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Budget Woes: Impacts on Safety Programs

The Challenge

- How to maintain **compliance** with EHS and how to re-engage employees without adding any cost?

(HSC) Revised Our Incentive Plan

- Old plan was based on injury rates. (lagging indicators)
- New plan was activity based. (leading indicators)
- Achievable, but would require some effort.
- Keep it positive – reward for things that employees are currently doing.
- Flexibility – modify as we go.
- Earn 100 points, earn the Safety Award.

Earn Points By:

Completing required safety training	(40)
Chairing the HSC	(20)
Conducting a safety training topic	(15)
Actively Serve/participate on a safety committee/team	(15)
Lead a weekly safety meeting	(10)
Do a safety observation (SATSOP)	(10)
Participate on or conduct a monthly Safety inspection	(5)
Participate in Industrial Hygiene surveys	(5)

Earn Points By: (Cont'd)

Participate in an EHS/MOC Review	(5)
Submit a safety suggestion	(5)
Submit an ESA form	(5)
Participate in a PSM Audit	(5)
Submit a near miss report	(5)
Participate in an incident investigation	(5)
Daily participate in Flex and Stretch program while at work	(10)
Special projects – determined by HSC	(5-15)

Starting Over

- 2010 left VPP site to start up a new plant in Central OR.
- Existing site – assembly only
- Future growth dependent on new capabilities and capacity in chemical operations
- 6 months into new job – new leadership team
- Significant need for better knowledge and management of Process Safety Hazards.

The Need For EHS

- Environmental
 - Air permit
 - Waste water discharge permit
 - Large Quantity Generator (LQG) of hazardous waste
- Health and Safety
 - Hazardous chemicals and exposure monitoring, respiratory protection, noise, etc.
 - Hazmat teams
 - Emergency response
 - Others.

What do accidents cost your company?

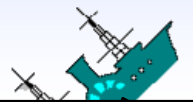
In **1998**
The Average Total Cost of an injury or illness in Oregon was approximately **\$28,200** per claim.

By **2002**
The Average Total Cost of an injury or illness in Oregon had risen to almost **\$37,150** per claim.

By **2005**
The Average Total Cost of an injury or illness in Oregon had risen to about **\$41,825** per claim.

By **2009**
The Average Total Cost of an injury or illness in Oregon had risen to about **\$56,4250** per claim.

Unseen costs can sink the ship!



Direct - Insured Costs

Oregon average to close a claim = \$10,000

1. Workers' compensation premiums
2. Deductible \$\$
3. Some medical expenses

"Just the tip of the iceberg"

Indirect - Uninsured, hidden Costs - Out of pocket

Oregon estimated average = \$18,000

1. Time lost from work by injured employee.
2. Lost time by fellow employees.
3. Loss of efficiency due to break-up of crew.
4. Lost time by supervisor.
5. Training costs for new/replacement workers.
6. Damage to tools and equipment.
7. Time damaged equipment is out of service.
8. Loss of production for remainder of the day.
9. Damage from accident: fire, water, chemical, explosives, etc.
10. Failure to fill orders/meet deadlines.
11. Overhead costs while work was disrupted.
12. Other miscellaneous costs (over 100 other items may impact the employer).
13. Others? _____

Average direct and indirect accident costs	
No lost time injury:	\$7,000
Lost time injury:	\$28,000
Fatality:	\$910,000
Using National Safety Council average costs for 1998, includes both direct and indirect costs, excludes property damage.	

Direct to Indirect Accident Cost Ratios	
Direct cost of claim	Ratio of indirect to direct costs
\$0-2,999	4.5
\$3,000 - 4,999	1.6
\$5,000 - 9,999	1.2
\$10,000 or more	1.1
Studies show that the ratio of indirect to direct costs can vary widely, from a high of 20:1 to a low of 1:1. Source: Business Roundtable, 1982.	

- Unknown Costs - ∞**
1. Human Tragedy (pain & suffering)
 2. Morale (productivity/quality)
 3. Reputation (customer satisfaction)

We can easily calculate the cost of workplace injuries to employers

It is nearly impossible to measure the pain and suffering incurred by injured employees and their families

Data from IMD Report: Average Claim Costs for accepted disabling Claims using a 1.5 to 1 ratio of Indirect to Direct causes

Cost of Environmental Violations

- DEQ in Oregon – penalties range from several hundred to over 1 million.
- DEQ unannounced inspection.
- Community Perception
- <http://www.deq.state.or.us/programs/enforcement/penaltiesLargest.htm>
- <http://www.deq.state.or.us/news/news.asp>

Summary

- Show, as best you can, that your programs are cost effective. Successful EHS systems MAKE the company money.
- Use supportive data when it's available.
- Highlight the cost efficient strategies that are being used to train the workforce.
- Be flexible – change is inevitable.
- Keep your employees involved and make it fun.