

Why Contractor Safety is Important for an Owner

A dedicated commitment to safety by the owner and contractor will keep risks and construction costs in check

By Jim Emmons

Today's owners face a variety of risks when they undertake a construction project. Not only must owners be concerned with potential risks to their employees, tenants, or property, but they must also be concerned about the risks that the contractor bears. Safety is a critical item for all construction projects for multiple reasons, including protecting the welfare of employees, providing a safe work environment, and controlling construction costs. However, the importance of safety as a cost-controlling measure is often overlooked by owners and contractors. As a means of reducing the risks associated with construction, safety can significantly impact the overall cost. A dedicated commitment to safety by both the owner and contractor helps ensure project success and can impact the bottom line considerably.

How Safety Works to the Owner's Benefit

Contrary to common perception, there is little up-front cost to the owner for implementing and maintaining the safety programs required, since the contractor is already mandated by law to comply with local, state, and federal regulations. To take advantage of this safety benefit, all the owner has to do is demand that the contractor document and implement the proper safety programs that will protect the employees working on the jobsite.

To avoid the high-dollar losses caused by injuries, contractors are required to implement various safety procedures like fall protection, hazard communication, respiratory protection, confined space entry, competent person, and other programs that control the causes of injuries. If the contractor is successful in preventing these injuries, overhead costs of insurance and hidden costs of accidents are significantly reduced. Hidden costs of an accident are 4- to 10-times more than the actual costs of the claim and account for items such as employee-replacement costs, OSHA citations, loss of use, increased insurance costs, damaged product, etc. The direct costs of accidents only include items such as doctors, ambulance, and indemnity, as well as prescription and medication costs.

Therefore, if the contractor has a great workers' compensation safety record, the firm is more efficient at reducing risks, being profitable, and completing contracts on time; it also has less rework and is, in effect, actively working to reduce the construction risks to the owner of the project. Owners who want to recognize the advantage that a good contractor's safety program can bring to a project should hire and demand contractors that actively and successfully control their risks through comprehensive safety programs.

How a Safety Program Controls the Owner's Risks

The process of preventing employee injury and illness itself makes the contractor more efficient and effective with projects. The pressure to cut corners, skimp on materials, reduce quality, or rush to get the project completed is significantly reduced through compliance to a good jobsite-safety program.

There are many components of a good safety program, depending on the type of project that is undertaken. To be effective, most programs should have the following components:

Pre-Project Planning (PrePP)

Pre-project planning (PrePP) is the simple process of getting the leadership team together to discuss how the project will be carried out in accordance with the contract. Every phase of the project and corresponding tasks are examined, including project overview, contracts, internal organization, schedule management, task planning, resource management, materials/supplies, cost management, budget/production, cash-flow management, risk management, safety, subcontractor management, and responsible individual list.

A contractor that plans work in this manner is more likely to perform the contract to the owner's expectations, particularly if the owner is actively engaged with the contractor as a joint-venture partner in the project. This joint-venture relationship also helps the contractor become very responsive to the needs of the owner.

Safety is planned into the job as an integral part of the operation rather than something that is used only when it is necessary. This reduces the "shoot-from-the-hip" decision-making process and replaces it through the implementation of planning. For example, if a public risk is identified, a plan is developed for the protection of the people using the facility. The plan would include tools, materials, and labor costs, as well as the design, engineering, and scope required to install the proper protection. Getting on-time deliveries of the materials, tools, and other equipment needed to build the protection is also improved because of effective planning.

Simply, pre-project planning reduces the owner's risks because the contractor, working with the owner's involvement, will consistently complete the project on schedule, on budget, and with the quality anticipated. The contractor is also rewarded because jobs that are pre-planned are consistently completed with greater-than-expected profitability; fewer, less-severe injuries; and greatly reduced hidden costs of incidents.

Pre-Task Planning (PreTP)

Pre-task planning (PreTP) is simply engaging the employees who are going to do the work. Conducting the pre-project planning generates a tremendous amount of critical information. To make the investment work effectively, additional planning sessions with the workforce may need to be completed. This is where the site-specific safety program is developed and various types of training programs are selected based on the specific tools, materials, access, tasks, and equipment that will be used to build this project. Further, this planning sets the expectations for the whole job. The owner is typically invited to participate with this process and often contributes critical information directly to the people who will do the work.

