

A MAJORITY OF U.S. BUSINESSES REPORT WORKPLACE SAFETY DELIVERS A RETURN ON INVESTMENT

Liberty Mutual survey shows 61 percent of executives say \$3 or more saved for each \$1 invested in workplace safety

BOSTON - Ninety-five percent of business executives report that workplace safety has a positive impact on a company's financial performance, according to the findings of The Executive Survey of Workplace Safety announced today by the Liberty Mutual Group, the nation's leading provider of workers compensation insurance. Of these executives, 61 percent believe their companies receive a return on investment of \$3 or more for each \$1 they invest in improving workplace safety.

The survey also reveals executives realize the benefits of workplace safety go beyond the company's bottom-line, with 70 percent reporting that protecting employees is a leading benefit of workplace safety.

The survey also helps shed light on the impact two types of costs associated with workplace accidents are having on U.S. businesses: *Direct costs*, or payments to injured employees and their medical care providers, and *Indirect costs*, such as lost productivity, overtime costs, etc. Ninety-three percent of executives surveyed see a relationship between these costs, with 40 percent of them reporting \$1 of direct cost generates between \$3 and \$5 of indirect costs.

By comparing the findings on indirect costs with its own research on the direct costs of workplace accidents and illness, Liberty Mutual calculates U.S. businesses are paying a staggering \$155 billion to \$232 billion on workers compensation losses annually. The Liberty Mutual Workplace Safety Index announced this spring provided the first-ever ranking of the 10 leading causes of workplace accidents based on the direct cost of each accident cause. The Index estimated the total direct cost of all workplace accidents was \$38.7 billion in 1998, the most recent year for which data was available at the time.

Moreover, the survey findings reveal that business executives may be focusing attention on certain causes of workplace accidents at the expense of others, and may need to realign their workplace safety priorities.

For example, executives report "Repetitive Motion" is the most important cause of workplace accidents and that they will focus workplace safety resources on this accident cause. However, five other accident causes each produced greater direct costs for companies in 1998, according to the Liberty Mutual Workplace Safety Index. The Index reported that workplace injuries caused by "Repetitive Motion" produced \$2.3 billion in direct costs for employers in 1998, about a quarter of the \$9.8 billion of the leading accident cause - "Overexertion."

Similarly, executives may place less priority on accident causes that have greater potential financial impact. For example, survey participants report "Falls on the Same Level" as the 7th most important cause of workplace accidents. However, the Liberty Mutual Workplace Safety Index ranked this category as the 2nd most important accident cause. See [Appendix A: Employer Perception vs Reality](#).

"Workplace safety has a ripple affect, either positive or negative, on so many aspects of U.S. business operations today," said Joseph Gilles, Liberty Mutual Executive Vice President, Commercial Insurance. "The first step for executives is to take preemptive measures to prevent employee pain and suffering caused by workplace injuries. Identifying the accident causes that have the greatest impact on their company and focusing workplace resources on these will help a company reduce costs and achieve strategic corporate goals -- such as assuring employee

satisfaction and health, positioning the company as a low-cost provider, shortening production and delivery time, and improving product quality. Given the importance of workplace safety, companies should make sure their efforts are directed at those accident causes that have the greatest potential impact on their operations and employees." Mr. Gilles is available to comment on The Executive Survey of Workplace Safety.

Survey results are based on interviews with 200 executives responsible for workers compensation and other commercial insurances at 125 mid-size firms (100 to 999 employees) and 75 large companies (over 1,000 employees) representing a range of geographic locations and industries. Results are presented in [Appendix B: Survey Highlights](#).

This survey is part of Liberty Mutual's ongoing focus on Workplace Safety. It follows the Spring 2001 release of the Workplace Safety Index, the first ranking of accident causes by direct costs to employers using Liberty Mutual claims data, combined with findings from the Bureau of Labor Statistics and the National Academy of Social Insurance. Both studies are available at www.libertymutual.com.

**Liberty Mutual Executive Survey of Workplace Safety
Appendix A: Employer Perception Vs Reality**

A gap may exist between business executives' perception of the leading causes of workplace accidents and an actual ranking of these accident causes based on their direct cost to companies.

| | REALITY | | PERCEPTIONS |
|---------|--|--|--|
| Ranking | Liberty Mutual Workplace Safety Index - The ten leading causes of workplace accidents ranked by their direct costs | | Liberty Mutual Executive Survey of Workplace Safety - Accident causes ranked by executive concern |
| | | Est. national workers comp. direct cost: | |
| 1 | Overexertion - injuries from lifting, lowering, pushing or pulling. | \$9.8 billion | Repetitive Motion |
| 2 | Falls Same Level | \$4.4 billion | Overexertion - injuries from lifting, lowering, pushing or pulling. |
| 3 | Bodily Reaction - injuries resulting from bending, standing, reaching but not including slipping and tripping without falling. | \$3.6 billion | Highway Accidents |
| 4 | Falls to Lower Level | \$3.6 billion | Bodily Reaction - injuries resulting from bending, standing, reaching but not including slipping and tripping without falling. |
| 5 | Struck by Object | \$3.4 billion | Falls to Lower Level |
| 6 | Repetitive Motion | \$2.3 billion | Becoming caught in or compressed by equipment |
| 7 | Highway Accident | \$2.1 billion | Falls Same Level |
| 8 | Being struck against an object | \$1.9 billion | Struck by Object |
| 9 | Becoming caught in or compressed by equipment | \$1.6 billion | Contact with temperature extremes |
| 10 | Contact with temperature extremes | \$.3 billion | Being struck against an object |

The Liberty Mutual Workplace Safety Index was developed by applying Liberty Mutual 1998 workers compensation claims cost data to workplace accident frequency information provided by the U.S. Department of Labor's Bureau of Labor Statistics for that year, the most recent data available at the time. The relative proportions of each accident type were then applied to national estimates of the cost of workers compensations benefits from The National Academy of Social Insurance.

Liberty Mutual Executive Survey of Workplace Safety Appendix B: Survey Highlights

Benefits of Workplace Safety

95% of respondents believe workplace safety has a positive impact on a company's financial performance.

_ 24% report a substantial positive impact

86 % of respondents feel workplace safety provides a return on investment

_ 61 % feel that \$3 or more is saved for each \$1 invested

_ 13 % report \$10 is returned for each \$1 invested

93 % report a close relationship between the direct and indirect costs associated with a workplace accident

_ 40 % feel that between \$3 and \$5 dollars of indirect costs exist for each \$1 of direct costs

_ The median response was that \$3 of indirect costs exist for each \$1 of direct costs

82 % of respondents feel their company currently places a priority on workplace safety

70% of respondents report that protecting employees is a leading benefit of workplace safety.

_ 49% report that protecting employees from the human and financial costs is the top benefit

Elements of Effective Workplace Safety Programs

25% of respondents report that employee training is the most important element of an effective workplace safety program.

_ 22% believe that management commitment is the most important element

_ 16% believe internal communication is the most important element

98% feel that direct employee participation is necessary for effective workplace safety.

_ 69% believe it's critical

Respondents report that benchmarking a company's workplace safety performance is an important tool for improving workplace safety performance over time.

_ 71% indicate that they compare their company's workplace safety performance to other companies