



Safety in Logistics Operations

4 strategies to turn safety from a compliance-driven chore to a profit-driving priority

A KANE Viewpoint

In logistics operations, the commitment to safety is all too often like the half-hearted embrace we give to an older aunt we occasionally see at family gatherings. We do it because we have to and it's expected. But we're not giving safety the full-on bear hug it deserves.

Logistics Can Be a Dangerous Business

In logistics operations, in the warehouse or on the road, the subject of safety is like motherhood and apple pie – everyone’s a fan.

And why wouldn’t they be? Who wants to see colleagues hurt? Plus, safety is simply good business. Accidents bring work to a halt and can cost you a ton of money.

But despite the clear benefits of reducing on-the-job injuries, safety is still regarded as a compliance-driven chore in many logistics environments.

We must move beyond papering the walls with pithy slogans – “safety is no accident!” – and begin the hard work of driving accountability to the associate level and empowering those who do the work.

This eBook examines safety investments from an ROI perspective, and then offers up 4 strategies to improve safety performance in your logistics operation.

Workplace fatalities by occupation category in 2015

Truck driving, under transportation and material moving, had the highest number of fatalities of one specific occupation in 2015, at 745.

OCCUPATION	2015 FATALITIES
Transportation and material moving	1,301
Construction and extraction	924
Installation, maintenance and repair	392
Management	379
Building/grounds cleaning, maintenance	289
Farming, fishing, and forestry	284
Production occupations	250
Sales and related occupations	228
Protective service occupations	213
Office and administrative support	86

SOURCE: Bureau of Labor Statistics

The Cost of Accidents

Accidents carry a hefty price tag, both personally and for the company, in terms of insurance costs, lost time, productivity dips and other negative consequences.

In 2014, the National Safety Council estimated that the cost of work injuries in the U.S. – both fatal and non-fatal – in 2012 totaled \$198.2 billion.

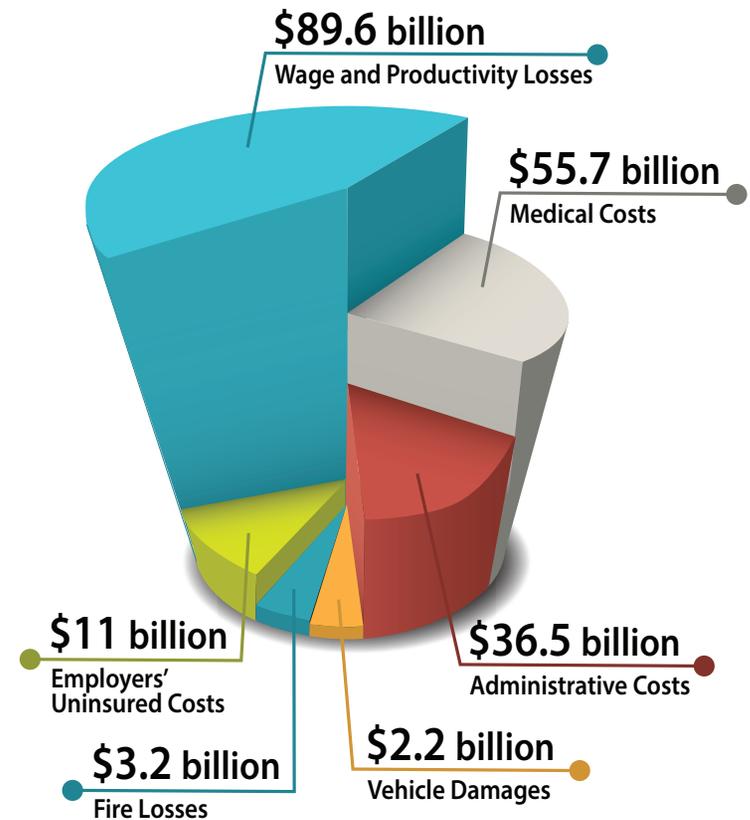
What does this mean for the individual workplace? Stephen Yates, president of safety consultancy Optimum Safety Management in Naperville, Ill., cites data collected by the National Council on Compensation Insurance (NCCI) in 2014. “It shows that direct medical cost per injury is about \$29,400. And then the indirect cost can be 2.5 times that, or \$73,500,” he says. That brings the total cost to more than \$100,000 per injury.

Some researchers put the price tag even higher. According to one NSC study, when an employee is hurt on the job, the average direct cost to the employer is \$38,000. Indirect costs add another \$150,000. Indirect costs include disruptions to the flow of work, lost productivity, the need to replace and train workers, higher insurance premiums and fees paid to attorneys.

Your workers’ compensation insurance may cover most of the direct cost, but that still leaves you with the indirect expenses. One component of those indirect costs – higher insurance premiums – bears special examination.

