



**By Michael J. Major**

# Safety Is Expensive

*But Accidents Are Even More Expensive*

“Safety is expensive, but accidents are even more expensive.”

This is the lesson that the Lenexa, Kan.-based Performance Contracting, Inc. learned the hard way. But learn it they did, and now this phrase is the company logo.

Safety, of course, is like God, motherhood and apple pie. Nobody will say anything against it. But a real commitment to safety, one with not only top management endorsement but also the extensive financial resources to back it

up and really make it work, is something else. This is what Performance has now achieved. But it wasn't automatic.

“Back in the early 1990s, we were hemorrhaging from accident costs,” says Western Region Safety Manager James Alderink. “For us improving safety was not some abstract ideal. It was a matter of our surviving as a business.”

Before looking at how the company transformed its dismal safety record into a success story, let's first take a look

at the proof of its statistics. Sometimes statistics can be manipulated to tell less than the whole story, but not in this case. Here are some of the numbers to show just how far the company has come. The first numbers are from 1991, which Alderink describes as “the nadir of our lack of safety performance, when he knew we simply had to take some radical measures to eliminate those losses.” These 1991 numbers are contrasted with those achieved in 1998.

During those seven years, the all

important experience modification rate, which determines workers' compensation insurance rates, went from 1.3 to 0.49, about half the national standard. Yet during this same period—and not accidentally—the company was growing rapidly from a company with annual sales of \$170 million to a little more than \$400 million last year. During this period there was a growth from about 3 million to 6.7 million work hours.

Last year, from the same 4,000 employees, there were 127 recordable incidents

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of which 25 resulted in lost time, about 20 hours each, mostly from back injuries, totaling 499 lost man-days. One of the most important standard measurements in terms of safety regarding injuries per man-hours is called the incident rate. The national average for specialty contractors is 11.5. In 1991, the rate for Performance was 18. Today it is 3. The company goal is to reduce this even more, to 1.5.

## How Did They Do It?

Perhaps the most important dynamic, Alderink explains, is the solid support

from top management, most particularly CEO Ken Spreetz and president Craig Fallon. "For the past several years, safety has been our number one corporate goal," Alderink says. "And those attitudes from the top have percolated down to the junior field personnel."

But aren't all top executives committed to safety? Well, maybe. But the question is how committed?

"Typically a safety program will not have all the resources it needs in terms of training, protection equipment and incentives, all of which cost money," Alderink says. "What's happened to us is all of the resources we've needed have been readily available."

Another fundamental key to the company success is the way the safety program is implemented. Alderink explains that generally the implementation is left to the safety department. The safety staff typically will do the training and implement the program, being the ones on the site to make sure all the directives are followed. The safety staff can be a big budget item for a large company. But one advantage is that you know just what your budget is and can control the spending, as well as the program itself.

However, reports Alderink, both the top executives as well as the head of the safety department, Dale Haden, supported by his staff, didn't go along with this philosophy.

"You can have everybody on the job shape up when the safety inspector is on the job, but as soon as he leaves they'll revert to their usual habits," Alderink says. Even more significantly,

even though the safety department has increased from one to five since 1991, this many people could not possibly cover all the 100-plus branch operations, which have a total of more than 4,000 employees.

Here another important dynamic takes place. Instead of the responsibility for implementing the program being in the safety department, it is placed squarely on the shoulders of the labor superintendents and branch managers. Again, because the directives come from the top executives, the superintendents and managers are held accountable.

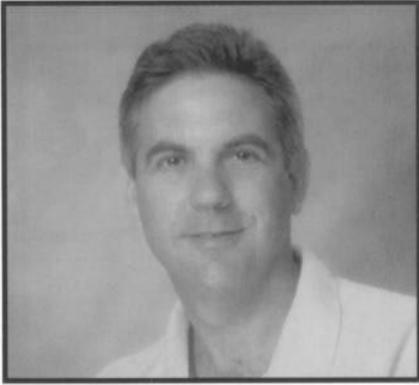
“Now not less than one-fourth of their

time is devoted to safety,” Alderink says. “Back in 1991 they hardly thought about it.” One clear result is that claims costs have dropped from about 67 cents an hour in 1991 to 9 cents an hour in 1998.

