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ROI OF A GOOD SAFETY PROGRAM

FEBRUARY 2024

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PRESENTER



Nick Hardesty

EHS District Manager

KPA

AGENDA

- What is meant by 'do nothing'?
- The cost of ignoring safety issues
- Return on investment (ROI) of a good safety program
- Opportunities for improvement



WHY DO BUSINESSES DO NOTHING

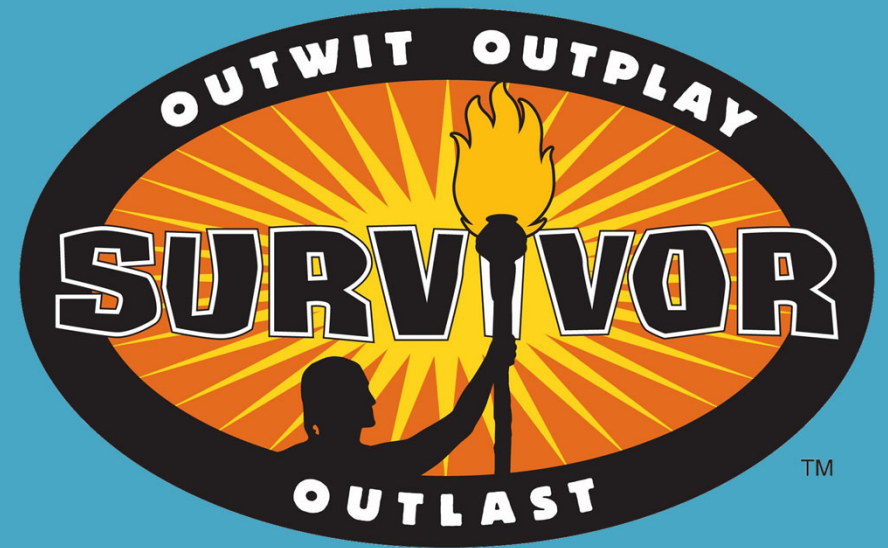
In a Perfect World...

- No one gets hurt
- Assets are indestructible
- State of the art resources are available
- Clients/contractors comply by the rules
- Employees are on time, trustworthy and always fit for duty
- Managers always make the right decision

THE "REALITY" IS...

"Nothing will ever be perfect, and nothing can be totally planned"
- Mark Burnett

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DOING NOTHING

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WHAT DOES IT MEAN TO “DO NOTHING”?

- No formal training or task competency
- Void of leadership
- Reactive planning
- Ignoring lessons learned
- Unaware of worker acts or conditions
- Shoulder shrug attitude
- Lack of communication or feedback

Nothing is more damaging to safety culture than the sound of crickets.



