

ROI of Safety

How to Create a
Long-Term Profitable
Workplace Safety
Program



Table of Contents

- 04** Costs of Workers' Compensation Claims
- 05** Direct vs. Indirect Costs
- 06** What is Workers' Compensation Insurance?
- 07** What is Workplace Safety?
- 08** Basic Elements of a Safety Program
- 09** Creating Safety Committees
- 10** Safety Orientations
- 11** Safety Program
- 12** Cost Control for Employee Injuries
- 13** Return to Work/Offering Modified Duty
- 14** Benefits of a Return to Work Program
- 15** Sources



The [amount of workplace injuries](#) has declined over the past 15 years due to improved safety conditions and requirements. Even though the workplace has gotten safer for employees over the years, accidents can still happen and cost businesses thousands of dollars every year in medical and other expenses. Workplace injuries and illnesses lower productivity and employee morale, and they also result in increased absences that could ultimately lead to lower profits.

With workplace injuries declining, it may be difficult for businesses to justify the cost of investing in safety training. However, when you look at the numbers, not only will it provide additional protection for employees but it can also have a long-term savings impact.

Knowing how much workplace injuries cost could help convince managers and executives to invest more in safety or loss control programs. A safety program's financial return on investment (ROI) is revealed in increased productivity, improved customer service, savings from fewer injuries and lower workers' compensation costs— though these savings may take time to realize. The experience modifier that adjusts their workers' compensation premium up or down may take up to three years to fully realize, but the other costs of safety (both direct and indirect) would accrue immediately – every time a process is improved or an accident or injury prevented.

In this report, you will learn the direct and indirect costs of workplace injuries for a business and how implementing a safety program can positively impact the bottom line – and make employees safer.

Costs of Workers' Compensation Claims

A report from the [National Safety Council](#) found that in 2017, the cost of work injuries totaled \$161.5 billion. The cost per worker was \$1,100, which includes the value of goods or services each worker must produce to offset the cost of work injuries. The cost per death was \$1.15 million while the cost per medically-consulted injury was \$39,000.

2017 Costs of Workers' Compensation Claims



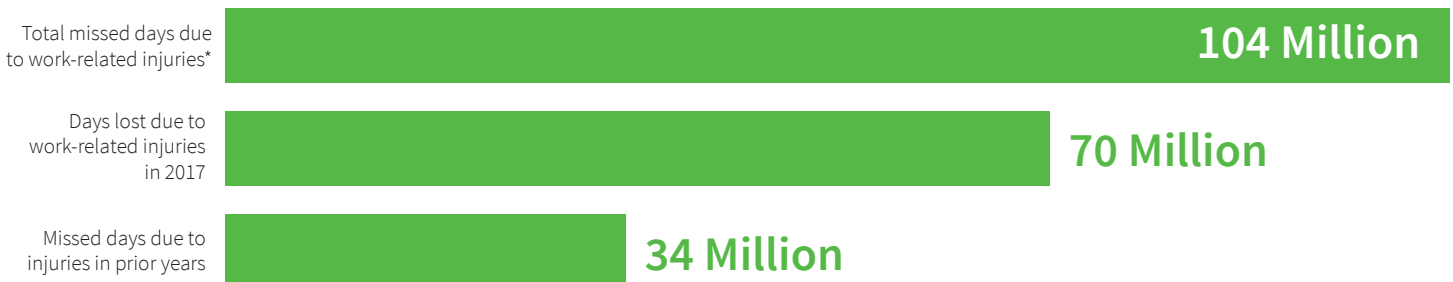
Source: [National Safety Council 2018](#)

- **\$52.0 billion**
Administrative expenses
- **\$50.7 Billion**
Wage and productivity losses
- **\$34.3 Billion**
Medical expenses
- **\$12.4 Billion**
Employers' uninsured costs
- **\$7.3 Billion**
Fire losses
- **\$4.9 Billion**
Damage to motor vehicles in work-related injuries

Work-Related Injuries Impact Productivity

The National Safety Council estimates that there will be 55 million work days lost in future years due to the work-related injuries incurred in 2017. This is defined as lost time due to ongoing disability from an initial accident. The days lost estimates do not include time lost by people with non-disabling injuries or other people directly or indirectly involved in the incidents.

If you are new to your job, the chances of an injury are much higher. The [Bureau of Labor Statistics](#) found that nearly 40 percent of injured workers have been on the job less than a year. New workers are more likely to be hurt because they lack the experience and information needed to properly protect themselves on their job.



*Results of injuries that occurred in 2017 and days lost in 2017 from injuries that occurred in previous years.



