

مركز أبوظبي للصحة المهنية
ABU DHABI OCCUPATIONAL SAFETY AND HEALTH CENTER

اوشاد
oshad

Abu Dhabi Occupational Safety and Health System Framework

(OSHAD-SF)

OSHAD-SF Guidance Document

Building the Business Case for Investing In Occupational Safety and Health

Version 3.0

March 2019

Table of Contents

1.	Introduction	3
2.	Costs and Benefits	4
3.	Building the Business Case	5
4.	Case Studies	7
4.1	Personal Protective Equipment (PPE).....	7
4.2	Occupational Health	9
4.3	OSH Management Systems	9
4.4	Building Management.....	10
5.	Choosing where to invest?	11
5.1	Training / Competency Development	11
5.2	Personal Protective Equipment	11
5.3	Wellbeing programs	11
5.4	Plant and Equipment	12
5.5	Leadership programs	12
5.6	Employee Engagement	12
5.7	OSH Management Systems	12
6.	References	13
7.	Document Amendment Record	14

1. Introduction

- (a) If you could save money, improve productivity, and increase employee morale, would you?
- (b) Businesses spend a huge amount of money each year on costs associated with occupational injuries and illnesses -- expenditure that come straight out of company profit, yet when asked about how much money we are willing to invest in Occupational Safety and Health to reduce those costs, it is often a very low figure.
- (c) One of the main reasons for this could be due to the fact that the returns on investing in Occupational Safety and Health are not always tangible and easy to calculate unlike other investments we make in our business.
- (d) Traditionally when we invest money, it is normal to expect a clear return on that investment, normally shown in increased sales and profit, however when investing in Occupational Safety and Health, the returns are generally hidden costs such as reduced incidents or absenteeism.
- (e) This should not deter investment within OSH, however it is vital that we measure this correctly so that the return on investment can be clearly identified and demonstrated. Without clear evidence on the returns, the likelihood is that the appetite for investment will reduce within your entity.
- (f) Studies around the world estimate that the average return for every euro (5aed) invested in OSH there is a return of 2.2 euros (10aed). As impressive as this return is it doesn't include some of the hidden benefits and potential returns such as improved morale, reduced illness etc.

2. Costs and Benefits

- (a) Costs will normally be divided into two general categories, insured and uninsured, or direct and indirect and may include:
- (i) Increased absenteeism
 - (ii) Loss of key staff
 - (iii) Poor staff retention
 - (iv) New staff hiring and training
 - (v) Increased insurance premiums
 - (vi) Higher production costs
 - (vii) Lower morale within staff
 - (viii) Property damage
- (b) Another factor that might affect the long-term success of the company is that of reputation. What do employees and the members of the local community think about a company that does not provide its employees a safe and healthy workplace? Will a company with a poor incident record be able to maintain a competitive advantage when tendering for new works or will they even be disqualified from tendering?
- (c) It has been estimated by the Health and Safety Executive (HSE) in the United Kingdom that for every £1 pound that is recovered from insurance following an accident, the employer will have to pay a further £3.50 for items that are not insured and cannot be recovered.
- (d) One of the most common mistakes made when looking for investment into OSH is to only try and guess what the return may be or put forward a rough value range. This approach will always generally fail, why would any Chief Financial Officer (CFO) or senior manager give away money straight from their profit margin in the hope that it will provide the rough guess around returns that has been made.

3. Building the Business Case

- (a) A business case is an argument that supports an intervention for an OHS issue, e.g. purchasing a new piece of plant, employing more staff in a particular area, staff training, introducing a particular management system. It sets out the reasons for the intervention and establishes the cost of the problem compared to the cost of implementing a solution or a number of alternative solutions. Business cases will not always relate to risk management; they may concern new management systems, supervisory structures, organizational policies or legal requirements.
- (b) When developing a business case, as mentioned previously, it is important to spend time to quantify the benefits of the investment or what the actual returns may be.
- (c) Your business case should identify a number of issues:
 - (i) The need for investment - What is the actual issue, why does your business need to invest in this particular area?
 - (ii) The legal Requirements - You could already be meeting the minimum regulatory requirements, however further investment would provide further benefits. Don't allow the business case to be led by legal requirements as this argument (alone) will never drive forward OSH.
 - (iii) The Outcomes – what do you expect to achieve? This is the area where you should drive forward the intended improvements, but be careful not to overestimate this. Also when looking at what you want to achieve, link this to the overall business vision and mission, try to link both.
 - (iv) Timescales – again it is vital that you identify this correctly. What are the implementation timescales and also very importantly what are the payback timescales.
 - (v) Costs – this is where you should outline what the costs are for the investment or proposed changes. Normally these can be split into two categories:
 - 1. Initial investment costs – what the actual set up costs are for the proposed changes. It is very important here to capture all set up costs, such as new equipment and/or materials, time required to develop procedures, and training for staff on new procedures or equipment. Also ensure you include other more hidden costs such as initial lost production during implementation, staff time for training, costs of external trainers etc.
 - 2. Reoccurring costs – this will be normal running costs such as maintenance for the equipment, ongoing refresher training etc.
 - (vi) Benefits – here is where you can sell the investment to your business, what is the actual return they will see from the investment. It is always tempting to add a little more to the returns, however be careful not to make the investment sound too good to be true!! When outlining the benefits of an investment, these can normally be split into two categories:
 - 1. Productivity Gains: this is where you can show the costs savings related to improved productivity, such as less time spent by employees on a particular task, lower costs within production etc. An issue to be aware of is that a certain change may result in decreased productivity in a certain way, for example, the use of lifting equipment to prevent back injuries may result in employees taking more time to complete a certain

