Study: Safety Inspections Don't Hurt Profits

Sam Hananel, Associated Press

WASHINGTON (AP) — While businesses bemoan the cost of regulations, a new study suggests that government enforcement of workplace health and safety rules can save lives without sapping a company's bottom line.

The findings come from a decade-long look at hundreds of California work sites subject to random safety inspections. Researchers found that inspected companies reduced their injury claims by 9.4 percent compared to those not inspected, with no negative impact on profits or sales.

Better yet, the same companies saved an average of 26 percent on workers' compensation costs in the four years following an inspection when compared with similar firms that were not randomly inspected.

The study, published online Thursday in the journal Science, challenges business groups' complaints about "job-killing regulations."

Critics of the federal Occupational Safety and Health Administration have argued that the agency should spend fewer resources on inspections and focus instead on voluntary safety programs.

"These inspections ironically appear to be creating value for the firms that they are visiting in terms of reduced workers' comp costs and frequency of injuries," said Michael Toffel, a professor at Harvard Business School and co-author of the study.

The study focused on companies inspected by California's Division of Occupational Safety and Health from 1996-2006. It found that inspected firms saved an average of about $355,000 in injury claims and compensation for paid lost work over the following four years.

If OSHA inspections conducted in all 50 states have the same value as those studied in California, Toffel estimated that inspected businesses are reaping about $6 billion in added value. And that doesn't include other savings, such as loss of production when workers are sick or injured or the pain and suffering of employees involved in accidents.

"It really is the complete opposite of the regular rhetoric that we hear coming out of Washington, D.C., about regulations being harmful to the economy and bad for business," said Celeste Monforton, a professor at George Washington University's School of Public Health and Health Services who was not involved in the study.

Marc Freedman, executive director of labor law policy for the U.S. Chamber of Commerce, said the idea of having inspections is not a problem for most business owners.

"It's more a question of how those inspections are conducted and what the relationship between the inspector and employer is," Freedman said.

Under the Obama administration, OSHA approaches inspections "with much more of a gotcha mentality determined to find the maximum penalties possible," Freedman said.

Monforton said OSHA inspectors generally are career law enforcement officials bound by a duty to note workplace hazards and cite employers who are breaking the law no matter which political party holds the White House.

By statute, the maximum penalty OSHA can assess for a serious violation is $7,000. In reality, the agency assessments average about $1,000 per violation after officials take into consideration other factors such as a company's size and past safety record, Monforton said.

Toffel said his interviews show that injuries decrease after inspections because the inspectors talk with operators and make sure they understand what the problems are and then discuss ideas for fixing them.

"It focuses the minds of managers to create solutions like installing blade guards around a saw or railings on elevated walkways," Toffel said.

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