

# Rising OSHA Fines? Don't Panic—Prequalify.

*With OSHA penalties poised to skyrocket, employers have a solution at hand to help save money and improve safety: contractor prequalification.*

OSHA is preparing to play catch-up, and employers are taking notice. In November 2015, a new budget deal set into motion some major changes in OSHA's penalty structure. The "catch up adjustment" will allow OSHA fines, which have not been raised in decades, to increase to account for inflation.



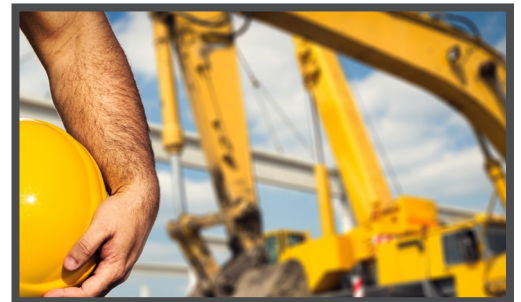
## Experts estimate that fines for safety violations may increase as much as 80 percent.

For example, a serious violation, which currently carries a maximum fine of \$7,000, could rise to approximately \$12,000. The costliest "repeat and willful violation," meanwhile, could top \$125,000 per violation, up from the current \$70,000<sup>1</sup> fine.

Large or small, OSHA violations are always best avoided in the first place, but this looming increase offers extra motivation for companies to ensure compliance. An interim final rule is expected by August 1, 2016, to outline specific penalty increases, but employers don't need to wait until then to take action to avoid being slapped with a fine.

### The Penalty-Safety Connection

An increase in fines might sound like a disaster, but this change may offer some indirect benefits for employers. The Institute for Work & Health (IWH) reports that when employers are faced with the possibility of financial penalties for a safety violation, they are more likely to prevent on-the-job injuries. IWH inspectors "found strong evidence for the effectiveness of inspections with citations and penalties in reducing injuries and moderate evidence that inspections without penalties have no effect in reducing injuries."<sup>2</sup>



Reducing workplace injuries is a vital goal for any proactive employer. Not only do on-the-job injuries result in reporting issues and workers' compensation complications, but they also can affect productivity, worker morale and the bottom line. Eliminating injuries is the ultimate goal here, not just avoiding fines. So if the prospect of larger penalties can promote a reduction in injuries and a more profitable business, that's a win-win for employers.

Employers have many tools at their disposal for improving safety culture and remaining compliant with regulations, but there's one big step they can take to ensure they're safe and covered: contractor prequalification.

### An Ounce of Prevention

Sustaining a safe, efficient and compliant workplace is a complex task for any employer, but for companies with operations spanning multiple locations – perhaps all over the world – things become even more complicated. Employers must ensure contractors are operating safely, are compliant, up to date with all regulations, and meeting the employer's overarching standards of quality and service. Not to mention the amount of paperwork and communication required to keep all this rolling.



That's a tall order. For many companies, contractor prequalification can ensure a streamlined, painless process that helps achieve safety compliance. After all, a little prevention goes a long way.

“In the spirit of an-ounce-of-prevention-is-worth-a-pound-of-cure, host employers increasingly are prequalifying their contractors before they get onto the worksite,” assert the authors of “Contractor Safety Prequalification,” an exhaustive University of Utah study focusing the safety implications of contractor prequalification. The authors liken contractor prequalification to “a three-legged stool where the good contractor will stand on firm financial ground, have a reputation for quality work, and be a safe contractor.”<sup>3</sup>

According to this study, when employers were asked why they prequalified contractors, top reasons included aligning the contractor’s culture and expectations with their own; meeting OSHA and/or EPA regulations; preventing catastrophic events; and ensuring quality, timely work. Cost benefits of prequalification include the ability to confirm contractor safety capabilities; the “long-run improvement” of those capabilities; and the significant value associated with prequalifying for dangerous work. Benefits associated with multi-host prequalification systems in particular include lower administration costs; a broader and clearer signal of expectations; and flexible uniformity.

Finally, the study points out that OSHA’s Voluntary Protection Programs (VPP) and Process Safety Management (PSM) standard necessitate prequalification, “thus diffusing safety prequalification practices within the economy ... This tends to make safety prequalification not just a setting of standards but ideally, a marriage of safety cultures.”

“A marriage of safety cultures” is an apt description for the goal of contractor safety prequalification. When employers can confirm contractors are on the same page in terms of safety and quality, everyone wins – and no one gets hit with an OSHA fine.

## Committing to Safety

Workplace injuries have far-reaching effects. Time is lost on the job. Production is affected. Workers might feel frustrated, undervalued, or unsafe. OSHA might levy a hefty penalty. But when employers commit to safe and reliable contractors from the start, they gain control over their work sites and ensure regulatory needs are met.

Prequalification is one part of that commitment. It’s a proven way to help achieve compliance for all work sites and all employees – and that, in the end, is priceless.



## About the Author

Laura Walter is a custom editor for Penton Media Inc. She formerly served as the senior editor of EHS Today, where she was a subject matter expert in EHS compliance and government issues and covered a variety of topics relating to occupational safety and health.

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### References:

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- [3] Phillips, P., & Waitzman, N. “Contractor Safety Prequalification.” University of Utah. 2013. [http://econ.utah.edu/\\_documents/working\\_papers/2013\\_07.pdf](http://econ.utah.edu/_documents/working_papers/2013_07.pdf)