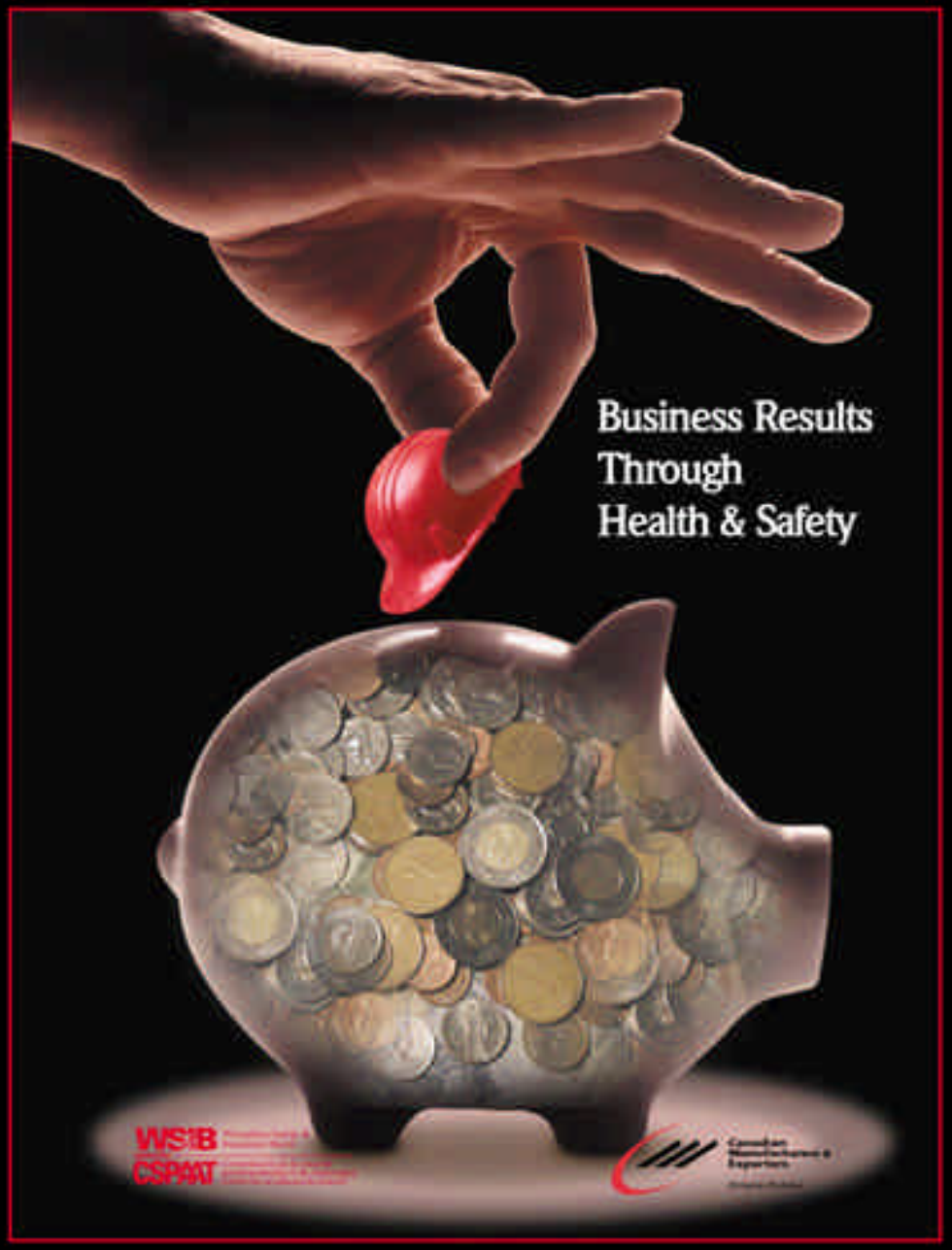


Business Results Through Health & Safety

Canadian Association of Movers

November 24, 2003

Tom Abercrombie, BSc.CRSP

Senior Prevention Program Specialist

Best Practices Branch

WSIB

Session Overview

- Introduction / Business Results Guidebook
- A look at the numbers
- Components of the Business Case
  - Financial business case using NEER
  - Moving beyond the financial business case
  - Non-financial business case
  - Broader implications of workplace H&S

“Business Results Through Health and Safety”

“Written by business for business”

WSIB ONTARIO Workplace Safety & Insurance Board

CSPAAT Commission de la sécurité professionnelle et de l'assurance contre les accidents du travail

