



# How to Calculate a Safety Budget That Gets Approved



Many of the world's top-performing companies invest heavily in workplace health and safety and make it a part of every business decision. However, while workplace safety and its benefits are well established and accepted by many, not all companies place it at the same level of importance within their organization.

Simply having a safety department isn't enough, but unfortunately, this is where the safety efforts of many companies end. They fail to understand that managing workplace safety and health effectively doesn't just demand a significant amount of time and commitment; it also requires dedicated budget dollars.

Even today, many safety departments never receive an annual budget to accomplish crucial business goals like injury prevention and regulatory compliance. Some companies don't see the value of investing in safety, so before you create a budget, you must convince management that you need one in the first place.



**This eBook will give you practical advice and step-by-step instructions to create a budget that management will approve of and help you meet your workplace safety and compliance goals simultaneously.**

## Justifying the Need for a Safety Budget

Many safety professionals take an incomplete approach when speaking to management about safety. They focus their conversations on audits, hazards, near misses, accidents, and statistics. While this information is valuable and important, including the financial impact of workplace health and safety programs is an essential piece of the equation.

Most managers recognize their legal and moral obligation to protect workers but may not connect workplace health and safety with the business's financial goals. If you want to convince them to invest in safety, start framing it as an intelligent business decision that aligns with company goals and their own. Show them why they should include safety in the company budget.

### For example:

- Instead of talking about workplace injury stories, chat about how one serious injury can turn a profitable project into one that is losing money.
- Instead of talking about your organization's Total Recordable Injury Rate, speak about how much the last accident cost the company in direct and indirect costs.
- Instead of talking about safety audit numbers, discuss how workplace injury rates can make the company less competitive when bidding on projects.



From taking employees out of the field for training to purchases of safety equipment, most managers are very familiar with all the ways that safety costs them money. **However, most are unaware of the long list of ways that improving workplace safety and compliance can save them money, and it's your responsibility to show them.**

## Show the Costs

Workplace injuries are disruptive and expensive for businesses.

The list of direct and indirect costs associated with workplace injuries is long:

**Medical bills:** The United States is notoriously expensive for medical care. The costs add up quickly, and severe workplace accidents often require emergency and ongoing care such as physical therapy, specialists, testing, and medication, to name a few.

**Insurance increases:** With the right insurance coverage, companies can avoid paying out of pocket for some medical costs, but not all of them. Companies still need to pay their insurance deductible, which can be expensive. Insurance companies are a business, and their ideal client pays on time and never makes a claim. However, if your organization makes a claim and the insurer has to pay out, the cost of insuring your company becomes riskier and less profitable. As a result, your insurance premiums and deductibles will likely increase.

**Regulatory fines:** Any serious workplace accident will likely get the attention of the Occupational Safety and Health Administration (OSHA), which will want to investigate why it occurred. Your company may receive a fine if an OSHA inspector finds anything out of compliance. Depending on the severity of the noncompliance, those fines could be tens to hundreds of thousands of dollars per violation.



In 2018 alone, companies paid  
**\$1 billion a week**  
in direct workers' compensation  
costs.

[\(Liberty Mutual estimation\)](#)

Work injuries cost the economy,  
companies, and individuals  
**\$163.9 billion in 2020.**

[\(National Safety Council estimation\)](#)



**Lawsuits:** In many cases, civil or even criminal lawsuits can follow serious workplace accidents. If your company is found responsible, it could take a severe financial hit. However, no matter the result, lawsuits are very disruptive and take time and resources away from organizational goals.

**Reputation:** If your company is known as a place where workers are hurt regularly, it can affect your ability to recruit top talent. After all, no one wants to work for a company that doesn't care about their well-being. In addition, most organizations in need of subcontractors will look at the company's injury rates to determine how safe they are during the pre-qualification process. Companies don't want to work with an organization that adds additional risk. Therefore, if your injury rates are above a certain level, you may be ineligible to bid on specific projects.

Now that management knows how much a workplace injury will cost them, you can go back to speaking about injury rates, statistics, and risk. That's because it's time to show them how close their company's next injury truly is.

## Workplace Accident Statistics

If your company hasn't had a severe workplace injury recently, congratulations, that's quite an achievement. However, don't let management use that as a reason not to give you the budget you need to maintain a healthy and safe workplace. Just because you haven't had an accident recently doesn't mean one isn't around the corner, so show them how common workplace injuries are within the United States:



According to [the Bureau of Labor Statistics](#), **2,607,900 workers were injured and 5,190 died at work** in the United States in 2021.

