



Supervisors' Safety Update

Ideas and Strategies for Leaders



SSU 2005-01

THE HIDDEN COSTS OF INCIDENTS

By SeaBright Insurance Loss Control

Getting injured is expensive. Medical costs relating to a common ailment or a work place incident have been dramatically increasing over the last few years. But, the medical costs associated with an incident occurring on the worksite are not the only costs impacting the company's efficiency and bottom line.

When an incident takes place on the job, many of the costs are easy to recognize and determine, while other costs are not. It is these other costs or "indirect costs" as they are called that can be a much larger impact to the daily operations of the company than the "direct costs."

Workplace incidents result in a variety of direct costs, and direct costs are the expenses most people consider when an injury occurs.

Hidden costs are like an iceberg: the easily seen "tip of the iceberg" is much less than what is actually there.

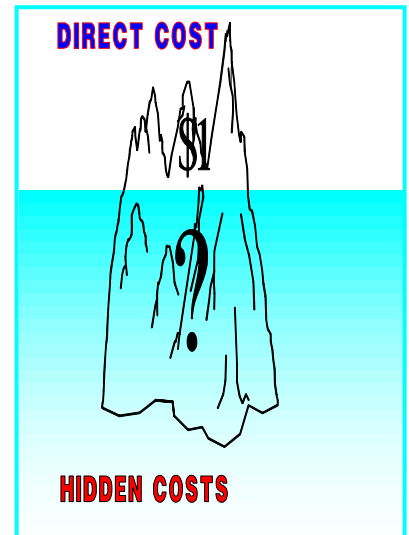
They include such costs as: all off-site medical costs, emergency room, physician, X-rays, prescriptions, medical aide transportation (ambulances, air-flight, etc.), doctors check ups, and post-injury physical therapy. Direct costs also include: time loss payments and possible vocational training if required.

Direct costs are fairly easy to pin down. In contrast, it is the indirect or hidden costs that can impact the company heavily and are so varied. As a general guideline they can be thought of as any costs associated with the injury that are not covered by insurance. Supervisors must be aware of these "indirect costs" since they impact day-to-day

operations, crewmember needs and production.

The indirect costs are common hidden losses your company absorbs unknowingly to some extent when any incident occurs. While some of these are dependent on the severity of the injury, they all can impact your work.

Over the years indirect costs have been estimated against direct costs. Many people are surprised that indirect costs are conservatively estimated, to be at least four times more expensive than direct insurance costs and have been found to reach 11 times that of the direct costs. Hidden costs are like an iceberg: the easily seen "tip of the iceberg" is much less than what is actually there.



So, let's consider these costs and their impact to your company. While the costs depicted in this SSU may not be all inclusive to your operations, the impact is undoubted. Breaking down these costs by groups, they are:

Hidden Costs For The Injured Employee

- Cost of on-site medical treatment. First aid supplies, etc
- Employee's production time lost on the day of the injury while seeking medical treatment.
- Employee's hours paid, while at the clinic due to the workplace injury.
- Employee's production time lost during subsequent medical treatments or appointments during work hours.
- Any payments made to the employee during the waiting period before compensation payments begin, if any.
- Any supplemental compensation that may be paid, in addition to regular compensation payments, if any.

Hidden Costs Linked To Supervision

The employee's supervisor generates hidden costs to the company as a result of crewmembers being injured. Because the injury took place while you were managing the work, you have the responsibility to be involved as well. While it could be said that the activities listed below are a supervisor's responsibilities already, they are not primary duties. A supervisor's primary duty is to get the work done, at the production and quality levels expected, and without injuries. It is not to place an employee in a situation that an injury occurs and then take time to investigate and account for the injury.



As a supervisor, you must develop a work plan that keeps employees uninjured and working at their full capacity. But if an injury occurs, normal production activity slows or ceases, and responding to the needs of injured employee and the injury begins. So what are the costs to supervision?

- The time for which the supervisor is paid while assisting the injured employee.
- Investigating the incident and completing the necessary paperwork relating to the incident.
- Time required orienting and training a replacement, if necessary.
- Time to re-schedule work assignments.
- Discussions with the crew.
- Management discussions
- Paperwork, paperwork, paperwork.

Hidden Costs Associated With Co-Workers

The employees on the crew get involved unknowingly in indirect costs of a co-workers incident as well. And because multiple people are involved their combined cost per hour linked to the injury can grow quickly.

