Factors Influencing Health and Safety Performance in the Contracting Chain

A Summary Review for the Business Leaders' Health and Safety Forum

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EXECUTIVE SUMMARY

A review of factors that influence health and safety performance in contracting chains in the international and New Zealand literature identified 12 key success factors. These factors can be organised into four groups:

1. A guiding principle of respecting and valuing all people working in the contracting chain;
2. An approach that is collaborative, interventionist and takes a long-term perspective;
3. Implementation of several enabling processes for setting clear contractual agreements, adopting mutual codes of conduct, coordinating and planning of work, giving and sharing of information, building the capability of all people working in the contracting chain, reviewing and evaluating the health and safety practices, as well recognising safe work and having sanctions in place for unsafe work; and
4. The presence of a supportive regulatory and inspection framework.

Leading Safety recommends that the Business Leaders’ Health and Safety Forum:

1. Develops a self-assessment tool that assesses the mindset and practices of CEOs with regard to the 12 factors identified as influencing health and safety performance in the contracting chain. This will provide CEOs with the opportunity to identify areas of personal development with regard to improving health and safety within their contracting chains.
2. Develops an organisational focussed assessment tool, to be used by principal organisations, to assess the extent to which their organisation’s practices align and support the 12 success factors that influence health and safety performance in the contracting chain.
3. Commissions a research project to validate the links and relative significance of the 12 success factors for improving health and safety in the contracting chain, outlined in the integrative framework.

1.0 OBJECTIVE

The Business Leaders’ Health and Safety Forum (the Forum) commissioned Leading Safety to conduct a review of the research literature to identify the factors that influence health and safety performance in the contracting chain.

2.0 BACKGROUND

“...The health and safety demands of organisations that were at the head of the supply (contracting) chain and in positions to determine the business success of suppliers (contractors), were important influences on how supplier companies represented their arrangements to manage their health and safety.” (Walters et al., 2012, p. 61)

Contracting chains are integral to the effectiveness of most organisations. As organisations look for ways to be more profitable, attempts have been made to make contracting chains more efficient, cost effective and safer. There is an expectation that parties in a contracting chain working cooperatively can exert greater influence on health and safety outcomes than when acting alone and that this influence will be stronger if leaders within the contracting chain champion health and safety through their words and actions. Common reasons given for a principal organisation to drive health and safety in their contracting chain include:

> Adherence to legal and regulatory demands and frameworks;
> The competitive advantage obtained through profitability and business efficiencies;
> The fear of reputation loss caused by injuries;
> Principal, employee and contractor demands for better health and safety outcomes; and
> Access to external expertise.
3.0 SCOPE OF THE REVIEW

There are two main types of networks between organisations and contracting organisations, (i) a supply chain and (ii) a contracting chain. In the supply chain, a focal or principal organisation is supplied with goods and materials. In the contracting chain, a focal or principal organisation is provided with specific services (e.g., maintenance, construction, cleaning, catering, and waste disposal) by contractors and sub-contractors. Both types of network are influenced by stakeholders such as customers, government, and non-government agencies.

As the Forum is focused on improving safety performance in areas where larger business can have a prevailing influence this review concentrates primarily on the contracting network chain, although there is some evidence that the principles can be applied to the wider supply chain.

4.0 METHOD

The factors that influence health and safety outcomes in the contracting chain were identified through a review of:

> The current literature and research on contracting chains;
> The literature review “Health and safety in the supply chain: The role of leaders and management in the contracting organisation”, completed by Research New Zealand for the Forum in November 2012;
> The transcripts of in-depth telephone interviews with 6 Forum members regarding their experiences and views on health and safety leadership in the supply chain conducted by Research New Zealand; and
> The Forum’s existing CEO Safety Leadership model.

