

Safe Business Is Good Business

Author: Creagh Moore
Manager Business Assistance
WorkCover NSW
+61 2 4321 5249
creagh.moore@workcover.nsw.gov.au
www.workcover.nsw.gov.au
www.hwsa.org.au

Introduction

The National OHS Strategy 2002-2012, to which all Australian jurisdictions are signatories, calls for a 40% reduction in workplace-related injury, illness, and a 20% reduction in fatalities by 2012.

One of the key tactics identified to help achieve these targets is for safety regulators and others to develop programs and initiatives that improve the capacity of business operators and workers to manage OHS effectively.

All Australian workplace safety authorities have implemented programs that aim to build the motivation and ability of employers to manage OHS risks effectively; and also influence workers to work more safely and participate in OHS consultations.

Of particular importance are initiatives directed towards small and medium enterprises (SMEs), as they not only constitute more than 90% of all business operations, but their very nature and characteristics require a unique approach.

Many of these programs include initiatives that provide information, education, advice, and assistance to small and medium business operators. These programs are informed and developed with the distinct needs and characteristics of SMEs in mind.

The costs of poor workplace safety

The true costs of workplace injury, illness, and death are found in the impact on those individuals, families, and communities affected. The toll in grief, pain, and suffering remain incalculable.

It is also true that these incidents impart a significant economic cost to Australia. The total economic cost for workplace related incidents and illness for the 2005-06 financial year is estimated to be **\$57.5 billion**, representing 5.9 per cent of GDP of which 3 per cent of the total cost is borne by employers, 49 per cent by workers and 47 per cent by the community (ASCC, 2009).

While SMEs experience roughly the same incidence of workplace injury and illness as larger operators, those that experience a significant workplace safety incident often find the experience has a catastrophic impact on their operations, because:

- It is far more difficult for SMEs to recover from any OHS incident.
- The relative impact is greater than on comparable larger enterprises

- Key workers cannot be easily or quickly replaced
- Short-term interruptions of business can lead to loss of clients and important contracts.
- A serious incident can lead to closure of a business due to the direct costs of dealing with the incident or the loss of contracts and/or customers.
- Even small incidents and cases of ill health can double the level of sickness absence.

Recent research has shown that 60% of companies that have a disruption lasting more than 9 days go out of business (HSE, 2005). Since SMEs generally lack readily available credit, it is therefore essential that they understand the economic benefits of improving their OHS performance (Dorman, 2000; Oxford Analytica Ltd., 2005).

The impact of a workplace safety incident on business operations may be divided between those that are direct and those considered indirect. Indirect impacts, the so-called 'hidden' costs have been calculated at between 8 and 36 times the direct costs depending on industry and occupation.

The direct impacts may include:

- Loss of key staff
- Disruption to business activity
- Damage to product and/or equipment
- Increased workers compensation liability
- Fines, penalties, and legal liabilities

Indirect impacts include:

- Increased absenteeism
- Increased staff turnover
- Corporate image
- Reputation in supply chain
- Decreased job satisfaction / morale

Dorman (2000) notes that to promote effective incentives to improve safety and health within organisations, the cost of injury and illness should be made 'economic, internal, variable, and routinely visible'.

This statement has direct relevance to the problem of how to communicate with SMEs about economic performance. They need to be shown the high costs of 'bad' OHS and how these relate to them. Along with understanding the costs, Antonelli, Baker, McMahon and Wright (2006) proposed the following factors as ones that motivate SMEs to put capital investment into the health and safety of employees:

- Seeing that health and safety is an integral part of being a 'good business'
- Maintaining their reputation
- Achieving higher productivity - especially by reducing absence
- Keeping within the law, hence avoiding punitive action from government bodies
- Avoiding the expense of accidents
- Containing insurance costs
- Meeting client demands
- Being a 'good' employer

But SMEs should also be made aware of the potential for productivity gains associated with OHS improvements. OHS that is reasonably or exceptionally effective and efficient can help SMEs to build better performing businesses ((EU-OSHA) - European Agency for Safety and Health at Work, 2007), and SMEs that invest in preventative safety initiatives experience organisational benefits over and above the absence of injury liabilities. This is well recognised at the ‘Big End of Town”

Safer companies outperform the market, research says

Leon Gettler

October 31, 2007

COMPANIES with good occupational health and safety policies and systems outperform the market, according to new research. Those with boards and management that monitored workplace health and safety beat the index by 30.4 per cent, while those with workplace health and safety policies outperformed it by 24.9 per cent.