- Production time lost by co-workers assisting the injured person
- Production time lost to transport the injury employee to and from a medical facility.
- Production time lost by employees observing the scene.
- Production time lost because of clean-up operations relating to the incident.
- Production time lost to clean up the scene and/or remove damaged equipment or products.
- Production time lost by employees who remain idle because of a disrupted workflow.
- Overtime costs that may result.
- Administrative/clerical costs to process the claim, publish the investigation report, etc.

And the list continues. Equipment damage, damaged or destroyed product, and replacement of raw material.

Uninsured Equipment Damage includes:

- The cost of repairing damaged machinery or equipment.
- The cost of providing an interim and/or permanent replacement, if needed.

Uninsured Raw Material And Merchandise Costs include:

- The losses of raw materials and finished product as a result of the incident. The incident may require the purchase of additional raw materials and/or costs arising from overtime use of plant machinery.

Miscellaneous Costs attributed to an incident include:

- Loss of profit from cancelled orders.
- Costs of hiring replacement personnel, etc.

It is easily seen that the hidden costs can add up quickly and greatly impact the profit margin of a particular project, product and/or normal day-to-day production operations.

Supervisors are the key to production and the key to safety. By stressing the importance of injury prevention with employees, you not only help avoid the human tragedies of pain and suffering caused by workplace incidents, you also help the bottom line profit of your company.

Try computing your own Hidden Costs of an Incident by filling out the attached worksheet. The exercise will not only give you a greater insight to the REAL costs, but will provide you valuable information on just how much is saved when your company succeeds in attaining zero incidents.

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Hidden Incident Cost Worksheet

General Information

Employee Name: _____ Injury First Aid
 Department, Job Title: _____ Recordable
 Date of Injury: _____ Incident No: _____ Lost Time

Hidden Incident Cost Summary

A	Uninsured Costs Related To Injured Employee 1 Hourly Wage Rate \$ _____ X Uninsured Time Loss Hours _____ = \$ _____ 2 First Aid Costs (On-site Bandages, Gloves, Solution, etc.) \$ _____ <div style="text-align: right;">"A" Subtotal: \$ _____</div>									
B	Uninsured Supervisory Costs 1 Supervisory Wage Rate: \$ _____ 2 Time Spent on Incident = _____ hours Consider time involved with the incident, including items such as: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">A Assisting injured employee</td> <td style="width: 50%;">E Investigating the incident</td> </tr> <tr> <td>B Filling out reports</td> <td>F Training replacements</td> </tr> <tr> <td>C Responding to Management Questions</td> <td>G Ordering/Planning for repairs & replacements</td> </tr> <tr> <td>D Crew Meetings</td> <td>H Other</td> </tr> </table> <div style="text-align: right;">Subtotal = Wage X Hours "B" Subtotal: \$ _____</div>	A Assisting injured employee	E Investigating the incident	B Filling out reports	F Training replacements	C Responding to Management Questions	G Ordering/Planning for repairs & replacements	D Crew Meetings	H Other	
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B Filling out reports	F Training replacements									
C Responding to Management Questions	G Ordering/Planning for repairs & replacements									
D Crew Meetings	H Other									
C	Assistance From Non-Injured Employees 1 Total time lost by employees who assisted or were a part of: assisting the injured employee, observing at the scene, clean-up after the incident, idle because of disrupted work flow, etc. _____ Total Hours X Wage Rate \$ _____ = \$ _____ 2 Overtime hours worked because of incident _____ Total Hours X Wage Rate \$ _____ = \$ _____ 3 Clerical hours involved _____ Total Hours X Wage Rate \$ _____ = \$ _____ <div style="text-align: right;">"C" Subtotal: \$ _____</div>									
D	Uninsured Equipment Damage 1 Cost of Repair \$ _____ 2 Cost of Interim/Permanent Replacement \$ _____ <div style="text-align: right;">"D" Subtotal: \$ _____</div>									
E	Uninsured Raw Materials and/or Product Loss 1 Replacement Costs of Raw Materials Damaged or Ruined \$ _____ 2 Replacement of Finished Product Damaged or Ruined \$ _____ <div style="text-align: right;">"E" Subtotal: \$ _____</div>									
F	Uninsured Miscellaneous Costs 1 _____ \$ _____ 2 _____ \$ _____ 3 _____ \$ _____ <div style="text-align: right;">"F" Subtotal: \$ _____</div>									

TOTAL HIDDEN INCIDENT COSTS (Add A thru F) \$ _____

TOTAL INSURED INCIDENT COSTS (From WC Loss Report) \$ _____