task, however the benefits will be shown in other areas. It is important to capture this fact.

2. Avoided costs – this is the most common cost saving in relation to Occupational Safety and health and can be the hardest to capture accurately. These are the costs that do not occur following the change, these can include:
 - *Reduced incidents*
 - *Reduced absenteeism*
 - *Reduced downtime*
 - *Reduced retraining*
 - *Reduced investigation time*
 - *Reduced medical costs*
 - *Improved staff retention*
 - *Improved staff morale and participation*

4. Case Studies

- (a) The following sections provide information on some of the factors that should be considered when developing a business case and how this could be presented within your organization.
- (b) Section 4.1 below is a detailed example of a study that was undertaken to provide further investment in PPE, whilst the subsequent sections provide information on some of the factors that could be considered for other types of investment within an organization.

4.1 Personal Protective Equipment (PPE)

- (a) The HSE manager of a large construction company (2000 laborers) went to his general manager to ask them to provide a better safety boot for employees as he had concerns over the quality and durability of the current boot. The request was rejected due to the lack of any data to back up the claims that the current boot was not the best option.
- (b) The OSH manager then decided to develop a business case for the additional investment in safety boots compared to the current costs within the business. As part of this he found that in the last financial year the company had paid 167,992AED for safety boots and on further examination identified that over 85% of that was related to replacement boots rather than for new employees. The average lifecycle of a safety boot was approx. 4 months. The safety boot that they supplied to their employees was one of the cheaper models in the market costing approx. 44 AED per pair.
- (c) Following consultation with staff to determine any additional requirements and issues they have with the current safety boot, the OSH manager then contacted a number of suppliers and ran trials with different styles of boot, with the focus being on comfort and durability.
- (d) The trials were run over a period of four months with two different styles of safety boot to allow the company to have comparable data for the lifespan of the trialed boots. The company issued 100 pairs of each style of boot, including the current boot and monitored the results. He then presented the following business case to his General Manager.

2014 Data for Safety Boots	
Total Issued	3818
Total Replaced	3287
Total Cost (AED)	167992
Average cost per employee (AED)	84.00

	Current		Trial 1		Trial 2	
	Issued	Costs	Issued	Costs	Issued	Costs
Total issued	100	4400	100	5800	100	6500
Total replaced	71	3124	23	1334	5	325
Number requiring replacement in next month	25	1100	15	870	3	195
Total Cost	8624		8004		7020	
Av cost per person (100)	86.24		80.04		70.20	

- (e) The results showed that the average costs for trial boot 2 was 70.20 AED per employee which worked out to a saving of 16 AED per employee over the trial period which is a 22% saving. The costs were presented to the General Manager and it was agreed that the company would provide the trial boot 2 going forward for all employees.
- (f) Despite increasing the investment in safety boots by 50% per pair, the company was able to show an 18% decrease on the purchase costs for safety boots, which equated to a saving of 30,240 over one year.
- (g) Further to this, a survey was carried out across all employees on the new safety boots being provided and this reported a 68% increase in the satisfaction of employees with safety boots.

