

# HR Issues and Answers

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## Investment in workplace safety triggers positive bottom line results (June 28, 2004)

**Issue:** *The bottom line. The bottom line! It seems every staff meeting this year has explored ways to increase profits. You thought you'd looked into every possible cost-saving measure. Now today's agenda includes saving through a beefed-up safety plan. Could there really be cost-containment in better safety?*

**Answer:** In response to the recent Labor Department job report showing little change in the employment rate, the American Society of Safety Engineers (ASSE) suggests businesses invest now in workplace safety, as part of their business strategy, to decrease injuries and illness, thereby increasing profits and helping to create jobs.

"Many businesses do this, but if more were aware of the fact that it makes good business sense to protect people in the workplace by investing in safety, they would soon reap the rewards and realize job creation potential," ASSE President James "Skipper" Kendrick, CSP, said following the recent release of the February economic data by the U.S. Bureau of Labor Statistics. "Also, the cost of preventing work-related injuries and illnesses is usually far less than correcting them."

Companies that invest consistently in safety realize positive bottom line results, reduced absenteeism, lower turnover rates, higher productivity, increased employee morale and a positive brand image. Additionally, as illnesses, injuries and fatalities decline so do health care and workers compensation costs.

Studies have shown that the indirect cost of an incident can be up to 10 times that of the direct costs. For every \$1 invested in an effective workplace safety program, \$4 to \$6 may be saved as illnesses, injuries and fatalities decline. Indirect costs include: training and compensating replacement workers; repairing damaged property; accident investigation and implementation of corrective action; scheduling delays and lost productivity; administrative expenses; low employee morale and increased absenteeism; and poor customer/community relations.

According to ASSE's Return on Investment (ROI) for Safety, Health and Environmental (SH&E) Management Programs white paper, investment in a SH&E program is a sound business strategy for any organization regardless of size and will lead to having a positive impact on the financial bottom line. For example, the ASSE ROI paper points out that:

- A SH&E director for an environmental services company in Massachusetts saved \$8 for each dollar spent on a quality SH&E program;
- A West Virginia coal mining company reduced its workers' compensation rate of \$1.28 per \$100 payroll as opposed to its competitor's rate of \$13.78;
- A fall protection program implementation reduced one employer's accident costs by 96 percent from \$4.25 to \$0.18 per person-hour;
- Implementation of an improved safety and health program reduced a large service company's workers' compensation costs by \$2.4 million over a two-year period; and
- Implementation of an Occupational Safety and Health Administration (OSHA) safety program reduced losses at a forklift manufacturing operation from \$70,000 to \$7,000 per year.

"There is a direct positive correlation between investment in SH&E and its subsequent return on investment," Kendrick noted. "Ultimately, company executives who recognize that they have a

duty to provide a safe and healthful workplace to those who work for the company or visit the worksite are able to reap the rewards of their prevention efforts."

Workplace injuries and illnesses are costly in financial and human terms. According to the Insurance Information Institute (III), the average cost for businesses of workers' compensation insurance (which provides for the cost of medical care and rehabilitation for injured workers, as well as lost wages and death benefits for the dependents of persons killed in work-related accidents) has risen 50 percent in the last three years. According to the III, driving workers' compensation costs higher are medical costs. The III notes that over the last decade, the average medical cost per claim has nearly doubled.

"A sound safety and health management process can help companies fulfill their obligation to protect people, maintain compliance and contribute positively to a businesses' bottom line," Kendrick said.

**Source:** American Society of Safety Engineers (<http://www.asse.org>).

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