![Figure 1. Types of organisational networks.](source: adapted from Seuring & Muller, 2008)
5.0 FINDINGS

A review of the research literature and some of the practical examples shows that:

> The supply and contracting chain can have both positive and adverse influences on health and safety outcomes (Walters & James, 2009);

> There is considerable variation in the degree of influence on health and safety outcomes in supplier and contracting organisations, as well as in support provided for improvement in health and safety management and performance (Walters, Wadsworth, Sampson & James, 2012).

> There are pre-conditions for successfully driving health and safety in the contracting chain (HSE, 2012b).

In some cases, leverage in the chain can be used to improve a standard of health and safety from suppliers and contractors. There is also some limited evidence of horizontal (i.e., contractor to contractor) and upward positive influence (i.e., contractor or supplier to client) (Walters et al., 2012). However, in some cases, business pressures can generate negative consequences for contracting organisations. Therefore, the importance of the chains in influencing health and safety performance should not be overgeneralised.

Based on this review Leading Safety identified 12 key factors that influence health and safety performance in the contracting chain. These factors and associated strategies are discussed below.

5.1 Respect and value shown for, and by, all parties

“...[R]espect for each other’s roles, and sharing of expertise and learning are not of themselves costly or esoteric but they have been shown to be invaluable for forging effective relationships.” (HSE, 2012b)

Acknowledging and valuing all parties in the contracting chain is core to driving health and safety across a contacting chain. Respect builds trust and underpins transparency, communications and collaboration (HSE, 2012b). Respect does not happen by chance or default but must be promoted and nurtured through an active focus on developing positive relationships and ways of working.

5.2 Focus on building long-term relationships

“Relationships between parties within a supply (contracting) chain can exert positive or negative pressure on work health and safety practices.” (Australian Work and Health and Safety Strategy 2012-2022)

There is evidence that taking a long-term view of the contracting relationship and making an effort to build positive long-term relationships with contractors is beneficial. Principal organisations that take a long-term perspective select contractors based on ‘best value for money’ rather than lowest price.

5.3 Client / focal company “interventionist” approach

‘...[T]he requirements of procurers acted as positive influences on the health and safety practices of downstream suppliers (contractors)... these influences were quite strongly interventionist.” (Walters et al., 2012)

“The client company, (sub-) contractors and workers should combine efforts in order to find the best solutions to ensure an adequate performance and safety of outsourced tasks.” (Ustailieva et al., 2012)

Research has shown that health and safety improvements are most likely when the principal organisation adopts an ‘interventionist approach’ towards driving health and safety outcomes in contracting organisations. This involves the principal organisation intervening directly, for instance by requiring contractors to adopt certain policies and practices, setting health and safety requirements in procurement contracts, certification schemes, training initiatives, co-ordination activities, monitoring compliance and having sanctions for not adhering (Walters & James, 2009; ODA, 2012; Walters et al., 2012).

‘Interventionist’ approaches need to be supported by external social, political and regulatory pressures to have a positive impact on health and safety performance across a contracting chain (Walters & James, 2009; Walters et al, 2012).
The impact of an ‘interventionist approach’ can have negative consequences if the principal organisation exploits its position of power when imposing conditions on contracting organisations.

5.4 Collaborative approach

“OSH management works better if the buyer-supplier (contractor) relationship is collaborative and trust based.” (Walters et al., 2012)

Research has shown that the key driver of engagement is feeling valued and involved (Robinson et al., 2004). Involving and working with contractors, as well as other third parties such as trade unions and relevant stakeholders, leads to better engagement in health and safety processes from all parties and commitment to achieving improved health and safety outcomes (HSE, 2012; IOSH, 2010; ODA, 2012). Cooperation can include joint goal setting and planning, workshops attended by all stakeholders to identify views, needs and aspirations, agreement on standards, sharing knowledge, best practice and solutions and joint campaigns.

