

# The Costs and Benefits of Safety

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## Safety is Good

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## Risk is Bad

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Saf



Bad

**C&D**  
recycling  
FORUM

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recycling  
today  
EVENTS

Saf



Bad

**C&D**  
recycling  
FORUM

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recycling  
today  
EVENTS

## Costs of Accidents

Direct Costs  
 Medical &  
 Indemnity



Indirect Costs  
 Overtime  
 Turnover  
 Delays  
 Reputation

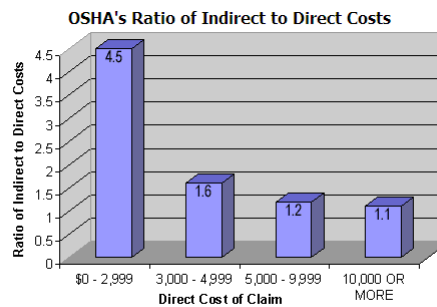
Direct Costs are typically less than 1/3 to 1/5<sup>th</sup>  
 of Total Costs



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## Costs of Accidents



Source: Business Roundtable, *Improving Construction Safety Performance: A Construction Industry Cost Effectiveness Project Report*, Report A-3, January, 1982.



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## Costs of Accidents

OSHA's Office of Regulatory Analysis has stated: *...our evidence suggests that companies that implement effective safety and health can expect reductions of 20% or greater in their injury and illness rates and a return of \$4 to \$6 for every \$1 invested...*

Businesses spend \$170 billion a year on costs associated with occupational injuries and illnesses—expenditures that come straight out of company profits. But workplaces that establish safety and health management systems can reduce their injury and illness costs by 20 to 40 percent. In today's business environment, these costs can be the difference between operating in the black and running in the red.

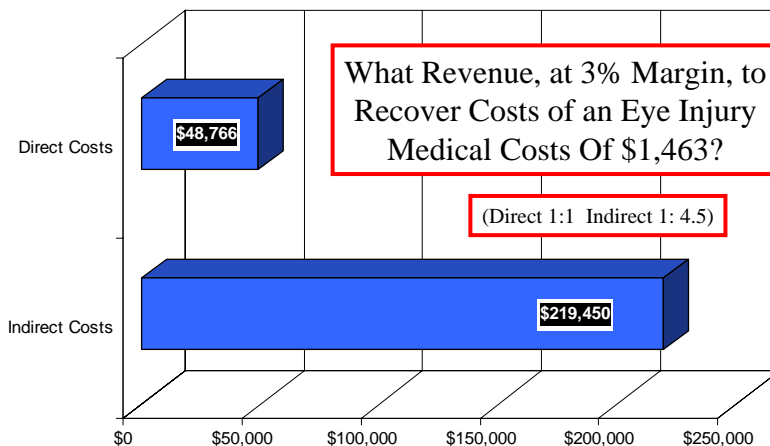
OSHA Publication 3180



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## Costs of Accidents



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## Cost Benefit

- 4-6 times return on investment in safety
- 3 to 5 times direct to indirect costs of injuries
- Injury costs to Profit Margin



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## Cost Benefit

### *Today*

Worker injury costs were \$78,000 in 2009. Indirect costs were \$234,000 consuming profit on \$7,800,000 revenue.

Our worker's compensation modifier is 1.25. Our premium is \$312,000. Lowering to 1.0 will save us \$62,400 annually. Equivalent to \$2,080,000 in increased contract profits.



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# Cost Benefit

## *Today*

We had 28 worker's compensation claims last year. Our Incident rate is 28. The Industry Rate is 7. We are four times higher than our average competition. We are not meeting Bid Specifications for some public entity jobs due to our Incident Rate.



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# Cost Benefit

## *"As a Result..."*

"We reduced injury costs from \$78,000 last year to \$35,000 this year. As a result, we conserved revenue from \$1.4 million contract volume."

"Safety Program cost time/material were \$25,000 this year. As a result, we lowered our injury costs by \$43,000, a 172% return on investment."



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# Cost Benefit

***“As a Result....”***

“Our Incident Rate has gone from 28 to 14, a 50% reduction. As a result, we qualified for the County Project Bid Specification Qualifications.”



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## I know I need a Safety Program, but where do I start?

