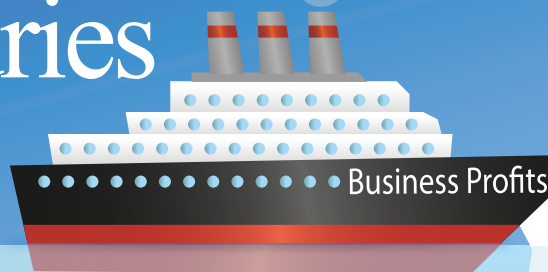


Understanding the Hidden Costs of Injuries



Direct Costs

Workers' compensation payments
Medical expenses
Costs for legal services

The National Safety Council estimated that work-related deaths and injuries cost the nation, employers, and individuals \$171 billion in 2019. But direct costs are just the tip of the iceberg. Most of the iceberg that sank the Titanic was hidden below the waterline. In a similar way, hidden costs of a worker's injury could sink a business.

When a worker suffers a job-related injury or illness, the accompanying pain and discomfort are compounded by the actual, immediate cost of treatment for the condition. Then there may be additional medical costs: Doctor and hospital bills, prescriptions, follow-up therapy and appliances, such as crutches, walkers and wheelchairs. Most of these direct costs are covered by the workers' compensation policy that business owners must provide under Maryland law.

Direct vs. indirect costs of accidents

Direct, or insured, costs for accidents include:

- Workers' compensation payments,
- Medical expenses, and
- Costs for legal services.

Indirect costs, on the other hand, are all the additional costs associated with a workplace accident. While they may account for the majority of the costs of an accident, indirect costs are usually uninsured and are, therefore, unrecoverable.

An accident causing a worker's injury might also have caused damage to the vehicle or equipment the worker was using that could require expensive repair or replacement.

Besides loss of the worker's time, there may be loss of time by fellow employees and supervisors responding to the accident. Often, these co-workers and supervisors may suffer at least temporarily lowered morale, efficiency, and productivity.

Then there is the cost of hiring and training a temporary or permanent replacement for the injured employee, with lower productivity during the hiring and training process. And probably worst of all, indirect costs may include civil or criminal penalties imposed by state or federal officials if the accident is found to have resulted from a violation of workplace safety requirements.

Indirect costs can include:

- Lost productivity related to work rescheduling and accommodation of injured employee(s);
- Lost profits;
- Wage costs related to lost time through work stoppage associated with the worker injury;
- The overtime costs necessitated by the injury;
- Administrative time spent by supervisors, safety personnel, and clerical workers after an injury;
- Cost of training replacement employees;
- Accident cleanup and investigation,
- Repair or replacement of damaged material, equipment, and property;
- Costs associated with lower employee morale and absenteeism.

Indirect costs up to four times higher

Indirect costs associated with workplace accidents can cost up to four-and-a-half times that of the direct costs, according to the National Council on Compensation Insurance (NCCI).

Indirect costs can come right out of a company's bottom line, and they may even serve to drive a company out of business. Not many businesses could withstand such a hit to their bottom line – especially when, compared with the alternative, workplace safety is such a real bargain.

Indirect Costs

Lost productivity
Lost profits
Delays and loss of production
Overtime costs
Cost of hiring and training new or temporary employee
Accident cleanup and investigation
Repair or replacement of damaged equipment
Costs associated with lower employee morale and absenteeism
Possible litigation expenses
Possible legal penalties and citations

Sources:

Work Injury Costs <https://injuryfacts.nsc.org/work/costs/work-injury-costs/>

Business Case for Safety and Health <https://www.osha.gov/businesscase>

Background for Cost Estimates <https://www.osha.gov/safetypays/background>