*Then, get more specific to your company. For example, if you perform a lot of work at heights:*

According to [the Bureau of Labor Statistics](#), **850 people died at work in 2021 as a result of a fall, slip, or trip.**

Once you've demonstrated how common workplace injuries are, you need to shift towards making them more personal. Speak about past accidents at your company, the fallout, and their direct and indirect costs to the company. Those numbers will require digging but can serve as valuable ammunition to prove your point.

After you've looked at the past, it's time to focus on the present and future risks. You can do that by extracting as much data as possible from your audits, inspections, and near-miss reports to identify hazard trends. Then, share that information with management to illustrate the current risk to employees. Luck runs out, and eventually, these near misses and hazards will catch up with your company.

Now that you've shown management how much workplace accidents cost and the current risks, it's time to show how big of a budget you need to address these issues.



## How to Make a Safety Budget

The process can feel overwhelming if you've never made a safety budget before, but it doesn't have to be if you follow this step-by-step approach. Here are a few key considerations to make before beginning your calculations.



### Make sure the budget aligns with company goals.

Organizations use key performance indicators, or KPIs, to measure, quantify, and evaluate success; safety is no different. For example, the safety department likely has hazard and injury reduction and training goals. Therefore, when calculating your budget, you must ensure that the allocated money and approach align with these goals.

Making sure your budget is as goal oriented as possible will make getting the money you need much easier. **Every dollar needs to be for a reason; there can't be any fluff.** Make sure management understands these items aren't extras but essential to achieving the organization's safety and compliance goals.



### Involve others in establishing company needs.

Workplace safety requires a team effort to be effective, and safety professionals can't do it alone, nor should they attempt to. Therefore, when working on establishing a list of company needs, it's essential to get input from various levels within the organization.

People have diverse priorities and experiences and notice different things when looking at a task or job. For example, a safety professional may prioritize the highest level of protection but may not consider how a particular piece of equipment can affect the ability of a worker to do their job.

Someone who doesn't perform the work will have different opinions on what to purchase than

someone who does. For example, a supervisor may bring up project constraints and scheduling issues that a safety professional may not have considered otherwise. At the same time, a field-level employee might tell you not to buy a specific type of PPE because it is uncomfortable, meaning workers are likely to refuse to wear it.



Additionally, it can be helpful to consult with other departments that might have budgetary needs that overlap safety. For example, human resources might be evaluating ergonomic equipment and training as part of their budgetary process and IT might be looking at cybersecurity needs. Coordinating with other departments and pooling your resources can save the company money and benefit all departments' budgets.

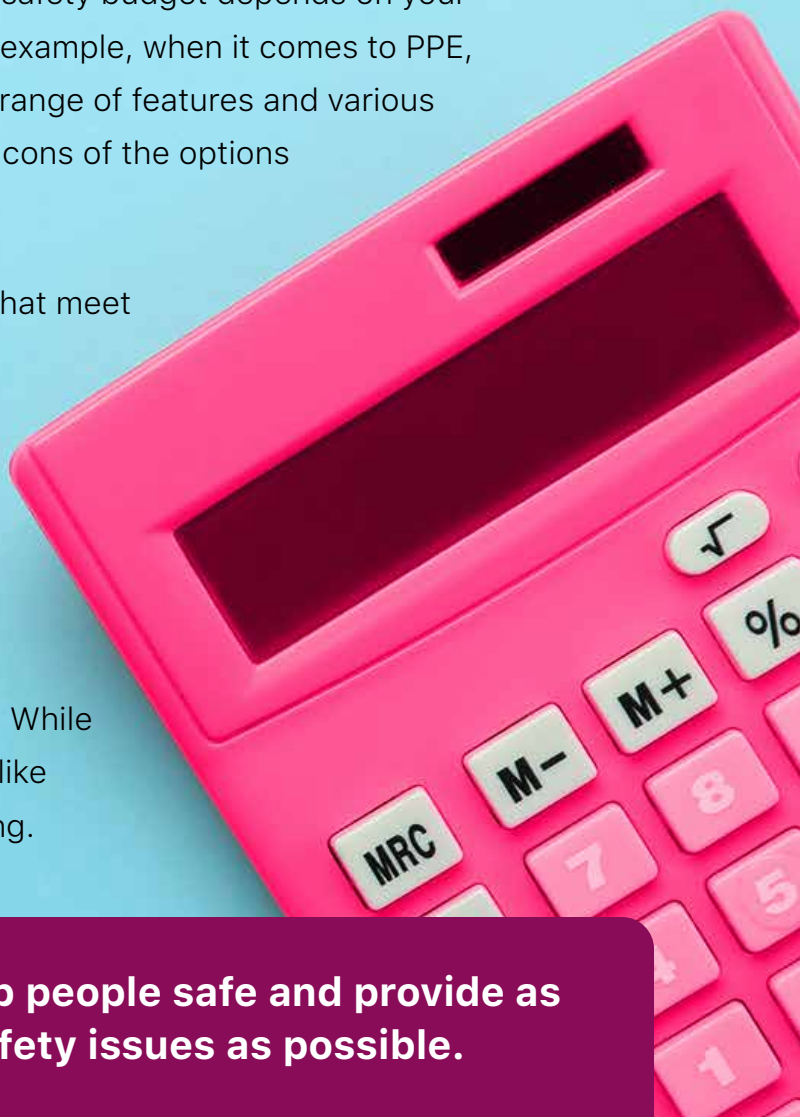
Ultimately your goal is to keep people safe and provide as effective a solution to safety issues as possible. That's why getting input from people from various backgrounds and within different levels of the organization is essential before deciding how to spend your budget. Doing so makes you more likely to get a better result in something that meets everyone's needs.

