

Safety Program: **A Way To Increase Your Profits**

The Real Cost of Accidents

The visible or insured costs of accidents are easily calculated by adding up:

- Medical Costs
- Insurance Premiums
- Compensation Payments

These costs are paid for by the insurance company using your premium dollars.

But that's just the beginning. Studies show that for every dollar of direct cost, there is \$3-\$10 of indirect or "hidden uninsured" costs of accidents.

Some of the indirect or "hidden" costs are:

1. Cost of wages paid for time lost by the injured employee, including medical treatment time and time away from the job that is not covered by Workers Compensation insurance.
2. Cost of wages paid to other workers not injured. This would include those who stopped work to watch or assist the injured employee, and those employees who need the output of the injured worker to complete their tasks.
3. Cost of damage to material or equipment. Costs are incurred when materials need to be reorganized after the accident so production can resume.

4. Cost of overtime needed as a result of the accident. This would include the cost to make up for lost production, additional supervision, and additional heat, light, etc.
5. Cost of wages paid to the supervisor for time spent on activities related to the accident. This would include caring for the injured worker, investigating the accident, and supervising the activities necessary to get the department functioning back to normal. All of these activities will disrupt the supervisor's productivity.
6. Cost associated with instructing, repositioning, and training employees to resume production. It may even be necessary to hire a replacement, which would cause additional hiring costs.
7. Costs of managers and clerical personnel who investigate and process claim forms and related paper work, telephone calls, interviews, etc.
8. Wage costs due to decreased productivity after the injured employee returns to work. This results from restricted movement or nervousness of the injured worker and time spent discussing the accident with other employees.
10. Miscellaneous costs. These costs are less typical. They are not incurred in all accidents, but may be substantial in some cases, depending on the severity and type of accident. Some of these costs may include:
 - Reduced competitive position caused by delays in delivery.
 - Increased operating costs and unfavorable publicity.
 - Rework time on spoiled products.
 - Cost of recalling defective products.
 - Increased cost of insurance.
 - Civil penalties, fines, legal fees, and time involvement for safety violations.
 - Loss of competitive bidding with an increased exp. mod

While the costs created by accidents may be hidden, they must be paid for by profits from the sale of products. The following table indicates the amount of dollars needed in sales to pay for the different amounts of accident costs, at varying profit margins.

Profit Margin

Accident Costs	1%	2%	3%	4%	5%
\$1,000	\$100,000	\$50,000	\$33,000	\$25,000	\$20,000
5,000	500,000	250,000	167,000	125,000	100,000
10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	2,000,000
100,000	10,000,000	5,000,000	500,000	3,333,000	2,500,000

Today, a business climate of tough competition and lower profit margins makes the control of accidents and their associated costs a management necessity.

**** Your safety program can contribute more profit than your best sales personnel ****

