



The Business Case for Safety

Celebrating 25 Years of Safety Service

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Agenda

- Your Company Today
- The Alcoa Story
- The Real Cost of Injuries
- Impact of One Accident
- Power of Engagement
- Wrap-up/Next Steps

John L. Henshaw – Former Assistant Secretary of Labor for OSHA under the Bush Administration says:

I saw four types of organizations:

- A** Those that exercise blatant disregard or indifference to worker safety and health.
- B** Those that are just plain ignorant of workplace hazards and relevant laws and regulations; They don't know or do not have the resources.
- C** Those that are committed to worker safety and health and trying to improve their performance but have fallen short of expectations.
- D** Organizations that have the right stuff and have achieved true superior performance

For Discussion:

Which one of these four types best describes your company today?

From the forward to the book – “Leading with Safety”, by Thomas R. Krause³

ALCOA Story

ALCOA, the aluminum manufacturing giant, was founded in 1907. Over the years they had seen good times and bad. But in the late 80's the company was in trouble and needed a new leader

PAUL O'NEILL ENTERS THE SCENE

Back in October 1987, Paul O'Neill gave his first speech as CEO of Alcoa.

Investors were nervous, since Alcoa had faltered with failed product lines. But O'Neill didn't talk about profit margins, revenue projections, or anything else that would be comforting to Wall Street ears.

"I want to talk to you about worker safety," he began.

The room went silent....



ALCOA Was a Difficult and Unsafe Working Environment



“Our employees work with metals that are 1500 degrees and machines that can rip a man's arm off.” – **Paul O’Neill**

New CEO Picks Safety as Catalyst for Transformation

"If you want to understand how ALCOA is doing, you need to look at our workplace safety figures. If we bring our injury rates down, it won't be because of cheerleading or nonsense you sometimes hear from other CEO's. It will be because the individuals at this company have agreed to become part of something important.



They've devoted themselves to creating a habit of excellence. Safety will be an indicator that we're making progress in changing our habits across the entire institution. That's how we should be judged."

How The Audience Responded



The audience was bewildered. A furtive hand went up, asking about inventories.

"I'm not certain you heard me," O'Neill continued. "If you want to understand how Alcoa is doing, you need to look at our workplace safety figures."

Investors ran out of the room as soon as the New York-based presentation finished. One sprinted to a payphone and called his 20 largest clients

"I said, 'The board put a crazy hippie in charge, and he's going to kill the company,'" the investor told Duhigg. "I ordered them to sell their stock immediately, before everyone else in the room started calling their clients and telling them the same thing. **It was literally the worst piece of advice I gave in my entire career.**"

Excerpts from "How Changing One Habit Helped Quintuple Alcoa's Income"

From Business Insider - Drake Baer, April 9, 2014

What Happened?



When he took over, they had an **inflexible** workforce and poor quality.



Previous CEO tried to **mandate** improvements, ultimately had 15,000 union employees on strike.



Because of the **contentious nature of the culture** at the time, he knew he couldn't pick profitability, efficiency, or quality his top priority.



He picked something that management, employees, and the union could agree on – safety. Focusing on changing this habit pattern would bring people together, he thought.



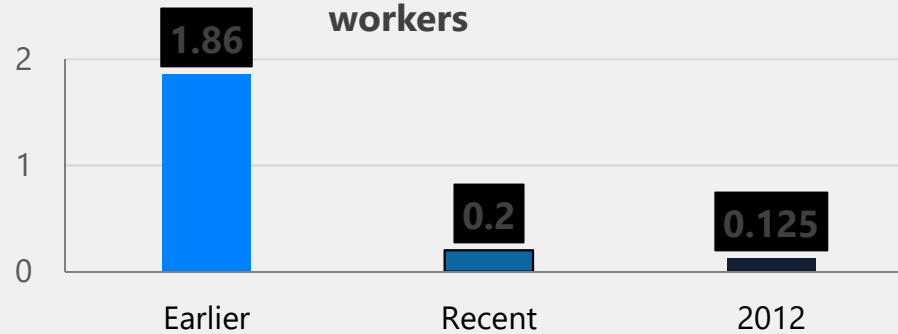
HE believed that every ALCOA worker had the right to leave work in the same condition they came. That they should not have to risk their lives in order to feed their families.



He set an aggressive goal – ZERO INJURIES. He knew there would be no resistance because injuries lowered productivity and morale. He also knew that improving safety would allow better profits to follow.

The Results Under O'Neill's 13-Year Tenure

Lost workdays due to injury per 100 workers



Injury Rate

50%

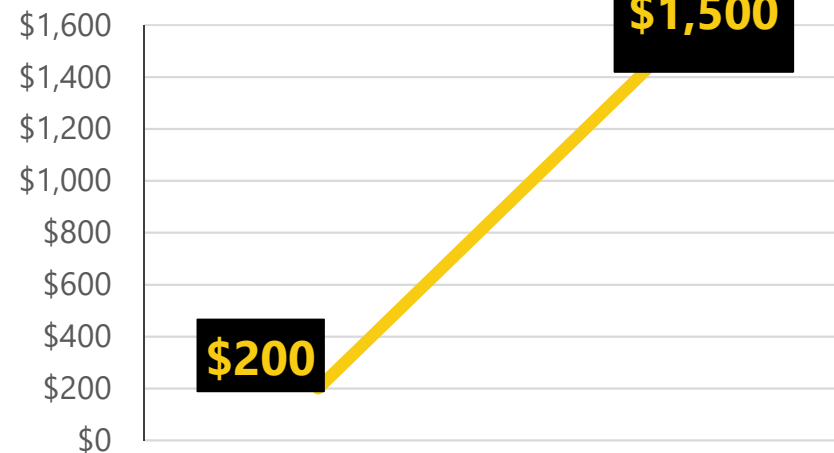
Figures in \$ Billions

Revenue



Figures in \$ Millions

Net income



Paul O'Neill Video Clip on Safety



CNN Interview

<https://www.youtube.com/watch?v=56a3-Sc65M8>

5:44 minutes (from 9:01 to 11:52)

Speech on safety

https://www.youtube.com/watch?v=tC2ucDs_XJY


10:00 minutes total (from 1:28 to 12:23)

Years Later - the Legendary Story Lives On!

MENU

IndustryWeek.

Q SEARCH LOG IN REGISTER



OPERATIONS > SAFETY

Profits Should Not Come at the Cost of Workplace Safety

Does your executive team value safety properly? This example from Alcoa shows how a commitment to worker safety can have a powerful impact on the bottom line.

[Janice Berthold](#) | Nov 04, 2016

How Changing One Habit Helped Quintuple Alcoa's Income

[Drake Baer](#) | Apr 09, 2014, 2:33 PM

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Investors were nervous, since Alcoa had faltered with failed product lines. But O'Neill didn't talk about profit margins, revenue projections, or anything else that would be comforting to Wall Street ears.



A worker at Alcoa aluminum. Sean Gallup/Getty Images

Why is this Story About Alcoa Relevant Today?

Group Discussion:

Lets list on the board –
What are the challenges
your industry and
company face today that
parallel what Alcoa had
to deal with.



Safety Business Case - The Punch Line

The background image shows a desk with financial documents, a blue calculator, a black pen, and a white piggy bank. The documents include a 'Final Report' and a 'Summary' section with bar charts and line graphs. The piggy bank is a small, white, pig-shaped container with a coin slot on its back.

OSHA studies concluded that safety programs save \$4 to \$6 for every \$1 invested!

Lets dig into the data to understand why this is true.

The Real Costs of Injuries

While there are a number of sources with different ways to calculate the real impact on businesses, they all lead to the same outcome. The price you pay for unsafe work is immeasurable on one dimension and very quantifiable on another.

The following sources tell the story:



