



WHITEPAPER
VOLUME SEVEN

WORKPLACE HEALTH AND SAFETY
REDUCE YOUR RISK
MAKE YOUR WORKPLACE A SAFER PLACE

WHITEPAPER

REDUCE YOUR RISK

MAKE YOUR WORKPLACE A SAFER PLACE

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1 :: INTRODUCTION

If making workplace health and safety a cornerstone strategy sounds a little – well – mundane – it's time to take a closer look at the numbers and the findings. Workplace injuries are indicative of breakdowns in basic processes and procedures that threaten the efficiency and financial health of an organization.

Is making safety a top priority, a move that's important only to high-risk, global companies with billions of dollars at stake? The answer is a resounding no.

Internal analysis within many organizations reveals that divisions, branches and departments that maintain the best safety records also achieve the highest productivity, maintain the most positive morale, and ultimately deliver the greatest profit margins.

Safety should be addressed no differently than sales, customer service, production, quality or any other core business objective. Effectively meeting that challenge requires much

more commitment than simply purchasing a safety manual, tacking up safety posters or giving your employees the proverbial direction to "be careful."

Be aware - the government has increasingly put teeth into statutes and regulations that penalize both companies and their executives for failing to comply with established safety standards and rules. Fines, penalties, and even prison are the ramifications of ignoring these legal issues.

Truly effective safety programs are developed using good management practices that are integrated into – not separate from – your overall management strategies in order to protect your company's liability, your personal liability, and your employee's safety.

Many executives are beginning to acknowledge something that successful business leaders have known for some time: **SAFETY IS GOOD BUSINESS.**

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2 :: THE POTENTIAL COSTS OF AN UNSAFE WORKPLACE

Criminal Costs

Before we examine the upsides of effective workplace health and safety practices (and the perils of ignoring it), it merits emphasizing that workplace safety is the law. The Occupational Health and Safety Act (OHSA) specifically outlines employer responsibilities and specific rules for performing almost any task that might subject an employee to the risk of injury. Section 66 (1)(2) of the OHSA notes that failure to comply with these regulations subjects the employer to fines of up to \$500,000 and individual supervisors to personal fines of up to \$25,000 and 12 months in prison.

Here are some recent noteworthy examples of non-compliance:

- A garage door maintenance company was fined \$80,000 for failure to properly train employees and equip them with hardhats when a roll-up door they were installing came down and caused a serious head injury to one of the workers.
- A contractor was fined \$55,000 and a supervisor \$6,000 for failure to provide fall protection training to an employee when the employee was injured as a result of a 14-foot fall from a platform.
- A grocery chain was fined \$150,000 for failure to maintain equipment when an employee was injured while operating a forklift with faulty brakes that caused the vehicle to crash into a wall.

As these examples demonstrate, failing to comply with OHSA regulations can be very costly indeed. In fact, Bill C-45 (an act to amend the criminal code that came into force March 31, 2004) clearly defines who is responsible for safety of persons in the workplace to allow prosecution under the charges of “criminal negligence” when those responsibilities are recklessly or willfully disregarded.

Fines under the criminal code in an indictable offence have no predetermined limit. The maximum sentence for an individual convicted of criminal negligence causing death is life imprisonment.

Operating Costs Increase



- Costs resulting from injuries and accidents have a direct impact on the cost of operating your business, which in turn reduces profitability.

The most visible example of this is your Workplace Safety and Insurance Board (WSIB) premium, which is affected dramatically by your safety record.

Under both the Merit Adjustment Premium program (MAP) [annual premium of between \$1000 and \$25,000] and the New Experimental Experience Rating program (NEER) [annual premium of more than \$25,000 for non-construction companies], your organization’s actual claims costs serve to either decrease or increase your actual premiums. These adjustments can be quite significant.

Expanding on the same rating formula that determines your initial premium (payroll multiplied by industry rates), WSIB calculates your organization’s expected losses based on the size of the company and the risk associated with your specific industry. If your actual losses are less than these projected losses, you will receive a rebate. Conversely, if your actual losses exceed your expected losses, you will face a surcharge.