Claims Management Programs

Claims management programs, which include detailed management directives, drug testing, and return-to-work procedures, are an excellent indication of the contractor's safety culture. Having a clear motto like "Treat first and ask questions later" is an insight into how the contractor works with employees and their workers' compensation (WC) claims.

Claims management is clearly a reactive program that is a very positive way to control the cost of a claim while protecting people. A good claims management program will also include WC Incident and Near Miss Incident investigations as a mandatory part of the process. These programs are both very proactive and will prevent future incidents by looking at the root causes of the incident. The Near Miss Incident review is probably the most proactive, since this allows you to prevent accidents before they can happen.

An Established Safety Culture

Accountability, responsibility, and authority for safety help to develop a safety culture; the contractor must first hold employees responsible and accountable for safety. This means that all employees, not just a select group, have their annual compensation measured and indexed to the success of the company to meet its safety goals. In addition, the annual review process should have a safety component that the contractor's employees can be measured against. Any merit, wage, or salary increases should be heavily weighted on the employee's ability to meet these specific safety measurements, which could include OSHA Recordable Frequency Rates or some other proactive, measurable safety activity or criteria that can be applied to this process.

Probably the most important aspect of safety is that all employees should be given the authority to carry out safety. Anyone has a right to shut down an operation if there are known safety hazards that have not been addressed; the contractor will stop and address safety issues that have been identified. Finally, having a good safety culture must be considered a condition of employment. A contractor with a good safety culture not only requires safety, but demands that all employees "live and breathe it." Just saying

that they have a safety culture isn't good enough without all the employees actively working to make safety an integral part of the job process.

Formal Safety Plan & Procedures

A formal safety program with a working field safety manual requires written procedures, specifications, and engineering that documents safety requirements and details how employees will work to a specific standard of safety. This program should also be behavior-based, since it has been shown that approximately 96 percent of all hazards are related to the unsafe acts of people (while only 4 percent are due to unsafe conditions). There is nothing more important to an owner than selecting a contractor who has a field safety manual that is user-friendly, applicable for the project being done, and available to the employees that are most affected by unsafe behaviors and conditions found in the workplace.

Safety Training Program

A safety training program is often the result of a contractor's ability to establish and maintain safety training. The willingness of management to spend the time and money it takes to do the training upfront reflects the importance that safety is given in the work that is going to occur. Training is how management expectations for safety can be effectively conveyed to employees. Employees will receive the positive messages through leadership participation in the training. Once focused on safety requirements, the crew becomes more productive, efficient, and effective, as well as safer and aware of the risks associated with the jobsite. This, in turn, makes the contractor more profitable and able to meet the cost, production, and safety expectations of the owner.

By participating, or at least ensuring that the contractor is actively training employees, the owner is helping to reduce his/her risks and create a more positive and safe workplace. Another method that owners can use to keep construction costs to a minimum is to select contractors with this training capability.

How to Find a Contractor with a Good Safety Culture

The best way for an owner to become involved in the process and locate contractors with good safety programs is to implement a pre-qualification or screening process. This is accomplished by looking at the contractor's past safety history (experience modification rate). Review the following for the past 3 years: OSHA Recordable Frequency Rates, Lost Work Day Case Rate, and the Lost Work Day Rate. Also be sure to review the contractor's current safety history and obtain references from past clients.

The Bottom Line

In order to reduce overall construction costs, decrease the time for completion, and improve the quality of the job, owners have learned that it is important to take an active role in the contractor's safety and training programs. Examining the contractor's current and past safety performance history allows an owner to see how successful the contractor has truly been with his/her safety and health programs.

A safe contractor wins because he/she understands that safety affects the successful completion of the contract and adds to bottom-line profits. Insured losses, as well as the hidden costs of accidents, are significantly reduced, which also continues to add to the bottom line. The added bonus is a reduction in the contractor's workers' compensation, auto, and general liability premium rates charged by the firm's insurance carrier. The owner wins because his/her involvement helps promote quality workmanship, prevent third-party lawsuits, and reduce general liability and property damage claims that would otherwise inflate the overall costs of the contract.

Perhaps the most beneficial aspects of owners and contractors working together in a joint-venture safety program is that it provides for the safety, health, and well-being of the owners' clients, employees, and other people who live and work in or around the project. What a great way to give back to the community.

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