

# Debunking the Myth that Safety Doesn't Make Money

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Companies have historically regarded safety expenditures as a necessary evil rather than a profitable investment. In modern times, companies have begun to wise up and understand that spending money on safety is "good for business." But even among the enlightened, the perception persists that safety doesn't actually make money; it just helps prevent losing it. In fact, most safety directors concede the truth of this argument and focus all of their attention on the loss side when advocating safety.

The safety-is-good-for-business-because-it-prevents-losses formula is fine as far as it goes. But, while preventing losses is powerful stuff, making money is even more potent. After all, it's the very reason companies are in business. So if you could somehow show management that safety *generates income*, you'd be sitting pretty. Well, guess what? You can make that case and do it validly. Here's how.

## Linking Safety & Productivity

Productivity is the key to showing how safety makes money. Stated simply, there's a direct link between safety and productivity. When safety improves, productivity increases; when safety decreases, productivity declines.

Any businessman worth his salt understands the value of productivity and its impact on financial performance. So linking safety to productivity is almost guaranteed to capture management's attention. But how do you demonstrate the link between them? *Answer:* Use the following approaches:

### 1. Go for the Gut

The link between safety and productivity is something most people feel in their gut. It just seems right to believe that workers work better when they're protected against injuries and illnesses. Some explanations:

- Workers who don't get into accidents or contract illnesses can keep working;
- Safety improves morale and makes workers more apt to show up for work on time and work harder once they arrive;
- Companies with good safety records can attract and retain the best workers; and
- The discipline of assessing risks, identifying what can go wrong and taking measures to prevent occurrence not only improves safety but makes the production process more efficient.

### 2. The Foster Wheeler Study

The link between safety and productivity isn't just a gut feeling. There are studies that demonstrate the link scientifically. A leading example is a 1999 study by the UK firm, Foster Wheeler (FW), entitled *A Study into the Link Between Safety Performance and Business Performance*. FW analyzed safety- and performance-related data from 19 construction projects over a 17-year period, focusing on four indicators:

- **Cost Ratio:** (Total project control budget cost/Actual project cost);
- **Schedule Ratio:** (Planned construction span in months/Actual construction span in months);
- **Safety:** (Actual or estimated exposure man-hours in millions/No. of lost time injuries); and
- **Productivity Ratio:** (Budget field man-hours/Actual field man-hours).

By grouping these four indicators into six pairs, FW was able to use a technique called regression analysis to measure the association between them (R-Square). The [chart](#) in the Tools section of SafetyXChange shows the results (see below for link).

The key result is the second row of the chart. It shows a 63 percent degree of overlap between safety and productivity. Best of all, the FW study shows that cutting the frequency of injury in half results in a 10 percent increase in productivity. In a separate study of a single petrochemical plant, FW found an even stronger association between productivity and safety. In this case, halving injury frequency rates led to a 15 percent improvement in productivity!

### 3. Other Studies

There are a number of other studies scientifically demonstrating a link between safety and productivity, including "*Survey on Relationship Between Productivity and Occupational Safety and Health*," Japan Industrial Safety and Health Association (1998) (finding a "positive correlation" between safety and productivity at large Japanese auto plants); and "*Lost-Time Injuries, New South Wales Coal Mines*" (1992-1993) (linking increases in productivity to declining injury rates in Australia coal mines).

The National Safety Council has also published a volume of 12 case studies from around the world examining the link between safety and productivity. *Case Studies in Safety & Productivity, Vol. 1*, National Safety Council.

### Conclusion

When making the business case for safety, don't limit yourself to the savings side. True, loss prevention remains a solid economic justification for investing in safety; but it's not your only option. Open your mind to using the link between safety and productivity to demonstrate safety's potential to make money. It takes some moxie and imagination to make this argument. But you owe it to yourself and the workforce you represent to at least consider giving it a try.