



*Safety and Health Topics / Business Case for Safety and Health*

# Business Case for Safety and Health



## Benefits

Employers that invest in workplace safety and health can expect to reduce fatalities, injuries, and illnesses. This will result in cost savings in a variety of areas, such as lowering workers' compensation costs and medical expenses, avoiding OSHA penalties, and reducing costs to train replacement employees and conduct accident investigations. In addition, employers often find that changes made to improve workplace safety and health can result in significant improvements to their organization's productivity and financial performance.

The following resources provide background on the economic benefits of workplace safety and health and how safety managers and others may demonstrate the value of safety and health to management.

### Management and Employee Views on Investment in Workplace Safety and Health

Workplace Safety Can Give Small Business Owners a Recruiting Edge, EMPLOYER Survey Finds (Sep. 2017). Survey of small business employees conducted by an insurance company found that workplace safety was among the top criteria employees consider when evaluating a new job offer.

Y.H. Huang, T.B. Leamon, et al. "Corporate Financial Decision-Makers' Perceptions of Workplace Safety." *Accident Analysis and Prevention*, Vol. 39, No. 4, pp. 767-775 (2007). This study reviewed how senior financial executives perceived workplace safety issues. The executives believed that money spent improving workplace safety would have significant returns. The perceived top benefits of effective workplace safety and health programs were increased productivity, reduced cost, retention, and increased satisfaction among employees.

### Return on Investment in Workplace Safety and Health

Building a Safety Culture: Improving Safety and Health Management in the Construction Industry (PDF). Dodge Data and Analytics, CPWR, and United Rentals, (2016). Includes a section on the impact of safety practices and programs on business factors, such as budget, schedule, return on investment, and injury rates.

The ROI of EHS: Practical Strategies to Demonstrate the Business Value of Environmental, Health, and Safety Functions (PDF). Business and Labor Reports, (2006). Reviews strategies to help EHS professionals demonstrate the value of their programs to executive management.

Return on Investment. American Society of Safety Professionals (ASSP). Provides information on the return on investment in workplace safety and health.

Demonstrating the Business Value of Industrial Hygiene (PDF). American Industrial Hygiene Association (AIHA), (May 2008). Provides guidance on how industrial hygienists can show that they provide organizations with competitive business advantages.

Business Value Presentation. American Industrial Hygiene Association (AIHA), 2017. Reviews the knowledge and skills necessary for persons to make a business case for interventions to reduce or eliminate adverse workplace exposures.

Construction Solutions Return on Investment Calculator. CPWR - The Center for Construction Research and Training. Helps evaluate the financial impact of new equipment, materials, or work practices introduced to improve safety.

Safety Grant Best Practices. Ohio Bureau of Workers' Compensation Safety Grants Intervention Program. Case studies on the effectiveness of investment in safety equipment, including reduced incident rates and return on investment information.

R. Fabius, RD Thayer, DL Konicki, et al, "The link between workforce health and safety and the health of the bottom line: tracking market performance of companies that nurture a "culture of health." Journal of Occupational and Environmental Medicine, Vol. 55, No. 9 (2013), pp. 993-1000. Companies that build a culture of health by focusing on the well-being and safety of their workforce may yield greater value for their investors. See Abstract and Press Release.

## **Tools for Calculating Economic Benefits of Workplace Safety and Health**

### **Safety Pays Program**

\$afety Pays. OSHA. Interactive software that assists employers in assessing the impact of occupational injuries and illnesses on their profitability. It uses a company's profit margin, the average costs of an injury or illness, and an indirect cost multiplier to project the amount of sales a company would need to generate to cover those costs.

Safety Pays in Mining. National Institute for Occupational Safety and Health (NIOSH). Estimates the total costs of workplace injuries to a company in the mining industry and the impact of profitability.

### **Journal Articles**

Michael Behm, Anthony Veltri, and Ilene Kleinsorge. "The Cost of Safety: Cost analysis model helps build business case for safety." Professional Safety (April 2004). Presents a cost analysis model that can help safety, health, and environmental professionals measure, analyze, and communicate safety strategies in business terms.

"Proceedings From the Economic Evaluation of Health and Safety Interventions at the Company Level Conference." Journal of Safety Research Vol. 36, No. 3(2005), pages 207-308. These articles describe several tools currently used by companies to evaluate the economic impact of safety and health interventions.

Susan Jervis and Terry R. Collins. "Measuring Safety's Return on Investment." Professional Safety (September 2001). To address the challenge of maintaining effective safety programs in the face of cutbacks, the authors discuss a decision tool to help safety managers determine which program elements offer the best return on investment.

### **Impact of OSHA Inspections**

D. Levine, M. Toffel, and M. Johnson, "Randomized Government Safety Inspections Reduce Worker Injuries with No Detectable Job Loss." Science, Vol. 336, No. 6083, pp. 907-911 (May 18, 2012). A 2012 study concluded that inspections conducted by California's Division of Occupational Safety and Health (Cal/OSHA) reduce injuries with no job loss. The study showed a 9.4% drop in injury claims and a 26% average savings on workers' compensation costs in the four years after a Cal/OSHA inspection compared to a similar set of uninspected workplaces. On average, inspected firms saved an estimated \$355,000 in injury claims and compensation paid for lost work over that period. There was no evidence that these improvements came at the expense of employment, sales, credit rating, or firm survival. See Abstract and Press Release.

A.M. Haviland, R.M. Burns, W.B. Gray, T. Ruder, J. Mendeloff, "A new estimate of the impact of OSHA inspections on manufacturing injury rates, 1998-2005," American Journal of Industrial Medicine, (May 7, 2012). Found that OSHA inspections with penalties of Pennsylvania manufacturing facilities reduced injuries by an average of 19-24% annually in the two years following the inspection. These effects were not found in workplaces with fewer than 20 or more than 250 employees or for inspections without penalties. See Abstract.

M. Foley, Z.J. Fan, E. Rauser, B. Silverstein, "The impact of regulatory enforcement and consultation visits on workers' compensation incidence rates and costs, 1999-2008." American Journal of Industrial Medicine, (June 19, 2012). Reviewed changes in workers' compensation claims rates and costs for Washington state employers having either an inspection, with or without a citation, or an On-site Consultation Program visit. The study concluded that enforcement activities were associated with a significant drop in claims incidence rates and costs and that similar results may also be attributable to Consultation visits. See Abstract.

### **Making the Business Case for Process Safety Management**

Business Case for Process Safety. American Institute of Chemical Engineers, Center for Chemical Process Safety (CCPS). CCPS developed a brochure and presentation to help companies demonstrate the business case for process safety management.

### **Relationship Between Injury Rates and Survival of Small Businesses**

Theresa Holizki, Larry Nelson, and Rose McDonald. "Injury Rates as an Indicator of Business Success." Industrial Health Vol. 44(2006), pages 166-168. Study of new small businesses that registered with the Workers' Compensation Board of British Columbia. A statistical correlation was found between workplace safety and health and the survival of a small business. Businesses that failed within one to two years of start-up had an average injury rate of 9.71 while businesses that survived more than five years had an average injury rate of 3.89 in their first year of business.