

## Safety Programs and Return on Investment

Occupational Safety and Health Administration (OSHA) statistics clearly illustrate that health care facilities that establish safety and health management systems can dramatically reduce injury and illness costs. In some cases, you could reduce costs by up to 40 percent. If you could save your company money, improve productivity and increase employee morale by implementing these systems, why wouldn't you?

In today's business environment, these safety-related costs can be the difference between reporting a profit or a loss. Use these tips to understand how safety programs will directly affect your facility's bottom line.

### Proving ROI

OSHA studies indicate that for every \$1 invested in effective safety programs, you can save \$4 to \$6 as occupational illnesses and injuries. With a good safety program in place, your costs will naturally decrease. It is important to determine what costs to measure to establish benchmarks, which can then be used to demonstrate the value of safety over time.

But keep in mind that your total cost of safety is just one part of managing your total cost of risk. When safety is managed and monitored, it can also help drive down your overall cost of risk.

### Proving the Value of Safety

Demonstrating the value of safety to management is often a challenge because the return on investment (ROI) can be cumbersome to measure. Your goal in measuring safety is to balance your investment vs. the return expected. Where do you begin?

There are many different approaches to measuring the cost of safety, and the way you do so depends on your goal. Defining your goal helps you to determine what costs to track and how complex your tracking will be.

For example, you may want to capture certain data simply to determine what costs to build into the price of a product or service, or you may want to track your company's total cost of safety to show increased profitability, which would include more specific data collection like safety wages and benefits, operational costs and insurance costs.

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### Health care facilities that establish safety and health management systems can dramatically reduce injury and illness costs in the long run.

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Since measuring can be time consuming, general cost formulas are available. A Stanford study conducted by Levitt and Samuelson places safety costs at 2.5 percent of overall costs, and a study published by the Economist Intelligence Unit (EIU) estimates general safety costs at about 8 percent of payroll.

If it is important for your organization to measure safety as it relates to profitability, more accurate tracking should be done. For measuring data, safety costs can be divided into two categories: direct (hard) costs, which include wages, operational costs, insurance premiums, attorney fees, accident costs and fines or penalties, and

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indirect (soft) costs. Indirect costs go beyond those recorded on paper and include factors such as the following:

- Accident investigation
  - Repairing damaged property
  - Administrative expenses
  - Worker stress in the aftermath of an accident resulting in lost productivity, low employee morale and increased absenteeism
  - Training and compensating replacement workers
  - Poor reputation, which translates to difficulty attracting skilled workers and lost business share.
- Implementation of an OSHA consultation program reduced losses at a forklift manufacturing operation from \$70,000 to \$7,000 per year.
  - A fall protection program implementation reduced one employer's accident costs by 96 percent -- from \$4.25 to \$0.18 per person-hour.

Considering the statistics, safety experts believe that there is direct correlation between safety and a company's profit. We are committed to helping you establish a strong safety, health and environmental program that protects both your workers and your bottom line. Contact us today at 4846542566 to learn more about our value-added services.

When calculating soft costs, minor accidents costs are about four times greater than direct costs. Serious accidents about 10 to 15 times greater, especially if the accident generates OSHA fines or litigation costs.

According to the International Risk Management Institute (IRMI), just the act of measuring costs will drive improvement. In theory, those providing the data become more aware of the costs and begin managing them. This supports the common business belief that what gets measured gets managed. And, as costs go down, what gets rewarded gets repeated.

## Safety as a Core Business Strategy

Industry studies report that companies who focus on safety as a core business strategy come out ahead. Consider the following as reported by the American Society of Safety Engineers:

- A coal mining company in West Virginia reduced its workers' compensation rate of \$1.28 per \$100 payroll vs. its competitor's rate of \$13.78.