customers, overtime/additional payroll for employees to cover for an injured

employee, and the cost of hiring and/or training a replacement. All of these extra expenses damage your bottom line like contaminants damage your engine.

This combination of higher employee injury costs and increased production expenses affect a company's ability to compete for work—a perfect storm.

The Alcoa Experience

When Alcoa, the giant aluminum processing company, hired Paul O'Neill as CEO many years ago, he stunned people at his first stockholders meeting by saying his top priority was not the company's bottom line, but rather tracking lost-time injuries of all employees (as you might imagine, it was not a well-received speech).

Alcoa set in place a new policy that every plant manager had to report every injury to O'Neill within 24 hours of its occurrence. Each Friday, a report was sent to the home office of what injuries occurred during the week and what corrective action was planned. This report was distributed companywide. In a very short time, Alcoa became much more profitable and experienced a most enviable record in paying dividends to its shareholders (who suddenly cheered the speech).

This wasn't something O'Neill had to do. Alcoa's safety program was already excellent—better than the industry average. Yet he believed that it could be better. He understood that safety touches every employee in the organization, top to bottom, no matter what position they are in. He made safety everyone's responsibility, not just the loss control people on staff. Alcoa's productivity soared and injuries were dramatically reduced. O'Neill proved that safety and productivity can work in harmony and, in fact, safer practices can lead to better production and profit. In other words, the best and most productive way of doing something is the safest way. And so every time Alcoa made a safety upgrade, it added to its profitability because the company operated even more efficiently.

Many employers view safety as an expense, but Paul O'Neill and Alcoa showed how safety can become a true profit maker for a company. This works for companies the size of Alcoa, or for those with just five employees.

That being said, how do we start to change the safety culture and work toward the goal of increased profitability?

First off, the Occupational Safety & Health Administration (OSHA) deserves some credit. The federal watchdog has done a great job over the years of reducing injuries and creating safer work environments. However, the focus has mainly been on the physical conditions and making sure that required training is performed. Just being OSHA compliant does not mean that you are a safe company, though, and it does not mean that employees will understand and follow your training.

Most training done by companies is necessary and good, but oftentimes it gets lumped in among other trainings, or the session takes such a long period of time that the employees' eyes glaze over. A safety program that consists of training from a "safety" company that comes in once a year, every year, and conducts the same required training—all in one very, very long day—is not an effective program.

Then there are the employers that say no one can prevent accidents from happening. These employers are making excuses for their poor practices and almost inviting their employees to get hurt because of their laissez-faire attitude. Case in point: DuPont conducted a study of over 40,000 injuries. It broke its findings into three categories of injury causes: an unsafe condition or environment; an unsafe employee action; or an accident where no cause could be determined. The finding was that over 80 percent of all injuries came from unsafe employee actions, 19 percent from unsafe conditions, and one percent from employee accidents.

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OSHA compliance and safety training is necessary, but it is not attacking the heart of why most injuries occur. In too many injuries, an employee says he tripped over this or fell over that or was struck by this. However, many times it is because an employee ignored the current situation and did not correct something that then became an unsafe condition or environment, or the employer and employees ignored general housekeeping. Based on this, if employees eliminated unsafe conditions that they themselves may have created, you could safely assume that over 90 percent, or possibly 99 percent (leaving only the one percent that are "true" accidents), of all injuries are preventable.

The best solution to eliminating injuries is a behavior-based safety approach, one that focuses on the entire employee from head to toe, and building a culture, an attitude, and an employee behavior that prevents injuries from occurring and encourages an employee to identify potential hazards before they occur. In other words, getting the employee to take that second or two to think, "Should I stick my hand this close to a blade?" It also is about employees recognizing and speaking out about a coworker or a supervisor who is not doing something safely or is creating a situation that is becoming unsafe.

Changing the culture and implementing a robust behavior-based safety program is a marathon, not a sprint. This is not something that an employer can introduce in one meeting and think that everything is all set. It is going to take

time. Here is a general outline that might prove to be an effective starting point.

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The Mission Statement

Senior leadership, owners, and executives must be involved. The policy that safety has priority over productivity must be communicated downward throughout the organization. However, while doing something safely does not mean doing something slowly, doing something too quickly can certainly mean doing something unsafely.

Benchmarking

If you do not measure and record, you cannot determine if you are achieving improvement. Items that you may want to record and benchmark might include OSHA recordables and DART rates (days away, restricted duty, or transitional duty), so you can compare them to other peer organizations. You also should include unsafe actions that did not result in an injury or property damage, but were "near misses."

OSHA recordables, DART rates, and near misses should all have specific numeric goals established that reduce over time. This will help you track the success of your program.

Senior management must track and measure various components to hold the supervisors accountable. Nothing undoes a safety program quicker than a supervisor who is only focused on productivity with no regard for safety.

Establish a line of communication for feedback from bottom to top. If an employee feels that his supervisor is ignoring a situation that has been brought to his attention, he must feel safe that he can go above that supervisor without fear of repercussions.

Establishing Accountability and a Peer Review Process

This starts with the owners, executives, or CEO reviewing senior management, senior management reviewing supervisory, and supervisory reviewing workers. There also is a peer review process. This includes a coworker, maybe acting as the safety person of the day, or a longer-tenured employee responsible for observing the operations of his coworkers because a supervisor is not always present or not fully aware of the exposures associated with a job.

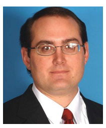
Basically, you must be able to create a checklist of unsafe behaviors and safe behaviors for supervisors and peer observers. Measuring and recording is the key to this process. You will need ongoing training for observers so that they can learn from each other as well as from the outside. More importantly, as your team learns these items and actions, corrections must be recorded in the training manual.

Responsibility

In establishing organizational responsibility levels, those below must feel free to "go up the ladder" in order to ensure that key issues and situations are addressed. All goals and actions should be results-oriented. Everything requires reporting and measuring; otherwise, it ends up meaningless and without consequences. All of this will end up improving behavior. You must empower and make each employee responsible for his own actions. Internal accountability must be laterally up and down the chain, and externally to those working at a job site. The actions of other contractors could put your employees in harm's way, or vice versa. From an accountability standpoint, you have an obligation to make other contractors aware of an unsafe situation so that your employees are not in harm's way. You also must correct any unsafe situation that you may be causing so their employees are protected.

A good example is a building materials dealer who had a truck show up at 4:30 p.m. on a Friday to deliver kitchen cabinets. All of the loading dock spots were full of trucks, but the impatient driver wanted to leave as quickly as possible so he asked one employee to help unload the truck. In the course of unloading the truck, the employee fell off the back of the truck, shattering his elbow. What then occurred was a chain reaction of lost productivity. The injured employee, already pulled off his regular duties, was now on his way to the emergency room, accompanied by another employee who was now away from his job. Plus, the injury spiked the company's experience mod, and increased their workers' compensation premium by $130,000.

This all could have been avoided. The employee was put in harm's way because the company was focused on getting the truck out as quickly as possible instead of on safety issues. The staff could have easily moved a fully loaded truck, thereby allowing the truck to come to the dock and be unloaded safely. Moving it would have taken less than five minutes and probably would have shortened the amount of time needed to unload the truck. This incident could have been prevented by having the supervisor simply tell the driver to wait until a truck was moved and he could pull in. This all occurred because the supervisor put perceived productivity ahead of safety—always a bad decision. ■



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