The Risk Transfer Gap



Many organizations know exactly how many employees they have. Fewer can answer a more important risk question with the same confidence: how many people are working under their operational influence today, and who is responsible for keeping each one safe?

The answer gets complicated quickly. A warehouse may have permanent employees, agency workers, maintenance contractors, delivery drivers, cleaners, technicians, and project crews on the same site. A manufacturer may outsource specialized maintenance. A construction project can have multiple employers working around one another. A seasonal operation may double its labour force without doubling its direct payroll.

From a business perspective, those arrangements create flexibility. From a loss-control perspective, they can create a gap between the workforce an organization counts and the exposure it actually manages.

That gap matters because hazards do not respect employment relationships. A forklift operated by one employer can strike a worker employed by another. A contractor can defeat an energy-control boundary that protects the host's employees. An agency worker can be assigned to equipment they have never seen. A host employer can assume the staffing company covered training while the staffing company assumes site-specific training will happen after arrival.

> **Risk can be transferred by contract. Operational control cannot be transferred by assumption.**

The org chart is not the risk map

Traditional safety management often starts with the employer's own workforce. That makes sense administratively, but it can be misleading operationally.

OSHA's guidance on multiemployer workplaces emphasizes communication and coordination among host employers, contractors, and staffing agencies because each party's work can affect other workers on the site. For temporary workers, OSHA states that staffing agencies and host employers share responsibility for

maintaining a safe work environment, including training, hazard communication, and other protections based on the facts of the employment relationship.

The practical lesson extends beyond U.S. compliance. When more than one organization influences the same work, safety responsibilities have to be made explicit. If they remain implicit, the gap tends to appear at exactly the point where an incident occurs.

Who trained the worker on the equipment? Who verified competency? Who explained the site’s traffic pattern? Who controls lockout? Who supplies PPE? Who reports the incident? Who investigates it? Who decides whether the worker can return to modified work? If those questions produce different answers depending on whom you ask, the organization has a loss-control problem before it has a claim.

Contracting can move cost without moving hazard

Businesses often use contractors or temporary labour partly because they want flexibility, specialized skill, or a different employment model. Those arrangements can also change where payroll, insurance, and workers compensation costs sit.

But the physical hazard may remain inside the host operation. The loading dock is still the loading dock. The press is still the press. The electrical system, confined space, chemical process, traffic route, roof edge, and production pressure still exist regardless of whose logo appears on the worker’s paycheque.

That creates a temptation to view outsourced work as outsourced risk. It is more accurate to think of it as shared or redistributed risk. The ultimate financial impact can arrive through a contractor claim, contractual indemnity dispute, liability allegation, operational shutdown, regulatory action, property loss, project delay, or an injury to the host’s own employee caused by the contractor’s work.

The workers compensation claim may sit on someone else’s loss run while the root cause sits squarely inside your operation.

Precarious work is itself a risk signal

There is also growing evidence that employment conditions matter.

A 2024 Ontario study published in Occupational and Environmental Medicine linked precarious employment with higher rates of accepted lost-time injury and illness claims. After accounting for age, sex, and year, workers with high and very high exposure to precarious employment had substantially higher injury or illness rates. The relationship weakened after further adjustment for physical demands and workplace hazards, but remained significant.

That does not mean every temporary or contract arrangement is unsafe. It does mean employment structure can be a marker for other conditions that deserve attention: irregular hours, unfamiliar assignments, weak attachment to the

workplace, limited influence, inconsistent training, economic pressure, or uncertainty about who is responsible for protection.

For loss-control teams, the useful question is not whether a worker is permanent or temporary. It is whether the employment arrangement introduces friction into hazard control.

The most dangerous word is assumed

The risk transfer gap usually begins with assumptions.

The host assumes the staffing agency verified the worker’s qualifications. The agency assumes the host will provide equipment-specific training. Procurement assumes the contractor’s certificate of insurance proves safety capability. The contractor assumes the host will isolate equipment. The host assumes the contractor has its own lockout procedure. Operations assumes safety reviewed the scope. Safety assumes procurement included the requirements in the contract.

