

Do Safety Programs Reduce Costs?

Most professionals agree that the direct costs of accidents — insurance premiums, deductibles, direct payments — can be multiplied by four to 10 times to calculate the indirect costs of the same instance. So if the direct cost of an accident was \$2,500, an additional indirect loss of \$10,000 to \$25,000 can be expected. If your company is operating at a 5 percent profit margin, up to \$500,000 in new sales would be needed just to pay for this loss.

A well-established, management-supported and documented safety program can have a huge impact on the overall bottom line of a company. Preventing incidents, whether they are injuries to employees or visitors, fires, motor vehicle collisions, environmental incidents or similar occurrences, can reduce losses and thereby improve profits. The direct cost of insurance as well as many indirect costs, such as lost work time, productivity, damaged materials, etc., can upset what may otherwise be a profitable year.

YES! Effective safety programs minimize costs in several ways. Following are a few examples:

- Administrative time
- Schedule disruptions
- Production losses
- Equipment or product losses
- Inefficiency of replacement workers
- Training replacement workers

Effective Safety Programs also reduce workers' compensation costs; increase morale; increase productivity; decrease absenteeism and minimize wasted time.

For more information, contact Cathy Pletz, Frank Gates Service Company, at (800) 777-4283.