Canadian Manufacturers & Exporters

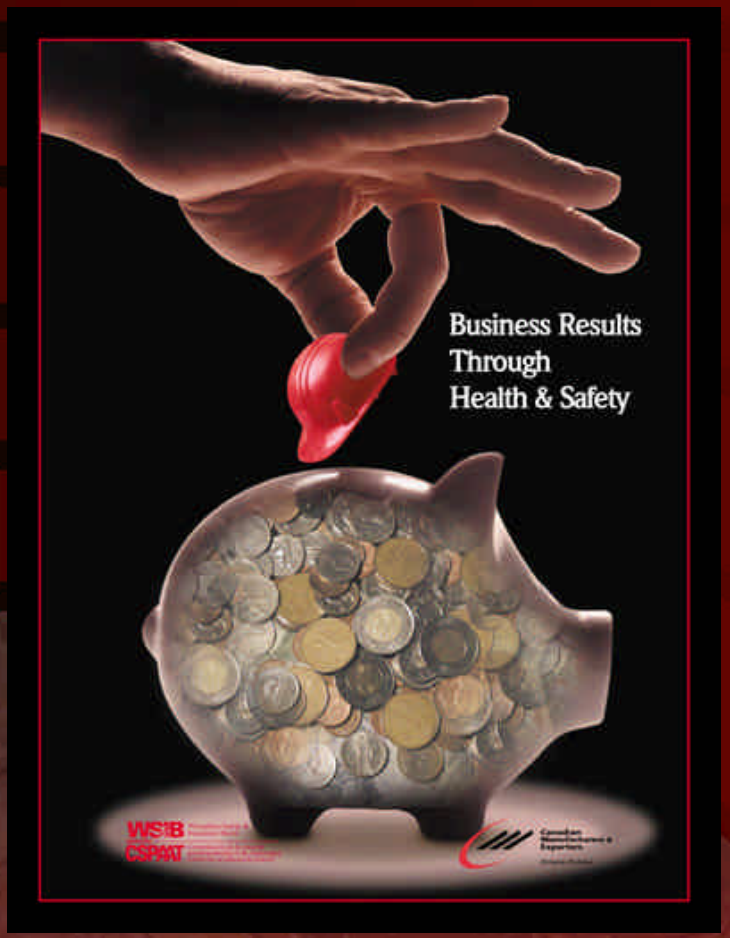
Ontario Division

Goal

To effectively pitch the business case for H&S in order to obtain commitment from senior business leaders

To provide a variety of tools to assist business leaders to take the necessary steps to incorporate H&S into their business plans

Guidebook Flow-Overview



Health & Safety
Issues & Opportunities

↓

The Business Case

↓

Assessment Tools

↓

Taking Action

The Business Case for H&S

Financial

The Costs of Injuries

In Ontario in 2001:

- Over 100,000 lost time injuries
- $2.6 billion compensation and WSIB costs
- Estimated $12 billion cost of workplace accidents, injuries and illnesses
- Average lost time accident cost: over $59,000

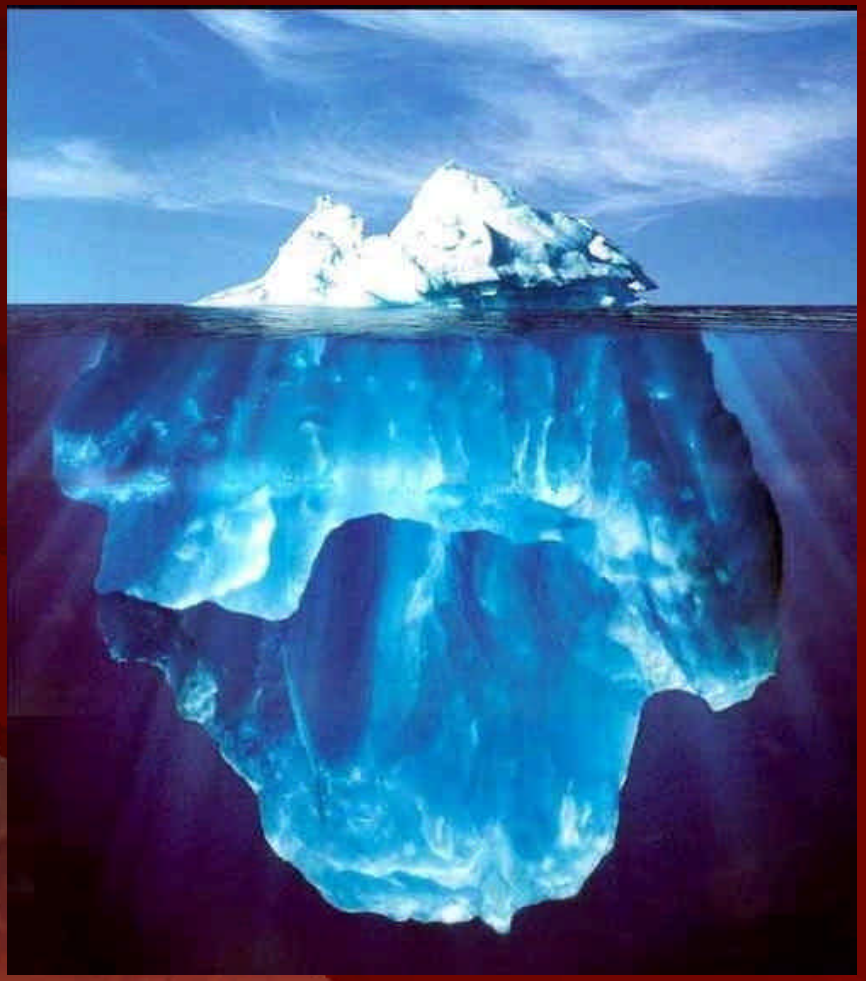
Average cost of a Lost Time Injury (LTI) - All Sectors

