

# **Investing in Health and Safety**

## **A Guideline for New Zealand Business**



**allaboutpeople**

HEALTH & SAFETY · EMERGENCY MANAGEMENT

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## Investing in Health and Safety

### IS IT GOOD FOR YOUR BOTTOM LINE?

Health and safety is often viewed as an expense rather than an investment because it's considered to be a cost of doing business – something we have to do to maintain compliance. But what if we rethink how we allocate resources to Health and Safety, and instead of viewing it as a cost, we consider it to be an investment that contributes to our bottom line?

Can good Health and Safety Systems actually provide a good return on investment?



#### THE BASICS

Investing is using money to try and make more money. Usually this would mean buying assets with a goal to either using them to provide a regular return, or selling them in the future for more than what you paid for them.

If you consider Health and Safety Systems as assets which will provide a return, then you might be more willing to invest in them than if you see them as an expense.



#### SETTING GOALS

In finance you don't throw good money after bad. Health and safety shouldn't be any different. Decide what you want to achieve, how you want to achieve it, and when you want it done by.

Remember that goals should be SMART – **S**pecific, **M**easurable, **A**chievable, **R**ealistic, and **T**imely.

When you know what your health and safety goals are, you can decide which areas you want to invest in.

## CHOOSING WHERE TO INVEST

Choosing an investment strategy will depend on what industry you're in, and what the risks associated with that industry are. Sometimes this will be dictated by regulatory requirements, while other investments might be made because you've identified that it will complement an area where there is potential for further success and higher returns.

### Compulsory Investments might include:

- Employee Training (First Aid, Fire Warden, HAZSUB Approved Handler, etc.);
- Covering wages or salary of staff attending Health and Safety Committee Meetings;
- Evacuation Schemes and Trial Evacuations;
- Payment of ACC Levies;
- Communication and engagement with Workers (emails, noticeboards, Staff Meetings, etc.); and
- Provision of Personal Protective Equipment.

### Optional Investments could be:

- Choosing plant or machinery that is proven to perform better, and has better safety features than alternatives;
- Health promotion and support such as Flu Vaccinations or Screening Programs;
- Employee Assistance Programs such as Industrial Chaplaincy, Psychologist Referrals, or cultural and peer support networks; and
- Wellbeing initiatives such as the provision of or subsidising gym or fitness equipment or swimming pool visits.



## MEASURING SUCCESS

Investing in health and safety is a bit like a Term Deposit – you put down an initial outlay, monitor it for a predetermined period, assess its success and consider if you need to alter the original terms for improved returns, and then re-invest.

When you set your goals, you would also set your Key Performance Indicators to measure how your investment is working, and if the Cost Benefit of the original investment was worthwhile.



## RETURNS ON YOUR INVESTMENT

Unlike speculating on Shares or Commodities where you follow trends but ultimately take a gamble, investment in health and safety is proven to provide solid returns.

The returns are indirect though, and rather than getting a lump sum payment, good Health and Safety Systems work in tandem with your company's operating systems to complement their returns.

When considering the Cost Benefit of an investment in health and safety, you will need to consider how it contributes to the increased success of your company overall, rather than assessing it as a stand-alone business unit.

Just like a Health and Safety Coordinator provides support across your entire workforce, investment in Health and Safety Systems is an investment in the wellbeing of the entire workforce.

The success of your investment will be measurable by:

### Increases in:

- Productivity and efficiency through improved work methods;
- Worker participation and engagement because workers feel safe and that their contribution is valued;
- Tenders or work being awarded to your company, or pre-approval for future work, resulting in increased revenue for your business;
- Quality of the product you supply, and subsequent increase in value of that product;
- Worker Satisfaction scores, because morale and enthusiasm is buoyed in businesses where workers feel that their wellbeing is a priority;
- Discounted ACC Levies when your experience rating shows lower than average injury rates and better than average rehabilitation and return to work rates;
- Employee Retention Rates (during Exit Interviews, one of our new clients said that feedback from employees identified safety as a top three reason for leaving);
- Corporate reputation, and resulting preference for your brand and products;
- Share prices on the Stockmarket; and
- Client confidence that they can rely on you to effectively manage safety.

