

THE OSHA “FINAL RULE”: SPRINGBOARD TO EXCELLENCE IN HEALTH & SAFETY

January 2017

In this knowledge brief, we will explore the occupational health & safety opportunities presented by OSHA’s new “Final Rule” for injury and illness reporting, including the actions, capabilities, and technology enablers pursued by Best-in-Class organizations.



A new rule from OSHA aims to clarify employers’ “ongoing obligation” to record work-related injuries and illnesses.

For decades, the Occupational Safety and Health Administration (OSHA) has required employers to keep track of their workers’ injuries and illnesses by recording them in what is called an “OSHA Log.” Under a Final Rule, effective January 1, 2017, OSHA will now make injury and illness data public, requiring employers to electronically submit that data to the Agency for posting to the OSHA website. The Final Rule also includes provisions that encourage workers to report work-related injuries or illnesses to their employers, and prohibit employers from retaliating against workers for making those reports.

As Supreme Court Justice Louis D. Brandeis once said about transparency: “Sunshine is the best disinfectant.” Making health and illness tracking data available on the web (sunshine) is designed to “nudge” employers to focus on safety (disinfectant).

Health & Safety is No Afterthought

Occupational Health and Safety (OHS) affects all levels of an organization, from plant manager to CEO. OHS compliance has always been important from an operational perspective, but now its relevancy has increased beyond operations in benchmarking, brand reputation, sales, marketing, and more.

While safety in manufacturing is the right thing to do, the practice of safety also brings financial benefits to the table. A safe work environment impacts a project's bottom line both directly and indirectly. Direct costs associated with incidents (lost costs, worker's comp claims, insurance costs legal fees, etc.) are minimized in a safe work environment. Indirect costs that follow incidents include the lost productivity occurring when people spend time dealing with an incident.

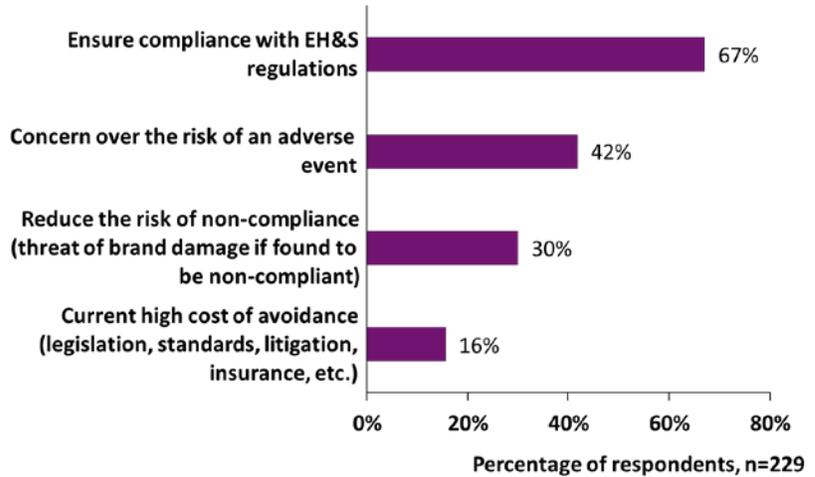
In the end, a safe work environment boosts employee morale which, in turn, increases productivity, efficiency, and profit margins. When people feel like they have a good, safe work environment, they feel like they can make a difference. There are fewer staff absences, less staff turnover, and an improved quality of work.

Health & Safety Pressures

Compliance to a plethora of regulations, and the need to manage risk, are still the primary drivers when it comes to health and safety (Figure 1). Aberdeen's **Environmental, Health, & Safety (EH&S) Survey** reveals the top two health and safety pressures today are insuring compliance with EH&S regulations (67%), and concern over the risk of an adverse event (42%). When an unfortunate adverse event does occur, the need for damage control kicks in (30%).

These H&S pressures, combined with the stringent OSHA compliance and regulatory requirements, point to the need for a comprehensive compliance architecture to support risk management. To ease these pressures, the architecture must empower organizations to be flexible, well-organized, and agile enough to quickly react to adverse events. Additionally, the architecture should add safety, asset reliability, and auditing/reporting to the mix.

