



**SAFETNOW**

A Division of Bongarde Media

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# WHAT ARE THE COSTS OF A LACK OF SAFETY TRAINING

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FAR MORE THAN  
YOU CAN AFFORD

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SAFETY SHOULD  
NEVER BE A PRIORITY.  
IT SHOULD BE A  
PRECONDITION.



Paul O'Neill

# BUILDING A RETURN ON INVESTMENT (ROI)

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Safety training, like any other business activity, needs to be justified in terms of overall return on the investment (ROI). Overwhelmingly, business leaders believe that L&D programs are required to close the skills gap facing North American businesses in 2022 and beyond. Given that it is, on average, 1/5th the cost to train/retrain/upskill existing workers than to recruit new ones. Learning & development

training, overall, has a significant impact on productivity and profits.

Professional services firm Accenture found that, for every \$1 invested in training, companies received \$4.53 in return, an over 350% ROI.

However, according to statistics reported in HR Dive, only 8% of CEOs report seeing any business impact from their L&D programs, and fewer (4%)

saw a clear ROI.

### **WHY THE DISCONNECT?**

1. It's hard to put a value on effective training because it is a long process with benefits that accrue in the future through positive changes in employee behaviors.
2. Training is focused primarily on prevention – harassment and safety for example – and it is very difficult to reasonably quantify “could have beens.”

Safety in the workplace, specifically, is a difficult thing to put a price tag on. If you're thinking about how much your lack of safety training is costing you or how much implementing a successful safety training program might cost,

it can be a daunting process. You may be wondering whether a safety training program is worth the investment or if you can even afford it.

### **ANSWERS TO THE ROI QUESTION**

SafetyNow has gathered some information about the true cost of safety training that can help you to decide how you can fit it into your company's culture and illustrate to your executive branch the real costs in not training effectively.



WE DO NOT RISE TO  
THE LEVEL OF OUR  
EXPECTATIONS. WE  
FALL TO THE LEVEL OF  
OUR TRAINING.



Archilachus



**IN ADDITION TO THEIR SOCIAL COSTS, WORKPLACE INJURIES AND ILLNESSES HAVE A MAJOR IMPACT ON AN EMPLOYER'S BOTTOM LINE. IT HAS BEEN ESTIMATED THAT EMPLOYERS PAY ALMOST \$1 BILLION PER WEEK FOR DIRECT WORKERS' COMPENSATION COSTS ALONE.**

# BREAKING DOWN THE REAL COSTS

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The costs of workplace injuries and illnesses include direct and indirect costs.

Direct costs include workers' compensation payments, medical expenses, and costs for legal services. Examples of indirect costs include training replacement employees, accident investigation and implementation of corrective measures, lost productivity, repairs of damaged equipment and property,

and costs associated with lower employee morale and absenteeism.

## **DIRECT COSTS ARE JUST THE TIP OF THE ICEBERG.**

Direct, or insured costs for accidents are usually considered those costs covered by workers compensation insurance and other minor medical costs for the accident. The company pays insurance to cover these costs.

The National Safety Council (NSC) has worked out that from the \$1 billion per week for direct worker compensation, roughly \$1,100 is spent per worker employed (or \$41,000 per worker injured, given average rates of injury) and roughly \$1,190,000 per worker death.

New penalties for willful and repeat violations are \$132,598 per violation; serious, other-than-serious, and posting requirements are \$13,260 per violation; and failure to abate violations are \$13,260 per day beyond the abatement date.

While according to the Bureau of Labor Statistics, the TCR (Total Recordable Cases) for private industry employers in 2017 was a rate of 2.8 cases per 100 employees.

On the high end, the NSC states the average single suit for a worker death to be \$1,190,000.

### **WHAT DOES THE MATH SAY?**

If you are an employer with 100 employees, statistically, you'll have 3 potential safety violations/year ranging from a simple posting requirement failure to a fatality.

**Punch those numbers into a calculator and you have an average cost from \$40,000 to \$1,190,000.**

# INDIRECT COSTS...

## WHAT'S THE REAL IMPACT?

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Indirect costs are all the “uninsured” additional costs associated with an accident. What is important to realize is that indirect costs are usually much greater than direct costs: from 2-10 times as expensive depending on your industry (5x on average across all industries). Another important point is that, unlike direct costs, indirect costs are uninsured and come right out of the corporate pocketbook. These are

the costs that can drive a company into the red.

The NSC lists examples of indirect or uninsured costs:

- Lost production time.
- Productive time lost by an injured employee.
- Productive time lost by employees and supervisors helping the

accident victim.

- Cleanup and startup of operations interrupted by an accident.
- Time to hire or train a worker to replace the injured worker until they return to work.
- Property damage. Time and cost for repair or replacement of damaged equipment, materials or other property.
- Cost of continuing all or part of the employee's wages, plus compensation.
- Reduced morale among your employees, and perhaps lower efficiency.
- Cost of completing paperwork

generated by the accident.

- Legal costs.
- Loss of contracts and damage to business reputation.
- Administrative costs.

# ADD IT ALL UP

The NSC estimates that there will be over 65 million workdays lost due to the work-related injuries incurred in 2021 (based on previous annual YoY trends), and 30 million additional lost days from workplace injuries that occurred in previous years. However, these estimates do not include time lost by people with non-disabling injuries or other people directly or indirectly involved in the incidents.

We also know that if you are new to your job, the chances of an injury are much higher. The Bureau of Labor Statistics found that nearly 40% of injured workers have been on the job less than a year. New workers are 8x more likely to be hurt because they lack the experience and information needed to properly protect themselves on their job.

Lastly, a Liberty Mutual study showed that the average business that had 2 or more safety incidents/year saw a 27% increase in workers compensation costs annually, which compounds year after year after year.



# OKAY, SO SAFETY TRAINING IS IMPORTANT

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Often, the first things to bite the dust in a slow economy are safety incentives and maintenance programs. Business owners and managers just can't see spending money on that safety officer or safety training for the employees when cash is tight and they need to buy materials. So the superintendent or supervisor doubles as the safety oversight; employee safety training shrinks to a 10-minute talk when he or she has time, which is rarely; and the new brakes for the company truck will wait

until next month.

The truth is, whether you're a small, family-run business or a large corporation, you simply can't afford to cut corners on your safety program any more than you can buy in substandard materials and expect it not to cost you more in the long run.

**Training is one of the key elements to reducing workplace accidents and the costs associated with them.**

In SafetyNow's 2021 State of Safety survey,

organizations with a safety training program that included recurring scheduled safety meetings, in-person and online training, refresher training, and were flexible enough to be guided by their own accident/incident/near-miss data had:

- Insurance premiums up to 50% lower than the national average.
- Employee turnover up to 60% lower than the national average.
- Nearly 70% fewer accidents/incidents.
- Consistently exceeded profit margin rates for their industry for over 5 years.

The indirect effects of a successful safety training program are all positive and don't cost you all of the extra expenses.

You'll find improved morale and increased productivity, which strengthens your busi-

ness as a whole, and you avoid the penalties from injuries, claims, and fines. Not surprisingly, a workforce that knows you care about their safety and are protected, work harder, smarter, and are more innovative.

In the safety industry, there's a saying: **If you think safety is expensive, try an accident.**

The true cost of safety training is well below your budget if you compare it to the total cost of injuries and ineffective safety training.



FOR THEY HAD LEARNED  
THAT TRUE SAFETY WAS TO  
BE FOUND IN LONG PREVIOUS  
TRAINING, AND NOT IN  
ELOQUENT EXHORTATIONS  
UTTERED WHEN THEY WERE  
GOING INTO ACTION.



Thucydides



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