Nothing has actually failed yet. Everyone may be competent and well intentioned. But the control exists only as an expectation shared imperfectly across organizational boundaries.

The fix is not another generic contractor orientation. It is to convert assumptions into named responsibilities, verification points, and escalation paths before work begins.

Build the exposure map before the training matrix

Most organizations start contractor or temporary-worker safety with training. Training matters, but it is difficult to design correctly until the exposure relationship is understood.

Map who is doing the work, who directs it, who controls the area, who owns the equipment, who understands the hazard, and who can stop or change the work. Those answers determine where controls need to connect.

A useful exposure map can be built around five questions.

Question	What it reveals
Who controls the work?	**Who assigns tasks, sets pace, changes priorities, and can stop the job.**

Who controls the hazard?	**Who owns, maintains, isolates, guards, or otherwise controls the source of risk.**
Who knows the worker?	**Who understands the worker’s qualifications, restrictions, language needs, and prior training.**
Who verifies competence?	**Who confirms the worker can safely perform the site-specific task before independent exposure.**
Who owns the response?	**Who reports, investigates, communicates, and coordinates after an incident or near miss.**

Certificates of insurance are not a control

Procurement processes often focus heavily on insurance certificates, indemnity language, and contractual limits. Those protections matter. They are not substitutes for operational controls.

A contractor can be fully insured and still bring an unqualified worker onto the site. A staffing agency can have workers compensation coverage and still lack enough information to understand the hazards at the host location. A signed contract can assign responsibility for training without proving that training occurred or that the worker understood it.

Loss-control reviews should therefore distinguish financial risk transfer from hazard control. One protects the balance sheet after something goes wrong. The other reduces the chance that it goes wrong in the first place.

The strongest contractor-management systems connect the two. Contracts establish responsibilities. Prequalification tests capability. Site planning identifies interfaces. Training covers the actual exposure. Supervision verifies performance. Incident information flows back to every party that needs it.

Insurance can finance a loss. It cannot make an unsafe interface safe.

Temporary workers need two kinds of training

Temporary labour highlights the issue particularly well because two organizations often share different pieces of knowledge.

The staffing agency knows the worker, the employment arrangement, and the general role. The host employer knows the site, equipment, process, traffic, emergency arrangements, and day-to-day hazards. OSHA's temporary-worker guidance specifically recognizes that the staffing agency might provide general safety training while the host provides training tailored to the particular workplace and equipment.

If either half is missing, the worker can arrive with a training record that looks complete while still being unprepared for the exposure in front of them.

A better handoff verifies both layers. Before assignment, confirm baseline qualifications and general training. At the site, provide specific hazard and task instruction. Before independent work, verify that the employee can perform the task safely. Then make sure both organizations know how incidents, near misses, restrictions, and changes in assignment will be communicated.

The scope changes, but the controls often do not

Another recurring failure occurs after the contractor is approved.

The original scope is reviewed. The work begins. Then reality changes. A repair becomes a modification. A one-day job becomes a week. A contractor brings a subcontractor. Work moves to another area. The host asks the crew to help with an additional task because they are already on site.

The contract may not change. The risk does.

This is where permit systems, pre-job meetings, management of change, and supervisor authority matter. The organization needs a simple trigger for stopping and rechecking the plan when the work moves outside the assumptions under which it was approved.

The question should be routine: Are we still doing the job we assessed?

Claims data can understate the operational problem

Fragmented employment relationships can also fragment the data used for prevention.

A host may see no increase in its own workers compensation claims while agency workers are being injured on the same site. A contractor may experience several

incidents across different clients without any single host seeing the pattern. Near misses may be investigated locally but never communicated back to the staffing firm. Property damage and first-aid events may sit in separate systems.

The result is a false sense of stability. The host’s loss run looks good because some of the loss is being recorded elsewhere.

A stronger loss-control system tracks events by operational exposure as well as employer of record. If an agency worker is injured on your conveyor, that event belongs in the learning system even if the claim belongs to another insurer. If a contractor repeatedly damages equipment, the absence of an employee injury does not make the pattern irrelevant.

Create one interface standard

The goal is not to force every contractor, staffing firm, and host employer into one safety program. Different employers have legitimate responsibilities, systems, and legal obligations.