2000	$11,638
2001	$11,771
2002	$12,223
2003	$14,333

Full costs of accidents…

Direct Costs

Hidden Costs



Full costs of accidents include:

WCB/WSIB Costs	Compensation, Health care Administration
Property Damage	Structural, Equipment, Machinery, Tools
Productivity Losses	Materials, Product, Production delays
	Management and employee time losses
	Hiring, Training
Injury Management	Managing return to work, Modified work program
Regulatory Action	Compliance with OHSA
	Compliance with MOL orders
Legal action	Legal & trial costs, Fines

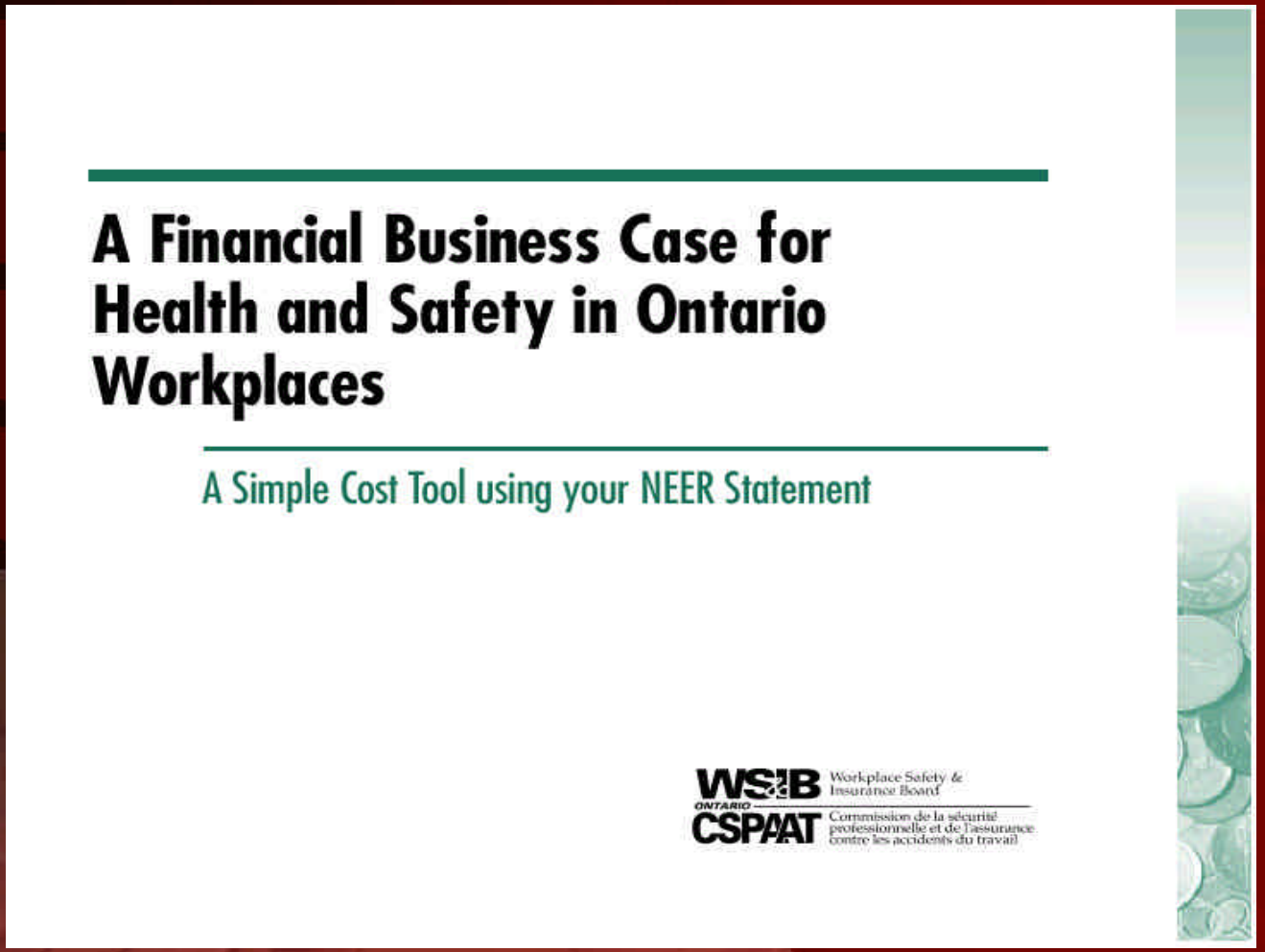
Costs of Accidents

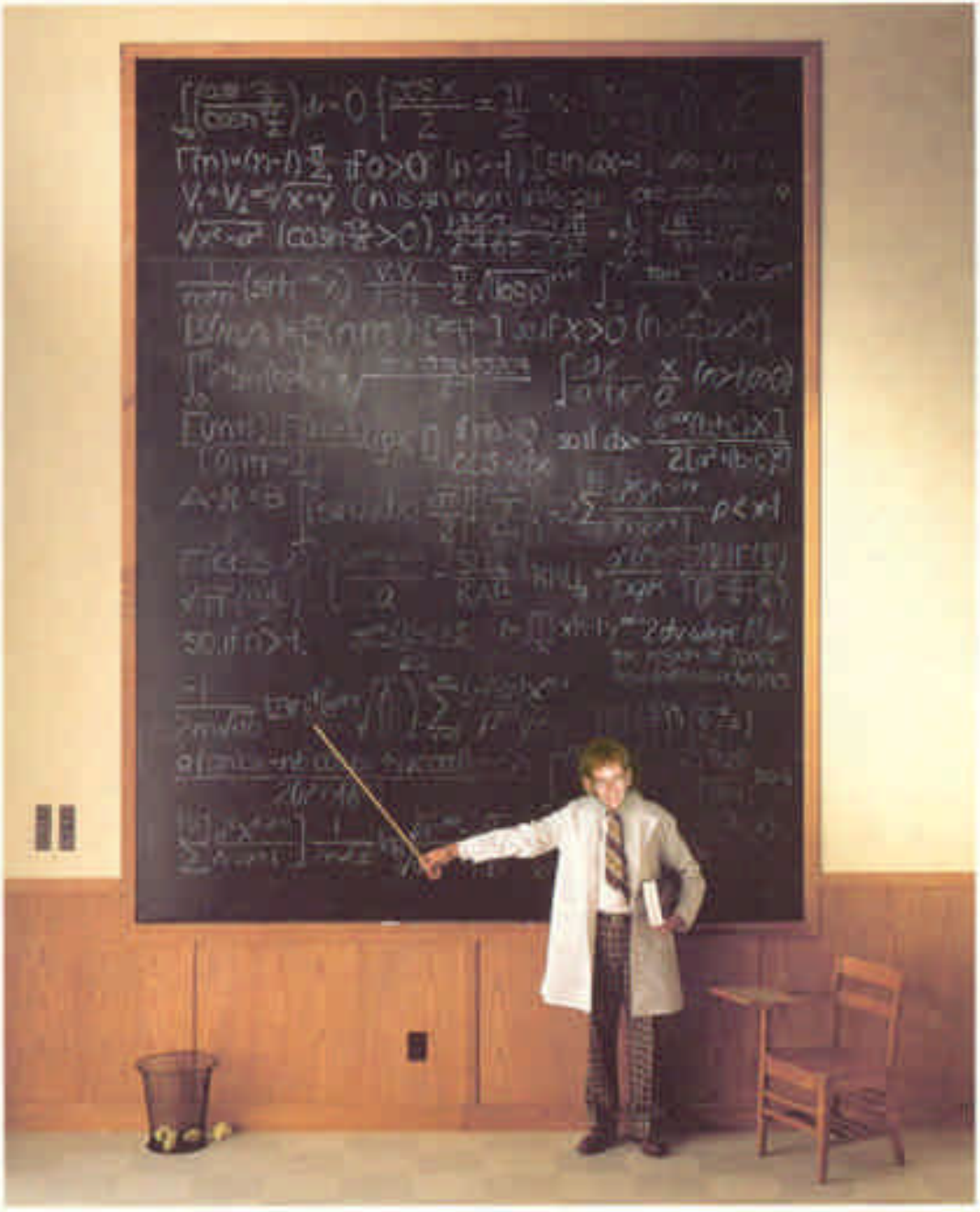
Example:

Average cost of an accident is $59,000

A company with a profit margin of 6% needs to generate $983,333 in sales to produce $59,000 of profit

Business Case for H&S - Financial





NEER Cost Tool - Cost Sheet 1

Part 1

COST SHEET 1: DETERMINING MAXIMUM POTENTIAL NEER REBATE

(Fill in the blanks using your NEER statements from WSIB. Pick a full year, e.g. 2001)

Example

200 Front St. West
Toronto ON M5V 3J1

NEER Firm Summary Statement

Account Number	2345678
Firm Number	123456XX
Base Number	570
Base Assessable	

Accident Year	Premium	Expected Cost Factor (%)	Expected Cost Costs ($)	NEER Costs ($)	Rating Factor (%)	Performance Index
2001	550,000	43.13	237,215.00	300,300.00	64.48	1.27
2000	500,000	40.34	201,700.00	245,238.17	62.77	1.22
1999	475,000	37.31	177,222.50	531,667.50	61.61	3.00*

Line 1. Expected Costs:..... $ 237,215

Line 2. Rating Factor:..... 64.48 %

Line 3. Maximum Potential Rebate:
(Line 1 x Line 2)..... $ 152,956.23

This is the maximum potential rebate which could have been received if there were zero NEER costs. (i.e. no injuries/illnesses)

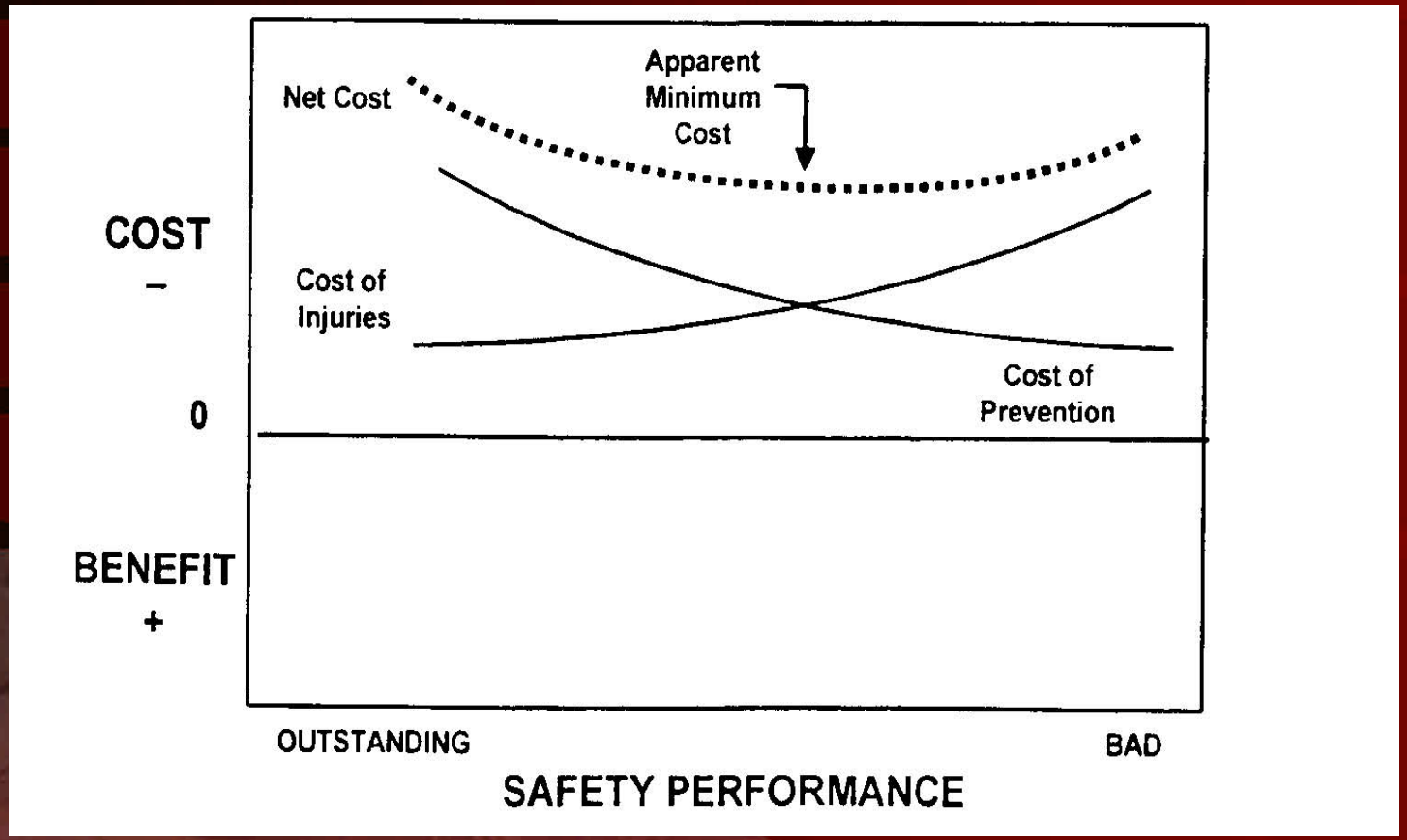
Moving beyond $

What happens when financial incentives no longer provide motivation?