Liberty Mutual
Workplace
Safety Index



Centers for
Disease Control
and Prevention



OSHA Safety
Pays Program
Findings



Worker's Comp
facts from the
insurance
industry

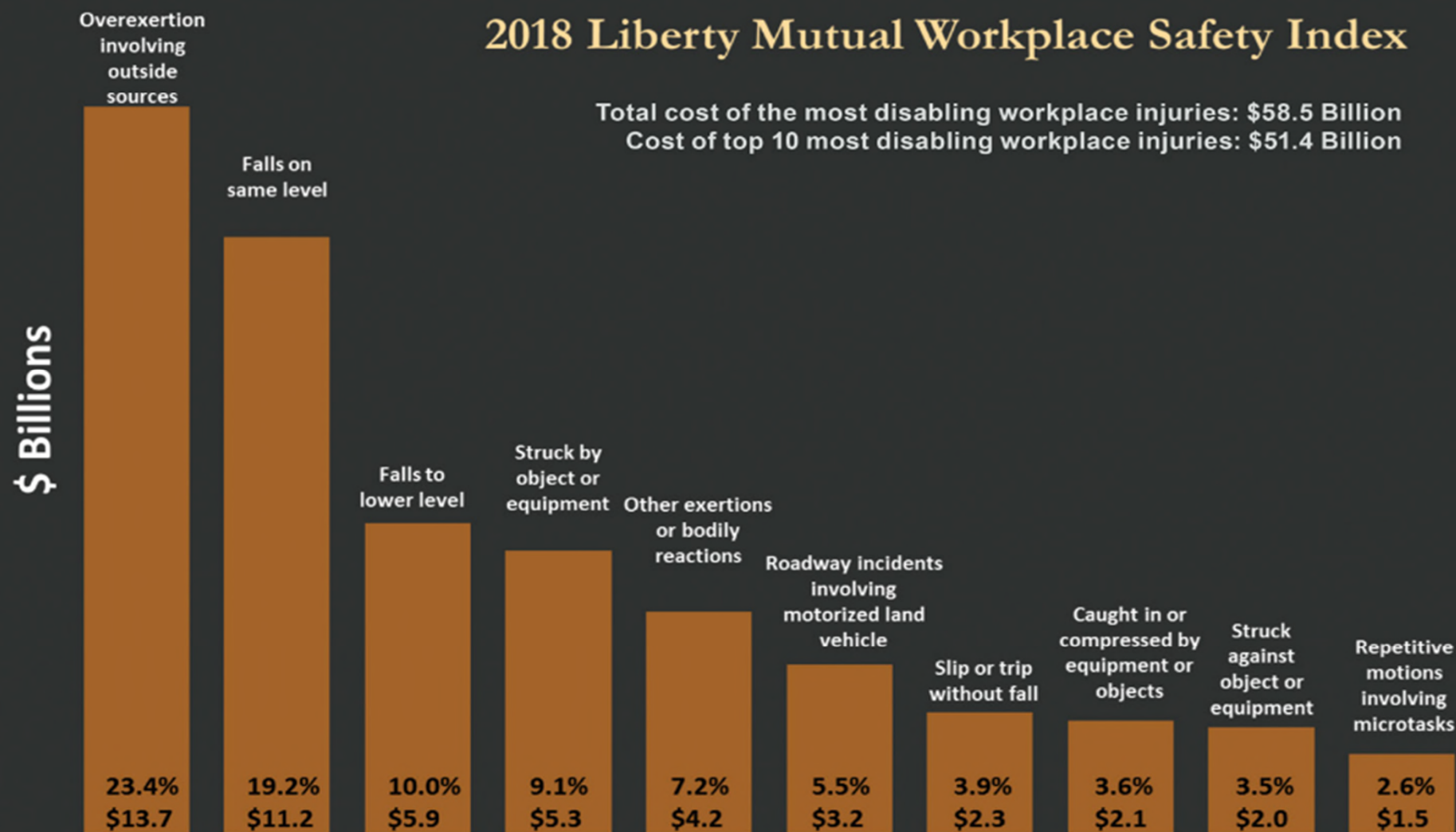
U.S. Businesses Spend \$1 Billion + a Week on Injuries

Liberty Mutual Workplace Safety Index

Top 10 Causes and Direct Costs of the Most Disabling U.S. Workplace Injuries^{1,2}

2018 Liberty Mutual Workplace Safety Index

Total cost of the most disabling workplace injuries: \$58.5 Billion
Cost of top 10 most disabling workplace injuries: \$51.4 Billion



1. The 2018 *Liberty Mutual Workplace Safety Index* is based on non-fatal 2015 injury data with more than 5 days away from work.
2. Due to a change in BLS coding, Index series 2013–2018 is not directly comparable to Index series 2000–2012.

Top 10 Injury Causes

Overexertion involving outside sources ranks first among the leading causes of disabling injuries. This event category includes injuries related to lifting, pushing, pulling, holding, carrying, or throwing objects. Overexertion costs businesses **\$13.67 billion** in direct costs and accounts for 23.4 percent of the overall national burden.

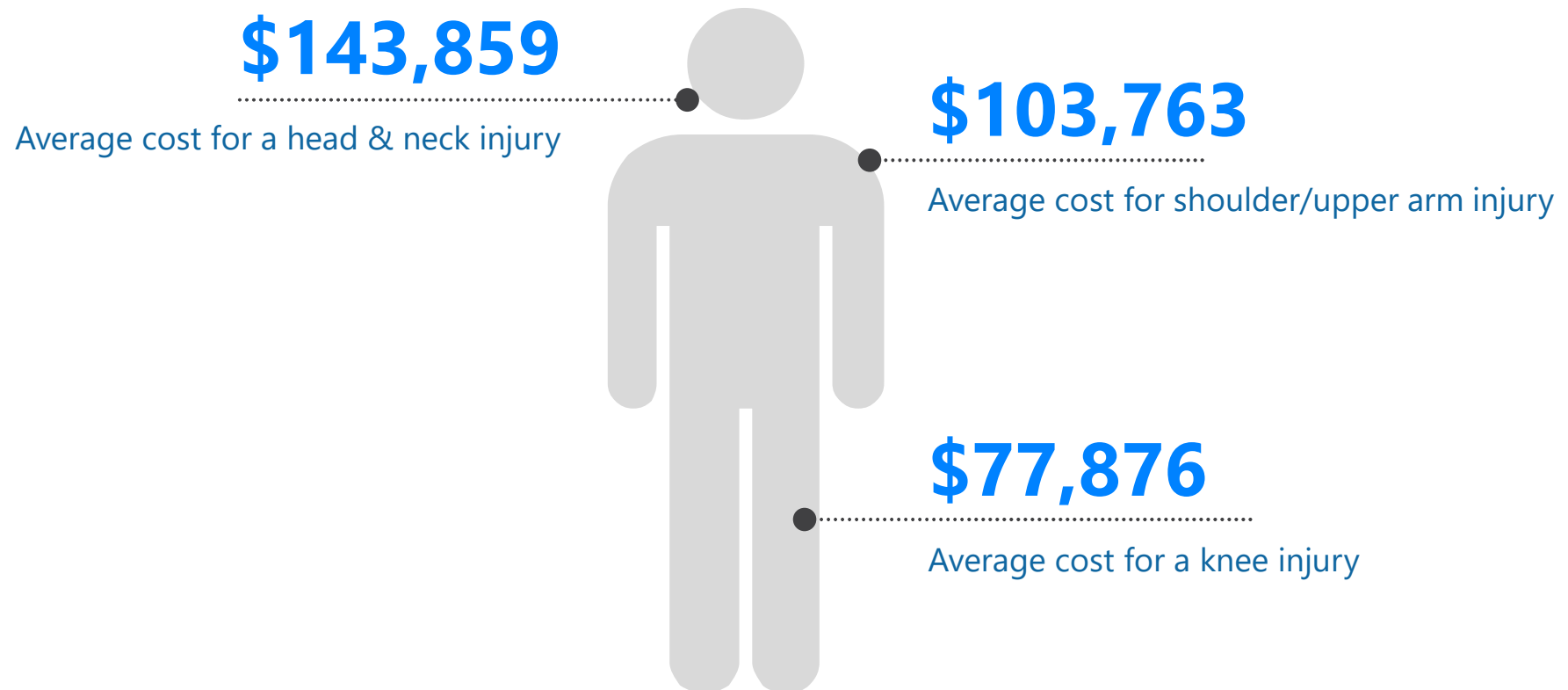
Falls on same level ranks second with direct costs of **\$11.23 billion** and accounts for 19.2 percent of the total injury burden. **Falls to a lower level** ranks third at **\$5.85 billion** and 10.0 percent of the burden.

Struck by object or equipment ranks fourth at **\$5.33 billion** and 9.1 percent. Other **exertions or bodily reactions** ranks 5th at **\$4.19 billion** and 7.2 percent of the total injury burden.

These top injury causes account for **68.9 percent of the total** cost burden.

The CDC Data Paints a Similar Picture

Soft tissue injuries are costly



Source: Centers for Disease Control and Prevention (<https://www.cdc.gov/injury/wisqars/cost/index.html>)
From the Web-based Injury Statistics Query and Reporting System (WISQARS TM).