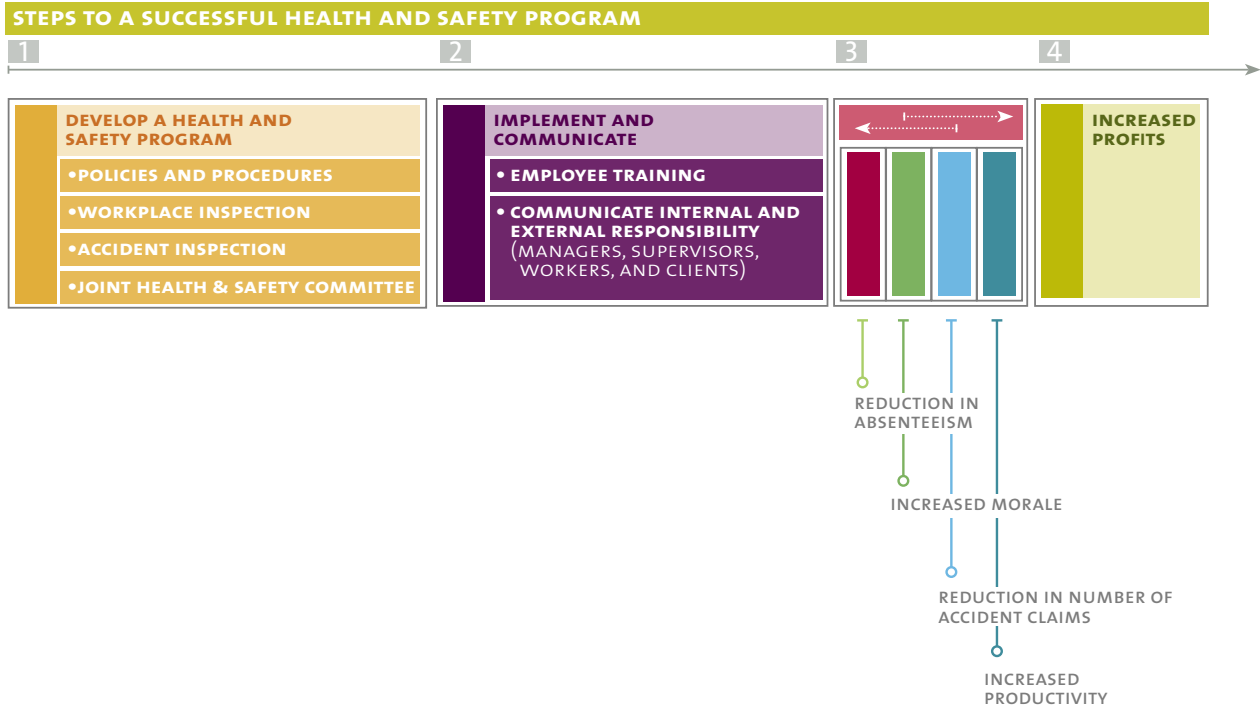
Under the MAP program, companies may receive a rebate of up to 10% of their premium or be surcharged as much as 50%. NEER allows for rebates or surcharges that equal a specific percentage of the difference between your actual losses and expected losses (up to a maximum of three times your expected losses).

The range of factors used to determine these calculations varies significantly depending upon the size of your initial premiums and your specific industry. However, the critical take-away here is that rebates can return to your organization as much as 60% of your initial premium, while surcharges can soar as high as 200% of your original premium. The differential cost – and the difference between a good safety record and a poor one – can be dramatic.

Productivity Declines

Workplace accidents and injuries significantly damage the productivity and efficiency of your operations. Studies have estimated that for every \$1 of direct costs incurred in treating

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and providing disability benefits to an injured employee, employers incur an additional \$4 in indirect costs, such as management time spent investigating and handling the claim, lost productivity of the injured worker, hiring and retraining a replacement employee, associated property damage and more.

