Return on Investment

How Workplace Safety Statistics Can Help Benchmark and Justify Safety ROI

Vanessa Jo Roberts | Sep 19, 2019

Making a cost justification for safety—showing leadership the savings possible—is a No. 1 priority for safety managers. We share two types of data and techniques that can help you support your ask that the company invest in safety.

What is the ROI of safety? How do you show cost savings? How do you justify spending on safety to your senior leadership based on return on investment?

These are not simple questions, yet they are questions that safety teams must address regularly.

"Of course, 'value' has two meanings, and both of those meanings are important where a ***culture*** of safety is concerned," notes the Safety Management Group, an Indianapolis workplace safety consultant, on its ***blog***. "The first meaning is a shared belief. That's what happens when we say that an organization values safety. It means that there is a shared belief among owners, managers, workers and others that safety is a way of life.

"The second meaning can be even more important when trying to convince people of safety's importance, and that is 'value' as an economic concept. When using this definition, identifying the value of safety requires finding a way to show the economic benefits it provides, or the economic costs it avoids."

And there's the rub: Showing the economic benefits of safety can require quantifying what did *not* happen instead of what did.

How to Use Workplace Injury Statistics to Your Advantage

Here are two ways to help show the bottom-line value of your safety investment.

1. Establish a Benchmark for What Workplace Injuries Cost Your Business

To calculate potential lost revenue and the expenses associated with a worker who is not on the job, the safety team needs to be able to show leadership explicit and actual data—tied to its businesses, not just figures nationwide or average costs associated with workplace injuries.

“Knowing how much an injury costs is vital when determining the ROI of safety,” points out the National Safety Council in its ***Safety+Health magazine***. “It’s also a valuable tool for any safety professional seeking additional justification to support investments in safety.”

Ken Kolosh, manager of statistics for NSC, suggests in the article that a business select three to five of its most common injuries and then the safety team and the financial team collaborate to identify every possible related direct and indirect cost associated with those injuries. That data can then be amassed to create a benchmark the safety team can use to recommend safety investments specifically targeted at the company’s problem areas, he says.

“Once that internal benchmark is determined, they can then use that going forward to provide much more accurate cost estimates to their leaders—and much more believable, because it is data that has been generated internally and it reflects their own organization,” Kolosh explains.

The council’s caveat: This data needs to be reviewed and adjusted every year to reflect changes in costs and also any changes in the injuries that are most common for a particular workplace.

See how one small company made a huge impact on its own safety culture. Read “Q&A With rPlanet Earth: How to Develop a Safety Culture in a Startup.”

2. Measure and Regularly Report DART Data to Management

Anytime an injury keeps a worker off the job for more than a day, that’s a lost-time injury and it has an immediate impact on a business’s productivity. But it also affects the company in more subtle ways, particularly the morale of the rest of the workers.

That’s been a longtime contention of former Treasury Secretary Paul H. O’Neill, which has shaped his work for nearly four decades.

He’s well known for the approach he took when he was CEO of Alcoa and told employees and stakeholders that the company would focus on achieving zero injuries.

As part of that effort, he began to track injuries minutely and have teams report that information widely to leadership and to workers. He also had Alcoa report the company’s DART—Days Away, Restricted or Transferred—rate in real time on the company’s website. Ultimately, as its DART rate dropped, Alcoa’s profits rose, as safety training adviser Rodd Wagner details in this *Forbes* ***article***.

Need help with DART rates? Bookmark our DART rate page so you can quickly access the info you need.

] Direct Versus Indirect Manufacturing Injury Costs

Examples of direct costs:

- Workers' compensation
- Medical expenses
- Legal expenses
- Insurance expenses

Examples of indirect costs:

- Lost productivity
- Training replacement employees
- Investigation expenses
- Investments in corrective measures
- Equipment or property repairs
- Managing morale

Source: OSHA, "***Business Case for Safety and Health***"

O'Neill retired as chairman of Alcoa in 2000, but he still believes safety can affect a business's ***culture*** in fundamental ways and continues to consult companies on safety, most recently in the healthcare arena.

Only last year, he said in an ***interview*** with the Patient Safety Network that he believes "organizations that are not good at assuring the everyday safety of their workforce are probably no better than average at all the other things they do."

Even if you don't choose to publicize your DART numbers, explaining and sharing them with senior leaders lets the safety team detail how the organization compares to competitors across the industry.

Wagner argues it's worth the effort: "A CEO who properly connects this foundational, compassionate concern to financial imperatives, disconsonant as it may feel, will not only make more money, but better integrate safety into the strategy of the company, protecting lives in the process."

Profits Follow When Safety Is a Priority

Ultimately, a deep safety ***culture*** breeds other benefits within a business that help improve it financially, agrees George Washington University professor and former OSHA Administrator David Michaels in the ***Harvard Business Review***.

"Companies can be successful and safe at the same time," he concludes. "The reality is that virtually all workplace injuries are preventable, and safety management and operational excellence are intimately linked.

Do you see a culture of safety having a positive impact on your business? Share your story.