The research, undertaken by corporate governance watchdog Regnan and Goldman Sachs JBWere, found companies with workplace health and safety systems outperformed the benchmark S&P/ASX 200 by 38.4 per cent. The findings were sent to Goldman Sachs JBWere, Its analysis also suggested that workplace health and safety could be an effective proxy for screening underperforming stocks. <http://www.regnan.com.au/>

Despite the importance of demonstrating the business benefits of good OHS, there remains little empirical research on the economic benefits of good OHS for the SME sector. However, an increasing number of case studies indicate positive productivity and profitability associated with OHS improvements in SMEs. For example:

Improving farm safety – and productivity

Rachel and Hayden Finch are 50/50 sharemilkers, with 720 cows and four employees, on a farm near Rakaia in Canterbury. They both grew up on farms and know how easily farm accidents can happen. Seeing a series of major incidents, including a fatality, while they were working in the gold mining industry in Australia made them even more aware of the importance of having good health and safety systems in place.

Their farm is the family home as well as their business, and they want their children, workers and themselves to be safe – they also understand that health and safety systems contribute to the business as a whole. As Rachel says, “There’s going to be a lot of downtime if we’re down a staff member because of injury, and the job just won’t get done.”

Their initiatives include hands-on training and supervision, a procedures manual outlining the safest way to do regular tasks, a regularly updated manual listing all hazards and appropriate controls and monthly all-staff health and safety meetings.

In the end, though, it's not one particular initiative that delivers their health and safety success – it's the combination of everything, their team approach and the fact that health and safety awareness is an integral part of the way they do business.

It's also about the investment the couple put into their staff. On the first day, new workers get a full induction programme and training. They are introduced to the various hazards as they do each new task, and a buddy system helps them gain confidence. Staff are encouraged to have training – for example, first aid or chainsaw courses. The Finch family have also introduced a six-day on/two-day off working roster to make the job more comparable to a “town” job – and have found it attracts workers *and* helps them stay alert.

The Finch family have proved that good health and safety management can bring big benefits in terms of staff engagement, reduced downtime and improved productivity.

<http://www.whss.govt.nz/snapshot07-08/page03.html>

Other case studies can be located through the following links:

- www.hse.gov.uk/business/casestudy/rosh.htm
- [//www.safework.sa.gov.au/contentPages/ManagingSafety/HiringStaffEmployer/SmallBusiness/CaseStudies.htm](http://www.safework.sa.gov.au/contentPages/ManagingSafety/HiringStaffEmployer/SmallBusiness/CaseStudies.htm)
- <http://www.fsc.gov.au/ofsc/Otherinformation/Publications/CaseStudies.htm>
- <http://www.safeworkawards.com.au/>

Influencing SMEs

Communicating the relevance of health and safety to SMEs is a challenging process because of the diverse nature of SMEs. They can operate as dynamic and flexible enterprises, with the ability to innovate, or they may be more traditional, based on family involvement and rooted in local business environments. They can be ‘start-ups’, young businesses which are generally viewed as fragile organisations striving to succeed. Woolgar, Vaux, Gomes, Ezingard and Grieve (1998) note that each SME has very specialised needs, reflected in the different suppliers, customers and competitors with which they interact compared even to other companies operating in the same business sector. Consequently, attempts to persuade SMEs to link OHS to economic performance need to take account of these differences.

