

## Managing Risk – The Cost of Workplace Accidents and Control Measures

The total direct cost of all workplace accidents in 1998, the most recent year for which data are available, was \$38.7 billion according to a recent Liberty Mutual study.

The index was developed based on the direct cost of each accident cause. It applied the insurance company's 1998 workers' comp claims cost data to workplace accident frequency information from the U.S. Bureau of Labor Statistics. The relative proportions of each accident type were then applied to national estimates of the cost of workers' compensation benefits from the National Academy of Social Insurance, according to Liberty Mutual.

Direct costs include payments to injured employees and medical care providers. Indirect costs include lost productivity, overtime, and other factors. More than 90 percent of the executives surveyed see a relationship between direct and indirect costs. Forty percent said \$1 of direct costs generates between \$3 and \$5 of indirect costs. Indirect cost estimates from other sources range from 2 to 1 to 10 to 1.

The firm calculated that U.S. businesses pay a combination of direct and indirect costs for workplace accidents of between \$155 billion and \$232 billion annually.

The insurance firm also asserted that companies may be focusing attention on certain causes of workplace accidents "at the expense of others, and may need to realign their workplace safety priorities."

For instance, the Executive Survey of Workplace Safety revealed "repetitive motion" as the leading cause of workplace accidents for which respondents said they would focus workplace safety resources. "However," Liberty Mutual said, "five other accident causes each produced greater direct costs for companies in 1998

### Perception vs. Reality Ten Leading Causes of Workplace Accidents vs. Survey Rankings

REALITY	<u>Est.</u> <u>direct cost:</u>	PERCEPTION
1 Overexertion: lifting, lowering, pushing, pulling	\$9.8 billion	Repetitive motion
2 Falls: same level (trip/slip and falls)	\$4.4 billion	Overexertion
3 Bodily reaction: bending, standing, reaching	\$3.6 billion	Highway accidents
4 Falls: to a lower level	\$3.6 billion	Bodily reaction
5 Struck by object	\$3.4 billion	Falls: lower level
6 Repetitive motion	\$2.3 billion	Caught in equipment
7 Highway accidents	\$2.1 billion	Falls: same level
8 Struck against an object	\$1.9 billion	Struck by object
9 Caught in/compressed by equipment	\$1.6 billion	Contact temp extremes
10 Contact temperature extremes (burns, cold)	\$300 million	Struck against object

The survey was based on interviews with 200 executives responsible for workers' comp and other commercial insurance at 125 midsize firms (100-999 employees) and 75 large firms (more than 1,000 employees), representing a range of geographic locations and industries.

Note that the top 5 causes of accidents in the workplace commonly occur in the construction trades and fall into the categories of Fall Protection, Slip, Trip and Fall Protection, Lifting Safety, and Falling Objects – Toe Boards and Hard Hats."

Some Construction contracts now contain provisions that classify Cal/OSHA citation and penalty expenses, lost time and other accident related expenses as charge-backs to contractors or sub-contractors whose employees were involved in workplace accidents.

Joseph Gilles, Liberty Mutual's executive vice president for commercial insurance, noted, "workplace safety has a ripple effect, either positive or negative, on so many aspects of U.S. business operations today. The first step for executives to take is preemptive measures to prevent employee accidents, pain, and suffering caused by workplace injuries. Identifying the accident causes that have the greatest impact on their company and focusing resources on these will help a company reduce costs and achieve strategic corporate goals."

#### **Risk Management Measures - The Illness and Injury Prevention Program**

Identifying accident causes – Job Hazard Analysis – and hazard mitigation strategies are at

the heart every company's Illness and Injury Prevention Program. In fact, determining which workplace hazards exist and providing safety training and instruction for employees “when first hired, when given new assignments for which training has not previously been provided, when new equipment, processes or procedures are introduced, whenever the employer learns of a new hazard, and to train supervisors in hazards to which employees are exposed” is required by California State law (Title 8, Section 3202).

