

Reviewing safety incentive schemes

A tool to assist sites in reviewing safety incentive schemes during the transition to world-leading OHS in the NSW mining and extractives industry



Industry &
Investment

Acknowledgements

This publication was commissioned by the NSW Mine Safety Advisory Council as a result of the 2004 Wran Mine Safety Review and the Digging Deeper Action Plan. The NSW Mine Safety Advisory Council would like to acknowledge the Safety Incentive Schemes Working Party for drafting this tool to review safety incentive schemes.

NSW Mine Safety Advisory Council

The NSW Mine Safety Advisory Council has the strategic objective of achieving world-leading occupational health and safety through the development of changes in health and safety culture throughout the mining industry in NSW.

The Council was established in 1998 following recommendations made in the 1997 Mine Safety Review and Gretley Inquiry. The Council was strengthened in 2006 through: the setting up of a secretariat within the existing structure of Industry & Investment NSW; the appointment of two independent experts in OHS; and making resources available, when appropriate through Industry & Investment NSW, on the Council's recommendation to explore issues and commission research.

The Council includes senior officials from some of the most respected bodies in the mining industry including the CFMEU (Mining and Energy Division), Australian Workers Union, NSW Minerals Council and Cement Concrete and Aggregates Australia and Industry & Investment NSW. Two independent experts in occupational health and safety are also part of the Council. Mr Norman Jennings was appointed Chairman of the Council in 2006.

The Council was established to provide the Minister for Mineral Resources with advice on critical OHS issues to the NSW Government.

Research into key OHS issues in the mining industry was commissioned by the Council and released as the Digging Deeper Report in 2007. The Council hosted a CEO Summit in November 2008 which issued a communiqué outlining a joint vision for the industry and an agreement on a set of guiding principles that will help ensure the industry has a dynamic culture to address key health and safety issues.

The Council is focused on addressing the areas of: culture change; fatigue; safety incentive schemes and production bonuses; the disconnect between OHS systems and practice; contemporary health issues, including musculoskeletal disorders; and OHS issues affecting contractors and inexperienced workers.

Disclaimer

The compilation of information contained in this document relies upon material and data derived from a number of third party sources and is intended as a guide only.

The New South Wales Government does not guarantee that the information is complete, current or correct and accepts no responsibility for unsuitable or inaccurate material that may be encountered.

Unless otherwise stated, the authorised version of all reports, guides, data and other information should be sourced from official printed versions of the agency directly. Neither Industry & Investment NSW, the New South Wales Government, nor any employee or agent of I&I NSW, nor any author of or contributor to this document produced by I&I NSW shall be responsible or liable for any loss, damage, personal injury or death howsoever caused. Users should always verify historical material by making and relying upon their own separate inquiries prior to making any important decisions or taking any action on the basis of this information.

Tool to review safety incentive schemes in the NSW mining and extractives industry

September 2009, version 1.0

© Industry & Investment NSW for and on behalf of The State of NSW - 2009

Preface

This *Tool to review safety incentive schemes in the mining and extractives industry in New South Wales* forms part of the NSW Mine Safety Advisory Council's (MSAC) focus on assisting the industry to achieve a world-leading OHS culture.

This tool includes a set of guiding principles and a checklist to assist sites in the NSW mining and extractives industry to assess and review safety incentive schemes in their move towards a world-leading OHS culture.

Research has shown that many current safety incentive schemes in the NSW mining and extractives industry do not reflect good practice principles, do not reward and encourage contributions to effective OHS management and, in many cases, have not been reviewed for many years. Some safety incentive payments involve substantial amounts of money.¹ For the schemes that involved payments or tangible rewards for achievement of outcomes, the measures or targets used to determine eligibility covered the whole site. Thus, if there was a lost time incident in one part of the site, the payment for everyone on site was affected.²

Currently, there are safety incentive schemes in the industry that link rewards (cash or kind) largely to lag indicators (such as Lost-Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR)), although in some schemes leading indicators also play a role. It is generally recognised that the transition to world-leading OHS culture will include a shift away from an emphasis on lag indicators, to a focus on schemes with leading indicators as the basis for rewarding good safety performance.