Australian health and safety regulators have researched and reflected these characteristics in a number of guiding principles used to inform the development of SME interventions, initiatives, products, and services:

SMEs are time poor and have competing priorities – SMEs are motivated by a genuine desire to take care of their employees, and a practical need to avoid the loss of productivity in their business, but services such as workshops or advisory programs need to be conducted at the most appropriate times from a SMEs perspective, and the SME must recognise the service as having value.

SMEs seek out information that is unique to them – SMEs recognise themselves as different and, therefore, want product and services that are tailored to their specific needs and are consequently weary of “providers” that deliver services and products that are generic.

SMEs learn best from other like SMEs – credibility is a major factor in SME take-up of new approaches, ideas and products. Strategies that utilise “other like” businesses or industry associations to convey key messages that are preferable and less likely to suffer from a lack of credibility than those delivered by third party providers, such as government agencies.

You cannot adopt one-size fits all program for SMEs - all SMEs differ and are at different levels of OHS maturity, and/or interest. A multitude of diverse products and services with multiple entry and exit points for SMEs is, therefore, the ideal program mix.

SMEs want to know what compliance looks like - SMEs generally want to know what to do, as opposed to how to do it and are, therefore, more appreciative to information that provides guidance on what processes and controls will be recognized as meeting their legislative obligations. Any product development, therefore, that does not accommodate this may not be as successful as those that do.

Conclusion

Key messages for SME Influencers

Trusted and valued advisors to the SME sector:

- Recognise the characteristics and ‘safety maturity’ of SME operators
- Highlight the business advantages of good OHS practices
- Encourage SMEs to do a self-assessment and create an OHS action plan
- Engage workplace safety agencies to work with you and your clients

Key messages for SMEs

- Excellence in safety is a journey, and starts with a first step
- Workplace safety legislation applies to all workplaces, and must be complied with.
- Assistance is available
- Improvements in safety performance can result in business benefits

Direct Benefits	Indirect Benefits
Improved production /productivity rates	Reduced absenteeism
Reduced product and material damage	Reduced staff turnover
Lower accident costs / production delays	Supports succession planning
Reduced insurance premiums	Improved corporate image
Reduced litigation costs	Improved chances of winning contracts
Reduced sick pay costs	Improved job satisfaction / morale

Focus on 6 Key Areas:

1.Management Commitment

SMEs can develop a successful safety culture in business by leading from the top, where actions and attitudes send a message to workers that the organisation is serious about safety. From this commitment, effective partnerships are formed with workers to achieve safer workplaces.

2.Consultation

Workers are directly affected by an employers decisions and can often foresee things that may have been overlooked. They can provide suggestions about how to solve health and safety problems and reduce injuries that can lead to increased savings and improved productivity for the organisation.

3.Safe Work Procedures

Safe work procedures ensure that workers are aware of the risks in their work tasks, and outline how to avoid injury or illness while doing these tasks.

4.Training and Supervision

Training is one of the best ways to ensure that workers are safe while at work. By providing them with effective training and adequate supervision, they will become aware of safety issues and will perform their jobs competently, consistently and safely.

5.Reporting Safety

A simple reporting procedure will help SMEs to obtain important information about health and safety issues in the workplace, identify problems when they arise, and address them.

6.Workers Compensation & Return to Work

If an organisation employs workers, it must have a current workers compensation insurance policy, an injury reporting system and an effective return to work program – these will help to ensure that workers receive the appropriate treatment and benefits, including assistance in returning to their normal duties in the event of a workplace injury or illness. An SME is considered to be an employer for workers compensation purposes if you are a Pty Ltd company with workers or working directors, a partnership, or a sole trader who employs full-time, part-time or casual workers.

Other Tips:

Effective OHS Systems are a business asset

Just as other formalised business systems contribute to company value, a systematic approach to OHS becomes a valuable business asset when owners look to sell the company. Increasingly, business advisors and decision-makers (financial, legal) are looking for evidence of effective management of existing or potential OHS-related liabilities. If its not systematic and formalised, it leaves the organisation with the departing owner.

