**NOTICE**

This guide may make reference to the Occupational Safety and Health Administration (OSHA) regulations; however the guide is not legal advice as to compliance with OSHA or other safety laws, codes or regulations. Compliance with OSHA and other safety laws codes or regulations, and maintaining a safe work environment for your employees remains your responsibility.

WCF does not undertake to perform the duty of any person to provide for the health or safety of your employees. WCF does not warrant that your workplace is safe or healthful, or that it complies with any laws, regulations, codes or standards.

**NOTICE**

HIDDEN COSTS OF ACCIDENTS

An area of major concern to employers is the cost of accidents. Many people do not realize how much accidents really cost. In fact, many expenses are not always obvious. Attention to loss control can improve a company's overall success.

Where does the money come from to pay for the results of accidents? Some people believe that organizations have money set aside to pay for accident costs. However, employers know that the money must come from profits.

A series of costly accidents can reduce profits radically. Accidents have obvious, direct costs such as medical, hospital and rehabilitation expenses, workers compensation payments, and higher insurance premiums or even loss of insurability. But, accidents have less obvious, indirect costs that are usually uninsured. These include the various disruptions to normal work procedures, such as when employees stop to help the injured employee, or even a drop in production that can mean late delivery of products. If profits are not sufficient to cover costs, the company may be forced to defer the procurement of new equipment and facilities.

People often try to minimize the costs of accidents by saying that they are covered by insurance. Insurance, however, covers only a portion of the total accident cost. Moreover, as accident losses increase, so will a company's insurance premiums. It is clear that directly and indirectly, accidents reduce profitability.

Total accidents costs can be compared to an iceberg (Figure 1). The part of the iceberg that can be seen above the surface is like the smaller, direct portion of the total accident costs. An examination of a serious accident can give you a better understanding of what makes up total accident costs.

For example, an employee receives an electric shock from faulty equipment and is seriously injured. Many people in the department stop working. Some rush to give first aid to the injured person, while others call for help. When help arrives for the injured employee, do employees immediately return to work? Not always. They may continue to help or remain merely to watch. In this situation, all idle work time is included as part of the total accident costs.

As soon as the injured person receives proper medical treatment, your next job is to investigate the accident. All time spent on accident investigation and reporting as well as wages paid to witnesses is included in the total accident costs.
If the injured person misses work for only a short time, you may be able to make up for the production loss by having the rest of the department work overtime. Overtime wages paid are included as total accident costs. If the injured employee is gone for months, you may have to hire and train a replacement worker, and they may not be as efficient as the previous one. If a machine is damaged in the accident and the job must be performed with less effective equipment, your output will drop further. All this reduced efficiency represents another indirect cost.

The indirect costs of accidents are usually greater than the direct costs. A conservative estimate is that for every $1 of direct accident costs, there is $3 of indirect costs. Some studies indicate the hidden costs can be 4 to 10 times the insured costs.

Indirect costs to consider include:
- Time lost from work by injured employee(s).
- Loss in earning power.
- Economic loss to injured's family.
- Lost time by fellow employees.
- Loss of efficiency due to break-up of crew.
- Lost time by supervision.
- Cost of breaking in a new worker.
- Damage to tools and equipment.
- Time damaged equipment is out of service.
- Spoiled work.
- Loss of production.
- Spoilage - fire, water, chemical, explosives, etc.
- Failure to fill orders.
- Overhead cost (while work was disrupted).

Just as there are many hidden costs due to accidents, there are hidden savings in accident prevention. For this reason, the phrase "loss control" is often used in safety management. Every accident you prevent saves direct and indirect accident costs - money that remains in your profits. Other benefits of accident prevention efforts include:
- Employees will not be injured or killed.
- Property and materials will not be destroyed.
- Production will flow more smoothly.
- You will have more time for the other management duties of your job.
Hidden Cost of Accidents

Like an iceberg, the hidden costs of accidents are not visible on the surface, but are there just the same.

Examples of such hidden costs:
- Production loss/worker distraction
- Training costs/replacement worker
- Loss of skill/efficiency - slowed production
- Paperwork
- Administrative time
- Loss of morale
- Legal issues
- Medical expenses
- Wages
- Equipment
- Workers compensation

Resources
- WCF Safety Department
  801-288-8105
  800-446-2667 ext. 8105