### Determine costs.

Determining where you spend your money within a safety budget depends on your organization's specific needs and preferences. For example, when it comes to PPE, there's an endless number of products with a wide range of features and various levels of quality. You'll need to look at the pros and cons of the options available.

You could buy the cheapest pair of safety glasses that meet your needs. However, they may be low quality and require replacement sooner than more expensive options. Frequent replacements mean you have to buy more, which will offset the initial cost savings of going cheap.

The same is true for training; when you pick the cheapest option, it is often a lower-quality product. While you may be willing to take that risk with something like safety glasses, it's not a good idea regarding training.



**Ultimately your goal is to keep people safe and provide as effective a solution to safety issues as possible.**



Safety training is one of the most potent ways to prevent workplace accidents because it gives employees the tools to recognize hazards and protect themselves and their coworkers. Unfortunately, by providing employees with low-quality training, you're not setting them up for success, and it doesn't help achieve your goal of creating a safer workplace.

However, also keep in mind that the most expensive options aren't automatically the best options.

You must mix and match based on preferences, requirements, and projects, plus company goals, needs, and wants. For example, in some areas of your budget, you may need the top-of-the-line choice. In other areas, it may be smarter to invest in the option that may not be the most expensive but is one the employees will actually use. After all, even the "best" and priciest product does no good to anyone if it sits on a shelf.



## Factors to Consider When Creating a Safety Budget

Now that we've covered a few of the considerations you need to make before you begin to budget, let's look at some specific areas where you'll likely need to allocate funds.



### Ergonomics

Sprains, strains, and other forms of soft-tissue injuries are common, expensive, and directly impact employee absenteeism and productivity. For those reasons, ergonomics has been an essential piece of health and

safety management for quite a long time. In fact, many organizations have ergonomic assessment and training programs for employees, and so should you.



**However, also keep in mind that the most expensive options aren't automatically the best options.**

Taking a proactive approach towards injury prevention with an ergonomics program is essential, so make sure you have the money to support it. Budget for assessments of both office and field employees and the products they may need to improve the ergonomics of their work area. For example, things like standing mats, adjustable desks, or ergonomic chairs are all expenses to consider for this section of your safety budget.

## Exposure Monitoring

Depending on your industry and the type of work performed, your employees may experience exposure to chemicals and hazardous atmospheres. Ensure you have the budget for testing requirements for all exposures your employees will likely experience during the coming year.

For example, if your employees perform confined space entry, they must test the atmosphere before entering the space. This regulatory requirement means companies must invest in air monitoring equipment and training, or budget for a third party to perform the testing.

## General

Many aspects of safety and health management may fall under the general category. Examples include hazard communication labeling, lockout-tagout kits, and spill containment kits. These items, and other safety devices and engineering controls, are crucial to protect employees from specific hazards or to maintain compliance and, therefore, need to make it into your budget.

## Factors to Consider When Creating a Safety Budget



Ergonomics



Exposure  
Monitoring



General



Personal  
Protective  
Equipment



Safety Services  
and Testing



Training and  
Technology



## Personal Protective Equipment

Personal protective equipment serves as the last line of defense to protect your employees against workplace hazards. PPE is also one of the first things management thinks of when they think of the expense of safety. The cost is unavoidable, but you have a lot of control over where that money goes.