THE PROBLEM - WHY SOME DO NOTHING

Common Misconceptions

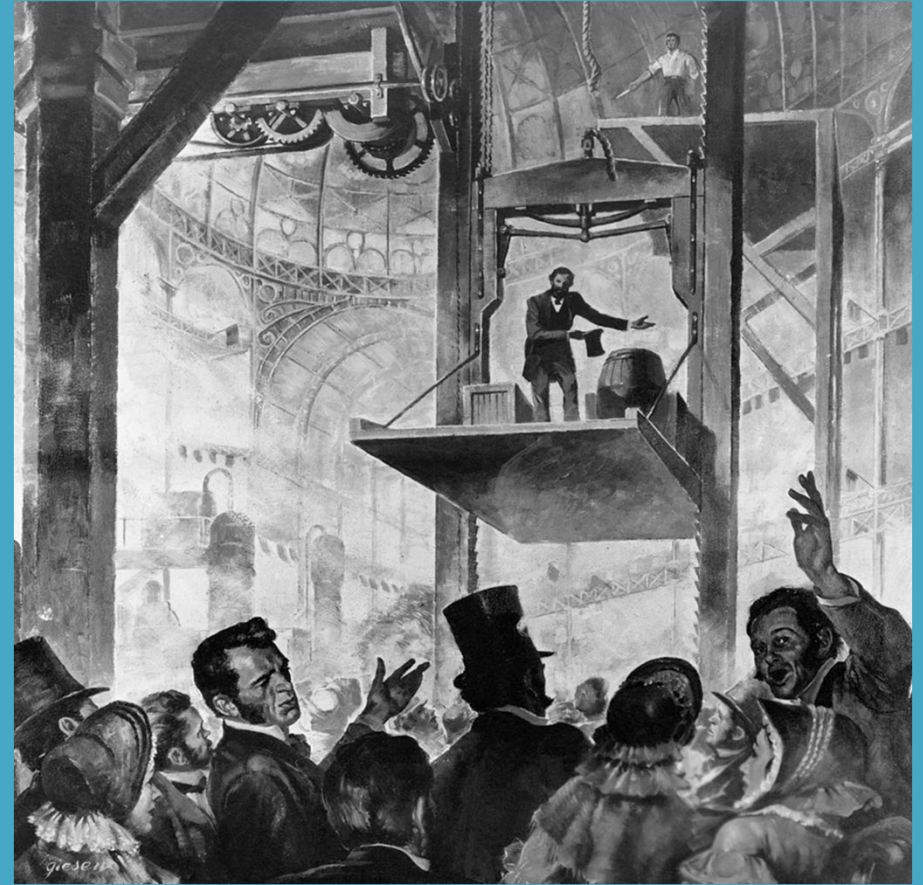
"Something new will slow us down"

"Doing something is going to cost"

"We don't believe anything bad will happen"

SAFETY AS AN ACCELERATOR

- The World's Fair, New York City 1853
- Elisha Otis



THE COST

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WHAT DOES “DOING NOTHING” COST?

- Time/Productivity Lost
- Regulatory Fines
- Accident Expenses
- Insurance Premiums
- Reputation



REGULATORY FINES

Starting March 25, 2023, new OSHA policy allows citations for each instance of a violation.

Maximum penalty amounts by violation type:

- Serious: \$16,131 per violation
- Other-than-serious: \$16,131 per violation
 - Failure to Abate: \$16,131 per violation
 - Willful or Repeat: \$161,323 per violation

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OSHA's 2021 Top 10 Most Frequently Cited Violations



<https://www.osha.gov/top10citedstandards>


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ACCIDENT EXPENSES

Total Cost of Risk is the sum of all aspects of an organization's operations that relate to risk, including retained (uninsured) losses and related loss adjustment expenses, risk control costs, transfer costs, and administrative costs.

OSHA's [Safety Pays calculator](#)

Direct Costs	Indirect Cost Ratio
\$0 - \$2,999	4.5
\$3,000 - \$4,999	1.6
\$5,000 - \$9,999	1.2
\$10,000 or more	1.1

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Don't underestimate the **Total Costs of Incidents**

Many safety professionals focus on the tip of the iceberg when weighing the costs of incidents. But they forget what may be lurking under the water.

Direct Costs of Incidents

- Wage and Productivity Losses
- Administrative Expenses
- Medical Expenses
- Workers Comp Expenses