Figure 1: Top Pressures Driving Focus on Health & Safety

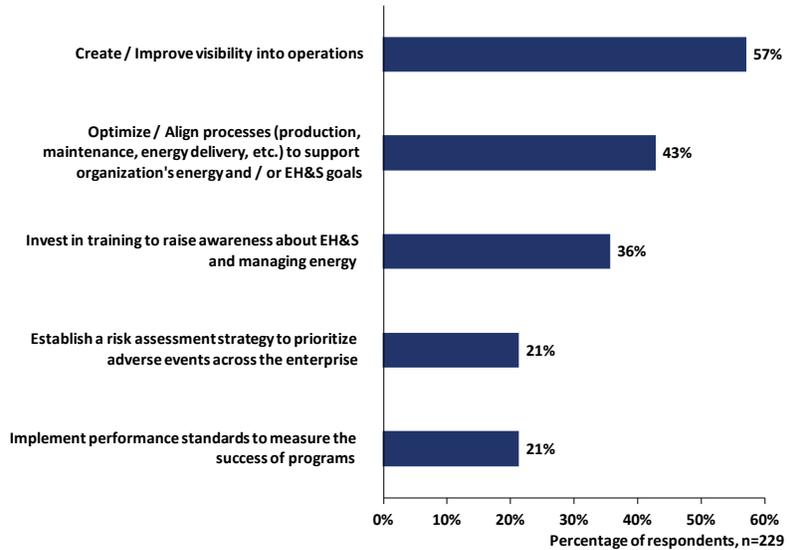


Source: Aberdeen Group, December 2016

Acting on Health & Safety

Best-in-Class organizations are acting on the need to comply with the Final Rule through visibility, process alignment, and training (Figure 2).

Figure 2: Best-in-Class Organizations Act on Health & Safety



Source: Aberdeen Group, December 2016

In creating an operational environment characterized by exceptional visibility and measurable standards of successful performance, the Best-in-Class hope to optimize and align processes to support the organization's EH&S goals. They then wish to raise the awareness level of OHS by investing in training. Finally, as a contingency planning measure, the Best-in-Class have established a risk assessment strategy to prioritize adverse events across the enterprise.

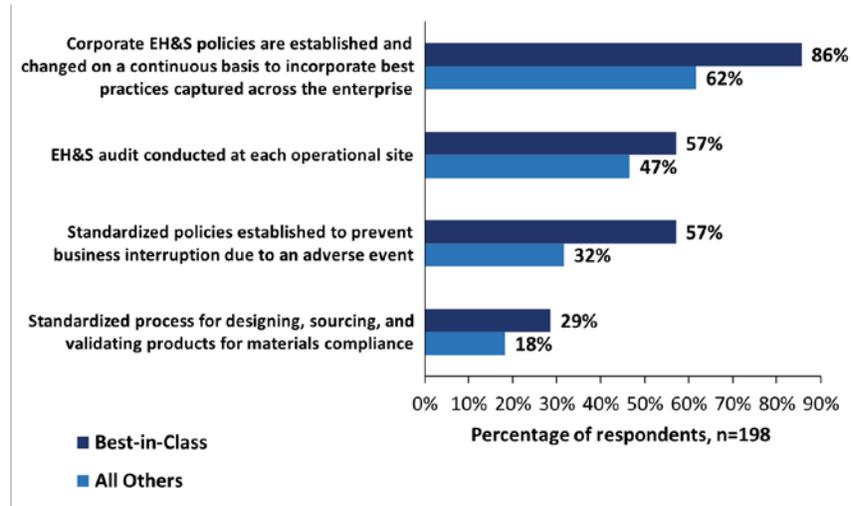
The importance of visibility and measurability cannot be underestimated, as it forms the foundation for the alignment of operations with EH&S goals. With excellent visibility into manufacturing processes, the incorporation of H&S into the overall management system of the organization becomes possible.

A comprehensive risk assessment strategy encompasses four major aspects of managing risks: identification, quantification, prioritization, and mitigation. Focusing on the risks rather than the hazards elevates the preventative and corrective action into a proactive strategy, which is essential for mitigating adverse events.

Capabilities for Health & Safety Success

Organizations must possess several business process competencies (aka capabilities) to execute successful H&S strategy. To minimize the **direct costs** of compliance with the Final Rule, Best-in-Class organizations are establishing EH&S policies that change on a continuous basis to incorporate best practices across the corporation (86%). Without leaving anything to chance, organizations are conducting EH&S audits at each operational site (57%). Best-in-class organization are also creating capabilities to minimize **indirect costs** of adverse events. Specifically, in the unfortunate event that an incident does occur, organizations are establishing standardized policies to prevent business interruption (57%) (Figure 3).

