



Training

How Safety Training and Safety Procedures Stimulate ROI

CJ Prince | Mar 01, 2017

What You Need To Know

Investing in prevention is like paying into an insurance policy.

Dedicated safety training drove a 66 percent decrease in total claims among a collection of companies.

Losing a member of your workforce can damage moral, decrease productivity and raise your premiums.

Looking at your training costs now could help you avoid paying more after an injury.

As the idiom goes, an ounce of prevention is worth a pound of cure. But while everyone agrees workplace injuries are bad for business, making the case for investment in workplace safety prevention isn't always that simple.

Unlike the return on investment (ROI) for new equipment that can be measured in terms of future sales it will produce, measuring the savings to be realized from not having an occupational injury, illness or related incident at work is a bit more challenging, says Tim Bushnell, economist with the *National Institute for Occupational Safety and Health (NIOSH)* at the Centers for Disease Control and Prevention. "Investing in prevention is like buying an insurance policy. You never know what you may have avoided by doing so."

Looking at Safety Research

Numerous studies of companies that have had incidents in the past and then invested in safety saw a significant boon to their bottom line.

In Ohio, for example, companies that implemented safety equipment as part of a workers' compensation grants program saw a 66 percent decrease in total claims frequency, and an 81 percent decline in the workers' compensation paid cost per employee.

Another NIOSH study that measured the link between profitability and the incidence rate of occupational injuries in coal mines found that a 10 percent increase in real total revenue per hour worked corresponded with a decrease in reported injuries. "These studies show that prevention really

does work," says Bushnell.

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Looking at the Costs

Workers' compensation payments may be the most obvious line item in overall expenses associated with workplace injury and illness, but it is hardly the only one. The hidden or indirect costs, often overlooked, are at least as significant, and considering them can help make the ROI case for investment in prevention. Here are just a few to consider as you crunch the numbers.

- **Worker replacement.** Turnover is always costly. Expenses related to hiring and training new employees vary by employee role, according to a study by the Center for American Progress, which estimates that the cost to replace employees was: 16 percent of the annual salary for jobs paying \$30,000 or less; 20 percent of annual salary for jobs considered midrange paying \$75,000 or less; and skewed up to 213 percent of yearly pay for those employees who had more complex jobs at the senior or executive levels. The more specialized the position, the greater the risk. "So the question is, are you going to lose a skilled worker that's hard to replace? Because that can throw a monkey wrench into the work process," says Bushnell. "Longer term, you may lose a worker prematurely who has to move on or retire early because they don't have the capacity they used to have" as the result of an earlier injury or illness, he adds.
- **Loss of productivity.** Even when an injured worker is able to return to the job, he or she might not be as effective or productive as before. The incident also may cause others, who were not involved in the incident but who work in the same department, to be more worried or hesitant, resulting in reduced efficiency. "When employees are working in an environment where they feel some degree of risk, that can affect worker morale," says Bushnell.
- **Increased premiums.** Workers' compensation insurance premiums are calculated with a simple formula that measures three factors: a) the size of the employer's payroll; b) employee job classifications; and c) the company's claims experience, which is characterized by a number known as the "experience modifier." That number goes up when claims are filed, and when it does, premiums go up as well. The company's group health insurance premiums may also rise when injured or ill employees seek additional medical care not covered by workers' compensation.

Depression, too, is common following workplace injuries, notes Bushnell. "And we know from a number of studies that depression is one of the most costly conditions in the workplace." One of those studies, "*Incidence and Cost of Depression After Occupational Injury*," found that the odds of injured workers being treated for depression were 45 percent higher than those of noninjured workers, and the average cost of outpatient depression treatment was 63 percent higher for injured workers than for noninjured workers. "These are the kinds of medical costs that might be hidden," he says.

Spending a bit more on prevention now could help your company prevent future incidents and reduce the number of costly claims. You will also be communicating to your workforce that the company cares about them. "By investing in safety, you're investing in your people and increasing the bond with them," says Bushnell. "There's a value to that that's hard to put a dollar sign on."

What other costs do you associate with occupational injuries?