Direct vs. Indirect Costs

The true cost of work-related injuries is much more than just the cost of workers' compensation insurance and medical bills. It impacts the workplace both directly and indirectly.

Direct Costs

- Indemnity Payments (wage replacement)
- Medical Expenses
- Civil Liability
- Litigation Costs
- Property Losses

Indirect Costs

- Workplace Disruptions
- Loss of Productivity
- Decrease in Morale
- Worker Replacement
- Training
- Increased Insurance Premiums
- Property Losses and Repairs to Equipment
- OSHA Fines and Legal Costs
- Damage to Reputation

What is Workers' Compensation Insurance?

[Workers' compensation insurance](#) protects a business and its employees; it is an insurance that provides benefits to most types of employees who are injured on the job. These benefits can address medical care and related medical costs, retraining, lost wages until the employee can return to work or compensation for permanent disability. Workers' compensation insurance is state mandated, meaning that every state has its own workers' compensation laws and programs.

According to [The Bureau of Labor Statistics](#), there were approximately 2.8 million nonfatal workplace injuries and illnesses reported by private industry employers in 2017. However, private industry employers reported nearly 45,800 fewer nonfatal injury and illness cases in 2017 than compared to 2016.

Workers' Compensation Claim Costs

Workers' compensation average cost of claims by cause of injury:



Workers' compensation average cost of claims by nature of injury:



Workers' compensation average cost of claims by injured parts of the body:



Source - [National Safety Council](#)

AmTrust Restaurant Report

In late 2018, AmTrust released the [Restaurant Risk Report](#), which delved deeper into workers' compensation claim data for restaurants. Our data found that the average claim costs vary widely across different injuries, lost time, seasonality, geographical regions and restaurant types.

- 1/3 of reported restaurant claims were due to cuts, punctures and scrapes
- Slips and falls account for 4.5 times more in paid losses than punctures and cuts
- On average, an injured employee would take [30 days to return to work](#) based on the claims with lost time
- Injuries to wrists and hands caused the most lost time averaging 265 lost days of work
- [June, July and August](#) have the highest reported restaurant workers' comp accidents

What is Workplace Safety?

As you have seen, the cost of workers' compensation claims is quite high. But, companies are creating workplace safety programs as a way to invest in their company's safety while at the same time increasing employee welfare and productivity.

Companies that invest in these safety programs believe losses from accidents are risks that can be prevented, so taking the steps to prevent accidental losses is seen as an investment into the health of the company. Reducing losses improves the quality of products and services leading to better customer satisfaction and increased revenue.

Since 1970, [The Occupational Safety and Health Administration \(OSHA\)](#) has been at the forefront of employee safety. The organization was created "to assure safe and healthy working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education and assistance." Under OSHA law, employers are responsible for providing a safe and healthful workplace for their workers, and U.S. employers must comply with OSHA workplace safety standards.

ROI of Workplace Safety

Protecting workers should be the primary goal of any safety management program, but it also brings benefits to the bottom line. Employee safety programs are designed to help employers and employees reduce workplace injuries and illnesses. Investment in workplace safety programs bring savings in worker's comp and other medical costs, but also gives a large financial savings in the long run. OSHA shows that employers who establish employee safety programs are able to reduce costs related to injury and workplace illness by up to 40 percent. These reductions bring immediate return on investment in the form of increased profitability.

The key is to look at the money put into a safety program as an investment in the business, rather than an expense. Some companies are saving \$3 or more for every dollar they put into their workplace safety program yielding thousands of dollars of savings each year. Other studies have shown that for every dollar invested in safety programs, companies get a return of \$4-\$6 in reduced costs.

Why Create a Workplace Safety Program?

Employers that enforce safety procedures and regulations, provide safety training, education and occupational health programs [create a workplace environment in which employees feel safe](#) coming to work as well as create an environment of employee loyalty. In addition to protecting lives and business assets, effective safety programs provide a means for businesses to comply with state and federal regulatory requirements, reducing the concern over exposure to fines and legal sanctions.



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Basic Elements of a Safety Program

OSHA has [recommended practices for safety and health programs](#) for businesses of all sizes. The programs rely on the development, input and compliance on all levels, from top management to hourly workers or freelance employees. OSHA has provided the basic components for creating a safety program, but then each policy can be customized depending on the organization's specific needs.



Management Commitment & Worker Involvement: If a leader's attitude towards their company's safety reflects its importance to the company's operations, the workers' actions will in turn reflect that. Management should communicate the program clearly to the workers and involve them in the formation and continuous implementation of the program.



