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SAFETY

Combating the Negative Effect of Safety Incentives/Bonuses

It is true that contractor bonuses/incentives based on the absence of injury or for lower injury/incident rates often result in a severe negative impact on real safety. This need not be the case.

A recent article in the Christian Science Monitor (see below) mentioned a trend among the off-shore oil industry owners in the North Sea to use “pay incentives/bonuses” to increase the attention that responsible executives give to work safely. The article also mentioned the common practice of using “light duty,” which is to use an injured employee in an alternative assignment during the employee’s recovery. Both of these practices, the “paying of incentive/bonuses” and the use of “light/restricted duty” are frequently used and both have proved productive in improving safety results, but are both vulnerable to misuse and abuse.

These practices are not limited to the North Sea but are generally in use worldwide in the industrial sector where Contractors and Sub-contractors are used extensively.

Article in the Christian Science Monitor

EYEING BP OIL SPILL, BRITISH QUESTION IF NORTH SEA OIL FIRMS ALSO PUSH BOUNDS OF SAFETY

The BP oil spill has drawn attention to companies' safety records in the North Sea, where an oil rig explosion killed 167 men three decades ago.

Excerpt follows:

Working on tight margins in the North Sea, which is less lucrative than the Gulf of Mexico, oil companies have come to rely heavily on subcontractors. They pay bonuses to subcontractors that demonstrate a low rate of accidents and injuries. But Professor Beck says that such bonuses have become an incentive for subcontractors to hide safety problems.

“The real main issue is under-reporting of accidents and safety issues,” he says. “Conditions in the North Sea are very rough, the natural hazards are much greater than in the Gulf of Mexico and the oil is also expensive, so in a sense it’s one of the less profitable oil provinces.”

Jake Molloy, a trade union representative for oil industry workers, says that “real improvements” in safety culture have been made over recent decades. But he expresses concern about the role played by safety performance related bonuses on drilling operations. “Just on Wednesday, a lad suffered a serious injury when a piece of equipment hit him in the face and had to go onshore for medical treatment,” he says. “The company then asked him if, on completion of the treatment, he would come into the office – the objective being to disguise the lost time from injury being recorded and ensure that the performance-related bonus was paid.”

Regarding the mentioned “come into the office light/restricted duty opportunity” in the USA the OSHA rules for the reporting of employee injury allows for both restricted duty and job transfer in cases where the physician approves and thus are not properly labeled a “disguised injury.” Studies have proven that injured employees recover from injury much more rapidly if allowed to perform some type of productive work by the employer.

While the practice of using “bonuses” and “light duty” is mentioned in negative light in the CSM article it is safe to say that most companies who use these techniques do not do so with the intention to force the hiding of injury. In saying this I do not doubt that there are instances of abuse for I too have seen such abusive action. However, research has proven the value of rapid return to work policies which improve recovery times and decreases the economic impact of the injury on the employee’s financial well being.

With research done by Sun Life Insurance in studying over 1000 cases -

- Sun Life concluded that early intervention in short term disability cases can overcome two main barriers:
- Psychological: The disabled employee hasn't mentally adjusted to not working and his or her new lifestyle without work.
- Work: A close relationship still exists between the employer and employee, and everyone remains focused on recovery and return to work. Before long, an employee can quickly become "out of sight, out of mind."

Real savings

Employers that don't pay attention to the potential rewards of return-to-work programs may pay a high price, says Sun Life. "Employers who ignore the importance of early intervention risk higher absenteeism, higher staffing costs, and lower productivity." Employers who implement early intervention programs can reap real savings between 18 to 20%. See URL below.

<http://www.insure.com/articles/disabilityinsurance/early-intervention-costs.html>

Beginning in the early 1990's in the USA large companies began a concentrated safety intervention in Contractor and Sub-contractor safety because analysis revealed that the costs of safety non-performance was contributing substantially to costs of contracting and the buyers of these services were having to pay for the inefficiencies caused by high injury rates. For instance in the late 1980's the OSHA average injury rate in construction was 14+ cases per 100 workers compared to a 4.7 rate in 2008. Also with so many injuries there came the all too frequent third-party lawsuit. In the mid-1980s one large owner in the USA was spending over \$100,000 to handle each case and this cost did not include settlement costs. With 180 such cases on the books the cost well exceeded \$20,000,000 and this cost did not include the cost of court awarded sums.

The source of the safety intervention methodology was the Construction Industry Institute,(CII) Austin, Texas, (www.construction-institute.org). This research institute looked at 122 projects over a 10 year period with five research task forces and reported that if certain leadership approaches were used then injuries could be substantially eliminated with some even achieving injury free work for millions of hours.