Indirect Costs of Incidents

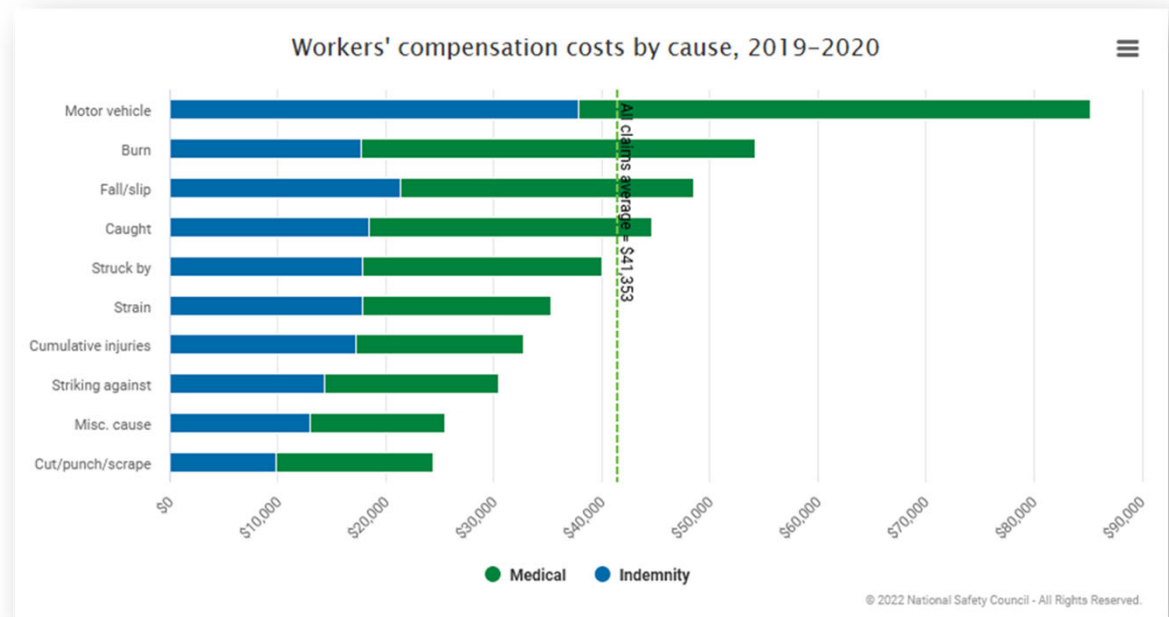
- Time Lost to Work Stoppage
- Damage to Tools & Equipment
- Administrative time spent by supervisors & safety personnel
- Replacement Worker Training Cost
- Lost Team Productivity
- Damage to Reputation

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ACCIDENT EXPENSES

- National Council on Compensation Insurance's (NCCI) reports the average cost for all worker compensation claims from 2019-2020 was \$41,353.
- The most costly insurance claim resulting from motor-vehicle crashes
 - \$85,311 per claim filed



ACCIDENT EXPENSES - EXAMPLES

Estimated Impact on a Company's Profitability

For an employee who suffers a fracture...

Costs	Total
Estimated Direct Costs	\$54,856
Estimated Indirect Costs	\$60,341
Combined Total	\$115,197
Sales to Cover Indirect Costs	\$2,001,386
Sales to Cover Total	\$3,839,900

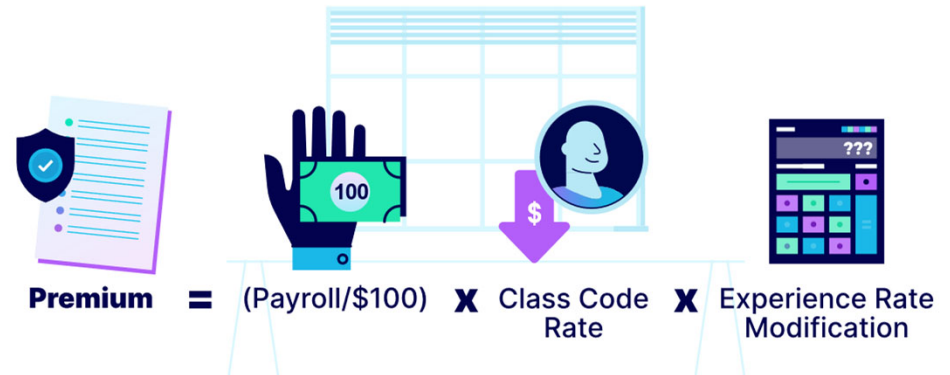
For an employee who suffers a sprain...