5.5 Clear contractual agreements regarding goals and responsibilities

“Be clear on requirements and objectives from the outset as well as roles and responsibilities. If necessary, take time to provide that clarity. Be equally clear on any gaps or matters that remain to be confirmed.” (HSE, 2012)

Setting clear expectations through the use of health and safety policies, best practice and procedures, common standards including behavioural standards that cover principal and contractors has been found to have a positive impact on health and safety performance across the contracting chains (ODA, 2010b; Ustailieva et al., 2012; Walters et al., 2012), as does clarification of legal and contractual responsibilities. Common expectations provide alignment and a common focus for all parties working in the contracting chain. There is also evidence that pre-tender vetting (specifying health and safety contractual requirements in procurement services), procurement and tender requirements (health and safety standards for selecting contractors) and imposing standards are helpful.

5.6 Mutual adoption of codes of conduct and international frameworks

“Safety certification schemes have become important in the promotion of OSH in the contracting chain.” (Ustailieva et al., 2012)

A joint commitment to agreed codes of conduct, guiding principles and frameworks (e.g., safety certification schemes to train, evaluate, and certify health and safety performance and competency for both contracting organisations and individual) have been used to drive consistency of health and safety systems and practice in contracting chains (Ustailieva et al., 2012).

5.7 Coordination and planning

“Good health and safety isn’t an accident, it needs to be planned, implemented and checked.” (ODA, 2010b)

Providing sufficient time to plan ahead, and consider the risks as well as how to manage them, with contractors is essential. As is holding regular meetings to discuss and coordinate work at all levels across the contracting chain.

5.8 Information giving and sharing

“Sharing information to avoid unwarranted suspicions and to encourage trust, and particularly to be transparent where there are opportunities for wider learning.” (HSE, 2012)

“One form of cooperation to ensure high OSH levels is information sharing among partners involved, before work starts, and while it is in progress.” (Ustailieva et al., 2012)

Sharing of relevant information, knowledge and expertise across the contracting chain both vertically and horizontally improves health and safety performance. There are many opportunities for meaningful two-way dialogue and sharing of information including inductions, daily pre-task briefings, meetings, posters, safety alerts.
anonymous near-miss reporting and developing shared health and safety campaigns. Given the diversity of most workplaces, both verbal and visual means of communication should be used (Bust, 2011; HSE, 2012).

5.9 Capability building within the contracting chain

“An audit of capability was instigated by the ODA and subsequently a behavioural safety course for supervisors was mandated across the park.” (HSE, 2011)

In addition to taking an ‘interventionist’ approach to get contractors to comply, principal organisations that actively support contractors through the sharing of health and safety processes (e.g., reporting forms and audits, the provision of health and safety training, including behavioural safety training and safety leadership training and health checks and access to safety culture assessment) have seen improvements in contractor health and safety performance (Bust, 2011; HSE, 2012; ODA, 2012; Walters et al., 2012). Principal organisations have also supported contractors by seconding staff to contracting organisations to help with supervision and health and safety.

5.10 Monitoring, reviewing and evaluation

“Use monitoring and assurance processes to see whether required standards are being achieved, not as a tick box exercise but by encouraging interaction between parties to resolve problems and work collaboratively to achieve better outcomes.” (HSE, 2012)

In addition to setting clear contractual and procurement agreements with contractors, principal organisations need to actively monitor compliance with these agreements, review progress during the contract and evaluate outcomes at end of contract (Bust, 2011; IOSH, 2010; ODA, 2012; Ustailieva et al., 2012). Examples of processes for monitoring, reviewing and evaluating both contractor engagement and performance in health and safety include joint assessment of health and safety risks related to contracted work (e.g., maintenance, cleaning), assurance audits, weekly site tours, a confidential reporting line, presentation of ‘safety cases’, and post-completion review of health and safety performance.

5.11 Recognition and sanctions

“OSH management works better if the buyer-supplier (contractor) relationship is collaborative and trust based, and if there are adequate monitoring and penalty regimes.” (Walters et al., 2012)

Recognition of good health and safety management, engagement in leading health and safety, and positive outcomes by contractors is important to foster and embed sound health and safety practices. In addition to health and safety awards, recognition can include plaques, trophies, breakfast vouchers, and branded badges and fleeces. It is equally important that contractors know that there will be sanctions (e.g., work stopped or contractor excluded) for not complying with health and safety requirements and agreements and unsafe health and safety practices (HSE, 2012; Ustailieva et al., 2012; Walters et al., 2012).