Consider an example offered by the insurance brokers Cavnagac & Associates in San Diego. A company pays a base premium of \$105,600 per year and has not had any claims. Then a worker fractures a limb on the job. The insurance company pays out \$50,000 for that claim. That accident and payout changes the calculation for the company’s workers’ comp premium, driving it up to \$129,600. That higher rate stays in effect for the next three years.

The Cost of Work Injuries in the U.S. - 2012



SOURCE: National Safety Council

ROI from Safety Programs

Companies that implement effective safety programs stand to gain a significant return on their investment by avoiding costly injuries.

“Typically, as a client implements our Effective Safety Management System process, we find about a 57 percent reduction in their DART rate (OSHA’s measure of Days Away from work, Restricted or Transferred),” says Optimum’s Yates. “And then we see a compounding or cumulative rate reduction of an additional 17 percent per year, until the rate is quite low. At the end of three years, the typical client has reduced injuries by about 70 percent.”

Yates adds, “Based on the estimate of just over \$100,000 per injury, we’re able to show that these reductions would save a customer about \$423,000 over a three-year period.”

The energy management specialist, Schneider Electric North America, estimates that an extensive safety and health program at its facilities saves the company \$10 million in direct cost each year. One portion of this effort cut Workers Compensation claims at the company from \$1.5 million to \$0.5 million, a 67 percent improvement. From the start of the program through 2007, Schneider NA’s rate of medical incidents at all locations dropped from 3.0 per 100 employees to 1.0. Since then, that number has dropped even lower, to 0.5 per 100 employees.

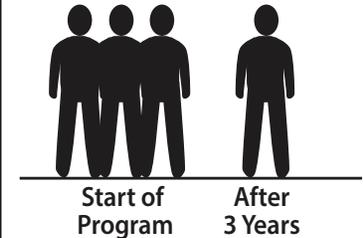
Effective safety programs and return on investment

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Workers Comp Claims



Rate of Medical Incidents (per 100 employees)



Four Strategies to Improve Safety Performance

Four initiatives can make the most difference in moving your RIR down and reaping the health and economic rewards of doing so.

1 **Emphasizing *Safety Culture* Over *Safety Practices***

2 **Turn Safety Audits from Confrontational to Collaborative**

3 **Train Incessantly**

4 **Promote Personal Accountability**

1

Emphasizing Safety Culture Over Safety Practices

Establishing a culture of safety starts at the top. If C-level executives don't make it clear that safety is a top priority, all the posters, training and speeches will come across as so much lip service.

Part of establishing a positive safety culture is to look for opportunities to celebrate accomplishments. For instance, get workers excited about hitting records for incident-free days.

One logistics company set a goal of achieving 90 days without a single incident throughout all its 26 logistics operations. As the company got close to that record, the safety group announced each milestone achieved. When the company tied its previous record, 37 days, leaders made a splash. Finally, after the company did achieve the 90-day goal, all locations were rewarded with a free catered lunch.

Look for similar opportunities to spotlight accomplishments at your company. Remind associates they are part of something important – something that's got board-level attention.

TIP FOR DEVELOPING A SAFETY CULTURE:

Have associates share best practices

Don't keep associates in "listen-only" mode when it comes to safety communications. Visit your facilities and ask staff members to tell you what specific things they are doing, individually, to improve safety.

As you work toward a new safety record, stop operations each day so people can share what is working for them.

Appoint a safety ambassador to attend each of these meetings to document best practices and share relevant information across your facilities.

2

Turn Safety Audits from Confrontational to Collaborative

A safety audit should not be a white-knuckle ordeal.

If you do safety audits for your company, associates may view you as being in “gotcha” mode – almost like when the health inspector visits a local restaurant. It’s critical that you turn that perception around. Make sure the local distribution center or terminal manager views the audit as a collaborative exercise aimed at achieving mutually desired goals.

To reassure your colleagues that you’re not there to throw them under the bus, spend time building personal relationships. Make sure that managers and other associates don’t see you ONLY during audit time doing audit-type stuff. Talk to associates. Listen to their concerns. Attend safety meetings and celebrations. Invest time to show how personally invested you are in the facility’s success.

For local associates to embrace the role of corporate safety managers, they must get beyond the perception that auditors are just ticking boxes on an OSHA safety checklist. During a safety audit, have a team physically walk the building alongside management, proactively looking for opportunities to improve safety.

It might take a full hour to do a walk-through, depending on the size of the facility. This should be a collaborative and interactive process with associates on the floor. The team will appreciate the collaboration and begin to understand that you genuinely care about making safety a priority.