Figure 3: Best-in-Class Capabilities for Health & Safety

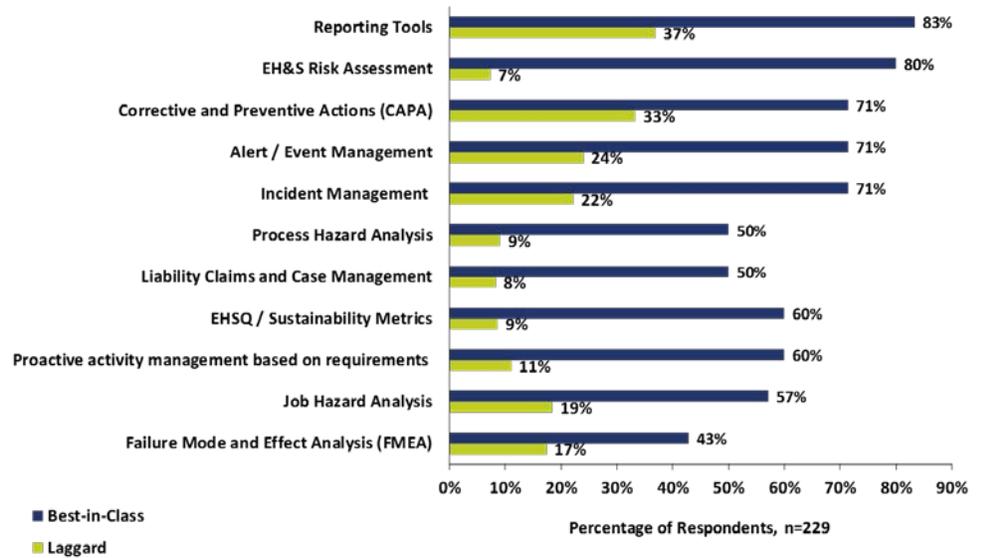


Source: Aberdeen Group, December 2016

Health & Safety Enablers

Effective Final Rule compliance requires technology that has a robust system of record, proving a state of compliance and documenting any changes to provide a complete audit trail. It is therefore no surprise that Best-in-Class organizations are investing in a variety of risk and failure management capabilities (Figure 4).

Figure 4: Best-in-Class Enablers for Health & Safety



Source: Aberdeen Group, December 2016

Best-in-Class companies are

10x

more likely than All Others to deploy EH&S Risk Assessment software.

The Best-in-Class is so far ahead in their investment in these enablers, emphasizing the urgency of this issue. The best strategy for manufacturers is to pursue software-enabled versions of these capabilities, the most important of which are “Reporting tools,” “EH&S Risk Assessment,” and “Corrective and Preventative Actions (CAPA).”

- ➔ **Reporting Tools** enable an essential part of managing EH&S issues in the workplace. Many companies issue annual EH&S reports to communicate commitments and targets to external stakeholders. Some choose to report on their environmental issues separately from health and safety. Others may not produce standalone reports at all, but simply include the information in their annual report.
- ➔ **EH&S Risk Assessment software** helps organizations comply with regulations, protect people and assets, optimize the use of natural resources, streamline business processes, and foster a culture of EH&S excellence.

→ **The Corrective and Preventive Action (CAPA) process** is part of everyday EH&S operations. With the help of CAPA software, organizations can reduce the number of workplace-related health and safety incidents. CAPA software also helps organizations avoid unnecessary costs and risks while ensuring safety and success in compliance audits. By identifying high risk areas within a business, corrective actions can help safety personnel point out non-compliant practices, preventing incidents from reoccurring. As a bonus, CAPA software eliminates written documentation and spreadsheet-based systems, improves automation and accuracy.

Pursuing a software-enabled strategy is sure to minimize both the direct and indirect costs of adverse events related to Final Rule compliance.

Don't forget one of the bonuses of the new Final Rule: the potential for benchmarking. Prior to the Rule, employers could only compare their injury experience with their industry as a whole. Going forward, public access to establishment-level workplace injury and illness data will enable employers to benchmark their safety and health performance against industry leaders, encouraging them to improve their safety programs.

In general, organizations rarely like new reporting requirements. However, as the Rolling Stones opined, "You can't always get what you want / But if you try sometimes well you just might find / You get what you need." In the case of the Final Rule:

- Employers get a gentle push to reduce work-related injuries and illnesses in order to demonstrate to investors, job seekers, customers, and the broader public, that their workplaces are safe and healthy.
- Employees get explicit (strengthened) rights to report worker injuries and illnesses without fear of retaliation.

- The Government gets better data to assist in improving allocation of compliance assistance and enforcement resources. This expands OSHA's ability to identify, target, and remove safety and health hazards, and thereby preventing workplace injuries, illnesses, and death.
- Public health researchers get access to very large sets of workplace injury and illness data, as well as unprecedented opportunities to advance the fields of injury and illness causation and prevention research.

In the world of Government regulations, it doesn't get any better than this!

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