Cumulative Effects

The cumulative consequences of injuries and accidents are sobering. Such incidents seriously affect bottom-line profit by adding unnecessary costs to your operations and subjecting your company to potential fines and penalties. These costs can range from tens to hundreds of thousands of dollars, depending on the size and scope of your business.

3 :: BUILDING AN EFFECTIVE WORKPLACE SAFETY PROGRAM – COMPLIANCE AND PREVENTION

Once your organization has embraced the need to prioritize workplace safety, it must then focus on two interrelated,

yet distinctly different objectives: compliance and accident prevention. Many organizations, however, make the mistake of limiting their efforts to this first objective, and neglect the second, much greater, challenge: accident prevention. A successful workplace safety program requires that an organization address and achieve both objectives.

Joint Health and Safety Committee Plays Fundamental Role

A key means of achieving both objectives is your Joint Health and Safety Committee. Required by law, a Joint Health and Safety Committee is made up of individuals who represent both the employer and employees and are committed to improving health and safety conditions in the workplace.

At least half the Committee members must be worker members: non-management employees who are selected by the workers, with the balance representing management. In a unionized workplace, the worker members must be chosen by the trade union or unions representing employees.

The Committee has four principal functions:

- to identify potential hazards
- to evaluate potential hazards
- to recommend corrective action
- to follow up on implemented recommendations

To accomplish these functions, your Committee must hold meetings at least once every three months and conduct regular (typically monthly) workplace inspections. In workplaces with less than 50 workers, the Occupational Health and Safety Act requires the Committee to have a minimum of two members. Where there are 50 or more workers, the Committee must have at least four members.

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Putting a Joint Health and Safety Committee in place is only step one. You must then ensure that the Committee can be truly effective in its role. This requires full management support. Worse than being a neutral force, an ineffective Committee can actually precipitate a climate of poor morale and work refusals, which in turn lower productivity.

An effective Committee identifies potential health and safety problems and brings these to the employer's attention. To undertake this role successfully, you need to ensure that members are kept fully informed of health and safety developments in the workplace, and that their recommendations are supported. An effective Joint Health and Safety Committee also plays a key role in raising awareness of safety issues throughout the organization. Just as important, a visible and effective Committee sends a clear message that health and safety is an organizational priority.

Understanding and Implementing Compliance Measures

Understanding OHSA's basic employer responsibilities and bringing your organization into initial compliance will minimize the risk of serious fines and penalties.

Diligent employers implement the following general practices:

- Develop a written company safety policy that spells out your organization's commitment to a safe workplace, designates who is responsible, outlines the general safety training practices of the company, determines how the company will identify hazards, and lists any other specific safety related programs you may have developed.
- Train everyone in middle and upper management on their responsibilities for managing the safety program, focusing heavily on the need for each manager to be knowledgeable about the hazards specific to the jobs their employees perform, as well as their responsibility to train and subsequently ensure employees are in fact following those safety rules.
- Develop written standard operating procedures for any task that could subject employees to an injury.
- Train employees to follow these standard operating procedures and document the procedures.
- Provide any personal protective equipment necessary to avoid injuries (i.e. safety glasses, hearing protection, gloves, hard hats, respirators, etc.)
- Develop a standard inspection checklist to identify hazards in the workplace and implement a regular periodic inspection process.

- Perform thorough accident investigations following any injury or accident and identify and implement corrective actions to prevent the same type of accident from re-occurring.

In addition, OHSA requires every employer to abide by specific regulations governing the performance of any task that exposes employees to the risk of injury. Therefore, it is essential that you research and understand specific rules applying to all tasks that are performed in your organization.