Costs	Total
Estimated Direct Costs	\$30,487
Estimated Indirect Costs	\$33,535
Combined Total	\$64,022
Sales to Cover Indirect Costs	\$1,117,856
Sales to Cover Total	\$2,134,006

OSHA's [Safety Pays calculator](#)

INSURANCE PREMIUMS

- Past claim costs are used to determine your experience modification factor (e-mod), a multiplier used to calculate your premium.
- The e-mod takes into account **three years of loss history** not including the most recent policy year, so that's how long any given claim may affect your premium.



REPUTATION

- **Positive public image:** Employers want their employees, customers and the public to view them as safety minded, health conscious and sustainable.
- **Improved employee satisfaction:** Recruiting and retaining top talent is easier for organizations that provide safe and comfortable workplaces, care for employee well-being and protect the environment.



“How you do anything is how you do everything”

ROI OF SAFETY

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PERSONAL ROI

- Health/Fitness
- Family and Kids
- Education
- Community
- Career



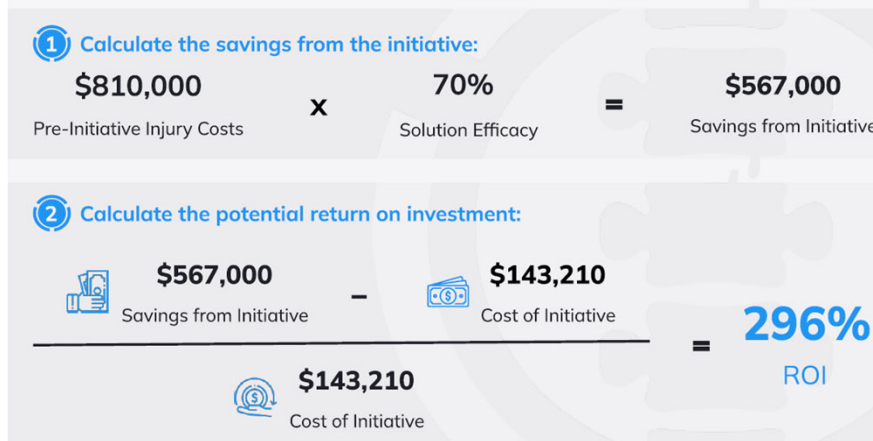
“The only place success comes before work is in the dictionary.” - Vince Lombardi

WHY SAFETY IS GOOD BUSINESS



According to the Occupational Safety and Health Administration (OSHA), businesses see an average return of **\$4 to \$6 for every dollar invested into their workplace safety programs**

Example 1



Example 2



REAL WORLD EXAMPLES

"Sometimes it is difficult to explain ROI in regards to safety. Most of the time, safety ROI is measured by cost avoidance. Avoiding accidents, injuries, regulatory compliance fines, etc. play an important part in explaining ROI for investing in any safety programs. Our year-over-year improvement in safety performance can be attributed to investing in KPA EHS. Implementing KPA EHS has streamlined many of our safety programs, such as

- ♦ training,
- ♦ daily forklift inspections,
- ♦ emergency response drills, etc.,

which is allowing us to work on a variety of initiatives with our current staff."

- Bill Woods, Director of Safety, Quality and Regulatory Compliance, American Welding & Gas

"Just from the amount of time saved putting together and providing training. This, along with the amount of documentation that can be handled electronically and stored efficiently, was my ROI."

- Jeff Freeman, Director of Operations, Carbice Corporation



"The paper pushing alone is a great ROI.

- ♦ We have all our Accident/W.C./Near Miss and Property Damage reports in our email as soon as they are submitted.
- ♦ All our SDS's are in KPA, and our forklift, overhead crane, etc. daily inspections are submitted as completed. If maintenance is required, it goes to purchasing to schedule upon submission.
- ♦ Our AED's are logged with battery and pad expiration dates and scheduled as monthly tasks. Our eyewash stations are tasks.

There is no more forgetting these items that need to be done. The mountain of paperwork has shrunk down to nothing. We also have all our environmental inspection forms in KPA. Our STEP Team Quarterly Walkthroughs are in KPA. KPA has made us more efficient and able to keep on top of items that need immediate attention. If you don't have KPA, you honestly don't know how easy your life can become!