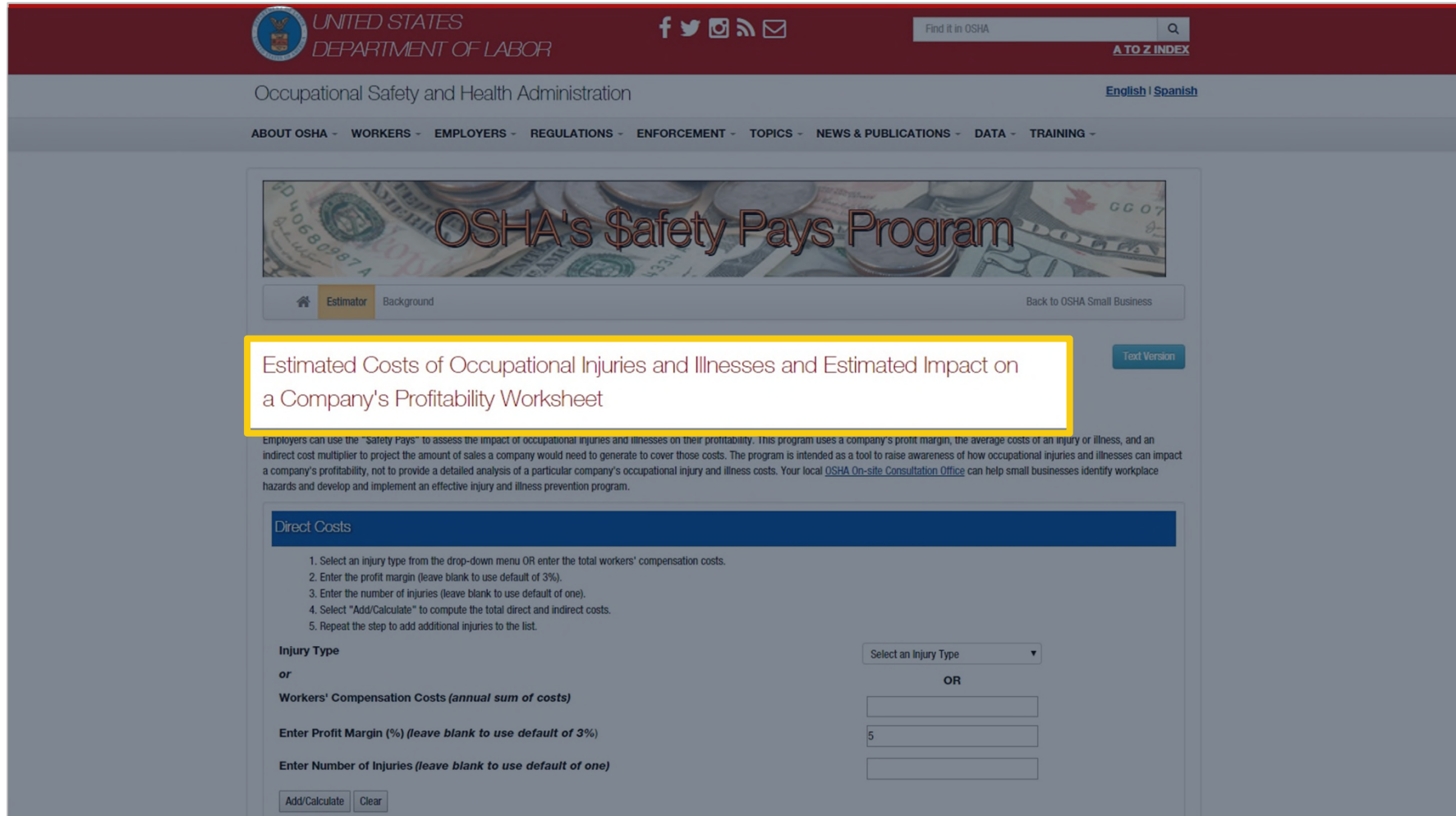
OSHA “Safety Pays” Program



Assessing the impact on your profitability

- Helps assess impact of injuries and illness on company's bottom line
- Uses company profit margin, average cost of injury/illness, and an indirect cost multiplier to project amount of sales a company would need to cover costs.
- A great tool to raise awareness of how to injuries/illness can impact your company.
- Allows user to input certain data to customize the results

OSHA \$afety Pays Program Calculator



The screenshot shows the OSHA's Safety Pays Program Calculator interface. At the top is the OSHA logo and navigation links. The main heading is "OSHA's \$afety Pays Program". Below this is a yellow box containing the title "Estimated Costs of Occupational Injuries and Illnesses and Estimated Impact on a Company's Profitability Worksheet". To the right of this box is a "Text Version" button. Below the title is a paragraph explaining the program's purpose. The "Direct Costs" section includes instructions and input fields for injury type, profit margin, and number of injuries. The "Injury Type" field is a dropdown menu. The "Workers' Compensation Costs (annual sum of costs)" field is a text input. The "Enter Profit Margin (%) (leave blank to use default of 3%)" field is a text input with the value "5". The "Enter Number of Injuries (leave blank to use default of one)" field is a text input. At the bottom are "Add/Calculate" and "Clear" buttons.

UNITED STATES
DEPARTMENT OF LABOR

Find it in OSHA

A TO Z INDEX

Occupational Safety and Health Administration

English | Spanish

ABOUT OSHA - WORKERS - EMPLOYERS - REGULATIONS - ENFORCEMENT - TOPICS - NEWS & PUBLICATIONS - DATA - TRAINING -

OSHA's \$afety Pays Program

Estimator Background Back to OSHA Small Business

Estimated Costs of Occupational Injuries and Illnesses and Estimated Impact on a Company's Profitability Worksheet

Text Version

Employers can use the "Safety Pays" to assess the impact of occupational injuries and illnesses on their profitability. This program uses a company's profit margin, the average costs of an injury or illness, and an indirect cost multiplier to project the amount of sales a company would need to generate to cover those costs. The program is intended as a tool to raise awareness of how occupational injuries and illnesses can impact a company's profitability, not to provide a detailed analysis of a particular company's occupational injury and illness costs. Your local [OSHA On-site Consultation Office](#) can help small businesses identify workplace hazards and develop and implement an effective injury and illness prevention program.

Direct Costs

1. Select an injury type from the drop-down menu OR enter the total workers' compensation costs.
2. Enter the profit margin (leave blank to use default of 3%).
3. Enter the number of injuries (leave blank to use default of one).
4. Select "Add/Calculate" to compute the total direct and indirect costs.
5. Repeat the step to add additional injuries to the list.

Injury Type

or

Workers' Compensation Costs (annual sum of costs)

Enter Profit Margin (%) (leave blank to use default of 3%)

Enter Number of Injuries (leave blank to use default of one)

Add/Calculate Clear

Select an Injury Type

OR

5

<https://www.osha.gov/dcsp/smallbusiness/safetypays/index.html>

Fracture Example

Estimated Costs of Occupational Injuries and Illnesses and Estimated Impact on a Company's Profitability Worksheet

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Injury Type

Select an Injury Type

or

Workers' Compensation Costs (annual sum of costs)

Enter Profit Margin (%) (leave blank to use default of 3%)

5

Enter Number of Injuries (leave blank to use default of one)

Add/Calculate

Clear

Estimated Total Cost

The extent to which the employer pays the direct costs depends on the nature of the employer's workers' compensation insurance policy. The employer always pays the indirect costs.

| Injury Type | Instances | Direct Cost | Indirect Cost | Total Cost | Additional Sale (Indirect) | Additional Sale (Total) |
|-------------|-----------|-------------|---------------|------------|----------------------------|-------------------------|
| Fracture | 1 | \$ 50,778 | \$ 55,855 | \$ 106,633 | \$ 1,117,116 | \$ 2,132,660 |

Remove

Totals

Estimated Direct Costs:

\$ 50,778

Estimated Indirect Costs:

\$ 55,855

Combined Total (Direct and Indirect Costs):

\$ 106,633

Sales To Cover Indirect Costs:

\$ 1,117,116



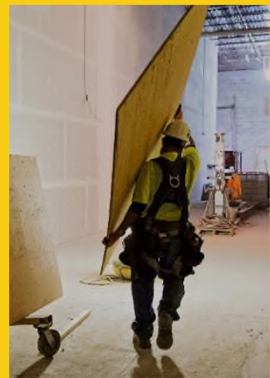
Sales To Cover Total Costs:

\$ 2,132,660



Source: OSHA Safety Pays Program - Estimated example for fracture.

Revenue Necessary to Cover Costs of One Injury

| | | | | | | |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  |  |  |  |  |  |  |
| Laceration | Sprain | Poisoning | Burn | Fracture | Concussion | Cancer |
| Direct/Indirect Costs* | | | | | | |
| \$41,000 | \$62,000 | \$78,000 | \$84,000 | \$106,000 | \$124,000 | \$272,000 |
| Revenue to Cover** | | | | | | |
| \$827,000 | \$1,259,000 | \$1,577,000 | \$1,577,000 | \$2,132,000 | \$2,493,000 | \$5,444,000 |

*Direct/indirect cost definitions from National Council of Compensation Insurance (NCCI).

**Assumes 5% profit margin; OSHA model defaults to 3%.

Source – "OSHA Small Business: \$afety Pays Program – Estimator" web site.

Revenue Necessary to Cover Costs of One Injury

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Illustrative Company Example for Fracture



Company Profit:
Prior to Injury



Injury Impact:
If it Were Immediate



Additional Revenue to
Make Up for Lost Profit

| | | | |
|----------------------|-------------|-------------|-------------|
| Sales | \$8,000,000 | \$8,000,000 | \$2,132,000 |
| Costs | \$7,600,000 | \$7,706,000 | \$2,026,000 |
| Net Profit | \$400,000 | \$294,000 | \$106,000 |
| Profit Margin | 5.0% | 3.7% | 5.0% |

Minnesota OSHA Compliance: Penalty Chart

OSHA citations are a relevant piece of the total cost of injuries to a company's exposure. It's not uncommon for a company to get a number of citations that can really add up. However, this is relatively small when compared to the cost of workers comp insurance!