5.12 Supportive regulatory framework and inspection

“Successful attempts to influence businesses in promoting OSH throughout their supply chains often involve mixed forms of regulation, in which top-down state regulation is combined with market-based measures and initiatives.” (Ustailieva et al., 2012)

Attempts to improve health and safety outcomes in the contracting chain by principal organisations are not effective without a supportive regulatory framework and regular regulatory inspection (Walters et al., 2012). In other words, a regulatory approach combined with the efforts of the principal organisation (i.e., a market-based or approach to driving health and safety in the contracting chain) is most likely to achieve success.
6.0 AN INTEGRATED FRAMEWORK

As outlined in Section 5.0 a review of the literature has identified 12 factors as key to influencing health and safety outcomes in a contracting chain. However, how these factors relate to each other has not been examined in the literature to date. Figure 2 sets out an organising framework that Leading Safety has created in an attempt to do this.

The rational for the framework is as follows:

> The core principle of respecting and valuing others is central to achieving the outcome of a positive health and safety performance in a contracting chain.

> The approach taken by the principal organisation needs to be interventionist, collaborative, with a long-term focus.

> This approach needs to be supported by several enabling processes including: adherence to clear contractual agreements, clear goals and responsibilities; adoption of mutual codes of conduct by all parties; processes for co-ordinating and planning the work; giving and sharing information; building the capability of all people working in the contracting chain; monitoring, reviewing and evaluating the health and safety practices; as well recognising safe work and having sanctions in place for unsafe work.

> All this needs to occur within a supportive regulatory and inspection framework.

To ensure that these success factors are incorporated into the contracting requires strong leadership across the contracting chain, CEOs in particular require a mind-set and practices that are supportive of the factors influencing positive health and safety outcomes in their supply and/or contracting chains.

Figure 2. An integrated model of factors influencing positive health and safety outcomes in a contracting chain.
7.0 CONCLUSION

Leading Safety reviewed the international literature, as well as the perspectives of a sample of New Zealand CEOs, to identify the factors that influence health and safety performance in the contracting chain. To date, no attempt has been made to explore the interactions between, or the relative influence of, these factors. This paper suggests an organising framework for linking these 12 factors based on a) the core principle of respect and valuing of all people b) an approach that is collaborative, interventionist and future focussed c) several enabling processes and d) supportive regulatory framework.

Strong, visible leadership plays a pivotal role in creating healthier, safer workplaces (Independent Taskforce on Workplace Health and Safety, 2013). As a result, a systematic attempt to develop and sustain leadership actions and activities related to the success factors outlined in this report will support the desired step change in health and safety outcomes in contracting chains across New Zealand.

8.0 RECOMMENDATIONS

Leading Safety recommends that the Business Leaders’ Health and Safety Forum:

1. Develops a self-assessment tool that assesses the mindset and practices of CEOs with regard to the 12 factors identified to influence health and safety performance in the contracting chain. This will provide CEOs with the opportunity to identify areas of personal development with regard to improving health and safety within their contracting chains.

2. Develops an organisational focussed assessment tool, to be used by principal organisations, to assess the extent to which their organisation practices align and support the 12 success factors that influence health and safety performance in the contracting chain.

3. Commissions a research project to validate the links and relative significance of the 12 success factors for improving health and safety in the contracting chain, outlined in the integrative framework.

4. Use its influence to encourage and motivate CEOs and directors to take a much stronger stand when it comes to contractor safety

5. Explore ways to ensure that CEOs and directors drive safety right through their contracting chain.

REFERENCES


http://www.youtube.com/watch?v=joSS91Y913k
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