Identifying High-Profile Risks

Every business should identify the following "high-profile" hazards in their operations and research OHSA's regulations relative to these risks:

- Exposure to hazardous materials – train employees on the specific information contained in a material safety data sheet. (Found in Canada's hazard communication standard, the Workplace Hazardous Materials Information System).
- Exposure to falls from unprotected elevations – determine appropriate fall protection (i.e. guard rails, lanyards, etc.) and training required.
- Exposure to electricity – make sure employees are not directly exposed (and ensure proper warnings are posted) and specifically implement lock out / tag out procedures for repair of equipment. Make sure all electrical wiring and equipment is in good working order.
- Exposure to equipment pinch points and amputations from moving parts – assure proper machine guarding.
- Operation of power industrial equipment (i.e. forklifts) – make sure employees are certified in proper use and equipment is maintained in good working order.
- Ergonomics / Repetitive Motion / Cumulative Trauma Risks – identify tasks that require the body to repetitively perform a stressful movement. Minimize that risk through the strategies outlined below:
 - Train employees in ergonomic principles
 - Re-engineer processes – Work in a neutral position
 - Job rotation – vary the tasks
 - Periodic rest breaks with brief exercises (shoulder shrugs, stretches, neck rolls, finger spreads)
 - Train on identifying symptoms - Require early injury reporting for early medical intervention
 - Temporary modified duties

Although many more specific regulations exist, the above exposures represent the most common OHSA violations, which lead to prosecution and subsequent fines and penalties.

4 :: PREVENTION IS KEY

Following all of these rules and implementing compliance measures cannot, unfortunately, guarantee that employees will actually perform their jobs safely. As a result, despite the best intentions in compliance measures, injuries and accidents may still occur.



Consider

- 95% of all injuries and accidents are caused by unsafe employee acts, not unsafe conditions.

For example, you may develop very effective standard operating procedures only to discover that no one is following them. You may provide safety glasses and hearing protection, but find no one is wearing them. You may build an ergonomically friendly workstation only to observe poor posture or a “creative” workstation setup.

Because workers’ compensation is a no fault system, however, the costs of injuries that result from lack of employee compliance will still be borne by your business. Thus the only way to ensure a truly successful safety program is to make your management team responsible for actually preventing injuries and accidents.

In order to accomplish this, a bit of psychology is required. Before managers can take steps to prevent unsafe behaviour they need to first understand what causes people to behave unsafely. This might sound obvious, but when you consider that no one sets out to get injured intentionally, you realize that the complexities of human nature are indeed at play.

Why Employees Perform Unsafe Acts

Here are the key reasons employees perform unsafe acts. Understanding these behaviours and attitudes is an important first step towards prevention:

- They don’t know the right procedures. Management assumes people will exercise good common sense and therefore does not adequately train employees. Often this is the outcome of safety instruction that is far too general (e.g. “be careful”). Conversely, it may result from handing an employee a large safety rules guide and simply instructing them to “read this and sign the dotted line.” Either way, the employee does not really understand – and is therefore not able to follow – correct safety procedures.

- They take short cuts. Sometimes this occurs because an employee simply gets lazy, and believes it’s just easier to not follow the rules. On the other hand, it can also occur because management has inadvertently encouraged not following the rules by placing unrealistic demands on employees or undertaking poor planning, which in turn results in undo pressure to cut corners to meet deadlines.

- They are being complacent. Statistically, we know that employees can perform an unsafe act hundreds – even thousands – of times, with no resulting accident. This lack of negative consequence reinforces the unsafe behavior, creating bad work habits and the attitude that “it will never happen to me.” We know, however, that the more times unsafe acts occur, statistically the more frequently an accident or injury will result.

Strategies to Stop Unsafe Behaviour

The key, then, to eliminating injuries and accidents and ultimately the associated costs, is to eliminate unsafe behaviour by counteracting the scenarios outlined above. Here are some effective strategies:

- **Total organization commitment.** When you formally make safety a top priority, you’re helping to ensure employees will make it their own priority. That’s because when an issue is important to the boss it generally becomes important to the staff. Executives must walk the talk by first communicating the high importance of safety in the organization’s goals, and then actively and visibly participate in the safety agenda.
- **Develop a culture of accountability.** Division, branch and/or department managers must be held accountable for injury and accident results. Managers should be required to meet specific goals and be rewarded or penalized accordingly. This will motivate managers to implement safety policies and hold their employees accountable to follow them. Employees, in turn, must be held accountable for performing their jobs according to standard operating procedures, and must know that they are subject to discipline and possible termination for failing to do so.