4.2 Occupational Health

- (a) Your company has identified large increases in the amount of sick leave being taken by employees during the winter months. On further examination it was shown that flu or colds are the most common cause of the sick leave. After some research, the company decides to invest in a flu vaccination program which would be implemented during the early part of the year and would be a one off annual cost to the company.
- (b) The return that the company should see from this investment would include:
 - (i) Reduced absenteeism
 - (ii) Maintained production levels
 - (iii) Reduced need to provide cover for absent staff
 - (iv) Increased staff morale as less illness and an increased sense of value

4.3 OSH Management Systems

- (a) The company has regularly tendered for work through local government organizations and this has in the past provided over 25% of the ongoing revenue within the business. A new law has recently been released stating that all companies must ensure that they have an approved OSH Management system in line with the local regulatory requirements.
- (b) Although the company does have a loose OSH management system in place, it will require major upgrade to comply with local requirements and gain approval. This upgrade will entail a significant investment from the business, including the use of external consultants and hiring of internal resource to manage the system.
- (c) The return on this investment can be seen through continued revenue from local government organizations. The investment may also open other opportunities to tender for works that the company may have been excluded for in the past.
- (d) The implementation of a more robust management system will also provide further benefits including reduced incidents etc.

4.4 Building Management

- (a) The building your company operates from is old and has a full fire alarm system installed within. The fire alarm system is still functional and is maintained, however due to the age of the system it has started to show a lot of faults. The faults have resulted in a number of issues including:
- (i) Loss of production due to increased fire alarms
 - (ii) Increase in complaints from staff around the systems installed
 - (iii) Increase in complaints from neighbors due to the number of fire alarms
 - (iv) Development of staff attitude in ignoring alarms
 - (v) Threats of punitive action from the local fire service due to the number of times they are called out to false alarms at your premises.
- (b) Given the information gathered around the fire alarm systems and following a cost benefit analysis, it is decided to upgrade the fire alarm system. The return on this investment will be seen in a number of areas, including:
- (i) Maintained production levels
 - (ii) Increased staff confidence and security levels
 - (iii) Compliance with local regulations
 - (iv) Increased staff morale

5. Choosing where to invest?

- (a) Choosing how you invest in Occupational Safety and Health will be very particular to your own company and the ongoing issues within. As highlighted throughout this document it must be based on facts and figures from your own situation to support this.
- (b) Below are some examples of areas you may choose to investigate to identify what additional investments may be required.

5.1 Training / Competency Development

- (a) Training is one of the most popular areas companies choose to invest in. The benefits of robust training programs are well document and provide not only a quantifiable return on investment through improved process or production but also provide the additional benefits of ensuring your staff feel valued and part of the company's future success.

5.2 Personal Protective Equipment

- (a) very often we overlook the need to ensure that the people who are wearing the PPE provided are comfortable and able to undertake their role without any additional burden. Investing in better PPE will help employees to undertake their roles safely.

5.3 Wellbeing programs

- (a) One of the hardest investments to quantify returns on is the provision of well-being programs for your staff. Most companies, when looking to invest in wellbeing programs generally look at the provision of subsidized gym or health club memberships. Although these are part of a wellbeing program we should also look at other areas such as:
 - (i) Nutritional programs and provision of advice on healthy eating
 - (ii) Internal fitness competitions that challenge staff to be more active or take more steps during the day
 - (iii) Health screening for employees
 - (iv) Stop smoking programs
- (b) There are numerous programs that can be introduced for your staff with no huge cost, although some costs will be involved. It can be difficult to see the financial return on Wellbeing programs however benefits of these include:
 - (i) Reduced absence
 - (ii) Improved morale
 - (iii) Improved staff retention
 - (iv) Company brand and reputation increase

5.4 Plant and Equipment

- (a) Investing in improved or new plant and equipment can have many benefits for occupational safety and health, however they can also directly improve productivity.

5.5 Leadership programs

- (a) Investing in the leadership of your business is just good common sense, as is ensuring that it also entails occupational safety and health.

5.6 Employee Engagement

- (a) Spending money on engaging your employees will help improve your business. Companies who have invested in this area have shown that over a period of time, production levels and overall income have increased. This is in the main due to the fact that those who are undertaking the task have a clear, meaningful input into how they are delivered.

5.7 OSH Management Systems

- (a) This is an area often overlooked for continual investment and improvement. Ongoing investment in our management systems or perhaps the manner in which we implement their requirements can help improve Occupational Safety and Health in a business and provide returns on investment.

6. References

- *The business case for safety and health at work: cost-benefit analyses of interventions in small and medium-sized enterprises - ISBN: 978-92-9240-495-6 - EU-OSHA.*
- *Investing in Health and Safety - A Guideline for New Zealand Business*
- *The Business Benefits of Health and Safety – A Literature Review – May 2014 – British Safety Council*

7. Document Amendment Record

Version	Revision Date	Description of Amendment	Page/s Affected
3.0	17 th March 2019	New Document	All

