

Lower Costs by Implementing Safety Programmes

In today's business climate, safety-related costs for manufacturers can be the difference between reporting a profit or a loss. Industry studies report that companies who focus on safety as a core business strategy come out ahead. Safe environments also improve employee morale, which positively impacts productivity on the manufacturing line.

Use these tips to understand how implementing safety programmes will directly affect your company's bottom line.

Showing Value

Demonstrating the value of safety to management is often a challenge because the return on investment (ROI) can be cumbersome to measure. Your goal in measuring safety is to balance your investment vs the return expected. Where do you begin?

There are many different approaches to measuring the cost of safety, and the way you do so depends on your goal. Defining your goal helps you to determine what costs to track and how complex your tracking will be.

For example, you may want to capture certain data simply to determine what costs to build into the price of your products, or you may want to track your company's total cost of safety to show increased profitability, which would include more specific data collection like safety wages and benefits, operational costs and insurance costs.

Since measuring can be time consuming, general cost formulas are available. If it is important for your organisation to measure safety as it relates to profitability, more accurate tracking should be done.

For measuring data, safety costs can be divided into two categories:

1. Direct (hard) costs, which include:
 - Safety wages
 - Operational costs
 - Insurance premiums and/or solicitor's fees
 - Accidents and incidents
 - Fines and/or penalties

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2. Indirect (soft) costs, which go beyond those recorded on paper, such as:
 - Accident investigation
 - Repairing damaged machinery and line equipment
 - Administrative expenses
 - Worker stress in the aftermath of an accident resulting in lost productivity, low employee morale and increased absenteeism

Provided by Robison & Co Ltd

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- Training and compensating replacement workers
- Poor reputation, which translates to difficulty attracting skilled workers and lost business share.

When calculating soft costs, minor accidents costs are about four times greater than direct costs, and serious accidents about 10 to 15 times greater, according to industry estimates.

According to the International Risk Management Institute, just the act of measuring costs will drive improvement. In theory, those providing the data become more aware of the costs and begin managing them. This supports the common business belief that what gets measured gets managed. And, as costs go down, what gets rewarded gets repeated.

Prove ROI

Studies indicate that for every £1 invested in effective safety programmes, you can save £4 to £6 as illnesses, injuries and fatalities decline. With a good safety programme in place, your costs will naturally decrease. It is important to determine what costs to measure to establish benchmarks, which can then be used to demonstrate the value of safety over time.

Also, keep in mind that your total cost of safety is just one part of managing your total cost of risk. When safety is managed and monitored, it can also help drive down your total cost of risk.

Considering the statistics, safety experts believe that there is a direct correlation between safety and a company's profit. We are committed to helping you establish a strong safety, health and environmental programme that protects both your workers and your bottom line. Contact Robison & Co Ltd today to learn more about lowering your costs and prioritising safety at your organisation.