Proving Your Safety Program’s Return On Investment (ROI)



In a perfect world, companies would invest in occupational health and safety (OHS) because protecting workers is the “right thing to do.” While some of you may be lucky enough to work for companies that follow this principle, many OHS directors have to justify their programs in terms of return on investment (ROI)—that dollars invested in safety improve the company’s financial performance. Since safety doesn’t generate revenue, the business case focuses on cutting company costs. But saying that “safety saves money” is a cliché. The challenge for OHS directors is to back up the assertion with substantive economic arguments. A venerable Liberty Mutual Insurance research study remains the go-to source for such information.

Safety & ROI

A leading provider of workers’ compensation insurance, Liberty Mutual interviewed 200 executives responsible for workers’ compensation at their companies—75 from mid-size companies with 100 to 999 workers, and 125 from big companies with over 1,000 workers. A whopping 95% of those executives said that workplace safety has a positive effect on financial performance.

The really juicy stuff: Of this 95%, 61% reported achieving an ROI of at least $3 for every $1 they invest in safety. Understanding how the executives calculated this ROI provides insight into how your own corporate officers think and enables you to make a stronger case for safety.

Demonstrating the Economic Value of Safety

Companies incur two forms of cost when workplace injuries and illnesses occur:

- **Direct costs** including payments to injured workers, reimbursement of medical bills, and other expenses covered by insurance; and
- **Indirect costs** including loss of productivity, cost of training replacement workers, damage to the company’s reputation, increased future premiums, and other losses not covered by insurance.

Direct costs are the obvious thing that companies look at when analyzing safety’s ROI. Indirect costs are the hidden costs that often get overlooked. But

as the Liberty Mutual report suggests, focusing on direct costs underestimates the real savings of injury prevention. Thus, a whopping 93% of the executives surveyed say there’s a direct relationship between direct and indirect costs. Forty percent report that $1 of direct costs generates between $3 and $5 of indirect costs. Thirteen percent of respondents report that the relationship between indirect and direct costs is as high as 10 to 1. Here’s a graphic summary of the key survey results:

Executives’ Perceptions of Safety’s Impact on Financial Performance

Source: Liberty Mutual Insurance Co.: Executive Survey of Workplace Safety