



Session 3  
**ECONOMICS IN  
LOSS CONTROL**

ECONOMICS IN LOSS CONTROL

prevention of worker's injuries and illnesses can be formulated as economic objectives → meaningful to management


Accidents  
Injuries  
Illnesses } have costs (What are these?)



Direct – claims, medical cost, absences

Indirect - intangible costs of accidents, although hidden, appear to be much greater than the so-called "direct costs"

Category	Percentage
Direct material costs	15%
Direct staff costs	9%
Indirect material costs	38%
Indirect staff costs	38%



## Economic cost of occupational accidents

No much study done in measuring economic cost of workplace accidents:

WHY?

- Data are difficult to come by
- Businesses focus on their core business



But few studies available using both qualitative and quantitative approaches point to the following findings:

↳ High cost  
Mostly  
productivity  
loss

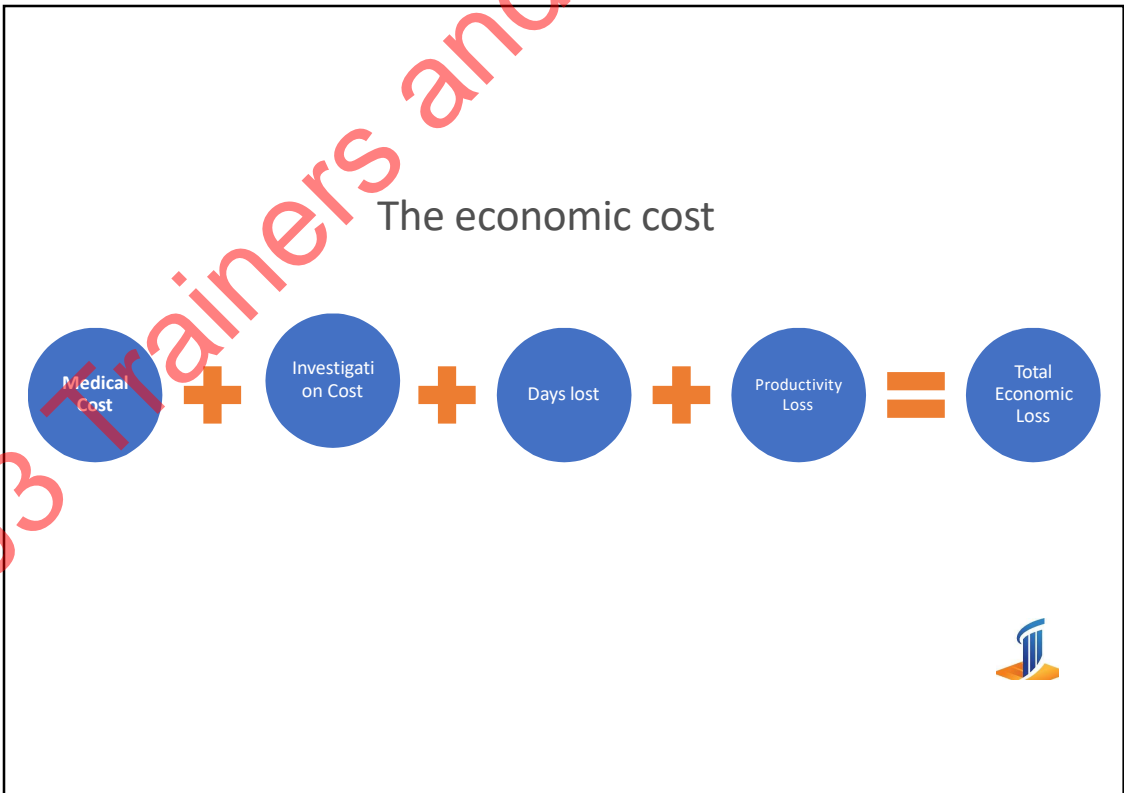
↳ Due to lack  
of  
awareness  
& risk  
assessment

↳ Mostly  
involves  
younger  
workers



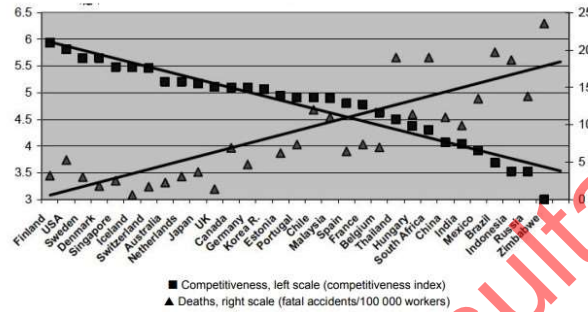
only 4% of employers believe  
that investment in safety  
and health  
is important for maintaining  
good business





