

PLAYING SAFETY

Safety and occupational health has increasingly moved from an issue at the workplace to a political issue at government level. But, as **Peter Wagner*** explains, no amount of legislation will replace the need to create a safety culture within the corporation



In Victoria, the Occupational Health & Safety Act has been re-written with a number of new changes coming into effect in July 2005. Among the changes will be increased fines and penalties for directors and officers of companies (up to \$184,000 for an individual), a need to include OH&S in plant, equipment and process design, and increased consultation requirements with trade unions.

NSW is looking to raise the bar as a consequence of the recent McCallum Review. The ACT has introduced the Crimes (Industrial Manslaughter) Act in 2003. (AICD has made and is making representations to the various governments questioning the need for such onerous legislation. In particular, the increased penalties and the apparent shift from an assumption of innocence.)

Given the plethora of legislation, codes of practice, and industry specific regulations that have been in existence for decades now, one would have expected that safety as an issue would have been largely resolved by now.

However, the reality is that each year Australia experiences approximately 678,000 workers' compensation claims leading to insurance premiums in excess of \$5.8 billion annually. This

excludes the number of claims and cost associated with under excess claims. That is, those claims that are paid directly by employers below the relevant state worker's compensation statutory threshold for lodging a claim.

Also of concern is the lack of available information and data on the organisational impact of injury. Few companies would measure equipment downtime, retraining costs, impacts to customer service and productivity, accident investigation, and managerial involvement etc. It is estimated that the true cost of Safety is in fact four to 10 times the cost of workers' compensation premiums. If this is correct then the real cost of safety in Australia today is \$24-60 billion annually.

This places poor safety performance on the top political agenda as one of Australia's key issues in improving both economic productivity as well as reducing the burden on an already over stretched health system.

In contrast to the macro view, are a number of organisations that are performing extremely well in managing safety and are achieving global best practice results. So what are these businesses doing differently and how do we learn from their experience.

Nearly all organisations today would have some form of formal health and safety system in place. Typically, implementation of these systems concentrate principally on ensuring a level of legislative compliance. The result is very often an administrative approach to health and safety rather than ensuring a focus on achieving appropriate outcomes.

Organisations who have been successful in managing safety understand that systems alone will not produce the desired results. Safety is seen as an outcome of business process, environment, and culture.

In high performing businesses, safety is strategically positioned at board and CEO level. The safety strategy itself is owned by the CEO and his or her executive team with the role of the safety function being to facilitate organisational change

and advise on technical matters.

There is a clear understanding of the expectations and outcomes that the safety strategy is required to deliver, and often there is a link to remuneration rewards for the executive team linked to achieving the desired results. The major focus for performance improvement is about developing and inculcating the right safety culture into a business, and much less so about the cost of premium. It is understood that cost reduction flows from doing the right things and developing good culture, process, and design.

There is also a clear shift from achieving compliance to developing a coaching and evaluation environment that examines the effectiveness of the systems in place and how they are being applied in a practical sense. It is critical that managers and employees have the skills, knowledge and support to effectively manage the right outcomes.

It is surprising that more organisations do not make the correlation between positive safety performance and a healthier business overall

When looking at organisations that struggle with safety performance, typically one of the first issues to emerge is that while there is broad acceptance that safety is mission critical, there is also an overwhelming lack of training and support necessary to be effective. Often, managers have received little or no training in health and safety, and where they have, the focus has been on legislative obligations rather than how to practically achieve success.

Organisations which perform well in safety also regularly monitor and measure their effectiveness. Given the sizeable investment that is made in safety each year through premiums, functional costs, and the organisational impact of injury, leading organisations are concerned to ensure that there is a high performance expectation. This is often measured against global best practice regardless of industry type, as principles leading to effective safety are common across industries.

Another way to think about it is in the context of any other business initiative. A proposal to invest company funds in a new location, process, or equipment is typically heavily scrutinised in terms of return on investment before any decision is made to spend limited resources. Yet in the area of safety, businesses will often spend large sums of money in premiums and safety program initiatives without any real expectation of a return. In many instances, blame is directed to insurers or the authorities over whom there is little control.

Safety is principally thought to be a dominant issue in the mining, construction and

manufacturing industries. However, in our experience many other industries such as retailing, hospitality, services, are yet to recognise that they too have a significant opportunity to improve.

The benefits of a strategic approach to safety have wide reaching effects in an organisation well beyond simply achieving a better safety climate.

In July 2004, the ABC's *Four Corners* aired a program entitled, "A dangerous business" compiled by the American *Frontline* program. The program examined the McWane Steel Company in the USA. McWane operates a number of manufacturing sites and is regarded as one of the worst safety performers in the industry. It is a business that has generated several fatalities as well as countless permanent disablement injuries. It is constantly under the spotlight of the American regulatory authority, OSHA. The business also suffers poor employee morale, high staff turnover, significant downtime, and has a poor reputation in the community.

By contrast, the program also refers to another steel company, ACIPCO. This business has strategically placed safety as a key organisational value and has relatively few incidents. Its public reputation is high and it is regarded an employer of choice. So much so, that one person comments in the program that you have to wait for someone to die to retire to get a job at ACIPCO.

It is not hard to see which business has the sustainable model. Given that so many Australian businesses are reporting skill shortages and major challenges in managing people, it is surprising that more organisations do not make the correlation between positive safety performance and a healthier business overall across the broader spectrum of managerial and leadership performance indicators.

Safety is a natural point of collaboration between management and employees in any business. If approached genuinely, safety has the capacity to break down barriers as well as facilitating positive dialogue and business improvement at all levels.

The keys to success are to ensure safety is strategically positioned and owned by the board, CEO and senior management team. The strategy is linked to clear outcomes that can be measured against the best regardless of industry type. Everyone involved in the organisation must be engaged in the process of change and should be equipped with the right training, coaching and support to be effective in what they do.

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