Calculating Your Return-on-Investment (ROI) on Safety

Ensuring a safe workforce goes beyond the well-being of your employees and contractors. It also significantly affects your bottom line.
Key Facts

- According to the 2016 Liberty Mutual Workplace Safety Index, the most disabling, nonfatal workplace injuries amounted to nearly $62 billion in direct U.S. workers compensation costs¹
- In 2012-13, work-related injury and disease cost the Australian economy $61.8 billion, representing 4.1% of GDP²
- Each prevented medically consulted injury saves $39,000 and each prevented fatality saves $1.42 million³
- Workplace health and safety measures are analysed by investors to screen out underperforming stocks and in doing so, these stocks are showing stronger returns
- 95% of CFOs cite ‘increased productivity’ and ‘decreased costs’ as the primary benefits of safety and health⁴
- 61% of CFOs cite a ROI of 2:1 for each dollar spent on injury prevention⁵
- Studies have shown that $1 invested in injury prevention returns between $2 and $6⁶
- OSHA is continually focused on punishing companies who ignore safety and conducted 32,396 federal inspections and 43,551 State plan inspections in 2017⁷
SECTION 1

The cost of safety

The full impact of poor safety on people is immeasurable. There are however quantifiable metrics to determine the direct business costs associated with injuries, illnesses and fatalities.

Indirect costs are often over looked as they are more difficult to track and measure. Indirect costs however, have been proven to have a far greater impact than direct costs. Studies have shown that indirect cost to direct cost ratio is $2.12 (i.e. for every $1 spent on direct costs, $2.12 is spent on indirect costs).
Direct costs

Direct costs are those that have a direct impact on a business’s bottom line. These can include:

- Workers compensation payments
- Medical expenses
- Civil liability damages
- Litigation expenses
- Property losses
- The sum of indirect costs
Indirect costs

- Delays in project schedules
- Administrative time
- Damage to equipment or facility
- Investigation and implementation of corrective actions
- Cost of other government benefits required by injured workers or their survivors
- Abrupt loss of skilled workers
- Negative publicity resulting in brand damage
- Inability to attract top human resources
- Overpaying employees to attract talent
In October 1987, Alcoa's new CEO Paul O’Neill gave his first speech. Despite failing product lines he didn’t speak about profit or financial projections, but rather about safety.

“Every year, numerous Alcoa workers are injured so badly that they miss a day of work,” O’Neill continued. “Our safety record is better than the general American workforce, especially considering that our employees work with metals that are 1500 degrees and machines that can rip a man’s arm off. But it’s not good enough. I intend to make Alcoa the safest company in America. I intend to go for zero injuries.”

As soon as the presentation ended, investors panicked with one stating:

“The board put a crazy hippie in charge, and he’s going to kill the company. I ordered them to sell their stock immediately, before everyone else in the room started calling their clients and telling them the same thing. It was literally the worst piece of advice I gave in my entire career.”
The results

O’Neill’s focus on safety, however, made a huge impact. Over his tenure the following happened:

- Lost work days to injury per 100 workers dropped from 1.86 to 0.125
- Company profits hit a record high
- Annual net income was five times higher when he left than when he started 13 years prior

“I knew I had to transform Alcoa. But you can’t order people to change. So I decided I was going to start by focusing on one thing. If I could start disrupting the habits around one thing, it would spread throughout the entire company.”
SECTION 3

Further ROI considerations

Worker replacement

Safety incidents and injuries often sees the need for new or temporary employment. The cost of hiring and training new employees is expensive. A study conducted by the Center for American Progress\textsuperscript{10}, estimates that the cost to replace employees was 16% of the annual salary for jobs paying $30,000 or less; 20% of annual salary for jobs paying $75,000 or less; and up to 213% of annual salary for those employees in more complex or executive jobs.

Loss of productivity

Even once an injured worker returns to work, they may not perform as effectively or productively as prior to their injury. This may also impact other workers’ state of mind resulting in an overall reduction in workforce efficiency. Tim Bushnell of the National Institute for Occupational Safety and Health at the Centers for Disease Control and Prevention, says “When employees are working in an environment where they feel some degree of risk, that can affect worker morale.”\textsuperscript{11}
Increased premiums

Workers’ compensation insurance premiums are calculated on:

- The size of the employer’s payroll
- Employee job classifications (ANZSIC codes in Australia)
- The company’s claims experience or Experience Modification Rate (EMR) which increases along with premiums when claims are filed

A sample of the impact of this was provided by the Construction Users Roundtable\textsuperscript{12}, where the EMR varied in the construction industry from 0.5 to 2.05. A contractor with an EMR of 0.5 (recognised for a better safety record than the industry average) would be paying 50% of the standard premium rate. However, a contractor with an EMR of 2.05 (based on a safety record that was worse than the average industry rate) would be paying over twice the standard rate or four times higher than the competitor with the EMR of 0.5.

Market share

This additional insurance cost not only affects a company’s overall financial position but also the ability to bid competitively project by project. There is therefore more chance of competitors gaining more market share, putting your company at a disadvantage.
Depression

Depression is common following workplace injuries, as noted by the National Institute for Occupational Safety and Health at the Centers for Disease Control and Prevention. "We know from a number of studies that depression is one of the most costly conditions in the workplace."

One of those studies, Incidence and Cost of Depression After Occupational Injury, found that the injured workers were 45% more likely to be treated for depression than non-injured workers. The outpatient depression treatment was also 63% higher for injured workers than non-injured workers.