It's crucial to make a substantial effort in determining the level of protection and quantity of PPE you will purchase for the year to provide the best coverage and ensure that employees use it.

Think about the hazards, projects, and environments employees may work in today and the future. These different factors can make certain pieces of PPE ideal and others not sufficient.

For example, if your employees work on roofs during the hot summer months, buying a high-visibility vest made of heavy material may not be the best option.

Another example is fall protection. If your employees often perform leading-edge work, you must purchase fall protection designed for this specific hazard. If you don't, the equipment could fail, resulting in a severe or fatal fall.

## Safety Services and Testing

You always need to consider testing, even if it is not something you currently need. For example, what if your company gets a new project requiring your employees to wear respirators during work? In that case, those employees will need respirator fit tests to stay compliant with regulations, which you will need to budget for.

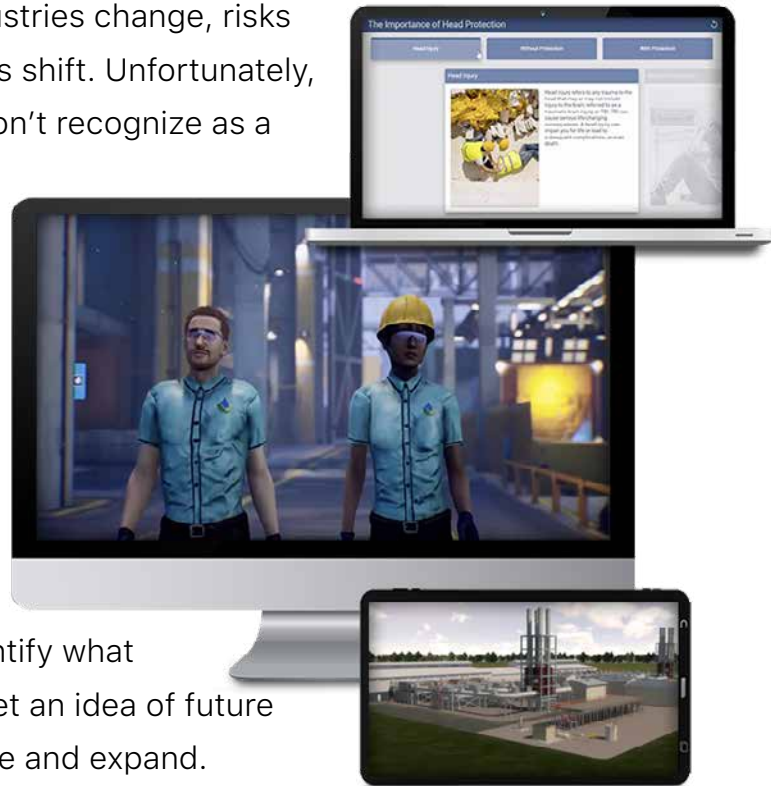


How about your facility? Does it have the required number of fire extinguishers, and are they inspected annually by a certified professional? Are first aid kits being maintained and replenished by a third party, or is that something the safety department is responsible for? These are all items you need to consider for your budget.

## Training and Technology

New hazards will always present themselves as industries change, risks evolve, and the needs of companies and their clients shift. Unfortunately, people can't protect themselves from things they don't recognize as a threat. That's why it's essential to have well-trained employees who can identify risks and understand the best practices to keep themselves and their coworkers safe.

There is a significant amount of mandatory training in safety and health, and those courses need to make it into your budget. However, depending on your business's operational risks, additional training will also pop up occasionally. Identify what you know is needed and speak with operations to get an idea of future training needs based on how the business will evolve and expand.



## Using Tools to Create a Safety Budget

HSI understands that calculating a safety budget is complicated. To help simplify the process, we've created a [safety budget worksheet](#) that breaks safety budgeting down to the most crucial areas a company needs to consider. The worksheet contains sample items and costs, calculation fields, and is easily editable and customizable to include your business's specific budgeting needs. The safety budget worksheet is also an excellent tool to show management where every budget dollar is headed and how each section aligns with organizational goals.

Creating a safety budget for the first time and getting management approval can feel overwhelming, but it doesn't have to be. With the considerations above, HSI's safety budget worksheet, and a better understanding of how to sell the value of safety to management, you'll be well on your way to getting the budget you need to make real change.