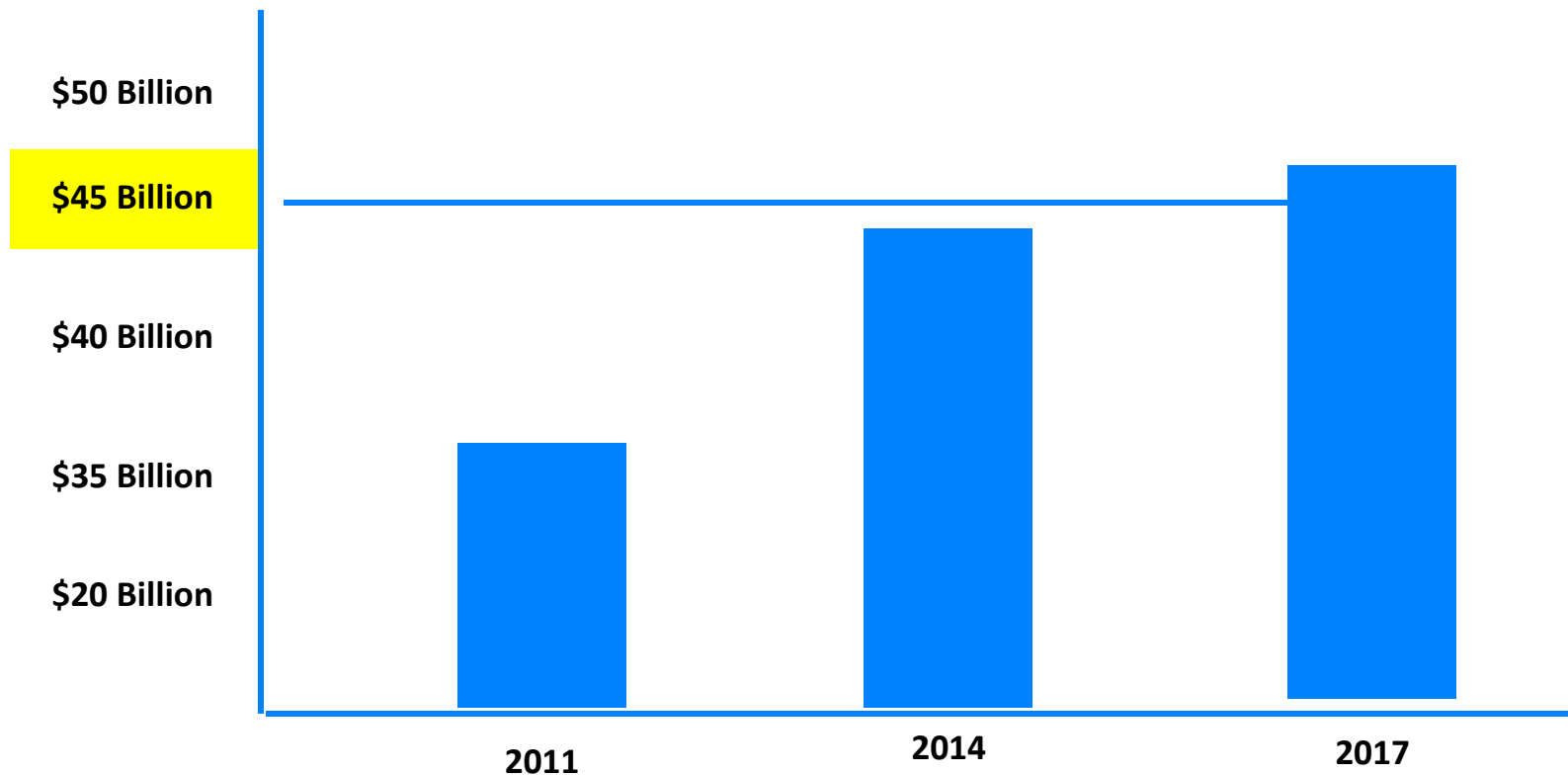
| Probability | Non-serious | | Serious | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------|---------|---------|---------|---------|
| Based on: <ul style="list-style-type: none"> Employee Exposure Proximity to Hazard Duration of Hazard Work Conditions | A | B | C | D | E | F |
| Lesser (1-4) | 0 | \$500 | \$1,500 | \$2,500 | \$3,500 | \$5,500 |
| Greater (5-8) | \$250 | \$1,000 | \$2,000 | \$3,000 | \$4,500 | \$7,000 |

Penalty chart: Amounts unadjusted for good faith, size and history.

Total Cost of Worker's Compensation Insurance



The cost to businesses for worker's comp premiums was \$45+ billion in 2017. An increase in injuries can drive tens of thousands of dollars in cost increases to your company's premiums.



From the Insurance Information Institute (iii) Jan 2019 website/NAIC data

OSHA and Worker's Comp Intersect with Your Safety Program

Your Company's Safety Program

- Build safety culture.
- Implement effective Safety Committee.
- Documented procedures and training.
- Audits facilities and job sites.
- Get experts involved.



OSHA/MSHA

- Sets minimum standards.
- Enforces standards.
- Provides support to businesses.
- Holds employers accountable.
- Key metrics include **TRIR** and **DART**.
- **Can levy citations (fines) \$**



Valuable Safety Data

- Strengthens safety program
- Focuses training in key areas
- Helps prioritize where to audit
- Strengthen return to work plan



Worker's Compensation

- Required to carry policy.
- Insurance broker – Sells the policy.
- Insurance carrier – Protect their risk.
- Underwriter – Their role.
- Loss Control – Who they serve.
- **EMR determines your premium \$.**

TRIR and DART

- **TRIR** – Total Recordable Incident Rate.
- The number of **recordable incidents** per 100 people.
- The lower the TRIR, the better safety performance.
- **DART** – **D**ays **A**way, **R**estricted or **T**ransferred.
- Calculates number of incidents per 100 employees.
- OSHA 300 data used to calculate both metrics.

SAFETY METRICS

EMR or EMOD

- **EMR** = Experience Modification Rate.
- <1.0 is good or credit, =1.0 is average, >1.0 is bad or debit!
- **Hiring practices:** Critical to success.
- **Claims:** Lower claims = lower EMR.
- **Payroll:** Size has big impact on premium.
- **Classification codes:** Huge factor in determining premium.
- **Audits:** Mandatory process for all policies.

Worker's Comp: EMR Example



A Company's EMR states one of three things:

- This company is safer than average ($EMR < 1.0$)
- This company is no more or no less risky than average ($EMR = 1.0$)
- This company is riskier than average ($EMR > 1.0$)



How EMR is Calculated

- Big picture, EMR is calculated using a basic formula.
- $EMR = \frac{\text{Actual Claims}}{\text{Expected Claims}}$

However, as you walk through an EMR worksheet, you will discover many more factors come into play. One of these factors is looking at how far back data is used in the calculation. Using data reported to the National Council on Compensation Insurance (NCCI) for the past five years, calculating agencies use claim data from **three years ending one year prior**.

What this means: An employer with a policy that renews on January 1, 2019 will have an experience rating that uses the loss experience that occurred during policy periods – that were effective 1/1/15–1/1/16, 1/1/16–1/1/17, and 1/1/17–1/1/18.

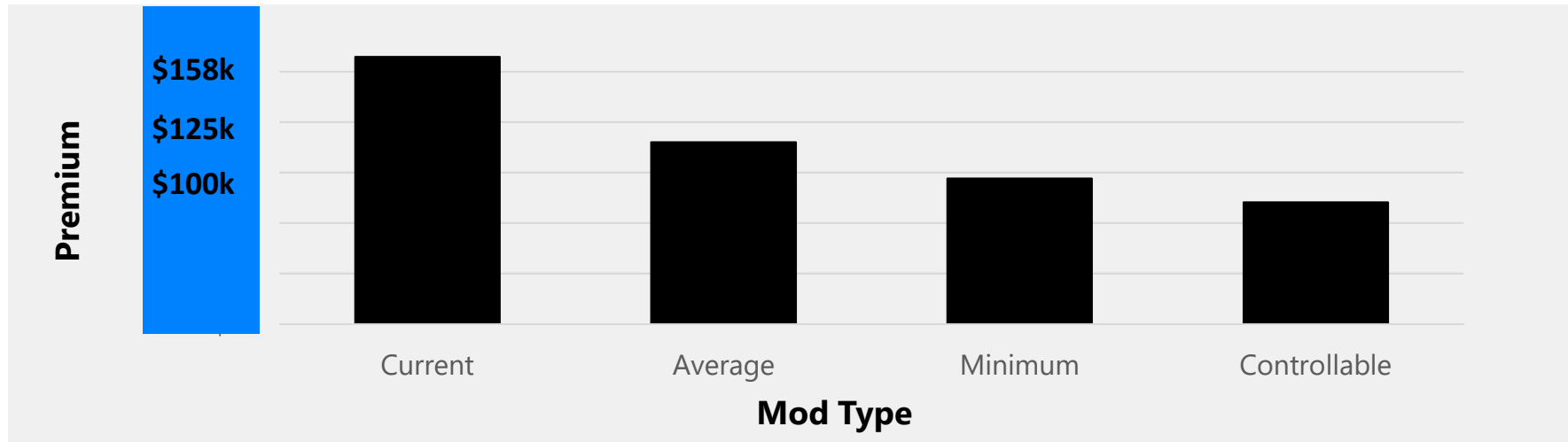
Impact on Your Company's Insurance Premiums:

- Company A with an EMR of .7 pays a premium of **\$100,000**.
- Company B with an EMR of 1.25 pays a premium of **\$158,000**.



The annual premium difference is over **\$58,000!**

Mod Impact on Premium Analysis for ABC Co.