Do I really need to mention all our training is in one place too?"

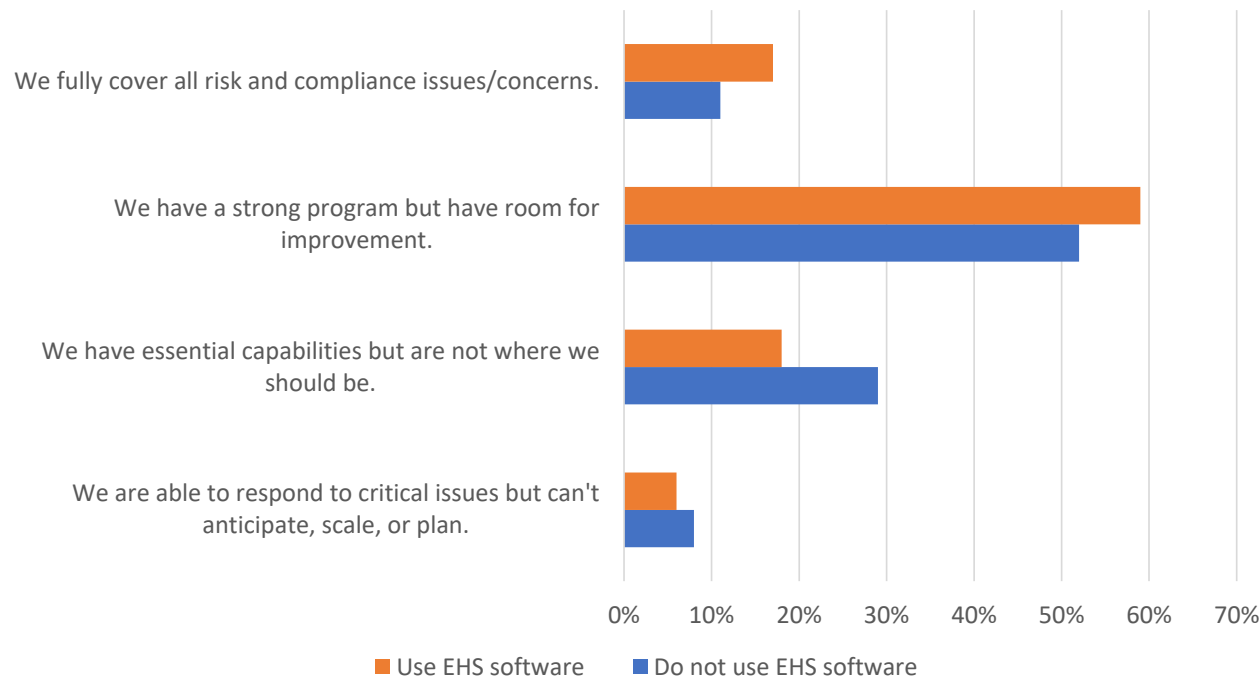
- Judy DeForeest, EHS Assistant, Western Pneumatics

REAL WORLD EXAMPLES



EHS PROGRAM CAPABILITIES

Which of the following statements best describes your EHS program?



76%

EHS software users indicated that their program is strong or complete.