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- **Identify correct procedures.** Develop detailed, task-specific standard operating procedures for any potentially hazardous job. Ensure these are written in understandable language and include useful graphics. Information must contain the appropriate level of detail, but should not be so complex or technical that it intimidates readership.
- **Regular and repeated training.** Train employees on standard operating procedures when they are hired and regularly and repeatedly thereafter (as often as weekly). Training meetings must be interactive and relevant, or employees will not retain the material. Avoid complacency through constant reinforcement.
- **Provide the right tools.** Appropriate personal protective equipment must be provided and its use enforced.
- **Be pro-active.** Managers must be challenged to observe unsafe behaviour and take steps to correct it before an accident occurs, not after.

Effective post-accident protocols will significantly reduce claims costs and mitigate the damage caused by an accident. Performing a thorough accident investigation will allow you to:

- Identify the immediate and underlying/root causes.
- Meet legal compliance.
- Identify and document areas that require attention.
- Analyze data and define ways to prevent recurrence.
- Make recommendations to prevent further injuries.
- Assist in improving/updating policies, procedures, and training.
- Direct attention to health and safety within the workplace.

As you work through your investigative checklist, make sure you consider all possible contributing factors: people, equipment, materials, environment and process.

5 :: WHEN AN ACCIDENT HAPPENS



- It's a fact – accidents happen.

Even organizations with the most thorough compliance and effective prevention strategies will experience a workplace accident or injury. That's why the best workplace health and safety commitments go one step further, with effective claim management policies and procedures.

The costs associated with injuries and accidents can be significantly minimized by implementing these claim management strategies:

- **Formalize the claims program.** Implement a detailed claims management program. Ensure ongoing communication with the WSIB claims adjudicator and nurse case manager, as well as with the injured employee.
- **Make return to work the goal.** Injured employees who sit at home escalate the cost of claims by receiving temporary disability payments and generally take longer to heal and return to their original jobs. Requiring an employee to return to some form of modified duty generally hastens recovery and reduces costs.

6 :: CONTINUOUS IMPROVEMENT

You've implemented all the compliance and prevention strategies and instituted a solid claims management protocol. But your work isn't done yet. The final leg of the workplace health and safety journey is never over: the continuous improvement process.



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With concrete measurement as the guiding principle, key factors need to be tracked, such as the origin (business unit) of accidents, causes, injured employee profiles, and frequency and severity rates. Key processes also need to be tracked, including but not limited to, safety training, observed unsafe practices, and equipment and facility preventative maintenance. By monitoring these variables and providing feedback to managers held accountable for results, the program will continuously improve and deliver benefits to the bottom line.

7 :: RETURN ON INVESTMENT- THE REWARDS OF SAFETY

As with any business initiative, your organization's safety efforts must be measured in terms of the return on investment. The rewards of reduced costs and increased profits are significant.

In measurable terms, return on investment is defined as - reduced costs, avoided costs, and potentially increased revenues.

We are confident that the return on investment from an effective health and safety program will far exceed your expectations. Our Return on Investment (ROI) examples are based on Country/Jurisdiction averages across all industries. Actual results for manufacturing environments would be significantly higher whereas office environments would be lower.

What are some of these costs and how can you drive and measure a strong ROI?

There are 3 key areas to evaluate the ROI of your Health and Safety Programs:

- i) Accident Prevention – Measured through avoided Sick Time and reduced Claim Costs
- ii) Minimizing your Claim Costs
- iii) Other Benefits

Figures used to drive the following calculations were sourced from:

1. Workplace Safety & Insurance Board of Ontario 2003 Statistical Supplement to the Annual Report
2. Association of Workers Compensation Boards of Canada Key Statistical Measures 2003 Report

i) Accident Prevention

(based on a company with 500 employees)