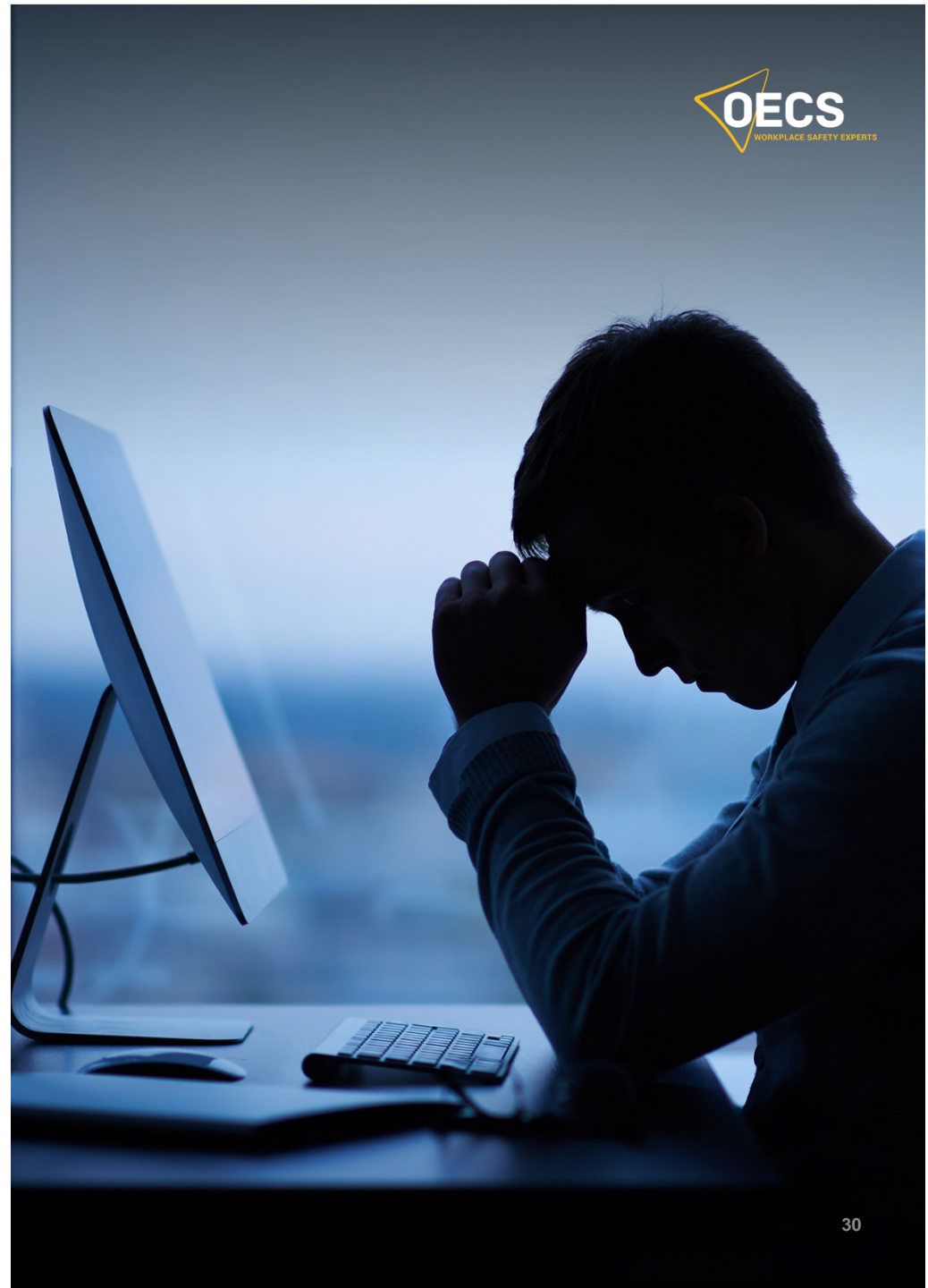


| Mod Type | Mod Value | Premium | Description |
|---------------------|-----------|-----------|-----------------------------------------------------------------------------------------------------------------|
| Current | 1.25 | \$158,000 | Your actual mod and estimated premium. |
| Average | 1.00 | \$125,000 | The average mod is always 1.00. This premium represents what the average competitor in your industry is paying. |
| Minimum | 0.70 | \$100,000 | The lowest mod and premium you could achieve if you had zero losses in the experience rating period. |
| Controllable | 0.55 | \$58,000 | The mod points and premium amount you could have saved if you had zero losses in the experience rating period. |

- A 1.25 means you are not performing as well as your peers.
- A 1.00 means you are at a level playing field with your competitor peers as it relates to workers comp
- Below 1.00 and you are outperforming your peers.

What This Information Tells Us

- A widely held belief is that the cost of an injury can be easily absorbed and **covered by “revenue”**.
- The fact is, most businesses operate on **thin profit margins** so the actual revenue necessary to cover the cost of one injury is many times more than the injury's costs.
- Even trickier still, is the reality that these costs do not all appear at once or even within the first month or two; **they are spread out over months and years!**
- The “invisible” nature of workplace accidents is what eats away at the companies bottom line.



Cumulative Impact From One Injury



Long-term

- Injured employee quality of life
- Financial impacts
 - Mod rate
 - Lawsuits
- The impact to your company's brand

Short-term to mid-term

- They have an immediate impact in a numbers of areas
- Productivity
- Sales
- Costs

Accidents have a ripple affect on your company

Accident happens

Year 1

Year's 2,3, 4 and beyond

Cumulative Impact

The Reality Today Is...



Workplace injury costs are very expensive



The total costs to business are climbing



Even more alarming the overall number of serious injuries and fatalities are not going down.

HEADLINES: Bureau of Labor Statistics Report



December 1, 2018 Release: Fatalities over 5,000 for 2nd consecutive year

Key Take-Aways

The US down slightly, HOWEVER Minnesota INCREASED by **10%** and North Dakota by **36%**.

Fatal falls at **highest** level in 26 years. Accounting for 17% of workers deaths.

Fifteen percent of the fatally-injured workers in 2017 were **age 65 or over**, an all-time high

Overdose due to drugs or alcohol up



25%

Fatal injuries involving **confined space** rose



15%

Workplace fatalities in the private mining, quarrying, and oil and gas extraction industry increased



26%

GREAT NEWS: Fatal occupational injuries in the **private manufacturing industry and wholesale trade industry** were the lowest since this series began in 2003.

For Discussion



How does this information change your thinking about your company's safety program?



Does anyone have any first-hand experience of the impact of an accident at your company or in a prior job?



What was the ripple effect of the accident on people, productivity, sales, and costs?

The 20 Elements that Drive Injury Costs



20 Elements Impacting Your Company

| The 20 Elements Impacting Your Business | |
|-----------------------------------------|----------------------------------------------------------------|
| 1 | Wages paid to injured worker not covered by workers comp. |
| 2 | Work stoppage wage costs related to injury |
| 3 | Overtime costs necessitated by the injury |
| 4 | Damaged product as a result of accident |
| 5 | Delays in shipments or filling orders due to work rescheduling |
| 6 | Accident investigation time investment by leadership team |
| 7 | Administrative time to manage claims process |
| 8 | Recruitment and training costs for replacement worker(s) |
| 9 | Retention risks for existing employees and associated costs |
| 10 | Medical and related health costs for injured worker |
| 11 | Occupational rehabilitation of injured worker |
| 12 | Clean up, repair, and replacement costs related to injury |
| 13 | OSHA fines post-investigation related to injury if applicable |
| 14 | Third party liability and legal costs |
| 15 | Increase in Experience Modification rate (EMR) |
| 16 | Brand reputation of company takes a hit |
| 17 | Risk of losing existing customers |
| 18 | Risk of losing existing vendors |
| 19 | Risk to current contract and future bids |
| 20 | Personal and team bonus impact |

The Potential Impact of One Accident



Impacting Productivity/Sales

| The 20 Elements Impacting Your Business | | Leadership Time |
|-----------------------------------------|----------------------------------------------------------------|-----------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X |
| 2 | Work stoppage wage costs related to injury | X |
| 3 | Overtime costs necessitated by the injury | X |
| 4 | Damaged product as a result of accident | X |
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| 19 | Risk to current contract and future bids | X |
| 20 | Personal and team bonus impact | X |

The Potential Impact of One Accident



Impacting Productivity/Sales

| The 20 Elements Impacting Your Business | | Employee Morale |
|-----------------------------------------|----------------------------------------------------------------|-----------------|
| 1 | Wages paid to injured worker not covered by workers comp. | |
| 2 | Work stoppage wage costs related to injury | X |
| 3 | Overtime costs necessitated by the injury | X |
| 4 | Damaged product as a result of accident | X |
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The Potential Impact of One Accident



Impacting Productivity/Sales

| The 20 Elements Impacting Your Business | | Ability to Fill Orders |
|-----------------------------------------|----------------------------------------------------------------|------------------------|
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| 16 | Brand reputation of company takes a hit | X |
| 17 | Risk of losing existing customers | X |
| 18 | Risk of losing existing vendors | X |
| 19 | Risk to current contract and future bids | X |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident

Impacting Productivity/Sales

| The 20 Elements Impacting Your Business | | Leadership Time | Employee Morale | Ability to Fill Orders |
|-----------------------------------------|----------------------------------------------------------------|-----------------|-----------------|------------------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X | | |
| 2 | Work stoppage wage costs related to injury | X | X | |
| 3 | Overtime costs necessitated by the injury | X | X | |
| 4 | Damaged product as a result of accident | X | X | X |
| 5 | Delays in shipments or filling orders due to work rescheduling | X | X | X |
| 6 | Accident investigation time investment by leadership team | X | X | |
| 7 | Administrative time to manage claims process | X | X | |
| 8 | Recruitment and training costs for replacement worker(s) | X | X | X |
| 9 | Retention risks for existing employees and associated costs | X | X | X |
| 10 | Medical and related health costs for injured worker | X | | |
| 11 | Occupational rehabilitation of injured worker | X | | |
| 12 | Clean up, repair, and replacement costs related to injury | X | X | X |
| 13 | OSHA fines post-investigation related to injury if applicable | X | X | |
| 14 | Third party liability and legal costs | X | X | |
| 15 | Increase in Experience Modification rate (EMR) | X | | |
| 16 | Brand reputation of company takes a hit | X | X | X |
| 17 | Risk of losing existing customers | X | X | X |
| 18 | Risk of losing existing vendors | X | X | X |
| 19 | Risk to current contract and future bids | X | X | X |
| 20 | Personal and team bonus impact | X | X | |

The Potential Impact of One Accident



Impacting Productivity/Sales

| The 20 Elements Impacting Your Business | | Leadership Time | Employee Morale | Ability to Fill Orders |
|-----------------------------------------|----------------------------------------------------------------|-----------------|-----------------|------------------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X | | |
| 2 | Work stoppage wage costs related to injury | X | X | |
| 3 | Overtime costs necessitated by the injury | X | X | |
| 4 | Damaged product as a result of accident | X | X | X |
| 5 | Delays in shipments or filling orders due to work rescheduling | X | X | X |
| 6 | Accident investigation time investment by leadership team | X | X | |
| 7 | Administrative time to manage claims process | X | X | |
| 8 | Recruitment and training costs for replacement worker(s) | X | X | X |
| 9 | Retention risks for existing employees and associated costs | X | X | X |
| 10 | Medical and related health costs for injured worker | X | | |
| 11 | Occupational rehabilitation of injured worker | X | | |
| 12 | Clean up, repair, and replacement costs related to injury | X | X | X |
| 13 | OSHA fines post-investigation related to injury if applicable | X | X | |
| 14 | Third party liability and legal costs | X | X | |
| 15 | Increase in Experience Modification rate (EMR) | X | | |
| 16 | Brand reputation of company takes a hit | X | X | X |
| 17 | Risk of losing existing customers | X | X | X |
| 18 | Risk of losing existing vendors | X | X | X |
| 19 | Risk to current contract and future bids | X | X | X |
| 20 | Personal and team bonus impact | X | X | |

The Potential Impact of One Accident



Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Payroll Expenses |
|-----------------------------------------|----------------------------------------------------------------|------------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X |
| 2 | Work stoppage wage costs related to injury | X |
| 3 | Overtime costs necessitated by the injury | X |
| 4 | Damaged product as a result of accident | |
| 5 | Delays in shipments or filling orders due to work rescheduling | |
| 6 | Accident investigation time investment by leadership team | X |
| 7 | Administrative time to manage claims process | X |
| 8 | Recruitment and training costs for replacement worker(s) | X |
| 9 | Retention risks for existing employees and associated costs | X |
| 10 | Medical and related health costs for injured worker | |
| 11 | Occupational rehabilitation of injured worker | |
| 12 | Clean up, repair, and replacement costs related to injury | X |
| 13 | OSHA fines post-investigation related to injury if applicable | X |
| 14 | Third party liability and legal costs | X |
| 15 | Increase in Experience Modification rate (EMR) | |
| 16 | Brand reputation of company takes a hit | |
| 17 | Risk of losing existing customers | X |
| 18 | Risk of losing existing vendors | X |
| 19 | Risk to current contract and future bids | X |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident



Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Medical Expenses |
|-----------------------------------------|----------------------------------------------------------------|------------------|
| 1 | Wages paid to injured worker not covered by workers comp. | |
| 2 | Work stoppage wage costs related to injury | |
| 3 | Overtime costs necessitated by the injury | |
| 4 | Damaged product as a result of accident | |
| 5 | Delays in shipments or filling orders due to work rescheduling | |
| 6 | Accident investigation time investment by leadership team | |
| 7 | Administrative time to manage claims process | |
| 8 | Recruitment and training costs for replacement worker(s) | |
| 9 | Retention risks for existing employees and associated costs | |
| 10 | Medical and related health costs for injured worker | X |
| 11 | Occupational rehabilitation of injured worker | X |
| 12 | Clean up, repair, and replacement costs related to injury | |
| 13 | OSHA fines post-investigation related to injury if applicable | |
| 14 | Third party liability and legal costs | |
| 15 | Increase in Experience Modification rate (EMR) | |
| 16 | Brand reputation of company takes a hit | |
| 17 | Risk of losing existing customers | |
| 18 | Risk of losing existing vendors | |
| 19 | Risk to current contract and future bids | |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident



Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Insurance Premiums |
|-----------------------------------------|----------------------------------------------------------------|--------------------|
| 1 | Wages paid to injured worker not covered by workers comp. | |
| 2 | Work stoppage wage costs related to injury | |
| 3 | Overtime costs necessitated by the injury | |
| 4 | Damaged product as a result of accident | |
| 5 | Delays in shipments or filling orders due to work rescheduling | |
| 6 | Accident investigation time investment by leadership team | X |
| 7 | Administrative time to manage claims process | X |
| 8 | Recruitment and training costs for replacement worker(s) | |
| 9 | Retention risks for existing employees and associated costs | |
| 10 | Medical and related health costs for injured worker | |
| 11 | Occupational rehabilitation of injured worker | |
| 12 | Clean up, repair, and replacement costs related to injury | |
| 13 | OSHA fines post-investigation related to injury if applicable | |
| 14 | Third party liability and legal costs | X |
| 15 | Increase in Experience Modification rate (EMR) | X |
| 16 | Brand reputation of company takes a hit | |
| 17 | Risk of losing existing customers | |
| 18 | Risk of losing existing vendors | |
| 19 | Risk to current contract and future bids | |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident



Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Legal Expenses |
|-----------------------------------------|----------------------------------------------------------------|----------------|
| 1 | Wages paid to injured worker not covered by workers comp. | |
| 2 | Work stoppage wage costs related to injury | |
| 3 | Overtime costs necessitated by the injury | |
| 4 | Damaged product as a result of accident | |
| 5 | Delays in shipments or filling orders due to work rescheduling | |
| 6 | Accident investigation time investment by leadership team | X |
| 7 | Administrative time to manage claims process | |
| 8 | Recruitment and training costs for replacement worker(s) | |
| 9 | Retention risks for existing employees and associated costs | |
| 10 | Medical and related health costs for injured worker | |
| 11 | Occupational rehabilitation of injured worker | |
| 12 | Clean up, repair, and replacement costs related to injury | |
| 13 | OSHA fines post-investigation related to injury if applicable | |
| 14 | Third party liability and legal costs | X |
| 15 | Increase in Experience Modification rate (EMR) | |
| 16 | Brand reputation of company takes a hit | |
| 17 | Risk of losing existing customers | |
| 18 | Risk of losing existing vendors | |
| 19 | Risk to current contract and future bids | |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident



Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | OSHA Fines |
|-----------------------------------------|----------------------------------------------------------------|------------|
| 1 | Wages paid to injured worker not covered by workers comp. | |
| 2 | Work stoppage wage costs related to injury | |
| 3 | Overtime costs necessitated by the injury | |
| 4 | Damaged product as a result of accident | |
| 5 | Delays in shipments or filling orders due to work rescheduling | |
| 6 | Accident investigation time investment by leadership team | X |
| 7 | Administrative time to manage claims process | |
| 8 | Recruitment and training costs for replacement worker(s) | |
| 9 | Retention risks for existing employees and associated costs | |
| 10 | Medical and related health costs for injured worker | |
| 11 | Occupational rehabilitation of injured worker | |
| 12 | Clean up, repair, and replacement costs related to injury | |
| 13 | OSHA fines post-investigation related to injury if applicable | X |
| 14 | Third party liability and legal costs | |
| 15 | Increase in Experience Modification rate (EMR) | |
| 16 | Brand reputation of company takes a hit | |
| 17 | Risk of losing existing customers | |
| 18 | Risk of losing existing vendors | |
| 19 | Risk to current contract and future bids | |
| 20 | Personal and team bonus impact | |