TIP ABOUT LOGISTICS SAFETY AUDITS:

Avoid generic approaches

The safety issues at a retail cross dock are different from those where rail boxcars are being unloaded all day long. Don’t take a uniform audit approach. For each site, establish four or five factors that are most relevant and can be measured. This really helps drill down to the level where positive results start to happen.

Audits do include some generic elements across facilities, but it’s the more detailed, facility-specific elements that offer the best potential to improve best practices and raise safety standards.

3

Train Incessantly on Safe Logistics Operations

There's a whole universe of accident causes, but certain underlying reasons are clearly identifiable. Many accidents come in the form of slips, trips and falls, as well as injuries sustained while lifting. Often, they happen when people are hurrying and skirting basic safety procedures. Associates need to be trained rigorously to be more conscious of predictable hazards.

OSHA recently released a report on common causes of accidents in warehouses. The list below is their top 10 areas for which they issue citations. In every area, you'd be wise to have a training module that addresses the dangers associated with each, and ways to minimize these accidents.

- Forklifts
- Hazard communication
- Electrical, wiring methods
- Electrical, system design
- Guarding floor & wall openings and holes
- Exits
- Mechanical power transmission
- Respiratory protection
- Lockout/Tagout
- Portable fire extinguishers

TIP ON TRAINING:

Break through the complacency

At a recent CSCMP annual conference, astronaut Scott Kelly gave a presentation about his experience flying the space shuttle. He talked about the powerful temptation to assume that nothing will go wrong. Because the space shuttle is such a sophisticated and well-built piece of machinery, it's easy to get complacent since just about everything is automated. The same applies to so many pieces of equipment we use every day in logistics operations.

Trucks, automated conveyors, and lift trucks are highly reliable machines that we can take for granted, but a split-second loss of focus by an operator can turn them into dangerous, even deadly, pieces of equipment.

4

Promote Personal Accountability

To drive down your RIR, make safety a highly visible element of everyday operations. Clearly display your current days without incident metric, as well as other safety and compliance measures. Associates take pride in having good performance, and take ownership of these numbers.

This transparency and accountability creates healthy competition between facilities. Associates want the full team to succeed but, like most of us, they want to win. So, encourage that kind of friendly competition. At that same time, be careful to make distinctions between facilities for the sake of fairness. Some logistics operations are almost completely automated, while others are more manual and, therefore, more likely locations for safety accidents because there is more human activity. Competition is healthy; it just needs to be fair.

Keep in mind that management must also be accountable when it comes to safety. One way to demonstrate a commitment to safety is by investing in better equipment. For instance, you might invest in upgraded lighting, security access controls, and camera systems to keep your buildings updated. Associates notice these types of upgrades and recognize that management is reinvesting the company's profits to provide the kind of work environment that keeps everyone safe.

TIP ON PERSONAL ACCOUNTABILITY:

Reward associates for reporting safety violations and improvement opportunities

The more you can move safety and compliance out of the hands of safety managers and into the hands of associates – the people who do the work – the better.

The self-policing approach emphasizes personal and team pride over compliance in driving positive behavior.

Safety in Logistics Operations: The Secret Sauce

A good logistics safety program goes way beyond a set of policies and procedures, posters, and a training schedule. The secret sauce is to develop a pervasive, operations-wide culture that understands that safety is simply smart business, and that it applies to absolutely everyone.

That kind of culture doesn't get established in a couple of months. It takes years to get a mature culture of safety in place. A strong, proactive and safety-minded CEO can help shorten this timeline by constantly reinforcing the importance of safety and the role of each individual associate.

Ultimately, safe logistics operations don't happen because of a few hard-working safety managers. Meaningful progress happens only when associates, across the organization, embrace safety as a personal responsibility.

¹"Warehouse safety infographic highlights dangers, injury stats and tips," Master Lock Field ID

²"What Is The ROI On A Safety Management System?" Optimum Safety Management

³Interview with Stephen Yates, November 23, 2016

⁴"Shocking Safety Warehouse Statistics," Koke, Inc.

⁵ Kyle W. Morrison, "The ROI of Safety," Safety+Health, The Official Magazine of the NSC Congress and Expo, May 23, 2014

⁶ Jeff Cavnac and Meghan Dickerson, "The REAL Cost of a Workers' Compensation Claim," Cavnac & Associates, Insurance Brokers

⁷"OSHA Penalties Adjusted as of August 2016," United States Department of Labor

⁸ Yates interview.

⁹ Brian Ballou, Dan Heitger, Tim Eaton, "Schneider Electric North America: How a Leading-Edge SHE Culture Creates Value for Shareholders and Stakeholders," Schneider Electric North America, May 2012, pages 18-23

About KANE

Kane Is Able is a third-party logistics provider that helps manufacturers and their retail partners efficiently and effectively distribute goods throughout the United States.

Looking for ideas to make your retail supply chain work better?

LET'S TALK

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