- Recognizing the need
- Determining the scope
- Establishing Objectives and Goals
- Managing the process



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# Safety Program Evaluation

Twenty  
Yes-No  
Questions  
Ten minutes

Safety Program Evaluation		YES	NO
1. I know the strategic and operational business goals of my company.		<input type="checkbox"/>	<input type="checkbox"/>
2. We have or are pursuing ISO 9000 registration.		<input type="checkbox"/>	<input type="checkbox"/>
3. Management and line supervisors know the difference between Hazard, Operational, Financial, and Strategic Risk.		<input type="checkbox"/>	<input type="checkbox"/>
4. Risk is good.		<input type="checkbox"/>	<input type="checkbox"/>
5. I know the worker's compensation experience modifier of my company.		<input type="checkbox"/>	<input type="checkbox"/>
6. I know the injury incident and fatality rates of my company.		<input type="checkbox"/>	<input type="checkbox"/>
7. I know the injury incident and fatality rates of my industry.		<input type="checkbox"/>	<input type="checkbox"/>
8. Turnover is not permitted to interfere with training expectations.		<input type="checkbox"/>	<input type="checkbox"/>
9. All employees have a clear understanding of acceptable workplace behaviors.		<input type="checkbox"/>	<input type="checkbox"/>
10. I can recall a personnel action being taken where safe work performance was cited.		<input type="checkbox"/>	<input type="checkbox"/>
11. Senior Management speaks to safe work practices at least once annually verbally or in writing.		<input type="checkbox"/>	<input type="checkbox"/>
12. Line managers and supervisors have key performance indicators pertaining to the safety performance of their direct reports in their performance reviews.		<input type="checkbox"/>	<input type="checkbox"/>
13. All line managers bring injured employees back into their department during recovery.		<input type="checkbox"/>	<input type="checkbox"/>
14. I am aware of exactly what caused the last accidental injury at my facility.		<input type="checkbox"/>	<input type="checkbox"/>
15. I am aware of exactly what was done to prevent a recurrence of the last accidental injury.		<input type="checkbox"/>	<input type="checkbox"/>
16. Tonight, if I did not know what Material Safety Data Sheets are, exactly where they are in the facility, and can gain access to them immediately.		<input type="checkbox"/>	<input type="checkbox"/>
17. If a dangerous situation were found in the facility, I would be able to tell you how long it had existed.		<input type="checkbox"/>	<input type="checkbox"/>
18. Without even injuries being reported, I have tools that tell me where accidents are going to happen.		<input type="checkbox"/>	<input type="checkbox"/>
19. I am factually aware of the most frequent and most severe type accidents happening at my facility this year, last year, and the year prior.		<input type="checkbox"/>	<input type="checkbox"/>
20. I know the facility has no more than 10,000 lbs. of highly hazardous chemicals, toxic and reactives on site in one location.		<input type="checkbox"/>	<input type="checkbox"/>
Total			



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# Safety Program Evaluation - Analysis

- Business Awareness
  - Four questions
- Situation Awareness
  - Three Questions
- Cultural Awareness
  - Six Questions
- Program Awareness
  - Seven Questions

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## Business Awareness

- Strategic and Operational Goals
- ISO 9000
- Hazard, Operational, Strategic & Financial Risk
- Risk is Good?



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## Situational Awareness

- Worker's Compensation Experience Modifier
- Injury/Illness Incident and Fatality Rates
  - The Company
  - Similar Companies



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## Cultural Awareness

- Turnover vs. Training
- Workplace Behavior Expectations and Execution
- Personnel Actions for Safe Work Performance
- Senior Management attention to Safety
- Manager Key Performance Indicators
- Return to Work



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## Program Awareness

- Accident Causation
- Investigation Follow-Up
- Material Safety Data Sheets
- Self Inspections
- Leading vs. Following Indicators for Safety Performance
- Injury Facts – Type and Over Time
- Highly Hazardous Chemicals



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# Analysis

For a Safety Program to  
be Good & Workable,  
it must be aligned  
with the ...

Business  
Situation  
Culture  
Program



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# Design of a Safety Program

Business	Situation	Culture	Program
Goals	WC Modifier	Training	Causes
Quality	Company Incident Rates	Behaviors	Follow-Up
Types of Risk	Competition Incident Rates	Personnel	Haz Comm
Risk Tolerance		Management Speak	Self Inspection
		Accountability	Leading Indicators
		RTW	Fact Based Analysis
			Process Safety Management



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## Safety Program Tools

- Leadership
- Management
- Administration



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## Safety Programs

- Leadership
  - Vision and ability to energize others
- Management
  - Getting results efficiently
- Administration
  - Rules and Procedures



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# What should a Safety Program Be?

A Safety Program must include Leadership, Management and Administration simultaneously, and in equal amounts.

Over-reliance on one; Leadership, Management, or Administration, will prevent the program from reaching full effectiveness.



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# Safety Program Toolbox

- Safety Policy Statements
- Accident Investigations
- Safety Committees
- Employee Recognition
- Personnel Policies
- Workplace Violence Prevention



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# Safety Program Toolbox

- Accident Analysis Tools
- Return to Work
- Employee Training Programs
- Hazard Communication Training
- Hazwoper
- Self Inspection Programs



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## I know I need a Safety Program, but where do I start?

- Recognizing the need
  - Safety Program Evaluation
- Determining the scope
  - Safety Program Analysis
- Establishing Objectives and Goals
  - Business, Situation, Culture, Program
- Managing the process
  - Leadership, Management, Administration



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