## Accidents at work and work-related ill-health hinder economic growth

Correlation between competitiveness and the incidence of accidents at work

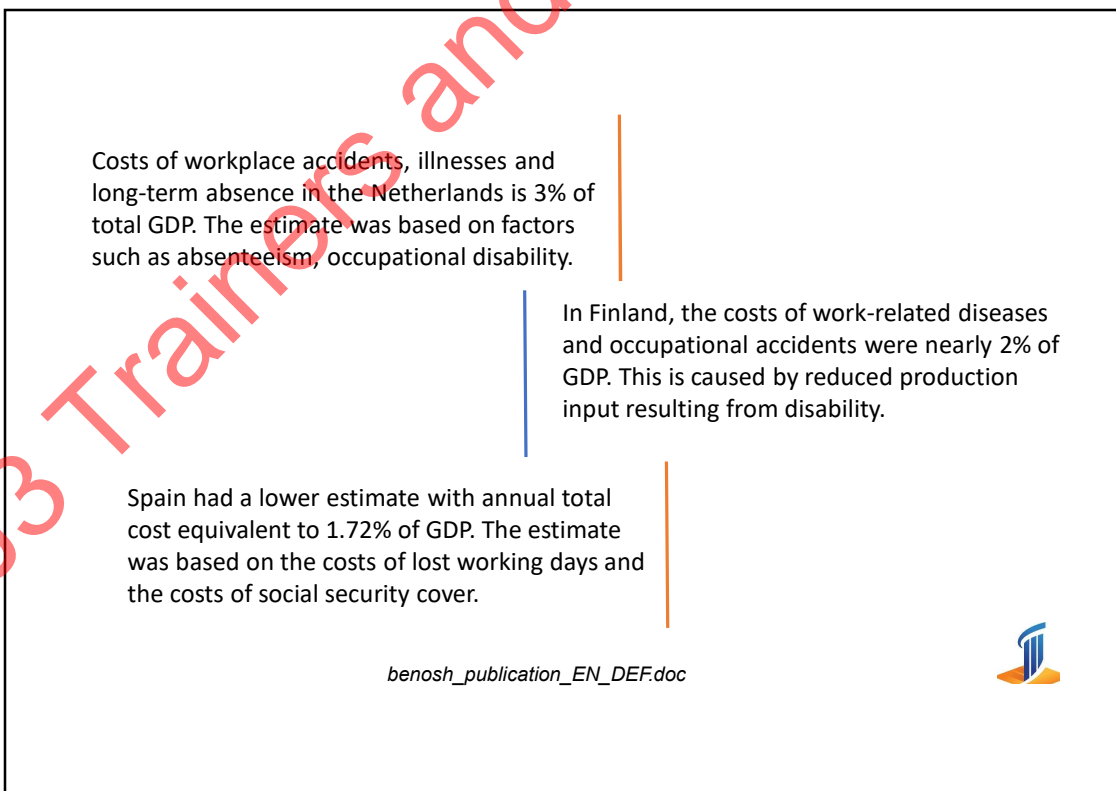


“The major impact of work-related problems is clearly demonstrated by figures on economic losses. The ILO has estimated that the total costs of such accidents and ill-health amount to approximately 4 per cent of the world’s GDP. Furthermore, social insurance expenditure on occupational safety and health constitutes an important sum. On average, OECD countries spend 2.4% of GDP on incapacity-related benefits.”

“These benefits comprise cash benefits on account of complete or partial inability to participate gainfully in the labor market due to disability. It includes expenditures such as statutory sick pay, disability allowances, industrial injuries disablement and incapacity benefits.”

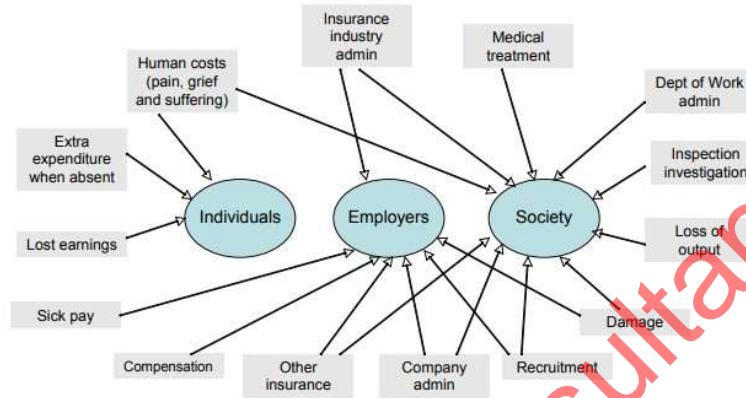
\*OECD – Organization for Economic Cooperation and Development (37 member countries)





## Consequence goes beyond the workplace

Distribution of cost categories of accidents at work and work-related ill-health to individuals, employers, and society



The Question is: who pays the cost?



## Consequences of accidents at work and work-related ill-health for different groups

benosh\_publication\_EN\_DEF.doc



	Non tangible	More or less tangible
Victim	Pain and suffering Moral and psychological suffering (especially in the case of a permanent disability) Lowered self-esteem, self confidence Strain on relationships Lifestyle changes	Loss of salary and premiums Reduction of professional capacity Medical costs Loss of time (medical treatments)
Family and friends	Moral and psychological suffering Medical and family burden Strain on relationships	Financial loss Extra costs
Colleagues	Psychological and physical distress Worry or panic (in case of serious or frequent accidents/cases of ill-health)	Loss of time and possibly also of premiums Increase of workload Training of temporary workers

benosh\_publication\_EN\_DEF.doc





Company	Presenteeism Company image Working relations and social climate	Internal audit Decrease of the production Damages to the equipment, material Quality losses Training of new staff Technical disturbances Organisational difficulties Increase of production costs Increase of the insurance premium or reduction of the discount Early retirement Administration costs Legal sanctions
Society	Reduction of the human labour potential Reduction of the quality of life	Loss of production Increase of social security costs Medical treatment and rehabilitation costs Early retirement Decrease of the standard of living

Source: De Greef and Van den Broek, 2004 (a)

benosh\_publication\_EN\_DEF.doc



## Work-related ill-health and accidents: costs and consequences

### Key messages

- Consequences of accidents at work and work-related ill-health are not always noticed
- Consequences of accidents at work and work-related ill-health increase company costs and decrease revenues
- Calculating costs raises awareness about the necessity of prevention
- Accidents at work and work-related ill-health bring about considerable costs

benosh\_publication\_EN\_DEF.doc





J3 Trainers and Consultants Inc.