This tool is published to assist the industry in this transition from safety incentive schemes that focus on lag indicators, to schemes that focus on lead indicators. When the NSW mining and extractives industry has a world-leading OHS culture, everyone on the worksite will be committed to and demonstrating world-leading OHS performance, and that will simply be "how it is done". In that situation, a revision of the safety incentive scheme may lead to the recognition that it is no longer required.

MSAC has agreed on this set of guiding principles for the revision of existing safety incentive schemes. All stakeholders in the industry have had an input into the creation of these principles and have agreed to work with them.

MSAC will review the status of safety incentive schemes in three years to assess how the transition is progressing. It is to be hoped that there will be a significant change of focus within this time, and that schemes are no longer linked to lag indicators, rather they reward proactive OHS initiatives.



Norman Jennings
Chairman
NSW Mine Safety Advisory Council

¹ Digging Deeper Wran Consultancy Project. Independent Consultant Report by Shaw Idea. Commissioned by NSW Mine Safety Advisory Council, 2007, Vol. 1, p. 51.

² Ibid., p. viii.

Tool to review safety incentive schemes in the mining and extractives industry in NSW

Contents

Section	PAGE
Preface.....	i
Introduction	1
Guiding principles	2
Checklist	4
Action plan	7

Introduction

Purpose

To provide a practical tool which includes guiding principles, a checklist and an action plan template for sites to use when reviewing safety incentive schemes.

Overview

In an industry with a world-leading OHS culture, everyone on the site is committed to world-leading OHS performance; working safely is simply “how it is done”. In that situation, individual sites may decide that there is no longer a need for a safety incentive scheme. Currently there is a variety of safety incentive schemes throughout the industry, some of which may contribute to world-leading OHS culture. Once a site has behaviours that are consistent with world-leading OHS culture, a revision of the safety incentive scheme may lead to the recognition that it is no longer required.

This tool will assist sites in reviewing the usefulness of their safety incentive schemes and, where they are still required, to improve them. While there has been a large amount of research undertaken and reports written over the last decade about the utility of safety incentive schemes, the authoritative Digging Deeper³ research concluded that:

1. Recognition and reward schemes should be reviewed and developed in line with good practice principles;
2. The NSW mining industry should no longer pay workers in the industry money or equivalent benefits as a result of achievement of particular targets for outcome data, for example Lost-Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR); and
3. Sites with production bonus schemes should carefully review them to ensure that the payment is not creating a disincentive to address adverse OHS consequences of current working arrangements.

Furthermore, there is agreement that current safety incentive schemes need to focus principally on lead indicators and reinforce positive safety outcomes, rather than on lag indicators as is often the case. As part of this new focus, safety incentive schemes need to move to rewarding employees who take positive steps to improve OHS on sites, as opposed to being seen to be penalising them for reporting injuries.

This tool includes principles that were developed and agreed by the major stakeholders in the NSW mining industry.⁴ There is also a checklist to help sites review their safety incentive schemes, and an action plan to address issues arising from the checklist procedure. This tool should be used in a participative review process, preferably by a site OHS Committee or review team.

³ Research project commissioned by the NSW MSAC and undertaken by independent consultants, Shaw Idea, following the Wran Review into Mine Safety; published in November 2007.

⁴ Australian Workers Union, Cement Concretes and Aggregates Australia, CFMEU, Industry and Investment NSW and the NSW Minerals Council.

Guiding principles for the review of safety incentive schemes

The stakeholders of the NSW Mine Safety Advisory Council – the NSW Minerals Council; the CFMEU; the Cement Concrete and Aggregates Association of Australia; the Australian Workers Union; and Industry and Investment NSW – have agreed on the following principles that should be considered when assessing safety incentive schemes and their usefulness to mines and quarries.

