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Making Safety a Priority: Tips for convincing management

No matter how many humane reasons there are for having an effective safety program, managers are usually confronted with the question, "How much of a safety effort is economically feasible?" Management must be convinced that the cost of hazard prevention is less than the cost of injuries, property damage and other associated factors.

In 2005, 4,961 people died and 3.7 million people suffered a disabling injury while on the job, costing employers approximately $160.4 billion. The true cost to the nation, to employers, and to individuals of work-related deaths and injuries is much greater than the cost of workers' compensation insurance alone.

How can you convince management that dollars spent on safety will save money long term? Start by taking inventory of what your company has spent in the last year on unintentional injuries on the job.

First, compile direct costs of the accidents/injuries such as:

- Workers' compensation payouts
- Insurance premium increases
- Legal fees
- Emergency response fees
- Medical costs
- Time and materials costs to repair equipment and/or tools

Second, gather indirect costs such as:

- Lost production, productivity and quality
- Reduced worker morale
- Fine and/or lawsuits
- Damaged equipment and replacement and/or repair costs
- Reduced company competiveness
- Lost productivity of the injured worker and all others involved in the incident such as helpers or bystanders
- Co-workers who must train substitute workers
- Supervisors and managers who must investigate the incident and hire or train replacements
- Spoiled/damaged product
- Administrative work associated with the incident

Third, determine how these figures impact your company's work/sales efforts. Measure your yearly incident costs against the company profit margin by using the following table. The table shows the dollars in sales required to offset the various costs for accidental losses.

Example: If an organization's profit margin is 5 percent, $500,000 in sales would need to be generated to pay for $25,000 in costs associated with an injury or illness on the job.

This exercise makes one thing clear – safety does directly impact the bottom line. Can your organization afford not to make safety a top priority?

	Profit Margin				
Yearly incident costs	**1%**	**2%**	**3%**	**4%**	**5%**
$1,000	$100,000	$50,000	$33,000	$25,000	$20,000
$5,000	$500,000	$250,000	$167,000	$125,000	$100,000
$10,000	$1,000,000	$500,000	$333,000	$250,000	$200,000
$25,000	$2,500,000	$1,250,000	$833,000	$625,000	$500,000
$50,000	$5,000,000	$2,500,000	$1,677,000	$1,250,000	$1,000,000
$100,000	$10,000,000	$5,000,000	$3,333,000	$2,500,000	$2,000,000
$150,000	$15,000,000	$7,500,000	$5,000,000	$3,750,000	$3,000,000
$200,000	$20,000,000	$10,000,000	$6,666,000	$5,000,000	$4,000,000