### Reductions in:

- Worker absence due to illness or injury;
- Costs associated with worker replacement or substitution, including overtime to cover the vacancy, medical and rehabilitation fees, and compensation payments;
- Worker Turnover, resulting in reduced costs associated with recruitment, induction and placement, and
- Unplanned downtime because equipment or plant is being operated and maintained to an improved standard



## MANAGING YOUR PORTFOLIO

Investment in health and safety requires ongoing monitoring and maintenance to ensure that you continue to receive the best returns.

Value your Health and Safety Coordinator as a Portfolio Manager who is working to produce the best return for you. Empower them to manage the Health and Safety Portfolio, to monitor and record the successes, and work towards constant improvement.

You might need to make regular investments, or the level might change from time to time. For example:

### Example 1

You may have identified increases in sick leave over winter associated with colds and flu, and choose to invest in a Flu Vaccination Program which requires funding in March – a one-off annual cost. The return on that investment is reduced absenteeism through illness, maintaining production levels throughout the year, and a subsequent positive contribution to the bottom line and employees feel valued.

### Example 2

Your business may tender for work, or subcontract on large sites where the Principal Contractor stipulates the requirement for robust Health and Safety Systems. Subcontracting provides a significant revenue stream for your company, and you decide that there is a sound case for investing in Health and Safety Systems which will be the point of difference between you and your competitors. As a result, the Principal decides to give you pre-approval as a preferred provider and award work to your company. The return on your investment is a regular revenue stream, which contributes to your company bottom line.

### Example 3

Your building is getting a bit old and although it has a Fire Alarm System installed, it hasn't been maintained very well and as a result defects in the system cause False Alarms on a regular basis. The Fire Service has begun charging you for call outs, and because of the regularity of the alarms your staff have lost confidence in the system and no longer evacuate when the alarm sounds. You decide to invest in upgrading your Fire Alarm System, and the defects are resolved. The return on your investment is that your staff have a renewed confidence in both the Alarm System and the procedures in place for the event of fire, and you no longer receive invoices from the Fire Service as you have successfully eliminated unwanted false alarm activations. Funds which were previously paid out to someone else are now retained within the company, and contribute to your bottom line.



## HOW DOES THIS RELATE TO THE NEW HEALTH AND SAFETY AT WORK ACT?

Under the previous legislation, there was a strong emphasis on gathering data following a Worker being injured or suffering from a work-related illness. It was a system that was unsustainable, and the emphasis was on recording failure, not on chasing success. While treatment, rehabilitation and compensation were paid, the system wasn't geared towards preventing the incidents from occurring.

The new Act takes a proactive stance on Risk Assessment and Management. By drawing on all of the data we've been recording for decades, we know how, where and why people are getting injured, so now there is an emphasis on taking preventative action to control the level of risk Workers are exposed to with an intention of eliminating workplace injuries.

If we apply the investment concept to how we resource Health and Safety Systems, we are aligning our way of thinking with the more positive Culture of Safety the new Act brings. We invest in health and safety because we understand that there is a return on it, and it's worthwhile doing it.

By taking the stance that Safe Work Systems are an asset, then we find ourselves striving for success with those assets to get the best return we can. By default, we drive a change in culture towards an environment where everyone wants to do things as safely as possible because they understand that there is something to be gained from doing so.

No one invests for failure, and no one wants to spend money for no return. Understanding that good Health and Safety Systems contribute to the bottom line for our businesses means that we develop a mindset geared towards proactive management of risk, the reduction of incidents causing harm, and an overall increase in both our Workers and our company's wellbeing.

*For more information or if this is something you would like to discuss with us please contact our Director – Special Operations Craig Macdonald on 0800 023 789 or email him at [craig@allaboutpeople.co.nz](mailto:craig@allaboutpeople.co.nz).*

*Credit for this article to Darren Hodgetts – All About People Specialist.*