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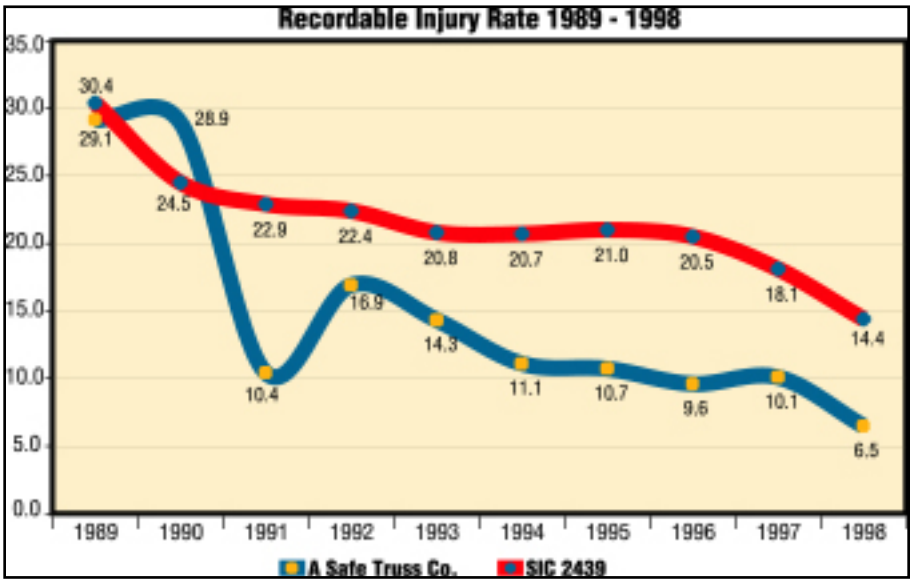
"Increasing Profits with Safety" by Susan Harrelson

The truss industry tends to be conservative in its thinking about workplace issues, in the sense that there are some ingrained attitudes that are slow to change. Traditional attitudes can be a valuable resource when doing business, but it is crucial to distinguish between an idea of respectable vintage and one that is past its expiration date.

Companies that have embraced change, whether cautiously or enthusiastically, have experienced the advantages of computerized design over hand drawing and downloading over hand-cranked saw setup. Curiously, though, many of these same companies are holding on to outdated ideas about safety in the truss plant.



One of the common misconceptions about safety is that a safety program is a cost center, not a profit center. If that describes the attitude at your facility, you may want to take another look at the issue. Profit margins in the truss business don't offer much room for wasting money, but improving our safety performance is often overlooked when we are searching for ways to increase revenue. Take safety seriously. It's not just a good idea; it's vital to your bottom line.

MYTH: SAFETY COSTS TOO MUCH MONEY

Safety supplies, personal protective equipment, improvements to the work environment, salaries for managers who give safety meetings, wages for employees who attend safety meetings—all of these things cost money that some people are reluctant to pay. If an expense can't be charged to a job, it's considered pure overhead and subject to cost-cutting whenever profit margins are discussed. Where the cost-cutters make their mistake is in ignoring the other side of the equation.

FACT: ACCIDENTS COST TOO MUCH MONEY

According to the Construction Industry Institute,[1] the average cost of a medical-only injury,

including direct costs such as medical bills and indirect costs such as lost production, is $1,100. That figure rises to as much as $21,000 for lost-time accidents.

Thanks to technology, we now have ways to evaluate our safety performance relative to other companies, in and out of our industry classification, and we can use the same data to estimate the savings that result from having an effective safety program. OSHA publishes a report that shows injury and illness incident rates by Standard Industrial Classification (SIC) code. This report can be accessed on the Internet at: www.osha.gov/oshstats/work.html.

To calculate incident rates for your facility, the formula is:

(N/EH)*200,000 = R

Where N=Number of Incidents and EH=Employee Hours worked during one year. 200,000 is used to represent the base year: 100 workers 40 hours/week, 50 weeks/year. R=Rate.

Figure 1 dramatically illustrates the comparison between the incident rate for SIC 2439, Structural Wood Members n.e.c. (Wood Trusses) as a whole and the rate for a truss plant with an active safety program.

The chart shows the beginning of the safety program in 1989, when the example company had a rate almost exactly equal to the national average. The rate shows a temporary rise as a result of increased safety awareness and incident reporting in the first year or so, and then a precipitous drop below the national average that has continued to the present.

Putting the OSHA incident rate data together with the Construction Industry Institute's average cost estimates allows us to derive the cost savings the example company can attribute to accidents that were prevented by the safety program, using the following formulae.

(R*EH)/200,000 = P

Where R=OSHA Incident Rate and EH=Employee Hours worked for that year. P = the number of expected incidents at your facility, or the number of incidents that would have occurred if your rate were the same as the national average.

P — A = S

Where P = Number of Expected Incidents and A = Number of Actual Incidents, returning S = Prevented Accidents.