The Business Case for H&S

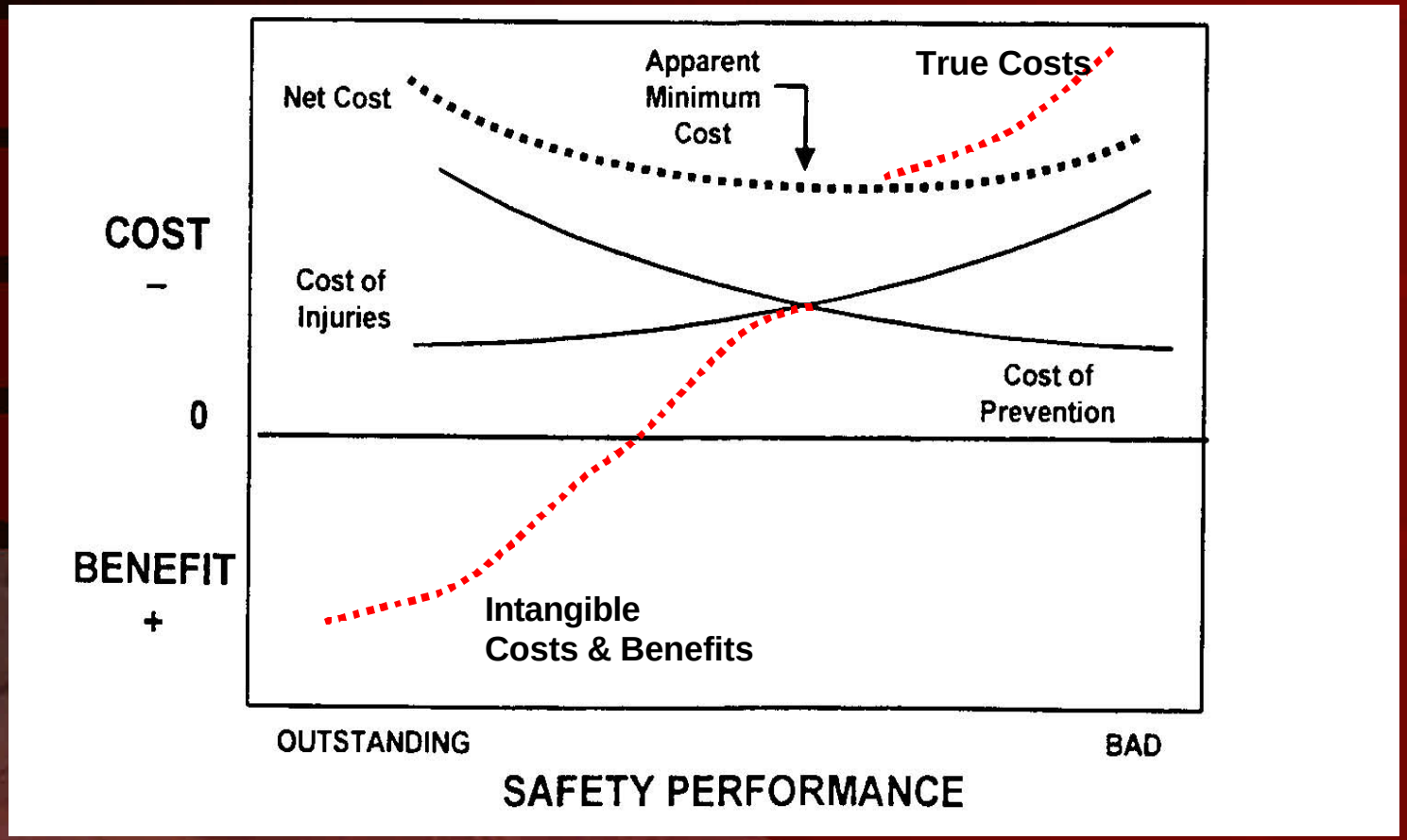
Strategic Thinking

Predominant Cost-Benefit Thinking



Source: J.M. Stewart: Managing for World Class Safety - 1999

World-Class Cost-Benefit Thinking



Source: J.M. Stewart: Managing for World Class Safety - 1999

World-Class Cost-Benefit Thinking

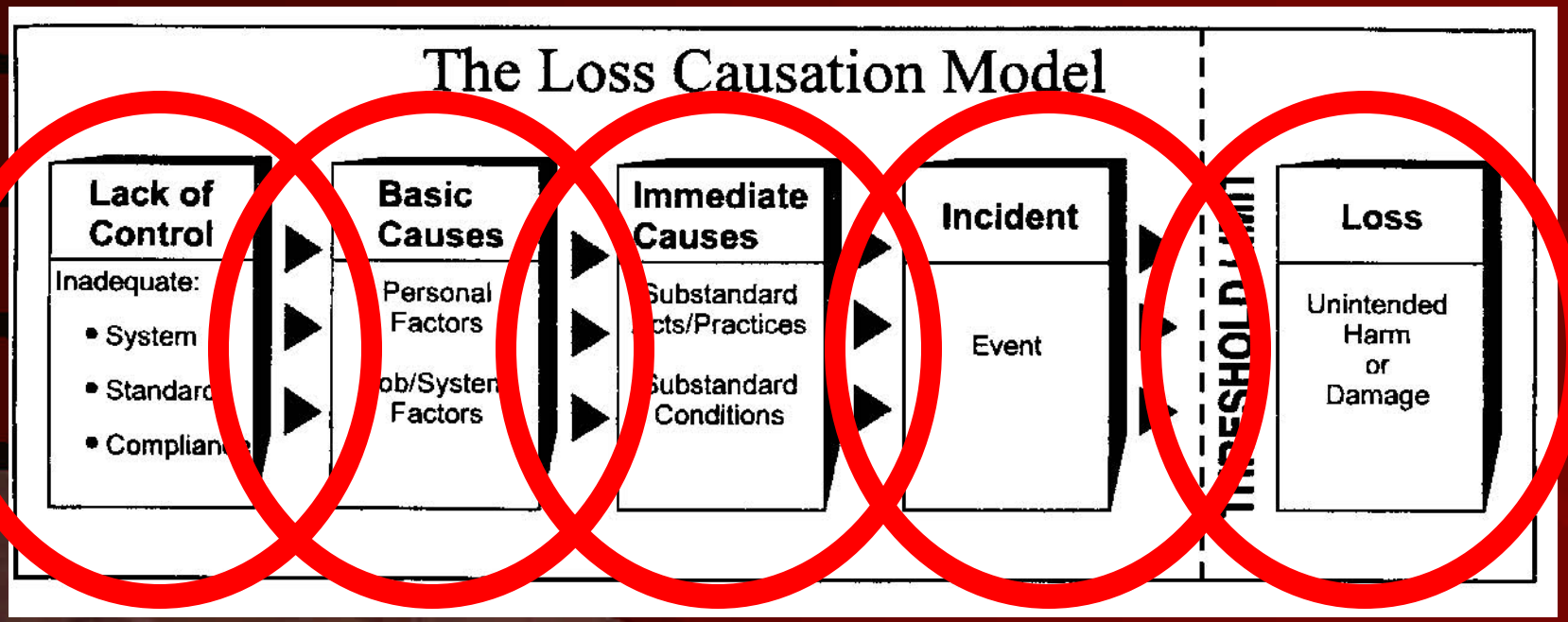
This was not an issue of throwing money at health and safety - this was an issue of throwing management intensity at it.

Ted Pattenden
President & CEO
NRI Industries

Moving to World-Class

- Move beyond compliance
- Abandon old traditional ways of H&S
- OH&S is a significant partner in organizational strategic goals

Abandon Traditional Ways



Strategic Thinking… Barriers to Strategic Success

- **VISION: Only 5% of the workforce understands the strategy**
- **PEOPLE: Only 25% of managers have incentives linked to strategy**
- **RESOURCES: 60% of organizations do not link budgets to strategy**
- **REPORTING: 92% of organizations do not report on leading indicators.**

Source: Robert Kaplan, BSC for Government; and HR Measurement Conferences, Washington and Chicago, 2,000 - Referenced by Danielle Pratt

The Business Case for H&S

Quality

Safety & Quality

Quality Then

- **Root causes poorly understood**
- **Defects at the end of the line**
- **Total cost impact not recognized**
- **Magnitude of improvement not seen**
- **Knee-jerk reaction to investment**

Quality is a Cost Centre

Quality Now

- **Quality gets measured and managed**
- **Quality is everyone's job**
- **Aggressive pursuit of superior results**
- **Judicious investment in Prevention & up-front Detection**

Quality is a Profit Centre

Source: Healthy Scorecard - Daniel Pratt-1999

Safety and Quality

Can there be excellent safety when there is poor morale and/or worker-management conflict?