Worksite Analysis: A critical step in an effective workplace safety program is creating a process to identify and assess current hazards on the premises or jobsite. The company's insurer, local chapter of the National Safety Council, OSHA, etc., should visit the premises to [identify hazards](#). In addition, employees should be encouraged to recognize and report hazards immediately.



Hazard Prevention & Control: Effective controls protect workers from workplace hazards, help minimize or eliminate injuries, illnesses and accidents. Once safe working policies are established, make sure these are enforced at all levels. Give quizzes to the staff to make sure they understand the training.



Train Workers, Supervisors & Managers: Train everyone in the company in the implementation of the safety program. Include the safety program in new hire training or when an employee's tasks and potential work hazards change. Schedule annual "refresher" training for the entire staff. Train supervisors and managers to recognize hazardous conditions and how to correct or discipline workers.

Once the safety program is implemented, maintain written records showing who was trained, dates of training and what the training consisted of. Have workers sign this and keep them as a record to show training has taken place.

Implementing a safety and health program can help reduce the chance of injury or illness. When workers feel safe and engaged in the processes of a safety management program, they are more content on the job. Employers will spend less time recruiting and training new employees and more time developing their company's leaders.

Developing Effective Safety Rules and Regulations

[Safety rules](#) are a necessary component when creating a safety program for any organization. The writing of the rules should be assigned to several people working together in a group, such as a safety committee with a job site analysis and source documents that may be obtained from recognized agencies such as a company's insurer, local safety councils, OSHA outreach programs, qualified industry groups, etc. Once a basic safety manual is in place that covers basic needs and meets all regulatory requirements, the safety committee can develop additional rules specific to their work sites and individual company processes.

Safety rules are not effective unless they are enforced. It is important that supervisors are thoroughly familiar with all the rules, even those outside their range of responsibility. All employees should receive their own copy of the rules and additional copies should be posted on bulletin boards as a constant reminder.

Creating Safety Committees

Every organization’s loss control program can benefit from a properly constructed [safety committee](#). The success of the committee will depend on the purpose, makeup, responsibilities assigned and the support received from upper management for the purpose of the program. The basic function of a safety committee is to help create and maintain all employees’ active interest in safety.

The makeup of the committee will vary depending on the needs of the organization. Each member of the team must be knowledgeable in workplace hazards and operational procedures. Safety committee members should include the employees who make positive contributions to the safety effort. Input from front line employees, who are often most prone to injury, should not be overlooked. Safety committee members aid and advise both management and employees through monitoring, educating, investigating and evaluating safety efforts. Top-level management support of the committee is critical to its success.

Elements of a Safety Committee*



Chairperson:

Person appointed by leadership.



Type:

Decide if the committee will be management only or a mix of all levels of employment.



Membership:

Membership is usually limited to between four and ten members who must be knowledgeable of hazards and operational procedures.



Meetings:

Safety committee meetings should be scheduled at least monthly and should not exceed one hour.

*Several states have their own requirements for the creation of a safety committee and various premium reduction programs for having a safety committee. Where applicable, state regulations prevail and govern the structure and operation of the committee.

A written record must be kept of the safety committee meetings. The notes should then be distributed to the committee members, management and posted for all employees to review.

The duties of the committee will be determined according to the responsibilities assigned to it by company leaders. Typical responsibilities include:

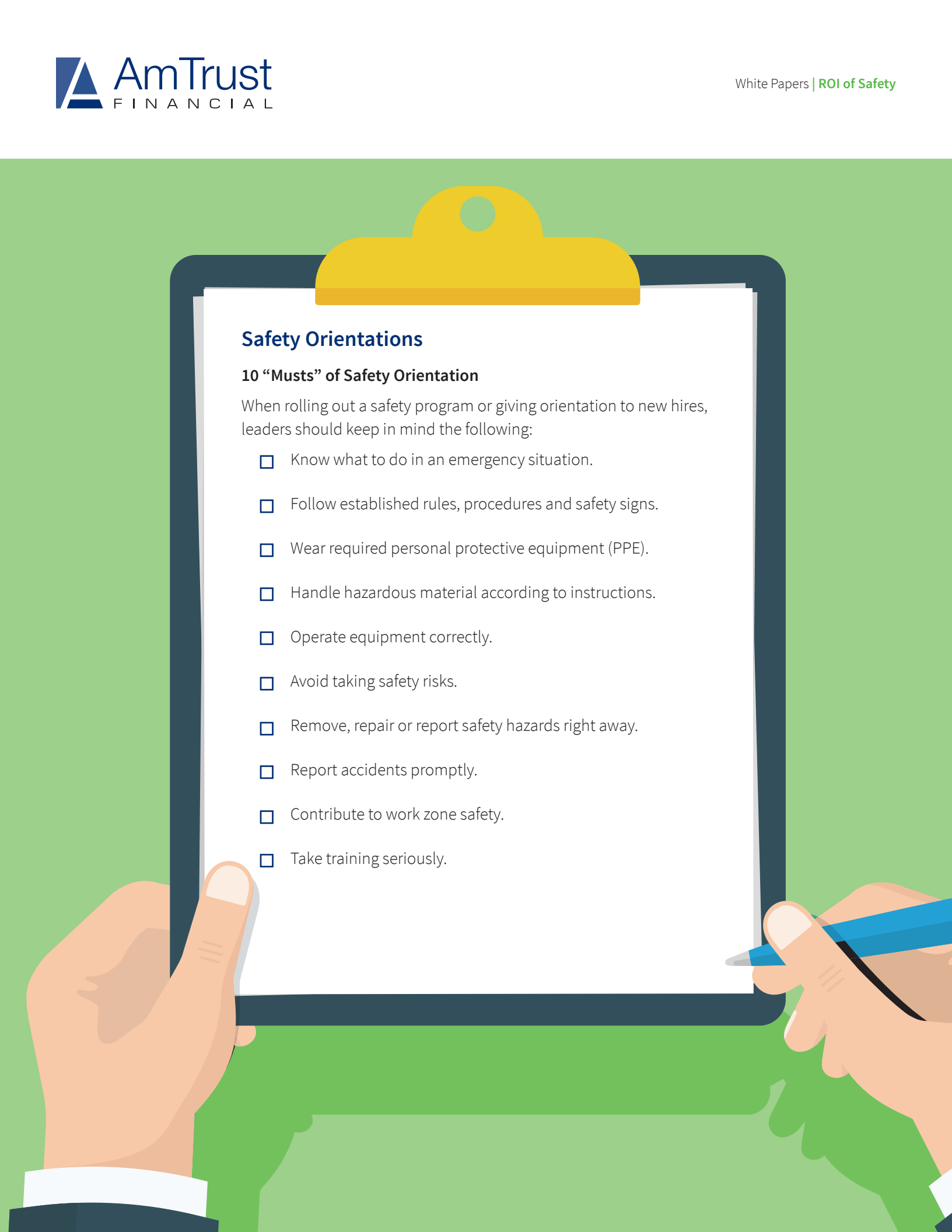
- Conducting periodic safety inspections
- Reviewing the circumstances and causes of accidents
- Developing recommendations for corrective measures to reduce recurring accidents
- Offering suggestions for improvement to management
- Increasing the knowledge and understanding of safety for all personnel through promoting educational activities
- Observing unsafe conditions and work practices and reporting them to supervisors
- Listening to employee suggestions and reporting them to the committee



Safety Orientations

10 “Musts” of Safety Orientation

When rolling out a safety program or giving orientation to new hires, leaders should keep in mind the following:

- Know what to do in an emergency situation.
 - Follow established rules, procedures and safety signs.
 - Wear required personal protective equipment (PPE).
 - Handle hazardous material according to instructions.
 - Operate equipment correctly.
 - Avoid taking safety risks.
 - Remove, repair or report safety hazards right away.
 - Report accidents promptly.
 - Contribute to work zone safety.
 - Take training seriously.
- 

Recurring Safety Training-Safety Motivation Programs

Without [continued motivation](#), employees begin to lose their positive response to workplace safety programs. To maintain interest, management has to direct and handle the loss control activities so that employees will benefit directly. Employee interest in the program will be promoted by activities that appeal and impact them directly. However, it is important to remember that not everyone is motivated by the same incentive. Use a systematic approach for motivation aimed at the factors that are most influential to the affected employees.

Programs that show an interest from top management through to the supervisors and the hourly employees help create the spirit of cooperation. Effective communication is a motivational tool. When top management knows and participates in these programs, it displays to all the employees that safety is a company effort. The more employees are motivated to participate in the loss control program, the more successful it will become.

Safety Program

Having a safety program is another component of having a well-rounded workplace safety program. An effective safety program is necessary to eliminate human suffering due to injuries and reduce the direct and indirect costs of accidents. Like developing a safety program, the construction of the program needs to come from top management.

It must be remembered that building a [successful safety program](#) takes planning and time for the program to become effective. The program should be evaluated periodically to ensure its effectiveness, and it can and should be modified as needed. Management should keep their employees interested and continually involved in the loss control efforts by promoting the program.



