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Risk Management in Small Companies

by

***Doug McCutcheon, P. Eng.
Professor & Program Director
Industrial Safety and Loss Management Program
Faculty of Engineering
University of Alberta***

Risk Management in Small Businesses

This is a very simple paper on a topic that should be looked into. The focus is on having the CSChE-PSM Division making a difference in the workplace. To date the development and implementation of PSM has been with done in "large companies" (over 100 employees either full time or contract). However when one looks at the statistics most of the companies registered in Canada would be considered as "small companies" (less than 100 person years of employment". In Alberta over 95% of registered businesses are small.

In Alberta small businesses represent 35% of the workforce in terms of person years worked. From an industrial occupational health and safety viewpoint they represent 44% of all workplace recordable injuries and (over a 10-year period) 69% of fatalities in the workplace (Table 1).

For the purposes of this paper I am going to draw the parallel relationship with Process Safety Management and Safety & Occupational Health incidents. If the workplace is having incidents they will impact not just worker safety & health but also the environment, company assets as well as the ability to do business. I think this is a safe assumption.

That being the case, a focus on small companies is in order from our PSM Division point of view. We need to develop a strategy around small businesses. But before we do, as most of us come from large businesses, we need to understand how small businesses function. And finally we need to be supportive in order to see success on the Canadian PSM scene.

Definition:

"Small companies are considered to be companies where there are 100 or fewer person years of employment."

Some people suggest 50 person years or less, but if you look at the statistics (see Table 2) the higher incident rates extend to the 100 person year level. A large company has better access to "in-house" EH&S resources or consultants who can provide a continuum of resources, that is the consultant understands the company needs because of a close relationship with them.

Today's business relies more heavily on short term contracted services including employment. This could be seen as a higher turnover rate than several years ago. A higher turnover rate means less people knowledgeable around the hazards in the workplace and a higher probability of an incident happening, hence higher a risk.

Finally my personal experience with small to medium sized companies shows a distinct "gulf of knowledge" when compared to the larger companies. A gulf

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where new regulation, court cases and public interaction have these companies struggling to meet the needs.

Some Statistics:

Table 1: NUMBER OF FATALITIES BY SIZE OF EMPLOYER 1991 - 1999

| Size of Employer | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | Total |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 0<Pys<5 | 8 | 15 | 6 | 7 | 11 | 7 | 10 | 6 | 11 | 81 |
| 5<Pys<20 | 6 | 6 | 5 | 9 | 8 | 3 | 7 | 5 | 4 | 53 |
| 20<Pys<40 | 3 | 3 | 5 | 5 | 4 | 4 | 2 | 2 | 5 | 33 |
| 40<Pys<100 | 2 | 4 | 5 | 1 | 4 | 3 | 4 | 6 | 2 | 31 |
| Pys>100 | 10 | 11 | 9 | 1 | 7 | 9 | 11 | 10 | 9 | 77 |
| Invalid | 1 | 3 | 0 | 0 | 0 | 1 | 0 | 3 | 3 | 11 |
| Total | 30 | 42 | 30 | 23 | 34 | 27 | 34 | 32 | 34 | 286 |

In Alberta from 1991 – 1999, - 198 out of the 286 workplace fatalities or 69% were in “small companies”.

Table 2: LOST-TIME CLAIM RATES (ALBERTA 1999)

| Size of Employer | Number of Accounts | Lost Time Claims | Person Years | Lost Time Injury Frequency |
|------------------|--------------------|------------------|------------------|----------------------------|
| 1<Pys<10 | 87,425 | 5,229 | 168,240 | 3.1 |
| 10<Pys<100 | 12,742 | 11,946 | 348,712 | 3.4 |
| Pys>100 | 1,552 | 17,542 | 586,942 | 3.0 |
| Invalid | 5,695 | 723 | 0 | N/A |
| Total | 107,414 | 35,440 | 1,103,894 | 3.2 |

Sociological Study of Small Business in Alberta- 1988

- 50 small businesses in Calgary area (40 employees or less).
- Studied to determine barriers to improved occupational health and safety performance.
- Joan M. Eakin, Ph.D and Karen M. Semchuk, Department of Community Health Sciences, University of Calgary.

Some Findings

- Owner's perception of risk revealed a widespread "no problems here" response.
- A tendency to discount and normalize health hazards at work.
- Workplace Health and Safety inspections appeared more hit and miss, over these very numerous small companies.
- Fire marshal inspections taken much more seriously.
- Many owners felt they did not have the moral authority to intervene in certain areas of their employees health and safety:
 - The nature of the social relationship between owners and employees — their own "buddies".
 - Learn by the school of hard knocks — you are all expected to know how to be safe — it's natural.

Some Characteristics of Small Businesses

- Ebb and flow business cycle causes the need to lay off and take on employees.
- Sub-contracting some parts of the work, almost "permanent" sub-contractors who work alongside regular employees. Owners do not feel as responsible for them.
- Family involvement - one half of the businesses studied had employees who were members of the owner's family - sometimes affecting how health and safety issues were dealt with.
- Multiple worksites - many small companies especially in the service and construction sectors, have their workers scattered in numerous sites. Does not allow for good influence and control.
- Workers tend to do all kinds of tasks, although they have special trades, etc. Small companies need to make flexible use of manpower. don't always understand the safety aspects of each of the different tasks.
- Over 50% of the owners perceived health and safety to be of limited significance. Very little to say when asked what they do to promote health and safety.

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- Owners much more concerned with personal protection against hazards than reducing the hazards — what happens when workers do not wear the equipment?
- Over 50% of owners felt that health and safety is essentially the employee's affair. They provide the protective equipment and the workers should carry on from there.
- Small companies tend to see accidents as part of doing business — lucky or unlucky.
- Resources, both financial and technical are reasons put forward for not being able to improve the situation.

Comments:

Although the specific data and the study pertain to workplace health and safety one can see the same information being a factor in PSM programs across Canada. I believe that if the impact of PSM is to be felt across the country there is a need to pay special attention to the small business.

One can draw from the recent Business case study done through the AIChE as well as other similar studies that having a working PSLM or PSM program in your company is good business. It is a positive ROI even to the point of being a major ROI. Small companies need to hear this as this in its own way could mean “buy-in” by them.

In Summary:

This short paper suggests this is an area of importance. The need to provide a focus on the small company is important because they are different.. Understanding how they function is necessary because we, from the large companies, function differently.

Some recommendations:

- Recognize the impact of the “new economy” on small businesses
- Develop a format to assist them with PSM
- Encourage a relationship with them and their associations
- Draw them into our CSChE-PSM division, even if it is just as a corresponding member.

References:

Joan M. Eakin, Ph.D and Karen M. Semchuk, Department of Community Health Sciences, University of Calgary. – 1988

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