Have a separate budget for OHS

SMEs do not routinely keep records of the costs of ill-health or accidents. But having an idea of the costs and investments into OHS is a major step towards making the information 'visible' and thereby getting SMEs to focus on the wider economic aspects of their business.

Understand the link between OHS and insurance

Although it has been suggested that OHS is strongly linked to the intangible issues within organisations (e.g. brand value, morale, customer satisfaction), there is also evidence that it is linked strongly to the 'bottom line' in the form of insurance premiums and sales or profit figures (Smallman and John, 2001). Poor safety and health within a company may trigger higher insurance premiums (ILO, 2003) while better OHS may lead to lower premiums, and this is more significant for SMEs than for larger companies. It is essential that businesses recognise the ratio between insured and uninsured losses arising from accidents may be in the range of 1:8 to 1:36. In other words, for every \$1 that businesses have paid in insurance premiums, they may have to pay a further \$8 to \$36 to cover all the losses caused by an accident (HSE, 2005). This underlines the fact that insurance does not cover the total cost of accidents and work-related ill-health.

Recognise the Benefit of Workplace Health Promotion Programs

The use of workplace-related health promotion programs and fitness programs can lead to not only lower absenteeism, reduced risk of musculoskeletal disorders, and lower health care costs (Aldana, 2001; Busse and Bridger, 1997), they can also assist in improving the overall quality of work life, improving product quality, improving production efficiency/productivity, and contributing to the profitability and strategic competitive advantage of the company implementing such measures (Aldana, 2001). (Loisel, Lemaire, Poitras, Durand, Champagne, Stock, Diallo and Tremblay, 2002); (Seeley and Marklin, 2003); (Doupbrate and Rosecrance, 2004; Lewis, Krawiec, Confer, Agopsowicz and Crandall, 2002); (Doupbrate and Rosecrance, 2004). Shearn (2003)

Specifically, workplace health and wellness programs should be incorporated into an organisation's business strategy and aligned with its goals, and thereby be able to influence both individual and organisational outcomes (De Greef and Van den Broek, 2004).

Government Small Business Assistance programs

All states provide FREE services to small businesses. Some states may charge for some workshops.

State	Services
<p>Queensland Workplace Health and Safety Queensland : Small Business Program. 1300 369 915 www.worksafe.qld.gov.au . Small Business Advisors provide practical, non-compliance based services across state.</p>	Workplace Consultations (for high risk priority industry sectors), Group Coaching, Free workshops. Information services.
<p>New South Wales Workcover NSW : Business Assistance Group 13 10 50 www.workcover.nsw.gov.au/safebusiness/Pages/default.aspx Business Assistance Officers provide practical, non-compliance based services across state.</p>	Small Business Forums, Safety Mentoring Program, Workplace Advisory Visit Program. Information services.
<p>Australian Capital Territory ACT Work Safety Commissioner's Office : Small Business Support (02) 6207 3000 www.worksafety.act.gov.au</p>	Online support, telephone advice.
<p>Victoria WorkSafe Victoria. Small Business Program www.worksafe.vic.gov.au/ssmallbusiness 1800 136 089 Services are provided by external consultants, free to the client.</p>	Workplace Consultancy service, Rebates program, Information services.
<p>Tasmania Workcover Tasmania : Advisory Service 1300 366 322 www.workcover.tas.gov.au/safety_and_prevention/advice WorkCover Advisors provide practical, hands-on services across state.</p>	Free one-to-one workplace consultations tailored to business needs. Free information sessions. Provision of free publications and guidance materials.
<p>South Australia SafeWork SA 1300 365 255 www.safework.sa.gov.au</p>	Information and Advice services.
<p>Western Australia WorkSafe Western Australia : ThinkSafe Small Business Assistance Program 1800 429 273 www.commerce.wa.gov.au/worksafe Services are provided by external consultants, free to the client.</p>	Workplace Consultations, information and education sessions, Information services.
<p>Northern Territory Worksafe NT 1800 019 115 www.worksafe.nt.gov.au</p>	

