

As companies cut costs during the financial crisis they need to ensure they continue to meet occupational health and safety obligations, Deloitte Risk Services Occupational Health and Safety specialist ANDI CSONTOS says. Companies need to capture information about OH&S systems and processes and stay across changes to relevant legislation, she says.

Avoiding Health and Safety Risks

Keeping the focus on innovation

CORPORATE Responsibility (CR) is front and centre in the boardroom, with emphasis often placed on the pillars of economic and environmental performance. Topics such as greenhouse gas (GHG) emissions, the National Greenhouse Energy and Reporting Act (NGER), and the Carbon Pollution Reduction Scheme (CPRS) are readily discussed and receive wide media attention.

Equally important is the third pillar of sustainability, social performance, and the principle of occupational health and safety (OHS). Although many

ASX100 companies as well as medium-sized businesses have OHS policies and procedures in place, the rising cost of safety in Australia suggests organisations are not fully in control of their OHS risk.

In 2006/07, just over half of all workers compensation claims (53%) involved the manufacturing, health services, construction, and retail industries.

In March 2009, the Australian Safety and Compensation Council released its report on OHS performance, stating that work-related injuries and illnesses

have cost Australia \$57.5 billion in the 2005/06 financial year. According to the same report, this is equivalent to 5.9 per cent of Australia's Gross Domestic Product (GDP), a significant increase from 2000/01, when OHS costs were at \$34 billion or 5 per cent of GDP dollars.

Further, with the current economic downturn, we are likely to see issues emerge around the management of OHS. As companies reduce their overheads and shed excess, they risk losing the knowledge of OHS systems and processes that is often in the heads of "long termers" and OHS managers,



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and not adequately documented. In times like these, it becomes critical to “future proof” the organisation and capture vital safety information.

Organisations that have been recognised in the past as leaders in safety may struggle to retain control. Significant change through restructures, mergers and acquisitions may result in companies outgrowing their OHS management systems and/or not consolidating internal standards and practices.

Stringent legislation

To encourage better OHS practices and in recognition of the negative impact poor OHS has on the workforce and productivity Australia, along with Denmark, Canada and Singapore, has some of the most stringent OHS legislation in the world.

For example, here in Australia, directors and executives are ultimately liable for providing a safe work environment, with significant penalties for compliance breaches. The current duty of care owed to all employees, contractors and visitors includes the provision of safe equipment and facilities, as well as supervision and training.

However, the legislative environment continues to change and tighten. Two of the most significant examples include the 2008 model OHS law, intended to assist in the harmonisation of OHS law across Australia, and in the same year the fatigue legislation, aimed at mitigating fatigue risk in the transport and logistics industry.

Model OHS Law: the harmonisation of OHS law across Australia

In April 2008, the Federal Government announced a National Review into Model OHS Laws, which proposes amendments to the concepts of ‘control’, clearly stating that directors, company secretaries, administrators, or any persons who make or participate in making decisions that affect the business or its financial standing will have a duty of care. The onus on chief finance officers and executive OHS managers is explicit: they will be held accountable for the implementation of OHS controls.

More recently, the Safe Work Australia Council was established by

the Workplace Relations Ministers’ Council on the 3rd April 2009 to drive national policy development on OHS.

The model OHS law also introduced three ways to categorise offences. A Category 1 offence for breaches in duty where there is serious harm or gross negligence can lead to fines of up to \$3 million for organisations and up to \$600,000 for directors or individuals.

Requirements

Companies need to have, at all times, a defensible position on OHS that includes

- demonstrating open dialogue and consultation with employees
- identifying and addressing hazards in the workplace
- implementing clear and appropriate avenues for reporting and managing incidents, injuries and hazards.

Fatigue Legislation: mitigating fatigue risk in the transport and logistics industry

In September 2008, the National Transport Commission introduced fatigue legislation for heavy vehicle drivers, setting a clear requirement for the transport industry to ensure drivers are not operating heavy vehicles when impaired by fatigue. Similar standards for the rail industry were also set in 2008, through the National Safety Guidelines.

The Heavy Vehicle Driver Fatigue Legislation places a duty of care on the chain of responsibility, including directors, managers, consignees (such as receivers) and consignors (such as senders) and any person whose activities influence the conduct of drivers. The Act has seen dramatic changes to operations, as organisations search for ways to check and review log books, maintain evidence of work and rest hours, and implement fatigue management plans. Many organisations have revised their rosters and travel routes to meet the legislative requirements, at a significant cost.