Safety program promotions to create and maintain employee motivation

- Posters located in high-traffic areas
- Handouts
- In-house newsletters
- Suggestions
- Group safety meetings
- Individual safety contacts
- Safety contests
- Campaigns

Fundamentals of a Safety Program

Safety Program Fundamentals



STATE

the objectives of the program in order to determine the scope of the program

WRITE/SHARE

a policy outlining objectives and displaying management support

ASSIGN

responsibilities for the program with all levels of employment

REVIEW

the program results and report them to top management

MODIFY

the program as needed



A small percentage of employee injuries account for a very high percentage of the total injury costs for a business.

Cost Control for Employee Injuries

Part of a safety program is controlling the costs of workplace injuries. In spite of a company's effort to prevent injuries by implementing safety programs, accidents continue to occur. Historically, a small percentage of employee injuries account for a very high percentage of the total injury costs for a business.

To keep the total accident costs to minimum, serious employee injuries must be well managed. A closely coordinated effort between company management and their insurance carrier will assure that injury costs are well controlled. To help minimize the costs of injuries to their employees, employers can educate management teams in [cost control](#) techniques.

Cost Control for Employee Injuries

- ✓ The injured worker should seek treatment from the appropriate medical provider. In emergency cases, this will be the nearest medical facility, or by calling 911 or the designated local emergency number. In non-emergency cases, procedures should be developed to accommodate state-specific rules in how the initial care is selected.
- ✓ Report the incident to the insurance carrier as soon as you have knowledge of it
- ✓ Do not discard any equipment involved in the accident that led to the employee's injury until you discuss it with your claims adjuster
- ✓ Provide time for other employees who witnessed the injury to speak to insurance personnel
- ✓ Keep the lines of communication open with the injured employee
- ✓ Show concern for the injured employee and his or her well-being
- ✓ Make sure the employee knows that a job is waiting upon their return
- ✓ Modify the injured employee's current position to accommodate all restrictions
- ✓ Never accuse anyone of malingering
- ✓ Keep in constant contact with the insurance carrier



Return to Work/Offering Modified Duty

After a workplace injury takes place, the goal is to get an employee back to work as soon as feasibly possible. [Return to work programs](#), also known as light-duty, alternative duty, restricted work or modified duty programs, are subject to the workers' compensation laws and the regulations of each state. The underlying objective of these programs is to return an injured employee to productive work as quickly as medically feasible. The modified duty position should be as close as possible to the employee's normal job duties, while adhering to all medically necessary restrictions.

Return to work is not punitive. Any alternate duty should respect the dignity of the employee. Positions designed with punishment in mind are just as likely to increase claim management problems as they are to reduce costs. Jobs should be productive, useful and not demeaning.

Types of Alternate Duty

- **Modified Duty:** Modified work is the temporary placement of the injured employee in an existing position. The position will comply with the medical provider's limitations and usually is not as demanding as the employee's normal position.
- **Restricted Duty:** Restricted work is the placement of the injured employee back to their normal position, but with some elements of the job removed.
- **Gradual Acclimation:** Gradual acclimation is used when the employee is cleared to perform all duties of his or her normal position, but cannot sustain the exertion of a full workday. Gradual acclimation can be used in combination with other types of alternate duty to provide a full day's work.
- **Total Accommodation:** Total accommodation is the identification of special duties, consistent with physical restrictions that are not done by the company on a typical workday.

Benefits of a Return to Work Program



Reduces medical and indemnity payments



Reduces insurance costs



Reduces malingerers



Promotes employee morale and security



Increases employee finances



Minimizes litigation



Promotes safety

Risk Management Solutions

Effective safety management impacts a company in every aspect of the business from productivity to morale. Looking at the economic impact of safety issues will ultimately benefit the bottom line as well as ensure that the workers will return home safe and healthy every day.

AmTrust knows that safety training is key to a proactive approach to minimalizing injuries, incidents and controlling costs. [AmTrust's Loss Control Department](#) can help insureds have the right safety resources and commercial property safeguards in place to be a successful business. The team is dedicated to providing meaningful recommendations and resources to help create the most effective loss prevention program for your company. [Contact Amtrust's Loss Control](#) team for more information about creating a customized loss control program for your organization.

Sources:

<https://injuryfacts.nsc.org/work/costs/work-injury-costs/>

<https://www.osha.gov/shpguidelines/management-leadership.html>

<https://injuryfacts.nsc.org/work/costs/workers-compensation-costs/>

<https://www.bls.gov/iif/>

AmTrust Resources:

[9 Keys to Successful Accident Prevention](#)

[Basic Elements of a Safety Program](#)

[Safety Committees](#)

[Developing a Loss Control Program](#)

[Controlling the Costs of Serious Employee Injuries](#)

[Safety Motivation and Promotion](#)

[Developing Effective Safety Rules and Regulations](#)

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