REFERENCES

- Ahonen, G., 'The nation-wide programme for health and safety in SMEs in Finland: economic evaluation and incentives for the company management', *From Protection to Promotion: Occupational Health and Safety in Small-Scale Enterprises, Proceedings of the International Symposium*, 4-6 May 1998, Helsinki, Finland, Finnish Institute of Occupational Health, pp. 151-157.
- Aldana, S., 'Financial Impact of Health Promotion Programs: A Comprehensive Review of the Literature', *American Journal of Health Promotion*, 2001, pp. 296-320.
- Antonelli, A., Baker, M., McMahon, A. and Wright, M. *Six SME case studies that demonstrate the business benefit of effective management of occupational health and safety*. Research Report 504. Health and Safety Executive, 2006; <http://www.hse.gov.uk/research/rrpdf/rr504.pdf>.
- Australian Safety and Compensation Council: *The Costs of Work-related Injury and Illness for Australian Employers, Workers and the Community* ISBN 978 0 642 32801 4
<http://www.safeworkaustralia.gov.au/swa/AboutUs/Publications/CostofWork-relatedInjuryandIllness.htm>
- Australian Safety and Compensation Council: *National OHS Strategy 2002-2012*;
<http://www.safeworkaustralia.gov.au/swa/HealthSafety/OHSstrategy/NationalOHSStrategy2002-2012.htm>
- Behm, M., Veltri, A., Kleinsorge, I. K., 'The cost of safety: cost analysis model helps build business case for safety', *Professional Safety*, Vol. 49, No. 4, 2004, pp. 22-29.
- Busse M, Bridger B., 'Cost benefits of ergonomic intervention in a hospital: a preliminary study using Oxenburgh's productivity model', *Curationis*, Vol. 20, No. 3, 1997, pp. 54-58.
- De Greef, M., Van den Broek, K., *Making the Case for Workplace Health Promotion. Analysis of the effects of WHP*, Brussels, European Network for Workplace Health Promotion, 2004.
- Dorman, P., *The Economics of Safety, Health and Well-Being at Work: An Overview*, In Focus Program on Safe Work, International Labour Organisation, The Evergreen State College, May 2000; <http://www.ilo.org/public/english/protection/safework/papers/ecoanal/ecoview.htm>.
- Douphrate, D. I., Rosecrance, J. *The Economics and Cost Justification of Ergonomics*, Colorado State University, National Occupational Research Agenda (NORA), 2004.
- (EU-OSHA) - European Agency for Safety and Health at Work, *Benefits for Small and Medium-sized Enterprises*, 2007; http://osha.europa.eu/en/topics/business/sme/index_html
- (EU-OSHA) - European Agency for Safety and Health at Work, Forum 14 - Effectiveness of economic incentives to improve occupational safety and health, 2005, <http://osha.europa.eu/en/publications/forum/14/view>
- Gervais, R. L., *An Evaluation of Successful Communication with Small and Medium Sized Enterprises (SMEs)*, HSL Report SOFS/06/04, Buxton, Health & Safety Laboratory, 2006; http://www.hse.gov.uk/research/hsl_pdf/2006/hsl0632.pdf
- Health and Safety Executive (HSE). Revitalising Health and Safety. Costs Overview, 2005; http://www.hse.gov.uk/costs/accidentcost_calc/accident_costs_intro.asp.
- International Labour Organization (ILO), *Safety in Numbers. Pointers for a Global Safety Culture at Work*, Geneva, 2003; http://www.ilo.org/public/english/protection/safework/worldday/report_eng.pdf.
- Lanier, E. B., Jr., 'Reducing Injuries and Costs through Team Safety', *Professional Safety*, Vol. 37, No. 7, 1992, pp. 21-25.