## **Leaders Are Trained**

The supervisors and managers go through a formal training program, which consists of the following 16 modules: accident investigation, claims management, confined spaces, fall protection training, inspections in hazard identification, hiring orientation, personnel protective equipment, operation of power lift equipment, OSHA compliance, respirator programs, safety

## The Performance Leaders



**Chris Handley**



**Hazle Brooks**



**Dale Haden**

administration, scaffold safety, how to do field toolbox training, blood-borne pathogens and lockout/tagout.

The supervisors and managers are given an hour's training per module once a month, repeated on a yearly basis. "They have to know all these things, but only these things," Alderink says. "If they know these things, they're home free."

The middle managers then teach what they have learned to the field employees once a week for a half-hour at a time. All the training sessions are on company time.

## Injury Prevention Techniques

What are some of the specific measures the company takes to reduce injuries?

One of the biggest dangers in construction comes from falls from ladders, scaffolds and equipment. "I recently read in a pamphlet from the National Safety Council that falls on construction sites were the third leading cause of death in this country," Alderink says. "We've virtually solved this problem."

How? First of all, for every job that lasts more than five days,

the foreman is required to write out a specific fall protection plan for that site. For every elevation more than 6 feet, the worker is required to be tied off with a lanyard and harness, or, if on a scaffold, be protected by properly connected safety rails.

Alderink also reports only one-tenth as many cuts. This reduction is primarily due to the required use of gloves plus training in proper work practices, such as how to handle steel metal studs, which are often cut to razor sharp edges.

Eye protection is virtually guaranteed through the requirement of 100 percent eye protection all of the time. Protective goggles are not put on "as needed." Rather, they have to be put on by the employee the moment he arrives at work. Alderink reports that previously many eye injuries "didn't hit the books" because the foreign material got flushed out. But, obviously any time something gets in the eye there is a potential for serious injury. Wearing the protective masks all the time removes this potential.

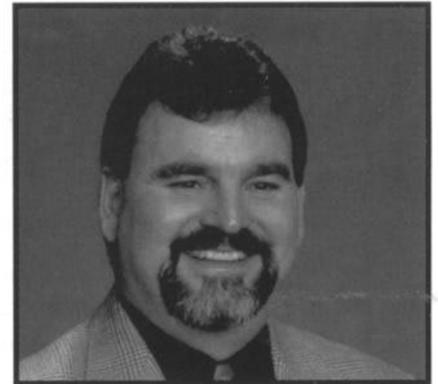
Since 1992 back support belts have become required attire. "Despite the fact that the field guys are not enamored of these belts, they have had a real impact on back injuries, reducing them by at least a factor of six," Alderink says.



**Lisa Vaughn**



**Judith Hund**



**David Crano**



**Jim Alderink**

When asked whether the company had to go through a period of trial and error to find out just what was needed in terms of training and other safety expenses, and whether they had found they were doing too little or too much, Alderink replies, “We’ve never felt we were doing too much. In fact it seems that, on an annual basis, we keep pumping more and more money into safety.” Alderink is quick to add, however, that the savings from improved safety always outweigh the costs. “Safety is not an isolated factor,” he says. “It’s integrated totally with our production and our bottom line profitability.”

Instead of having a set budget for safety, as in the convention when the safety staff is responsible for implementation, new safety expenses often simply arrive out of a need.

For instance, previously when a new employee arrived from the union hall, the filling out of papers would take about 10 minutes, and then he was on the job. Now he is in the office from two to four hours, and most of that time is devoted to safety training. “Just the change from a few minutes up to four hours means it



**Woody Smith**

costs us \$150 to \$200 just to get him hired,” Alderink says.

Also, he adds, the company has learned not to be rigid about a particular type of hard hat safety glasses, back harnesses or any other type of equipment. The employee is free to choose whatever he wants—expensive Kevlar gloves if that makes him feel more comfortable—and the company will pay.

Another ongoing expense has to do with incentives that the company continually evolves. Safety is related to profitability for the middle managers, as well as bonuses. Field workers also have their incentives. “The corporate average for rewarding the employee in the field for safety is about 10 cents an hour,” Alderink says.

In sum, it bears repeating that even though safety is expensive, accidents are

even more expensive. Rephrased in a more positive light, safety is an investment that not only boosts your bottom line, it also enhances the lives of your most valuable resource—your employees. 

#### **About the Author**

Michael J. Major of Anacortes, Wash., is a free-lance writer for the construction industry.