The principles are as follows:

Development process

1. A safety incentive scheme should be developed in consultation with employees and/or their representatives.
2. A safety incentive scheme should be adequately resourced in terms of time, money and expertise. Employees should be trained and regularly retrained in each component that is required to be assessed.
3. A safety incentive scheme should be integrated with broader organisational and improvement strategies.
4. There should be clear links between the safety incentive scheme and other components of the OHS strategy.
5. A safety incentive scheme should have broad-based employee, manager and supervisor support.

Nature of scheme

6. A safety incentive scheme should have a clearly defined scope and objectives that enable a shift progressively away from a focus on outcomes, to a focus on improvement in contributions.
7. A safety incentive scheme should focus on achieving behaviour changes that reinforce positive behaviour to create a good OHS culture.
8. It is important that outcomes are measured objectively.
9. To reinforce positive behaviour, the incentive should be applied as close as possible to the act which it relates to. The type and quantity of the reward should have some meaning to the people involved.
10. A safety incentive scheme should be actively communicated and explained to employees prior to being implemented and to new employees upon joining. Regular communication with employees is required.
11. Employees should be included in assessing OHS outcomes against the required standards.
12. Employees and/or their representatives should have the right to assess and review outcomes against the source data.
13. Regularly updating employees to demonstrate results across all key performance indicators is essential.

Scope of scheme

14. A safety incentive scheme should support a broad-based risk management approach; be integrated into the site's OHS strategy; and be directed towards improving safety culture.
15. A safety incentive scheme should operate at different levels and should recognise contributions from each group.
16. Contractors may be included in the scheme according to how they fit into the profile of the site.

Goals and targets

17. The measurement criteria used for safety incentive schemes should focus on leading or positive performance indicators.
18. Participants and/or their representatives, as appropriate, should be able to influence the achievement of the goals and targets.
19. A safety incentive scheme should be monitored on a continuing basis and reviewed against pre-determined objectives (ie to ensure that there are no perverse safety outcomes) at agreed, regular intervals.
20. Each review should result in a progression from focusing on lag indicators to focusing on lead indicators.

Safety incentive scheme review checklist

Purpose

This checklist will provide sites with an opportunity to review their safety incentive schemes.

Instructions

This checklist is a starting point and should be used in a consultative review process.

Answer the questions as outlined below, from 1 to 25.

You will need to put together a review team to interview different people in your organisation to get responses.

It would be good to interview different work teams and/or groups on your site.

Once the checklist is complete, you then fill out the attached action plan which will provide space to identify measures to address and rectify identified issues, allocate responsibility for approving the action, date for the action to be implemented, whose responsibility it is and an evaluation date.

Checklist

Checklist Part A	Response
Scheme background	
1. What site is the checklist being used on?	
2. When was the safety incentive scheme introduced?	
3. What is the expiry date of the safety incentive scheme?	
4. Who is the team leader of the checklist review team? Who are the team members?	
5. Who is being consulted (asked the questions) for the checklist review?	
Scheme description	
6. Is the scheme based on a monetary reward?	
7. If so, how much per timeframe (eg a bonus of \$50 per fortnight if there are no reportable injuries)?	
8. If not, what is the reward and the timeframe?	
9. Who is part of the scheme (for example, employees only, employees and managers, employees, managers and contractors)?	
<p>10. What indicators or contributions are assessed ie exactly how does the scheme work?</p> <p>Eg, is it based on lag indicators such as Lost-Time Injury Frequency Rates and Medical Treatment Injury Frequency Rates?</p> <p>And/or does it reward and encourage contributions to effective OHS management, such as safety innovations?</p>	

