

## The Hidden Costs of Accidents

**Line of Business:** Worker's Compensation

**Risk Control Strategy/Key Issues:** Provide a tool to help supervisors understand the many factors that can have an impact on the bottom line of an organization's operation: business overhead, thefts, and employee turnover.

There are actually two cost areas for every accident...and both have a dramatic impact on your organization:

- 1. Direct costs of an accident,**
- 2. Indirect (hidden) costs associated with the accident.**

Many times, indirect costs surrounding an accident have a more immediate impact on your entity's budget than the direct costs. Statisticians have estimated that the indirect costs associated with an accident range from 3 to 10 times the direct (visible) cost of the accident. Some hidden costs include:

- The added cost of downtime or decreased quality
- The expense of training new or replacement employees
- The burden of renting replacement vehicles or equipment
- The expense of renting store or warehouse space
- Decreased employee morale from the loss or injury to a co-worker
- Loss of customers and customer goodwill

Accidents are a lose-lose situation. An employee who is injured on the job will receive compensation provided by the workers' compensation insurance. However, here too are hidden costs. Some injuries, such as back injuries, amputated fingers and limbs, neck injuries, may mean that employee may no longer be able to do things that they now take for granted. It may mean missing a child's first recital or baseball game, losing a position on a sports team or no longer being able to do the things such as gardening, playing golf, bowling or crafts. Ultimately, money cannot return an employee to the state they were in before the accident.

The employer may lose a good, skilled employee who is no longer able to do his job. Vehicles and property and, sometimes good customers, may also be lost.

Prevention of many accidents is in the hands of both the employee and the employer. Unsafe actions and conditions are a key component of many on the job injuries and accidents. Therefore, TAKE SAFETY SERIOUSLY. Do everything possible to prevent an injury or accident before it happens.

## Hidden Costs of Claims

### Direct Costs:

Medical  
Damage/Compensation

### Indirect Costs:

Lost time from work  
Loss Earning power  
Economic loss to family  
Lost time from fellow workers  
Loss of efficiency-crew break-up  
Lost time Supervision  
Cost of training new person  
Damage to equipment  
Down time due to accident  
Failure to finish assigned work

#### Web Site Links:

- Occupational Safety & Health Administration  
[www.osha.gov/SLTC/etools/safetyhealth/mod1\\_costs.html](http://www.osha.gov/SLTC/etools/safetyhealth/mod1_costs.html)

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