- Lewis, R. J., Krawiec, M., Confer, E., Agopsowicz, D., Crandall, E., 'Musculoskeletal disorder worker compensation costs and injuries before and after an office ergonomics program', *International Journal of Industrial Ergonomics*, Vol. 29, No. 2, 2002, pp. 95-99.
- Linhard, J. B., 'Understanding the return on health, safety and environmental investments', *Journal of Safety Research*, 2005, Vol. 36, No. 3, pp. 257-260.
- Loisel, P., Lemaire, J., Poitras, S., Durand, M. J., Champagne, F., Stock, S., Diallo, B., Tremblay, C., 'Cost-benefit and cost-effectiveness analysis of a disability prevention model for back pain management: a six year follow up study', *Occupational Environmental Medicine*, Vol. 59, No. 12, 2002, pp. 807-815.
- Matetic, R. J., Ingram, D. K., 'Preventing high insurance premiums and on-the-job injuries. What are poor health and safety habits costing you?', *Water Well Journal*, Aug. 01, 2001, pp. 10-13.
- Mearns, K., Håvold, J. I., 'Occupational health and safety and the balanced scorecard', *The TQM Magazine*, Vol. 15, No. 6, 2003, pp. 408-423.
- Miller, P., Rossiter, P., Nuttall, D., 'Demonstrating the economic value of occupational health services', *Occupational Medicine*, Vol. 52, No. 8, 2002, pp. 477-483.
- Mossink, J., 'The true costs of ill-health', *OSHA Magazine 1, Health and Safety at Work. A Question of Costs and Benefits?* 1999, pp. 19-25; <http://osha.europa.eu/publications/magazine/1>
- Mustard, C. 'Cooperation between insurance and prevention', *Safety Science Monitor*, Vol. 9, Issue 1, 2005, pp. 1-11; <http://www.monash.edu.au/muarc/ipsa/vol9/Editorial.pdf>
- Niven, K., 'Economic principles in occupational health and safety', *Occupational Health Review*, Vol.88, 2000, pp. 13-18.
- Owen, K., 'Economic cost of poor performance in occupational health and safety', *Journal of Occupational Health and Safety Australia and New Zealand*, Vol. 12, No. 5, 1996, pp. 609-617.
- Oxford Analytica Ltd., *Assessment of the Economic Benefits and Opportunities for Pan-European Growth Market*, 2005, Oxford, UK.
- Oxenburgh, M., Marlow, P., 'The productivity assessment tool: computer-based cost benefit analysis model for the economic assessment of occupational health and safety interventions in the workplace', *Journal of Safety Research*, 2005, Vol. 36, No. 3, pp. 209-214.
- Seeley P. A., Marklin R. W., 'Business case for implementing two ergonomic interventions at an electric power utility', *Applied Ergonomics*, Vol. 34, No. 5, 2003, pp. 429-439
- Shearn, P., *Case Examples: Business Benefits Arising From Health & Safety Interventions*, HSL Report HSL/2003/13, Sheffield, Health & Safety Laboratory, 2003.
- Smallman, C., John, G., 'British directors perspectives on the impact of health and safety on corporate performance', *Safety Science*, Vol. 38, 2001, pp. 227-239.
- Sørensen, O. H., Hasle, P., Bach, E., 'Working in small enterprises - Is there a special risk?', *Safety Science*, vol. 45, no. 10, 2007, pp. 1044-1059.
- Walker, D., Tait, R., Health and safety management in small enterprises: an effective low cost approach, *Safety Science*, Vol. 42, 2004, pp. 69-83.
- Woolgar, S., Vaux, J., Gomes, P., Ezingear, J. N., Grieve, R. 'Abilities and competencies required, particularly by small firms, to identify and acquire new technology', *Technovation*, Vol. 18, No.8, 1998, pp. 575-584.
- Wright, M., Marsden, S., *Changing business behaviour - would bearing the true cost of poor health and safety performance make a difference?*, CRR 436, Suffolk, Health & Safety Executive, 2002.