Critical elements in managing OHS

The above developments in legislation reinforce the importance of sustainable and effective management of OHS - companies need to have, at all times, a defensible position on OHS.

In addition to the regulatory driver for safety, there is also a real and demonstrated benefit to the bottom line if safety is well managed. In 2005, Liberty Mutual Research Institute for Safety surveyed 231 senior financial executives. More than 40 percent of respondents cited productivity as the top benefit of an effective workplace safety program, with the second most frequently mentioned benefit being reduced costs.

According to the US Department of Labour’s Occupational Safety and Health Administration, workplaces that establish effective OHS management systems can reduce their injury and illness rate by 20 to 40 percent. In 2005, the Liberty Mutual Research Institute for Safety found that for every \$1 invested in safety, there was between a \$3 and \$6 saving in cost.

Safety Management Systems

It is essential for companies to demonstrate open dialogue and consultation with employees around how work is done, to identify and address hazards in the workplace and to implement clear and appropriate avenues for reporting and managing incidents, injuries and hazards.

Higher risk industries such as energy and resources have focused on taking proactive approaches to safety management that consider human factors and risk management. Many industries continue to tackle issues such as maintaining up to date information and addressing emerging risk areas such as fatigue and stress.

Our current economic climate has created the opportunity for organisations to focus internally and get the ‘OHS house’ in order. This includes the revision of policies and procedures, upgrading of data capture systems and reporting mechanisms as well as the development of training programs.

Planning

While some organisations have successfully applied management system approaches, most companies

have only recently begun to understand how OHS programs can systematically add value to the business, customers and shareholders.

The more strategic and significant breakthroughs in safety performance and business results typically come through the redesign of core business processes and the integration of OHS into both day-to-day and strategic business planning. Safety must be managed like any other business function. Management should direct the safety effort by setting achievable goals and then planning, organising and controlling to achieve them.

People

It is also critical to engage people who are intrinsically motivated to use the elements of the OHS management system.

Context

- Australia has some of the most stringent OHS legislation in the world
- Cost of safety has risen in Australia to \$57.5 billion in 2005/06
- 53% of workers compensation claims in 2006/07 involved the manufacturing, health services, construction, and retail industries
- In the current economic environment, companies run the risk of losing company history and knowledge of OHS systems and processes
- Good safety have a positive impact on bottom line

Simple rules can establish the boundaries for seeking solutions and to delineate inappropriate behaviour. We all know that habits are hard to break - through narrative-based techniques and storytelling, new ways can be found to experience and create habits of safe behaviour. Rigorous discussion and open debate are also valuable in the development of new ideas and insights into OHS management. These discussions can even be encouraged by establishing formal debates around the topic, involving stakeholders from other industries or even academics to gain a new perspective.

Managers should focus on fostering stronger relationships with their staff, but also between their staff members. Stronger team relationships lead to members looking out for each other. Almost like a soldier providing cover-fire for a comrade during a war effort, people need to know that their 'buddy' will always 'have their back'.

Innovation

Safety is a field where much work has been done. Keeping the focus on innovation is key to addressing the intractable OHS issue. The saying goes, "if a hammer was the only tool I had available, then every problem would be a nail". Similarly, there is a tendency to look at safety as a structure problem, which can be solved through technical solutions and compliance with a set of rules.

However, the discipline of complexity science in management and the application of narrative approaches, such as the Cynefin framework developed by IBM's Institute of Knowledge Management, offer some new insights into the safety problem. Cynefin explores the relationship

between man, experience and context and proposes new approaches to communication, decision-making, policy-making and knowledge management.

By interrogating and analysing data in new ways we can explore the potential links and relationships between personnel information (such as length of employment, age, location) and OHS performance (incident rates, near misses, hazard reporting). It is through understanding these issues that companies can work towards achieving best practice in OHS. **BCI**

Consider

- **focusing internally and getting the 'OHS house' in order by:**
 - revising policies and procedures
 - upgrading data capture systems and reporting mechanisms
 - developing training programs.
 - redesigning core business processes and integrate OHS into planning
- **engage people who are intrinsically motivated**
 - foster stronger relationships with and between staff
- **keeping the focus on innovation is key**
 - apply a narrative approach
 - interrogate and analyse data in new ways

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Shareholder value is a result, not a strategy. Your main constituencies are your employees, your customers and your products.”

Former General Electric chair and CEO Jack Welch, in “A need to reconnect”, *The Financial Times*, March 13 2009.

IN THEIR OWN WORDS