

Direct Versus Indirect Costs of Injuries on the Job

Hidden costs can drain your financial health.

Don't think controlling accidents or investing in safety at your company is worth the time and effort? Think again. Every accident results in both direct and indirect expenses. And those costs can add up — and affect the financial health of your business.

Direct Expenses of an Accident

Suppose an employee suffers a strained back while lifting a box of paper supplies in the storeroom. This back strain leads to medical expenses of \$1,700 and an additional \$2,600 in temporary employee fees (to replace your injured employee) for the lost time; that's a total of \$4,300 in *direct costs* associated with this material handling accident.

You may think that because all apparent costs are paid by the insurer, you need not act to reduce accident costs. And while you may periodically review costs, you may not understand the *hidden* impact of accidents on your bottom line. This is particularly true if your company has purchased a policy that isn't subject to additional charges for poor loss experience.

Indirect Expenses of an Accident

It's important to understand that workplace accidents also yield certain *indirect* expenses, which are *not* covered by traditional insurance. As a drain on a company's financial resources, these costs include:

- Lost productivity of injured or killed worker(s).
- Lost productivity of employees who assist in the rescue, cleanup and repairs caused by an accident.

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- Lost productivity of employees who are idled during or after the accident, or who are kept idle by damaged machinery, debris, hazardous spills, etc.
- Loss of efficiency due to breakup of experienced teams or lowered morale caused by injury or death of co-worker(s).
- Overtime expenses incurred by additional staff needed to make up for the lost worker(s).
- Damage to materials, equipment, vehicles, etc., caused by the accident.
- Lost time of supervisors and management who must respond to the accident (assisting injured workers, conducting accident investigation, dealing with regulatory agencies, dealing with the news media, etc.).
- Lost time and expense of completing paperwork (accident reports, reports to regulators, etc.).
- Cost of first aid supplies used to treat the injured.
- Costs of hiring and training new employees to fill in for the injured.
- Negative impact on customer relations due to reduced quality or service.
- Loss of customer loyalty due to negative publicity.
- Increase in future insurance costs due to increased accident frequency or severity.

Add up all these indirect costs, and you can see why it makes sense to be directly involved in enhancing safety throughout your organization. For more loss control tips, go to our Web site at sb.thehartford.com.