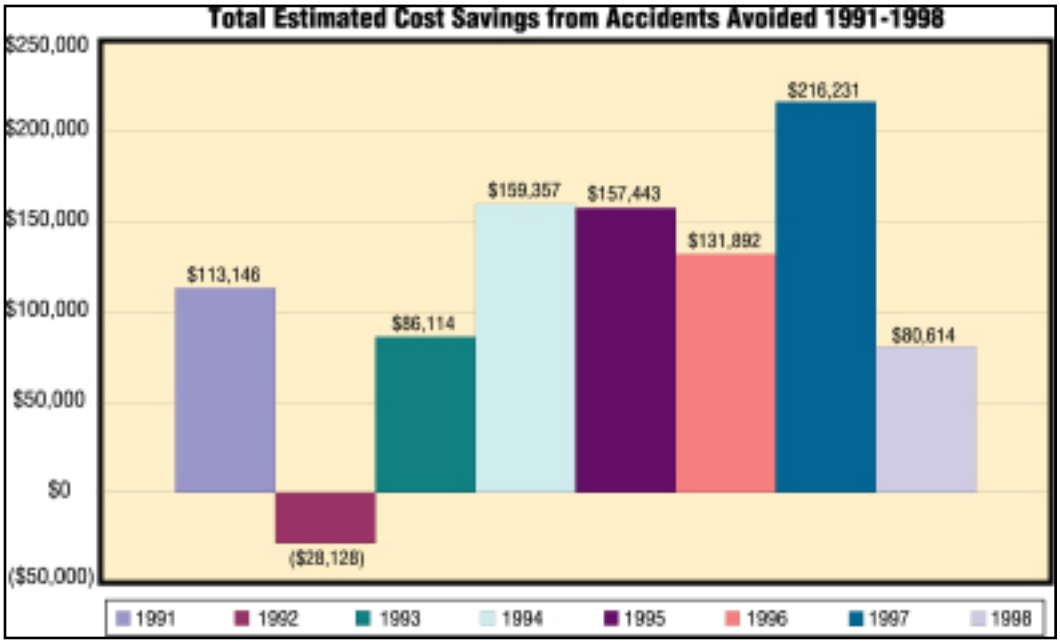
S*C = D

Where S = Prevented Accidents and C = Average Accident Cost, yielding D = Dollars Saved by Prevented Accidents.

The company with the safety program saved an average of $114,584 per year by reducing accidents, with a high of $216,271 in 1997. (See Figure 2 on page 25). Compare those numbers with costs and revenues for other departments of your company, and you may look at safety in a different light.

It isn't necessary to spend a lot of money to get these results, either. Existing managers and supervisors can coordinate safety activities as part of their duties, and may, in fact, be more effective than a safety professional from another industry, due to their knowledge of the business and its hazards. None of the elements of a successful safety program are expensive by themselves, and each will yield a Return on Investment that makes it more than worth the cost. The elements of an effective safety program include:

New Hire Orientation that Includes Safety. All employees need some kind of orientation anyway. At the very least, they have to fill out an I-9 and W-4. Include a safety video. Provide a copy of the company's safety policy and basic rules along with information on the health plan. Make sure the person who shows the new hire how to do the job includes how to do it safely.



Regular Safety Training. Hold monthly safety meetings for all employees, at least for those in production jobs. Meetings don't need to be long or elaborate. A good video on a topic of genuine concern, a review of the safety rules that pertain to that topic, and some discussion of employees' views on the topic, is fine. Just make sure you include the discussion and instruction components: OSHA has ruled that just sitting someone down in front of a safety video isn't enough.

Accident Investigation. Investigate every accident promptly and thoroughly. A good system of investigation will:

- Identify unfounded or exaggerated claims early enough to allow action by the workers' compensation carrier and even deter claim repeaters from applying to your company.
- Alert management to hazards and problem areas where maintenance, new procedures or training are needed.
- Suggest improvements to work practices using equipment and within the general work area

that will have positive effects on productivity and quality as well.

Regular Safety Surveys. Planned inspections will identify areas for improvement and catch developing problems before an accident occurs. They are also good opportunities to talk with employees one-on-one about their concerns with equipment or conditions.

You may want to include, or may be required by regulation to include, other items such as safety committees, written programs or specific training topics, but the basic elements listed above will provide recognizable benefits within a reasonable time frame. You may not see the positive impact of your safety program on the bottom line for two to three years, but experience has proven that it will arrive. In the meantime, the safety basics have cost very little in terms of dollars.

Putting safety into practice does require some investment of time and energy, but there is no other activity that so readily turns time into dollars and simultaneously transforms so many other areas, such as productivity and quality.

Next time you decide to work on increasing profits, your first inclination will probably be to talk to your sales staff. Maybe you should call a safety meeting instead!

[1]Hintz, Jimmie, "Indirect Costs of Construction Accidents." Report to The Construction Industry Institute, University of Washington, 1991.

Susan Harrelson has been with James Truss Company in Las Vegas, NV for 11 years. She is also a second-year law student at the Boyd School of Law, UNLV, and a member of the Product Safety and Loss Control Subcommittee of WTCA.

SBC HOME PAGE

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