This CII research resulted in detailed means and methods of creating a very positive and wholesome safety culture in a work group where employee injury was reduced drastically. Such an injury free safety culture is all about how people are treated and the CII research based management processes used to provide the workers involvement opportunities so they become co-owners and actively assist in creating the safety culture. During this time period most owner executives were very familiar with the details of the CII Zero Injury research and contractor oversight was largely along the lines of assuring the use of the research with a lesser focus on the final result in the lagging indicator of OSHA injury rates.

Seeing the economic advantages of a zero injury product a number of owners developed safety incentive packages for the contractors based on low to zero injury rates. Both contractor and owner also developed in-house incentive plans for executives based on a zero injury outcome. Initially in the safety incentive/bonus process it was a given that the application of the zero injury research results would be installed by the contractor and the owner would monitor and audit the contractor's safety culture to ensure the research interventions were in fact being used. Few bothered to incentivize the use of the CII research results, instead just the outcome of zero injury. Incentivizing a zero injury outcome (a lagging indicator) without also incentivizing emphasis on the utilization of the CII Zero Injury research details (leading indicators) became the norm in many owner and contractor organizations. . One can anticipate the problem resulting from this scenario.

In a few years it seems owner turnover took its toll on the in-house zero injury expertise and slowly the owner focus switched from research utilization to the simple expectation of a zero injury result with little if any attention as to how the contractor achieved the result. Likewise in the contractor community, also due to turnover, the detailed knowledge of the CII Zero Injury research details faded, again leaving the clear expectation from the contractor CEO of a zero injury outcome.

This scenario places a skewed focus on the outcome without focus on the process. Such an approach has continued to unfold. In many cases today we see the concept of working injury free accepted world wide with many having lagging indicator incentives in place to reward those achieving zero, with little if any attention being paid to ensure the CII research safety technology is in place and functioning well.

This scenario of a "supervisor under stress" to produce a zero injury outcome without emphasis on the proven CII process has caused a significant problem with injuries not being reported by lower supervision or being managed in such a way as to avoid injury recordability. And as one might expect with lower supervision "demanding" zero injury, workers are much less prone to report an injury out of fear of job loss.

The answer of course is to use the research details. It would make this article much too long to give even a brief tutorial on the application of the CII research. So I will end with a challenge to those wishing a "true zero injury" safety result to go back to the basics. Redesign your safety bonus/incentive system to avoid a focus only the outcome. Use the leading indicator concept and measure your success against a detailed CII research application standard that is audited for quality.

Only through the effective use of the research, is there reason to believe the claimed safety performance in fact is a true representation of the safety culture. Also know that work

accomplished without worker injury has been proven to improve schedule, rework and profitability with a typical ROI of 300 to 500%.

Emmitt J. Nelson, ME, PE, NAC, ZIC; Chair, The National Academy of Construction Safety Committee

Info available from: www.construction-institute.com or www.naocon.org or simply do an internet search for the two words “zero+injury” to find other sources of information and or assistance.

NAC Safety White Papers

Through the Position White Papers on Safety, the National Academy of Construction is recommending that American businesses investigate the research of the Construction Industry Institute (CII) into how increasing numbers of employers are able to achieve a million work hours and more without an OSHA Recordable injury. The nine research-based CII Zero Injury safety leadership categories are: 1. Demonstrated management safety commitment; 2. Staffing for Safety; 3. Safe Work Planning, pre-project and pre-task; 4. Safety Education; orientation and specialized training; 5. Employee Involvement, behavior safety and safety perception surveys; 6. Evaluation and Recognition of Safety Performance; 7. Contractor Selection and Management; 8. Accident/Incident Investigation Including Near Misses; 9. Drug and Alcohol Testing.

See the NAC web site www.naocon.org for previous Safety White Papers.

The ROI of Zero Injury Safety Performance

The Construction Industry Institute research has proved that the cost of successfully implementing the nine CII zero injury categories is returned at a rate of 400 to 500% per annum when compared to the costs of OSHA/BLS injury rate average performance (4.7 TRIR in 2008) for the entire construction industry in the United States of America.

Information and details on the increasingly popular “Zero Injury Safety Leadership Concept” is available from the following:

Construction Industry Institute, 3925 W. Braker Lane (R4500), Austin, TX 78759-5316
Ph (512) 232-3004

www.construction-institute.org

See the NAC website at www.naocon.org for copies of the NAC Safety Whitepaper series.

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