



The business benefits of good occupational safety and health

Occupational safety and health (OSH) is good for business as well as being a legal and social obligation. Enterprises appreciate that OSH prevents people from being harmed or made ill through work, but it is also an essential part of a successful business.



Why is OSH an essential part of good business?

Occupational safety and health:

- helps demonstrate that a business is socially responsible,
- protects and enhances brand image and brand value,
- helps maximise the productivity of workers,
- enhances employees' commitment to the business,
- builds a more competent, healthier workforce,
- reduces business costs and disruption,
- enables enterprises to meet customers' OSH expectations, and
- encourages the workforce to stay longer in active life.

Every enterprise can enjoy significant benefits by investing in OSH. Simple improvements can increase competitiveness, profitability and the motivation of employees. The implementation of an OSH management system provides an effective framework to prevent or minimise accidents and ill health.

Key OSH principles

- Commitment and leadership to improve OSH
- Effective OSH policies and procedures
- Proactive risk assessment programmes
- Trained and competent workers
- Effective risk control measures
- Ongoing monitoring and review processes

Although the principles of good OSH apply to every organisation, the commercial drivers can be very different for large and small organisations.

Large organisations

Good companies have long recognised the importance of their image and reputation.

'Companies with their eye on their "triple-bottom-line," (1) outperform their less fastidious peers on the stock market.' The Economist

Large organisations are expected to demonstrate ever-higher standards of corporate governance and greater transparency in reporting practices. The combination of operating in a market-driven economy alongside a society that is more aware of risks means that many enterprises now realise the significant gains that can be made from integrating OSH performance into their wider business model. These include:

- improvements in the image, brand value and reputation of the enterprise,
- delivering on corporate social responsibility (CSR) commitments,
- maintaining and promoting investor confidence, and
- developing positive stakeholder engagement.

'The board recognises that both the group's corporate performance and its value to stakeholders are affected by its occupational health and safety performance. It therefore requires the managing directors and all employees to demonstrate a positive approach to health and safety issues.' Chief Executive, Uniq plc (food sector)

Corporate social responsibility (CSR) considers how business can take account of its economic, social and environmental impacts in the way it operates. OSH can play a major role in how these principles are put into effect. Of particular relevance is:

- including OSH in wider corporate governance initiatives,
- ensuring OSH risks are adequately addressed by contractors and suppliers, and
- motivating other enterprises to make OSH improvements through peer pressure.

Productivity and efficiency

A central EU commitment from the Lisbon strategy (2) is to give equal importance to increased employment and productivity through greater competitiveness. The cost of accidents at work and occupational diseases in the EU-15 ranges from 2.6% to 3.8% of gross national product. As well as reducing accidents and ill health, production and efficiency benefits can follow as a result of:

- enhancing the levels of motivation, cooperation and morale in the workforce,
- more productive workers and more efficient working methods,
- minimising unplanned costs through effective business continuity planning,

(1) The 'triple bottom line' captures an expanded spectrum of values and criteria for measuring organisational (and societal) success; economic, environmental and social success (http://en.wikipedia.org/wiki/Triple_bottom_line)

(2) See the website: (http://ec.europa.eu/growthandjobs/pdf/COM2005_024_en.pdf)

- improving the quality of employee recruitment and retention,
- cutting insurance premiums, and
- reducing the potential exposure to criminal or civil litigation.

Returns on investment as high as 12:1 (EUR 12 profit for every EUR 1 invested) can be achieved through investing in good OSH.

'There is a clear and direct relationship between the social behaviours of a corporation and its reputation, sales, brand and indeed overall value. This correlation (and these consequences) get stronger as both the size of the business and the value of the brand increase.' Leipziger ⁽³⁾

Small enterprises

Many small and medium-sized enterprises are also beginning to recognise the costs of poor OSH, and the benefits of good OSH performance. These are most noticeable in terms of:

- meeting the OSH requirements of business clients in order to win and retain contracts,
- avoiding business disruption and loss of key staff,
- motivating staff and retaining their commitment, and
- the availability and affordability of insurance.

New and growing enterprises seeking to achieve sustained business growth and stability are realising how their OSH performance can contribute. This is most noticeable in terms of satisfying the OSH requirements of clients.

'Not only do we now have higher staff morale and lower sickness, it also significantly benefits the retention of existing customers, and it is a real differentiator when winning new business and helping the company to expand.' John Purnell, Regional Director, Cougar Automation Ltd

The need for corporate businesses to act responsibly also leads to demands being placed on their suppliers. Investing in good OSH standards boosts the competitiveness of the enterprise, which also increases the potential to retain clients and win new business.

Productivity and workers

Poor OSH performance has a disproportionate impact on small enterprises. The human and business costs of a workplace fatality, a major fire or high-profile prosecution are obvious. Some 60 % of companies that are disrupted for longer than nine days go out of business. But well-performing enterprises can realise productivity benefits such as:

- safer working methods that also allow work to be done quicker and with fewer people,
- reduced rates of accidents, incidents and ill health — with examples of sickness absence being halved, and

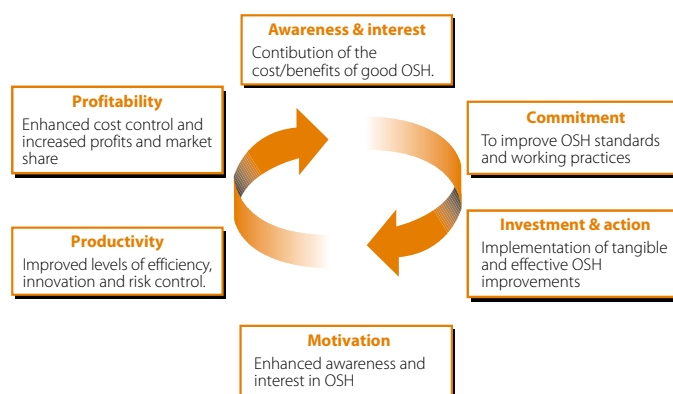
- maximising levels of recruitment, motivation and retention of skilled staff.

Insurance

It is illegal for enterprises to operate without adequate insurance cover, but premiums are rising and becoming more difficult to obtain. The cost of workers' insurance varies according to the type of business. Clerical-based work enjoys rates of less than 0.5 % of payroll; manufacturing rates are higher at around 5 %. Construction activities such as roofing have rates as high as 15 %. Significant increases or discounts from these 'book' rates are offered in most countries, depending on the insurance system, thus meaning significant financial savings for good performers and penalties for poor performers.

Making it happen

The message is clear: **good OSH is good business**. Enterprises should integrate OSH into business management and raise the awareness of key decision-makers within the organisation.



Do your customers, investors or banks expect a responsible and properly risk-managed approach to OSH? Would your business be disrupted if an incident occurred? Would the loss of one or more key staff harm your business? Could you benefit from cheaper insurance or improved productivity? If the answer to any of these questions is yes, then OSH is likely to be a key business success factor for your enterprise.

More information on OSH and economic performance is available at: <http://osha.europa.eu/topics/business/performance>

More information on OSH and economic performance in Ireland, Malta and the UK is available at: www.hsa.ie, www.ohsa.org.mt and <http://www.hse.gov.uk/economics/index.htm>

⁽³⁾ D. Leipziger (2001), *SA8000: The definitive guide to the new social standard*, Financial Times Prentice Hall.