



## Measuring the ROI and Business Impact of Safety Training

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## Measuring the ROI and Business Impact of Safety Training

Safety training is an essential investment. It helps protect employees from harm and ensures compliance with regulations while also significantly reducing costs related to workplace injuries.

When businesses invest in workplace safety, the return on investment (ROI) is substantial. Employers reduce fatalities, injuries, and illnesses. Businesses see cost savings in workers' compensation, medical expenses, OSHA penalties, and training replacement employees. Many companies also see increased productivity and financial performance.

Here's the problem — convincing leadership to allocate budget can be challenging. Leaders expect a strong business case that demonstrates long-term financial savings and ROI.

To craft a compelling justification for safety training with your leadership, it's critical to include the business case for safety training, an analysis of the ROI, statistics, and case studies to support the investment with an implementation plan.

**Safety training is an essential investment.**





## The Business Case for Safety Training

Creating a business case for safety training requires discussing the financial, operational, and compliance benefits.

The financial benefits of safety training are realized by the reduction of workplace injuries and illnesses. Put simply, the fewer employees injured, the less businesses must pay in worker compensation costs. Plus, fewer claims can lead to lower insurance premiums.

By preventing injuries, the business also helps reduce the need to pay for employee medical treatment. This can provide substantial savings on medical expenses, such as emergency care, ongoing treatment, and rehabilitation costs. Additional savings are seen in eliminating the need to train replacement employees and in conducting accident investigations, which can be expensive and time-consuming.

Safety training can also benefit your business operations and boost productivity. When employee injuries occur, the business suffers from indirect costs, such as lost productivity, decreased morale, and damage to the company's reputation.

OSHA has found that well-trained employees are more likely to follow safety programs. By investing in training, the business can reduce worker injuries. This results in less disruptions and increases productivity.

A final benefit of safety training is compliance and risk management. Ensuring employees receive safety training helps keep the business in compliance with OSHA standards and avoid costly fines and penalties.

Safety training also makes employees aware of workplace hazards. It equips workers to mitigate risks and protect themselves. When risk is managed effectively, the work environment is safer and there is less likelihood of costly incidents.

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An ROI analysis calculates the anticipated gains from investing in safety training and compares them to the costs required to implement the program. This is a critical tool in showing leadership how safety training will bring tangible financial benefits for the business.

To create an effective ROI analysis, follow these simple best practices:

1. Clearly define the scope of services the ROI analysis will cover. This helps ensure all relevant costs and benefits are included. It will also focus the proposal.
2. Set a period of time over which the investment costs and gains will be measured. This could vary from months to years.
3. List all the costs and gains associated with the investment. For example, the training program may require set-up and ongoing costs. Gains include benefits like increased revenue and cost savings. While these are estimates, it's crucial to budget carefully.
4. Compare the business's financial performance with and without the investment.
5. Calculate the net financial returns of the investment as a ratio or percentage. It's also important to show how costs and benefits change over time.
6. Show how the ROI analysis has driven prioritization and decision-making for the proposed investment.

## Let's walk through a simple example of calculating ROI

A safety manager proposes a \$10,000 investment in safety training. The expected return is \$15,000 in cost savings and increased productivity.

The ROI is calculated by dividing the net returns (benefits minus investment cost) by the investment costs and then multiplying it by 100. In the example, the business expects to net \$5,000 from a \$10,000 investment over the first year. This produces an ROI of 50%.

$$\text{ROI} = \frac{\text{Net Returns}}{\text{Investment Costs}} \times 100$$

$$50\% = \frac{\$5,000}{\$10,000} \times 100$$





## Statistics and Case Studies

According to a Liberty Mutual Insurance Company survey of Chief Financial Officers (CFOs)\*, over 60% of CFOs reported a \$2 or higher return on every \$1 invested in safety. Productivity was cited as the top benefit of effective safety programs by over 40% of CFOs.

This is an example of providing case studies and statistics as supporting information for the safety training investment. Whenever possible, use real-world examples from the workplace.

OSHA offers several tools that can assist you. [The Safety Pays Program](#) can help you estimate the effect of all worker injuries on your job site. Additional case studies and supporting statistics are provided on the [OSHA site](#).

## Implementation Plan

The final step in preparing your safety training justification is to describe how the program will be implemented. Leadership wants to hear concrete plans that show the program will be implemented effectively, on time, and on budget.

It's important to detail the training programs involved in the investment, including the topics covered, the frequency of the training, and the methods of delivery.

Another critical aspect is listing how the success of the safety training will be measured. This includes describing the metrics to be measured and the intervals at which they'll be measured. It also must include when and how results will be reported to leadership.

\* Source: Chief Financial Officer Survey. Liberty Mutual Insurance Company, (2005).

## Making the Case

To secure leadership buy-in, it's essential to present a robust business case supported by a detailed ROI analysis, compelling statistics, and real-world case studies. An effective implementation plan that outlines the training program, delivery methods, and success metrics will further demonstrate the value and feasibility of the investment.

Remember, investing in safety training is not just a regulatory necessity but a strategic business decision that yields significant financial and operational benefits.

At OSHA Education Center, we can help you develop a successful training proposal to realize your business and safety goals. For more information, please click the link below to sign up for a free consultation. We look forward to serving all of your safety needs.

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