The Potential Impact of One Accident

Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Payroll Expenses | Medical Expenses | Insurance Premiums | Legal Expenses | OSHA Fines |
|-----------------------------------------|----------------------------------------------------------------|------------------|------------------|--------------------|----------------|------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X | | | | |
| 2 | Work stoppage wage costs related to injury | X | | | | |
| 3 | Overtime costs necessitated by the injury | X | | | | |
| 4 | Damaged product as a result of accident | | | | | |
| 5 | Delays in shipments or filling orders due to work rescheduling | | | | | |
| 6 | Accident investigation time investment by leadership team | X | | X | X | X |
| 7 | Administrative time to manage claims process | X | | X | | |
| 8 | Recruitment and training costs for replacement worker(s) | X | | | | |
| 9 | Retention risks for existing employees and associated costs | X | | | | |
| 10 | Medical and related health costs for injured worker | | X | | | |
| 11 | Occupational rehabilitation of injured worker | | X | | | |
| 12 | Clean up, repair, and replacement costs related to injury | X | | | | |
| 13 | OSHA fines post-investigation related to injury if applicable | X | | | | X |
| 14 | Third party liability and legal costs | X | | X | X | |
| 15 | Increase in Experience Modification rate (EMR) | | | X | | |
| 16 | Brand reputation of company takes a hit | | | | | |
| 17 | Risk of losing existing customers | X | | | | |
| 18 | Risk of losing existing vendors | X | | | | |
| 19 | Risk to current contract and future bids | X | | | | |
| 20 | Personal and team bonus impact | | | | | |

The Potential Impact of One Accident



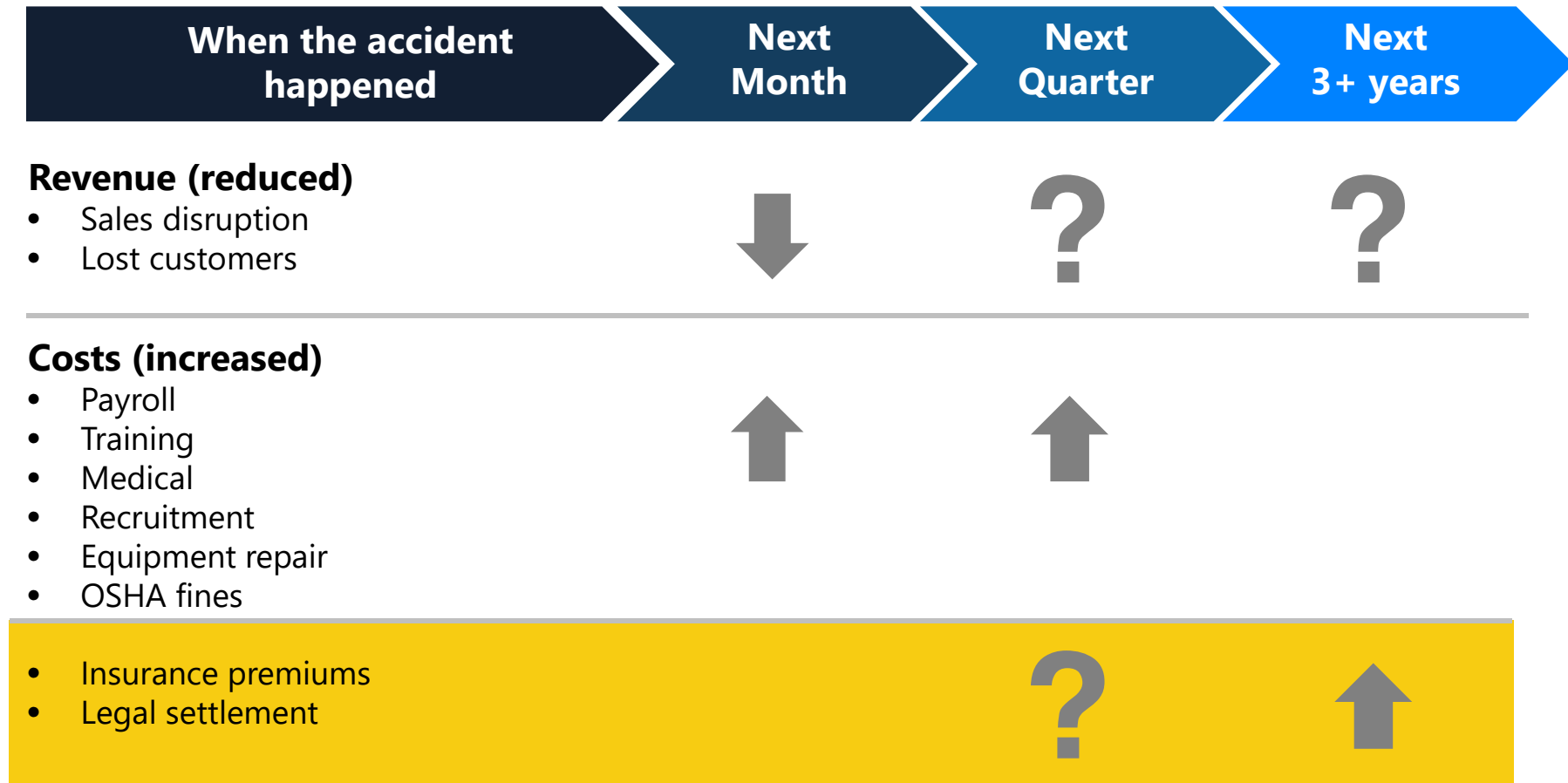
Increasing Costs to the Business

| The 20 Elements Impacting Your Business | | Payroll Expenses | Medical Expenses | Insurance Premiums | Legal Expenses | OSHA Fines |
|-----------------------------------------|----------------------------------------------------------------|------------------|------------------|--------------------|----------------|------------|
| 1 | Wages paid to injured worker not covered by workers comp. | X | | | | |
| 2 | Work stoppage wage costs related to injury | X | | | | |
| 3 | Overtime costs necessitated by the injury | X | | | | |
| 4 | Damaged product as a result of accident | | | | | |
| 5 | Delays in shipments or filling orders due to work rescheduling | | | | | |
| 6 | Accident investigation time investment by leadership team | X | | X | X | X |
| 7 | Administrative time to manage claims process | X | | X | | |
| 8 | Recruitment and training costs for replacement worker(s) | X | | | | |
| 9 | Retention risks for existing employees and associated costs | X | | | | |
| 10 | Medical and related health costs for injured worker | | X | | | |
| 11 | Occupational rehabilitation of injured worker | | X | | | |
| 12 | Clean up, repair, and replacement costs related to injury | X | | | | |
| 13 | OSHA fines post-investigation related to injury if applicable | X | | | | X |
| 14 | Third party liability and legal costs | X | | X | X | |
| 15 | Increase in Experience Modification rate (EMR) | | | X | | |
| 16 | Brand reputation of company takes a hit | | | | | |
| 17 | Risk of losing existing customers | X | | | | |
| 18 | Risk of losing existing vendors | X | | | | |
| 19 | Risk to current contract and future bids | X | | | | |
| 20 | Personal and team bonus impact | | | | | |

The Full Impact on Productivity, Sales, and Costs

| The 20 Elements Impacting Your Business | | Impacting Productivity/Sales | | | Increasing Costs to the Business | | | | |
|-----------------------------------------|----------------------------------------------------------------|------------------------------|-----------------|------------------------|----------------------------------|------------------|--------------------|----------------|------------|
| | | Leadership Time | Employee Morale | Ability to Fill Orders | Payroll Expenses | Medical Expenses | Insurance Premiums | Legal Expenses | OSHA Fines |
| 1 | Wages paid to injured worker not covered by workers comp. | X | | | X | | | | |
| 2 | Work stoppage wage costs related to injury | X | X | | X | | | | |
| 3 | Overtime costs necessitated by the injury | X | X | | X | | | | |
| 4 | Damaged product as a result of accident | X | X | X | | | | | |
| 5 | Delays in shipments or filling orders due to work rescheduling | X | X | X | | | | | |
| 6 | Accident investigation time investment by leadership team | X | X | | X | | X | X | X |
| 7 | Administrative time to manage claims process | X | X | | X | | X | | |
| 8 | Recruitment and training costs for replacement worker(s) | X | X | X | X | | | | |
| 9 | Retention risks for existing employees and associated costs | X | X | X | X | | | | |
| 10 | Medical and related health costs for injured worker | X | | | | X | | | |
| 11 | Occupational rehabilitation of injured worker | X | | | | X | | | |
| 12 | Clean up, repair, and replacement costs related to injury | X | X | X | X | | | | |
| 13 | OSHA fines post-investigation related to injury if applicable | X | X | | X | | | | X |
| 14 | Third party liability and legal costs | X | X | | X | | X | X | |
| 15 | Increase in Experience Modification rate (EMR) | X | | | | | X | | |
| 16 | Brand reputation of company takes a hit | X | X | X | | | | | |
| 17 | Risk of losing existing customers | X | X | X | X | | | | |
| 18 | Risk of losing existing vendors | X | X | X | X | | | | |
| 19 | Risk to current contract and future bids | X | X | X | X | | | | |
| 20 | Personal and team bonus impact | X | X | | | | | | |

The Cumulative-Affect of Injury Costs

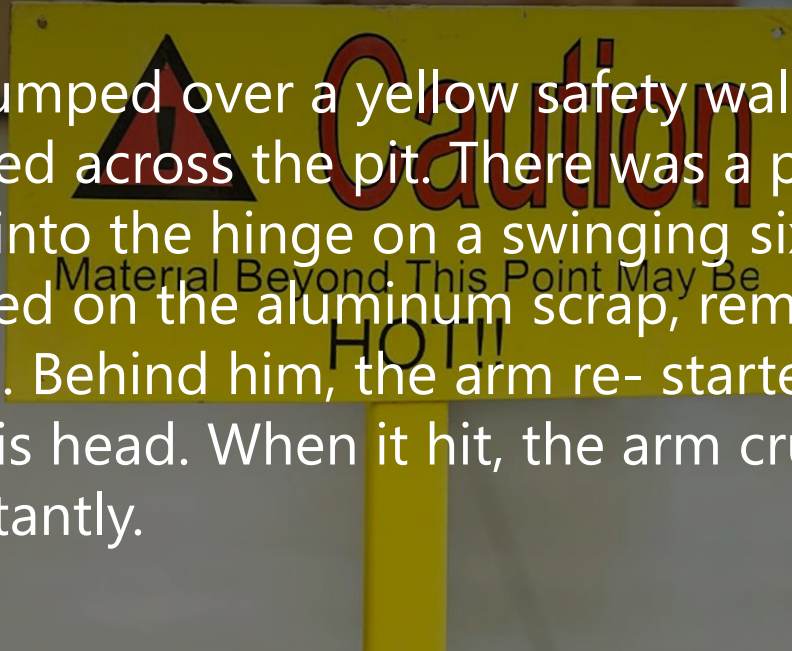


Back to the Alcoa Story...