Jim Stewart - Managing for World-Class Safety

How can dissatisfied, disgruntled, and demoralized employees deliver top quality results?

Danielle Pratt - Healthy Scorecard

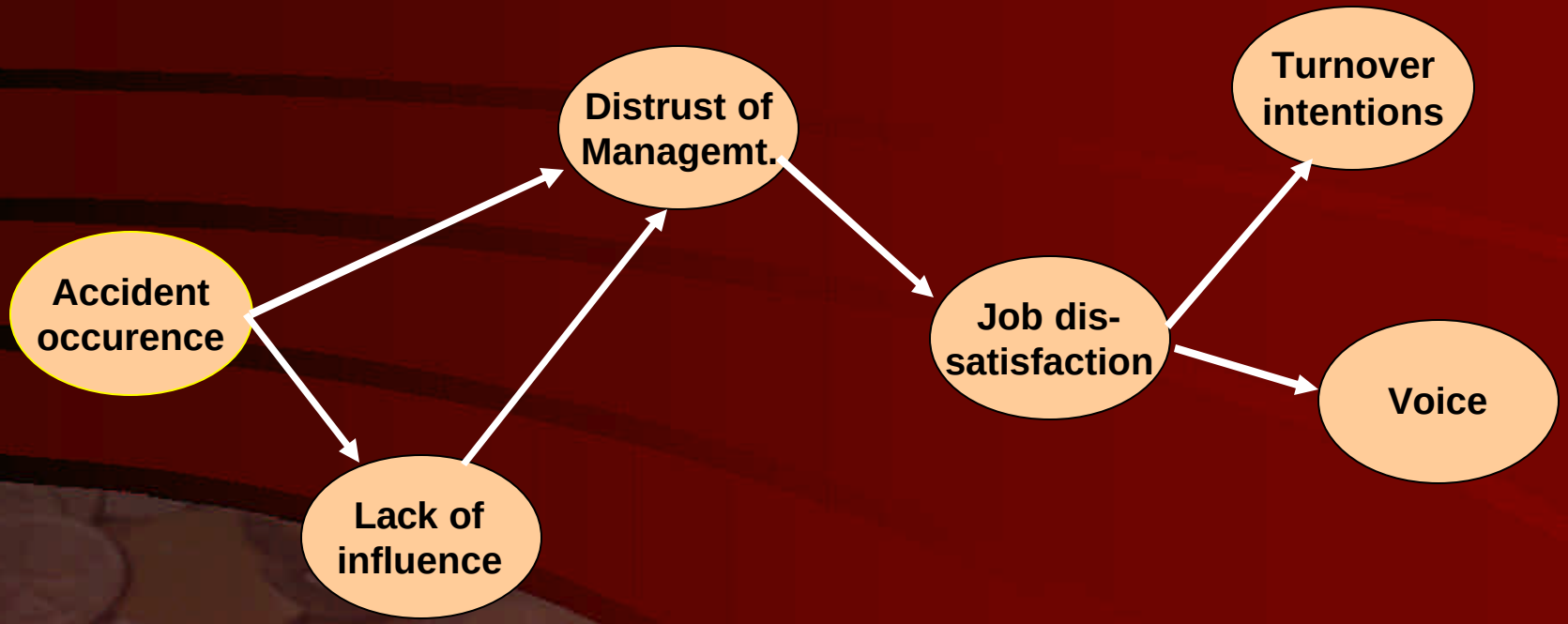
The Business Case for H&S

Employee Satisfaction

&

Organizational Health

Understanding the effects of workplace accidents



Julian Barling, Queen's University, 2001

Organizational Health- *psychosocial factors*

- A sense of belonging
- Social & supervisory support
- Balance between demands/controls
- Balance between reward/effort
- Physical working conditions
- Overall job satisfaction

Determinants of Health

Organizational Health

Organizational Issues

Columbia Accident Investigation Board concluded:

"NASA's organizational culture had as much to do with the accident as the piece of foam did"

August, 2003

SEARS

Employee Satisfaction & Profits

Employee Satisfaction	→	Customer Loyalty	→	Bottom Line
+5%	→	+1.3%	→	+0.5%

4% improvement in 1997 = $200 Million!

Source: Healthy Scorecard - Daniel Pratt-1999

Key SEARS drivers…

Questions related to key psychosocial factors:

- A sense of belonging
- Social & supervisory support
- Balance between demands/controls
- Balance between reward/effort
- Physical working conditions
- Role clarity

65% DECREASE in safety incident rates 3/yrs

Profit
Productivity
Retention

SAFETY!

Source: *Harvard Business Review*, Jan/Feb, 1998; and The Gallup Organization also: Danielle Pratt

Questions?????

Thank You!!!

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