Checklist part B	Yes/no	Action needed
Development process		
11. Was the scheme developed with participation from employees?		
12. Is the scheme adequately resourced and supported by management (eg through training and promotion)?		
13. Does the scheme link with broader organisational improvement strategies, instead of just being an add-on?		
14. Does the scheme have broad-based employee support?		
Nature of scheme		
15. Does the scheme have clearly defined and documented objectives?		
16. Does the scheme reward positive contributions to effective OHS management and improvement?		
17. Is the scheme regularly communicated to employees who understand and support its intent?		
18. Are the outcome measures objectively assessed?		
Scope of scheme		
19. Does the scheme support a broad-based risk management approach (rather than focusing on one aspect, eg worker behaviour)?		
20. Is the scheme focused at the team (rather than whole of site) level?		
21. Are contractors included in the scheme?		
Goals and targets		
22. Does the scheme avoid using injury/incident outcome indicators as targets?		
23. Does the scheme have goals and targets that are within the direct control of employees?		
24. Does the scheme have goals that are linked to effectiveness?		
25. Is the scheme formally reviewed at regular intervals (eg every 1 or 2 years to ensure that it is meeting its objectives and not producing perverse outcomes)?		

Action plan to address issues arising from the checklist

Site: _____

Date: _____

Task description <small>Include checklist question number</small>	Summary of measure to rectify the issue <small>Include references to any other work procedures that may assist</small>	Approved by	Date to be implemented	Whose responsibility?	Evaluation date

Review team leader _____

Review team members _____

INDUSTRY & INVESTMENT NSW CONTACTS

Telephone 02 4931 6666

Website www.dpi.nsw.gov.au/minesafety

Email mine.safety@industry.nsw.gov.au

Maitland

Industry & Investment NSW
Mineral Resources
516 High Street, Maitland NSW 2320
(PO Box 344, Hunter Region MC NSW 2310)
Phone: 02 4931 6666
Fax: 02 4931 6790

Armidale

Industry & Investment NSW
Earth Sciences Building (C2)
Ring Road North
University of New England
Armidale NSW 2351
(PO Box U86 UNE Armidale NSW 2351)
Phone: 02 6738 8500
Fax: 02 6772 8664

Broken Hill

Industry & Investment NSW
Level 2, 32 Sulphide Street
Broken Hill NSW 2880
(Note changed PO Box number)
(PO Box 696 Broken Hill NSW 2880)
Phone: 08 8088 9300
Fax: 08 8087 8005

Cobar

Industry & Investment NSW
Government Offices
62–64 Marshall Street
Cobar NSW 2835
(PO Box 157 Cobar NSW 2835)
Phone: 02 6836 6000
Fax: 02 6836 4395

Lightning Ridge

Industry & Investment NSW
Miners Association Building
Lot 60 Morilla Street
Lightning Ridge NSW 2834
(PO Box 314 Lightning Ridge NSW 2834)
Phone: 02 6829 9200
Fax: 02 6829 0825

Lithgow

Industry & Investment NSW
Hartley Building
Suite 1, Level 1, 184 Mort Street
Lithgow NSW 2790
(PO Box 69 Lithgow NSW 2790)
Phone: 02 6350 7888
Fax: 02 6352 3876

Orange

Industry & Investment NSW
161 Kite Street
Orange 2800
(Locked Bag 21, Orange NSW 2800)
Phone: 02 6360 5333
Fax: 02 6360 5363
After hours – emergency only –
02 6360 5343

Singleton

Industry & Investment NSW
Coal Services Building
1 Civic Avenue
Singleton NSW 2330
(PO Box 51 Singleton NSW 2330)
Phone: 02 6571 8788
Fax: 02 6572 1201

Thornton

Industry & Investment NSW
8 Hartley Drive
Thornton NSW 2322
(PO Box 343 Hunter Region Mail Centre NSW 2310)
Phone: 02 4924 4000
Fax: 02 4924 4080]

Wollongong

State Government Offices
Level 3, Block F, 84 Crown Street,
Wollongong NSW 2500
(PO Box 674 Wollongong NSW 2500)
Phone: 02 4222 8333, Fax: 02 4226 3851



Industry &
Investment