Winning business

Your safety record is a key factor in tender/bid related work, particularly for contractor-based companies. Organisations with form safety processes, procedures and systems in place are more likely to win this work over those without this.
SECTION 4

A preventative, not reactive, approach to safety

Lead indicators

Schedule, manage, track and monitor lead indicators as a measure of preventative safety. Through the use of web or mobile, organisations can move beyond compliance to manage and capture tasks for functions such as safe work observations, take 5’s, pre-starts, meetings, inspections and audits all with tailored checklists and corrective actions part of the standard workflow.

Good practice

Our tools are built around industry good practice and lessons learnt from performing hundreds of implementations across a range of industries and geographies. Our solutions enable continuous improvement within the business which also leads to a better quality and more efficient workforce.

ISO compliance

The demonstration of HSEQ management in a centralised solution, provides a valuable tool for business oversight as well as ensuring the process is smooth when going through certification for standards such as ISO 45001/9001/14001.
Calculating Your Return-on-Investment (ROI) on Safety

עשויות ו牿ים

Tracking trends

The real time trend analysis cuts down hours of manual work by extracting information from various sources to provide complete visibility across your HSEQ performance.

Immediate efficiency

By going paperless you are not only enabling access to up to date information for multiple users, you are saving significant time and costs on administration but also ensuring you are working with more up-to-date and accurate data.

Mitigate risk

Link safety, environment, reputation and quality events to the business risk register within the one solution as part of the risk review process. INX InControl also enables multiple risk assessments types within the one solution.

Meaningful data

We provide meaningful insight and trend analysis through our range of inbuilt and dashboard reporting tools.
SECTION 5

Success stories with INX Software

INX Software is trusted in over 21 countries and across 23 industries to manage over 600,000 employees and contractors.

Here are some of the results our clients using our safety solutions are seeing from a recent survey:

- 70.3% of respondents saw an average increase in compliance
- 83.3% of respondents saw a reduction in non-conformances
- 74% of respondents saw an improvement in safety performance
- 75% of respondents saw a reduction in serious injuries
- 30% of respondents saw a reduction in lost time injuries (LTIs)
- 43.3% of respondents saw an average increase in risk and hazard observations
SECTION 6

The features of a comprehensive safety solution

INX InControl

• Incidents, injuries, audits and other events
• Create, manage and schedule your own event types
• Assign and track corrective actions
• Create your own checklists
• Automatic notifications
• ICAM/taproot methodology
• Workflow management
• Built-in reporting and graphing tools and templates
• Injury and return to work plans
• Insurance and workers compensation
• Compliance tracking
• Configured to your business requirements
• Dedicated risk register
• Registers for assets, chemicals, equipment and more
Calculating Your Return-on-Investment (ROI) on Safety

Plus mobile included as standard

INX InControl Mobile

- Time/date stamp event reports
- Assign corrective actions to other users
- Create and complete checklists
- Capture incidents, injuries, risks, and more
- Conduct risk assessments using your risk matrix
- Complete audits, inspections and safety meetings
- Includes custom fields for specific event types
- Upload and attach photos and links as evidence
- Syncs directly with INX InControl
- Native apps for iOS and Android
- Easy to use, no training required
- Offline friendly for remote workforces
- Report and submit events
SECTION 7

Client spotlight - success stories

“Since implementing INX Software, we have noticed a vast improvement in visibility over incidents and investigations and a greater ability to manage health and safety in a more standardised and simplified manner.”

Learn more >
“Land Surveys takes safety, quality and environmental issues seriously. Without INX InControl, we would find it difficult to maintain our compliance against such standards.”

Learn more >
OUR PRODUCTS

Integrated, functionally rich solutions which provide a single source of truth for increased visibility, accuracy, cost savings and business efficiency.

- **INX InControl**: safety, risks, events, reports.
- **INX InViron**: monitoring, reporting, obligations.
- **INX InTuition**: training, skills, compliance.
- **INX InForm**: compliance, stakeholders, comms.
- **INX InFlight**: accommodation, rosters, travel.
- **INX InHealth**: surveillance, fitness for work, hygiene.
- **INX InNovate**: ideas, collaboration, change.
- **INX Connect**: data exchange, prequalification, supplier compliance.
- **INX +Process**: mobilisation, approval, verification.
- **INX +LMS**: learning, assessments, inductions.
- **INX +BI**: dashboards, analysis, reporting.

Supported by INX Mobile

Product extension (add-on)
OTHER HELPFUL RESOURCES

Your guide to a successful software implementation >

Predictive analytics for safety >

Your Guide to the WHS Harmonisation Law Changes >

The latest industry news and updates >
References

1 2016, “2016 Liberty Mutual Workplace Safety Index”, Hopkinton (MA), Liberty Mutual, page 1
2 9 May 2017, “Cost of injury and illness statistics”, Canberra (ACT), Safe Work Australia
3 Kyle W. Morrison, 2014, “The ROI of safety”, Itasca (IL), Safety + Health
4 2016, “2016 Liberty Mutual Workplace Safety Index”, Hopkinton (MA), Liberty Mutual, page 1
6 Kyle W. Morrison, 2014, “The ROI of safety”, Itasca (IL), Safety + Health
7 2018, “Occupational Safety and Health Administration”, Washington (DC), Department of Labor
8 Kyle W. Morrison, 2014, “The ROI of safety” (infographic), Itasca (IL), Safety + Health
9 Drake Baer, 2014, “How changing one habit quintupled Alcoa’s income”, Sydney (NSW), Business Insider Australia
10 Heather Boushey and Sarah Jane Glynn, 2012, “There are significant business costs to replacing employees”, Washington (DC), American Progress
11 CJ Prince, “How safety training and safety procedures stimulate ROI”, MSC Industrial Supply Co
INX

Helping create a safer, smarter, more sustainable workplace

www.inxsoftware.com