EHS software consistently outperforms other methods

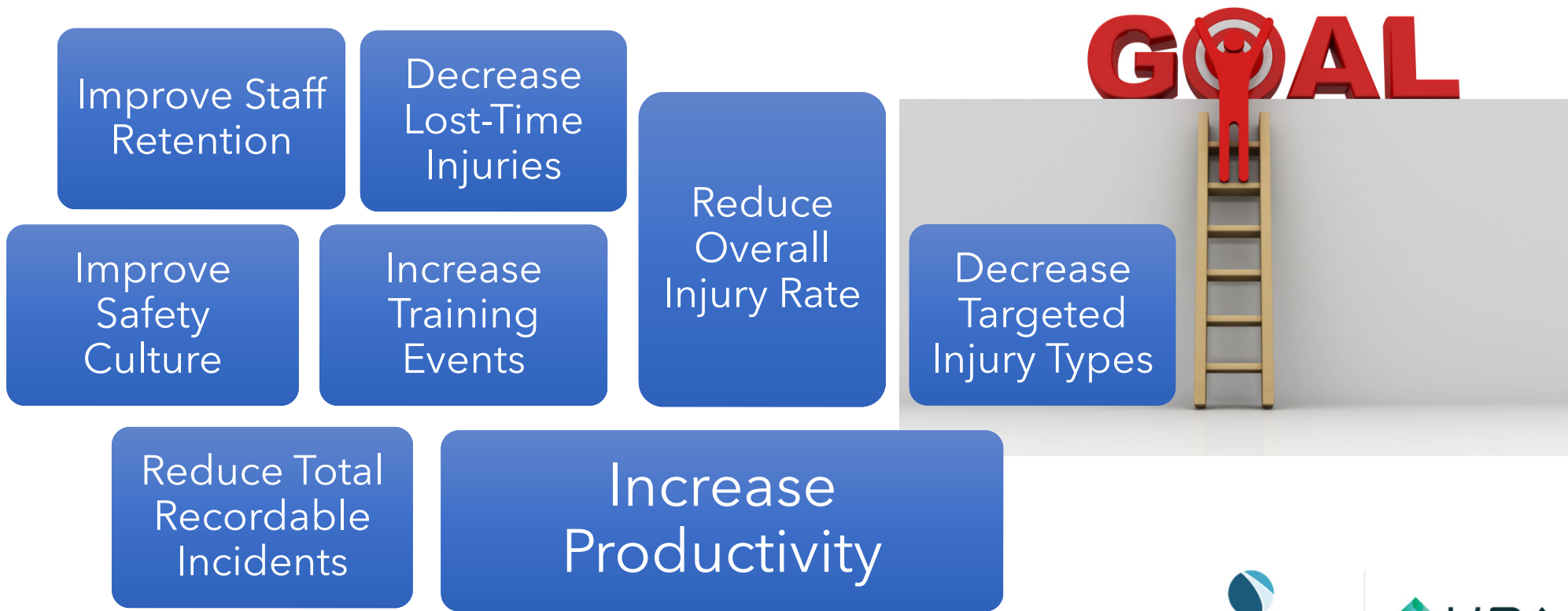


Process-focus

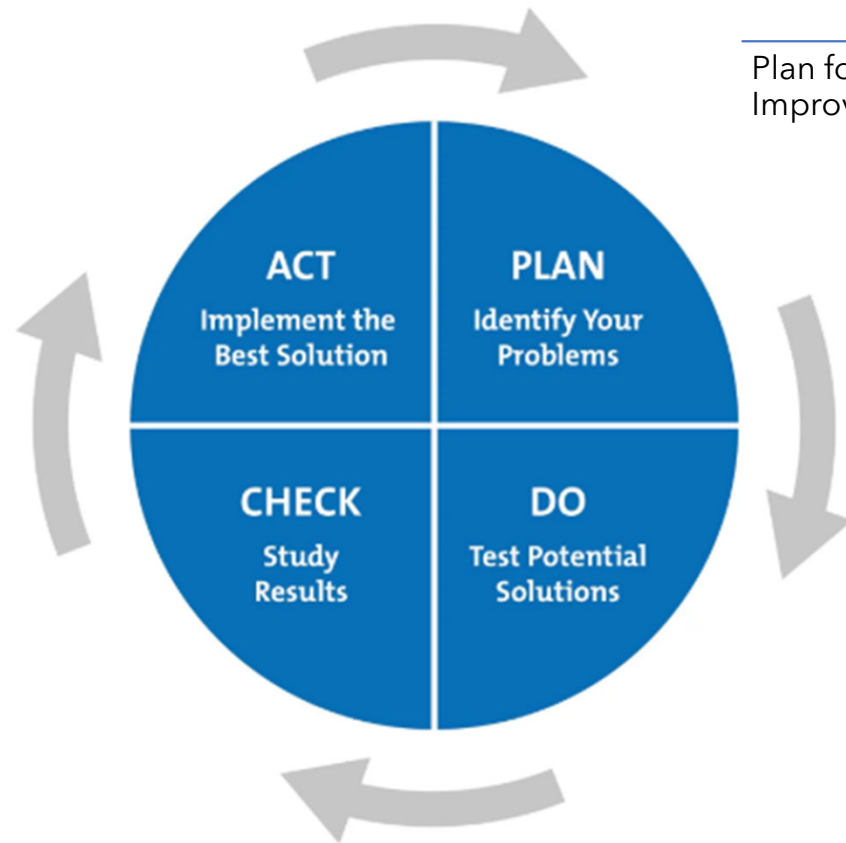


People-focus

WHAT ARE YOUR GOALS?



HAVE A PLAN



Establish Goals

Evaluate Data

Invest

Continually monitor

SUMMARY

SO, WHAT IS THE COST OF DOING NOTHING?

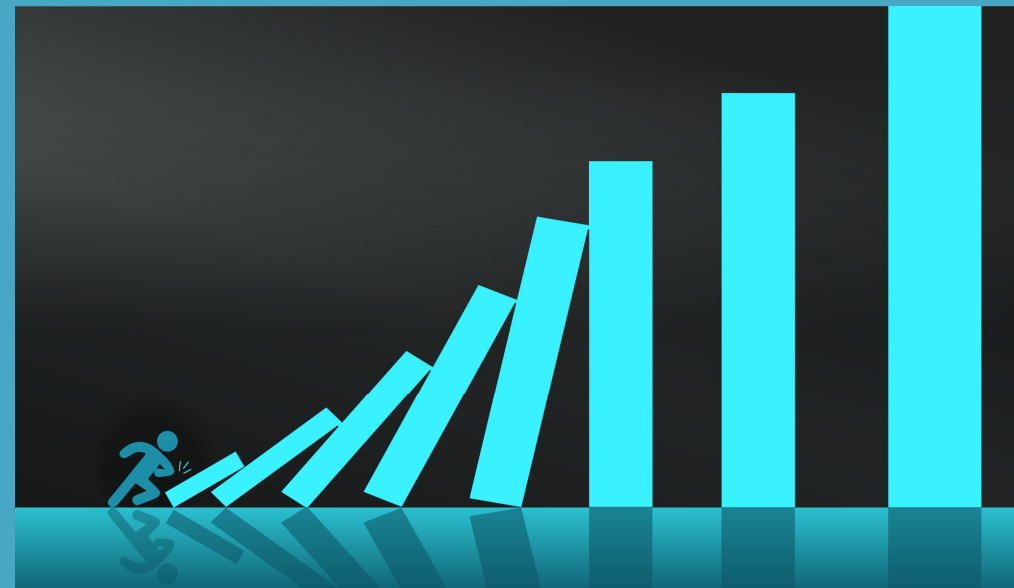
- It's not nothing
- History proves it is very expensive
- Success of the business
- Unwanted events negatively affect employees and assets
- "Hope and a prayer" plan is short term and dangerous
- Quality leadership - No decision is a decision

NOTHING TO SOMETHING

The Real Domino Effect

- What are your end goals?
- Small actions>>>Big changes
- Start with something manageable

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OPPORTUNITIES TO “DO SOMETHING”

- Train for the task and all potential hazards
- Establish active, visible leadership
- Plan for the work proactively
- Learn from lagging, but more important leading indicators
- Open channels of communication and provide immediate feedback
- A focus on the acts and conditions across the organization
- Lead by example, see something say something

QUESTIONS



NORTH RISK'S VALUE-ADDED SERVICES HOTLINE



(888) 667-4135



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