Recently Cal/OSHA, IWC, and the INS conducted joint agency inspection sweeps focused on the Food and Beverage industry in San Diego. These “focused sweeps” have occurred state wide for some years and have included the construction, agriculture, garment, and food and beverage industries on a rotational basis every 3 or 4 years. Residential service trades have been added to the list and include painters, roofers, re-modelers, lawn maintenance companies, etc. These business categories are considered “hard to reach” by Cal/OSHA and funding has been allocated for special year around compliance emphasis across the board.

Several years ago fines and penalties for non-compliance were raised substantially (see AB1127, Chaptered Jan 1, 2000) and citations and penalties are now reflecting the increases. It is current Cal/OSHA policy to issue citations intended to raise compliance awareness for all companies regardless of category.

#### **What is required to get into compliance with Cal/OSHA?**

1. Every business in the State with one employee or more is required by law to implement an Illness and Injury Prevention Program that is “effective” and in writing. It must include the following policy and procedure sections (CA Workplace Safety Code, Title 8, Section 3203 and 1509).
  - a. Assignment of Responsibilities for the Company Safety Program including:
    - Safety officer responsibilities
    - Supervisor responsibilities
    - Employee responsibilities
  - b. Safety Program Enforcement
    - safety violation policy
    - employee incentive program
  - c. New hire training
    - Criteria for new hire training
  - d. Safety Communication – 2 way; employee- management, management-employee
    - Employee safety suggestion program
  - e. Accident Investigation procedures
  - f. Training
    - Job Hazard Analysis – what to train in
  - g. Recordkeeping
    - Records of all job safety activities
  - h. Facility inspections
    - Records of facility safety inspections
  - i. Hazard and discrepancy correction records

Sections a through i above are required by State law and must be in every company’s safety program. Lack of documentation for any section can result in citations for an “in-effective” safety program and “serious or willful” violations for workplace hazards. AB1127, Chaptered Jan 1, 2000, now part of the California State Labor and Workplace Safety Codes, can be viewed at [www.ca.gov.leginfo](http://www.ca.gov.leginfo).

The **IIPP** should also include policy, procedures, and training material for all hazards to which employees may be exposed. All employers should include procedures for Emergency Action, Ergonomics, Hazardous Materials Communication, Safe Lifting, Sexual Harassment, and Violence in the Workplace. Other material, depending on employee exposure, should include Vehicular Accidents, Excavation and Trenching, Fall Protection, Personal Protective Equipment, Eyewash Stations, Electrical Safety, Lockout/Tagout, Ladder Safety, Heat Stress, Hand Tools, Electrical Tools, Fork Lifts/Motorized Trucks, etc. Required sections are determined when Job Hazard Analysis is performed.

2. **Safety Training** Every employer must conduct “frequent” documented safety training meetings. Training must be done for all hazards to which employees are exposed. For construction trades the required frequency is “no less than every ten working days.” Formal supervisor training is required “no less than every 90 days.”
3. **Site Inspections** Documented inspections must be conducted “frequently” or as conditions dictate. Construction site safety inspections should be conducted daily and documented.

Cal/OSHA site inspection criteria in the event of a complaint, announced or unannounced inspection, or accident will involve:

- a. An inspection of the company Illness and Injury Prevention Program
- b. A review of training and inspection records
- c. An interview of selected employees and supervisors.
- d. A walk through of the site and/or facility which may include photographs.

### **The Drug Free Workplace Program**

Another cost effective measure to control workplace accidents and related expenses is to implement a company wide Drug Free Workplace Program. It is well known that substance abusers avoid applying for work at companies that have implemented a pre-hire drug testing program. A well-known national construction supplies company has for some years posted a notice at the entrance to every company property that reads “ If you are doing drugs don’t even apply” which has proven to be very effective in reducing workplace accidents.

Statistics show that substance abusers have an accident five times higher rate than non-abuser employees.

Drug Free Workplace Programs for most construction companies involve management and supervisor training, the development of a written policy and procedures statement, the implementation of an Employee Assistance Program, pre-hire and post accident drug screening, and employee substance awareness training. Most programs are provided to employers at no cost.

The only way to reduce Worker’s Compensation premiums and associated accident related expenses is manage accident risk factors and push for a “zero lost days” policy.