What can be standardized is the interface between them.

A practical interface standard tells every party what has to be true before work begins, what has to happen when conditions change, and how information will move after an event. It is short enough to use and specific enough to verify.

Interface	Minimum control
Prequalification	**Confirm capability, insurance, relevant safety performance, qualifications, and scope-specific requirements.**
Pre-job planning	**Identify hazards created by the host, the contractor, and interactions between both.**
Training handoff	**Define what general training is provided by one party and what site/task-specific training is provided by the other.**
Competency verification	**Identify who observes and authorizes critical work before independent exposure.**

Change control	**Stop and reassess when scope, location, equipment, crew, or conditions materially change.**
Incident communication	**Require prompt two-way notice of injuries, near misses, restrictions, and corrective actions.**
Learning loop	**Feed contractor and temporary-worker events into the host’s prevention system even when the claim is recorded elsewhere.**

SafetyNow can support the shared training layer

Technology is useful when it reduces variation at the interface rather than pretending the interface does not exist.

SafetyNow can provide consistent baseline training, role-specific assignments, mobile access, multilingual learning, assessments, and centralized records for workers who need access to the host’s safety expectations. It can also support contractor orientations, site-specific modules, supervisor refreshers, and recurring safety talks.

The important boundary is clear: a platform can document and reinforce training, but it cannot decide which legal employer owns a particular obligation, replace hands-on competency verification, or resolve conflicting contractor and host procedures by itself.

The strongest model uses the platform to make the agreed training layer visible and repeatable, then uses field controls to verify that people can actually work safely together.

The insurer opportunity is to look across the boundary

Insurers and loss-control professionals can add value because they are accustomed to looking at systems rather than a single job. The most useful questions often sit between departments and between employers.

How much of the insured’s work is performed by people who are not direct employees? Which high-hazard tasks are routinely contracted? How are temporary workers qualified? Does procurement involve safety before contracts are signed? Can the host see contractor incidents and near misses? What happens when the

work scope changes?

Those questions reveal whether risk transfer is supported by real controls or mostly by paperwork.

They also help explain why two organizations with similar contractor spend can have very different loss experience. One has clear interfaces. The other has boundaries where everyone owns part of the problem and nobody owns the whole thing.

A 30-day risk transfer gap review

Week	Action	What to verify
1	List contractors, staffing agencies, temporary workers, and other non-employee labour by site and high-hazard task.	Whether the organization knows its true working population and where external labour touches critical exposures.
2	Map responsibility for training, supervision, hazard control, PPE, qualification, and incident response.	Whether duties are explicit or merely assumed.
3	Review three recent contractor or temporary-worker jobs from planning through closeout.	Whether the written system survives real operational pressure and scope changes.
4	Fix the most important interface gaps and brief supervisors, procurement, safety, and external partners.	Whether responsibility is now visible, verifiable, and repeatable.

The true exposure is everyone touched by the work

Contractors, temporary labour, and specialized vendors are not exceptions to modern operations. In many industries they are part of the operating model.

The loss-control problem begins when the organization continues to manage safety as though employment boundaries are also hazard boundaries.

They are not.

A serious prevention system follows the energy, equipment, work process, and decision-making authority wherever they go. It asks who can create the exposure, who can control it, who needs to understand it, and who will know if the control fails.

That is the risk transfer gap. Closing it does not require bringing every worker onto the same payroll. It requires making sure no worker falls into the space between two employers' assumptions.

> **The most dangerous gap is not between two companies. It is between two companies' assumptions about who is responsible.**

Key takeaways

- Map the people doing the work, not only the employees on the payroll.
- Distinguish financial risk transfer from operational hazard control.
- Make host, contractor, and staffing-agency responsibilities explicit before work begins.
- Give temporary workers both general preparation and site/task-specific training, then verify competence.
- Reassess when scope, crew, equipment, location, or conditions change.
- Include contractor and temporary-worker events in prevention analytics even when the workers compensation claim sits elsewhere.
- Use insurance documentation as one layer of risk management, not proof that the work is safely controlled.
- For insurers, examine the interfaces between employers. That is often where hidden exposure lives.