Sick Time Savings

	136	Lost Sick Time Due to Accidents (for calculation refer to A below)
x	10%	Minimum Improvement
=	14	Reduction in Lost Days (rounded up from 13.6)
x	\$128	Average Cost per Day for a general laborer at \$13/hr. and fringe cost of 23%
=	\$1,792	Avoided Sick Time Savings

A. $\frac{500}{100} \times 2.72^* = 13.6$ (number of claims for a workforce of 500 employees)

13.6 x 10** days = 136 days (lost sick time due to accidents)

*Average # of claims per 100 employees = 2.72

**Although the industry average for days lost is 14.2, most companies limit sick time to 10 days.

Claims Savings

	14	Average # of Claims per year
x	10%	Minimum Improvement
=	1	Reduction in # of Claims
x	\$25,300	Average Claim Cost forecasted for 2005 (see B below)
	\$25,300	Reduced Claims Cost Savings

B. Forecasted average claim cost (Workers Compensation benefits and administration costs) calculated by taking 2003 actual, comparing it to 2002 actuals then using that figure to gross the number up to a 2005 forecast.

Return on Investment – Year 1:

	\$27,092	Sick Time and Claims Savings (\$1,792 + \$25,300)
-	12,000	Program Costs (Risk assessment, loss prevention training etc.)
=	\$15,092	Net Savings
	126%	Return on Investment

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Return on Investment – Year 2:

\$27,092	Sick Time and Claim Savings
- 6,000	Program Costs (Reduced from year 1 due to elimination of one-time costs)
= \$21,092	Net Savings
352%	Return on Investment

ii) Minimizing Claim Costs

\$354,200	Annual workers compensation Claim Costs [average # of claims/year X average claims cost (14 x \$25,300)]
x 20%	Minimum Reduction Due to Claims Management
= \$70,840	Claims Cost Savings
- \$18,000	Program Costs (Claims management, WCB Representation etc.)
= \$52,840	Net savings
294%	Return on Investment

iii) Other Benefits

- Positive workplace environment amongst staff
- Reduced absenteeism
- Mitigation of criminal and civil penalties for workplace health and safety non-compliance
- Reduction in regulatory inspections and loss production time due to inspections and enforcement actions

8 :: CONCLUSION

Health and Safety impacts your most important resource – your workers.

Accidents are preventable through ongoing risk awareness assessments, timely and appropriate loss prevention training, and a safety conscious workplace environment.

Workplace safety is a legal requirement. This fact alone – coupled with the well-being of your employees – demands that we take this subject very seriously. However, it is also a fundamental business strategy; one that must take its place alongside your operating, sales, customer service, quality and other core strategies.

By formalizing your organization’s commitment to workplace health and safety through effective compliance and prevention strategies while minimizing your claims costs, your organization can realize measurable, consistent returns on investment.

As a responsible executive you need to be certain that your investment is wisely spent, will produce a significant return for you, and provides you with the comfort of minimizing the risk of criminal liability of directors, officers and employees.

Safety is good business.

Take steps today to make your organization a healthier and safer place to work. You’ll protect your employees and your bottom line.

ABOUT DRAKE

Members of The Drake International Group of Companies are global leaders in the field of human resources, consultative management, staffing and technology solutions. For more than 50 years, Drake International has helped North American businesses solve productivity problems and recruit the best people. We begin with a business needs analysis which pinpoints the optimal way in which we can help your organization achieve its strategic objectives and overall workforce optimization strategy.

Using a partnership approach to deliver measurable results, Drake optimizes a company's profitability applying a blend of flexible staffing, permanent recruitment and technology solutions. Using innovative strategies Drake reduces costs, increases revenue and customizes HR solutions including outsourcing of non-core business functions. Our unique vision plans to hire the right people for our clients the first time, thus saving them money by reducing their need for recruitment.

Drake's operating philosophy is based on the principle that organizations and people are at the highest level of productivity when they are working with the right skills, knowledge and behaviours, using the best processes and technologies.

We aim to assist your organization in achieving heightened productivity, performance and profit standards through the effective use of people and the application of proprietary technologies to help match workforce levels to workload. Allow Drake to help you and your company Outperform.

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