Glenn Commandments: Show Your CFO Why Cutting the Safety Budget Is Bad for Business – Canada Version

With U.S. tariffs officially taking effect, these are financially uncertain times for Canadian companies. And when times are tough, companies cut their budgets. And when companies cut their budgets, they look at the OHS program. One reason companies think they can get away with cutting OHS costs without harming workers is the common misconception that safety incidents decline when the economy is slow. As OHS coordinator, it's incumbent on you to debunk this myth and persuade your CFO that safety budget cuts are bad for business. Here's how to do that.

The Correlation between Economic Conditions & Safety Incidents

The argument that workplaces are safer during a recession is based on unemployment numbers, workplace injury rates, and other statistics demonstrating a rough correlation between incident rates and macro-economic conditions:

Strong economy = higher incident rates. Statistics from industrialized nations around the world document that reported incidents actually do increase in times of economic prosperity.

Weak economy = lower incident rates. The correlation also works in reverse. That is, when the economy is in a downswing, workplace incident rates decline. For example, the increase in unemployment rates in Canada during the early 1990s was accompanied by a major drop in workplace incident rates.

Incidents Don't Decline during Recession, Incident Reporting Does

To make the business case for preserving your OHS budget, you must be aware of and prepared to discredit the argument that safety incidents increase when the economy grows and decrease when it slows down. To do this you'll need evidence. As Exhibit A, you might consider a landmark study ("Are Recessions Good for Workplace Safety?" Boone and van Ours, Tilburg University, The Netherlands, Institute for the Study of Labor) based on data from Canada and 15 other industrialized countries finding that safety incidents actually increase rather than decrease in times of recession. What does decrease during a recession is the likelihood of those incidents being reported. The higher the unemployment rate, the lower the number of incidents that actually get reported, the study concludes, citing 2 factors that make workers less likely to report injuries and incidents during periods of high unemployment.

Fear of Getting Fired

Workers consider the likelihood of being fired before they report an incident. The perception is that reporting an incident is a blot on workers' records, the study explains, making them more vulnerable to termination. When the economy is booming, a company is unlikely to get rid of workers simply because they report safety incidents. But when the economy is poor and companies are cutting their workforce, it's more than conceivable that workers would fear that reporting an incident could make them an attractive target for layoff. In addition to being seen as a troublemaker, the reporting worker may come off as being more “accident-prone.” While a recession doesn’t create these concerns, it does heighten them.

Consequences of Getting Fired

Workers also consider what would happen to them if they did get fired for reporting the incident. Of course, the fear of losing a job exists in both good and bad times. But it’s especially acute when unemployment rates are high and jobs become more precious and difficult to replace.

The Link between Recession & Work Fatalities

So far, we’ve been talking about the correlation between economic conditions and **nonfatal** incident numbers. But what about fatal incidents? If workplaces really were safer during recessions, you’d expect that fatalities would decline, too. But the Tilburg study found that recession had no impact on fatal incident numbers. This was further evidence that economic conditions affect workers’ reporting behaviours rather than actual incident occurrences, noting that it’s much more difficult for workers to keep the incidents they experience or witness to themselves when somebody dies in the incident. Knowing that the company will find out about the fatality eventually, the risk to the worker stems not from reporting but failing to report.

Takeaway & Impact on You

The argument that workplaces become safer of their own accord during tough economic times is full of flaws. But the theory has gained traction and you must be prepared to attack it in case your CFO tries to use it to justify cutting your OHS budget. An effective way to do that is to make the case that the correlation between economic conditions and safety incidents is due to incident reporting rather than incident occurrence and that it’s also limited to nonfatal incidents.

Also, remind your CFO that underreporting of safety incidents actually makes workers more vulnerable by fostering a false sense of complacency. And if workers don’t report incidents, you can’t identify and correct the hazards that caused them.