Six months after Paul O'Neill became CEO of ALCOA, he got a telephone call in the middle of the night. A plant manager in Arizona was on the line, panicked, talking about how an extrusion press had stopped operating and one of the workers—a young man who had joined the company a few weeks earlier, eager for the job because it offered health care for his pregnant wife—had tried a repair.

He had jumped over a yellow safety wall surrounding the press and walked across the pit. There was a piece of aluminum jammed into the hinge on a swinging six-foot arm. The young man pulled on the aluminum scrap, removing it. The machine was fixed. Behind him, the arm re-started its arc, swinging toward his head. When it hit, the arm crushed his skull. He was killed instantly.

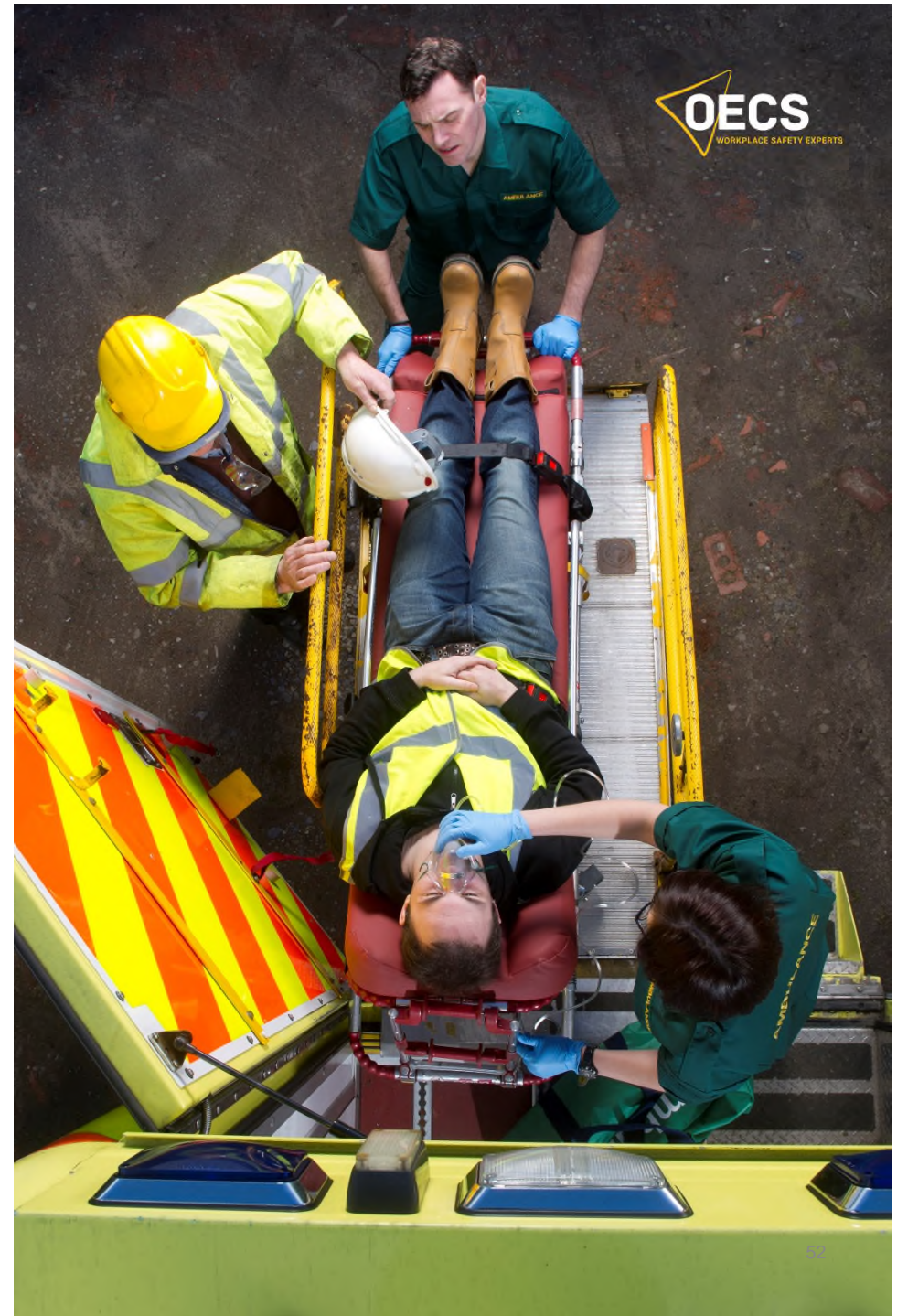


...A Tragedy Sends a Wake-up Call

“We killed this man. It’s my failure of leadership. I caused his death. And it’s the failure of all of you in the chain of command.”

Alcoa CEO – Paul O’Neill

At an emergency meeting he called with his leadership team following the accident.



For Discussion



How prepared is your team to handle the 20 elements potentially involved with one accident?



What things can you do over the next 90 days to reduce the odds of having an accident, especially the serious ones?

The Power of Engagement

GALLUP®

State of the American Workplace



U.S. EMPLOYEES

33%

VS.

WORLD'S BEST
ORGANIZATIONS

70%

ARE ENGAGED AT WORK

Key Learnings from the State of the American Workforce



The survey asks all employees across every industry, company, and department the same 12 questions, referred to as the Q12



The higher the engagement scores the better a business performs on a number of important metrics including profit, turnover, safety and many others.



These questions have been proven over the years to accurately measure the engagement of the workforce.



The performance of the top quartile or top 25% of companies versus the bottom quartile or bottom 25% is stunning.

Gallup's Q12



GALLUP'S Q¹²

■ BASIC NEEDS ■ INDIVIDUAL NEEDS ■ TEAMWORK NEEDS ■ GROWTH NEEDS

Q01: I know what is expected of me at work.

Q02: I have the materials and equipment I need to do my work right.

Q03: At work, I have the opportunity to do what I do best every day.

Q04: In the last seven days, I have received recognition or praise for doing good work.

Q05: My supervisor, or someone at work, seems to care about me as a person.

Q06: There is someone at work who encourages my development.

Q07: At work, my opinions seem to count.

Q08: The mission or purpose of my company makes me feel my job is important.

Q09: My associates or fellow employees are committed to doing quality work.

Q10: I have a best friend at work.

Q11: In the last six months, someone at work has talked to me about my progress.

Q12: This last year, I have had opportunities at work to learn and grow.

Gallup Info



Business or work units that score in the **top quartile** of their organization in employee engagement have nearly double the odds of success (based on a composite of financial, customer, retention, safety, quality, shrinkage and absenteeism metrics) when compared with those in the **bottom quartile**. Those at the 99th percentile have four times the success rate of those at the first percentile.

When compared with business units in the bottom quartile of engagement, those in the top quartile realize **improvements in the following are as:**

41% Lower
Absenteeism

24% Lower
Turnover (High-Turnover Organizations)

59% Lower
Turnover (Low-Turnover Organizations)

28% Less
Shrinkage

70% Fewer
Employee Safety Incidents

58% Fewer
Patient Safety Incidents

40% Fewer
Quality Incidents (Defects)

10% Higher
Customer Metrics

17% Higher
Productivity

20% Higher
Sales

21% Higher
Profitability

Gallup Survey Results

Group Discussion:

With the “Business Case for Safety” in mind, how important is strengthening your safety culture going to be going forward? What steps can you take?

Wrap-Up

Review of Today's Business Case for Safety:

- Your Company Today Quiz
- The Alcoa Story
- The Real Cost of Injuries
- Impact of One Accident
- Power of Engagement

Exercise: Each participant – Write down three things your company can do in order to capitalize on this information.

Let us know how OECS can help you with your safety program!

WWW.OECScompy.com or call 763- 417 - 9599



Upcoming Topic: **Building a Strong Safety Culture**

Celebrating 25 Years of Safety Service



Thank You

Celebrating 25 Years of Safety Service
