

The Hidden Costs of Workers' Comp Claims

Behind every workplace accident, there are numerous hidden costs which can be very expensive to a business

Indirect and hidden costs are unpredictable, difficult to control, and tough to quantify. Hidden costs are estimated to be as much as seven times greater than direct costs, such as wages. Because hidden costs are not easily identified, they are not taken into account in a workers' compensation claim.



Hidden costs include:

- Worker & co-worker downtime
- Co-worker assistance
- Training
- Equipment downtime
- Damaged products and materials
- Lost orders and sales
- Employee turnover

Worker and Co-Worker Downtime

After an accident, not only does the company lose the productivity of the injured employee, the company may lose productivity of other employees as well. Co-workers may be curious and worried, spending work time discussing what happened and what will be done about it. Serious accidents could affect productivity for some time. Employees may begin questioning their safety because they think it can also happen to them. They also may take more time to perform tasks because they are concerned about getting hurt.

In addition, a supervisor or other manager may spend time investigating reasons for the accident and completing accident reports. These necessary steps often take that person away from other “revenue-producing” activities and management responsibilities.

Co-Worker Assistance

Co-workers may take injured employees to get medical attention. This may include the initial hospital or doctor's visit as well as follow-up appointments. The flow of work may become significantly disrupted due to two employees being out.

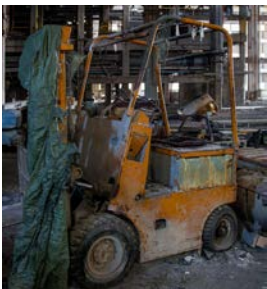
Training

A business may train an existing employee or a temporary employee if the injured employee is out for an extended period of time. In most cases, the replacement worker is not as productive and is more likely to make mistakes. Unfortunately, this increases the likelihood of further workplace accidents.

Management could decrease business costs by deciding if it is more cost-effective to retrain existing employees, bring in temporary employees, or arrange for the services of the missing employee to be outsourced to another company. Either way, companies are paying the cost of replacing and training employees, or are suffering decreased or lost productivity by having one less employee.

Effective loss prevention management plans might include preparations for backup, cross-training or job outsourcing for every employee's job prior to an accident.

Equipment Downtime



Accidents can result in damage to equipment (forklifts, delivery vehicles, etc.), which may end up costing the employer additional money from repairs, downtime and decreased production. There are times when the equipment cannot be repaired, causing the company to take on thousands of dollars of debt to acquire replacement equipment. The company now has a new expense, a new debt, and junked equipment that is useless.

Damaged Products and Materials

Products and materials may also need to be replaced or repaired if damaged or destroyed in an accident. Obviously, this could cause major problems if they are expensive or not easily available. This problem magnifies if customers are expecting delivery on a specific date, and the deadline cannot be met.

Materials or products may need to be shipped in from other warehouses or wholesalers/manufacturers, which takes time. Long delays may result in irate customers because goods are not delivered on time.

Lost Orders and Sales

Delivery delays are a perfect example of an accident's ripple effect, which creates far-reaching consequences. The worst-case scenario is a company losing customers and market share because it failed to meet its delivery commitments. The outcome could be disastrous in some companies.

Deciding what customer goodwill, market share and key accounts are worth will probably raise a company's perceived value of an effective loss prevention program.

Employee Turnover

Returning your experienced and skilled injured employee to work will prevent your business from losing a valuable resource. Although they may not be able to do their regular job right away, getting that employee back to work sooner will also get them back to their regular job sooner. Returning an injured employee to work can reduce employee turnover and costs related to replacing an employee. It also shows that you see them as a valuable resource, which should make them eager to return to their job as soon as medically possible.

Safety and Loss Prevention Programs can Eliminate Hidden Costs

Don't let accidents destroy your business. Many employers are hesitant to implement safety and loss prevention programs because they think they are expensive. However, if you take the hidden costs outlined above into account and consider how much accidents could really affect your business, you would see the savings are well worth the time and effort.

Safety and loss prevention go hand-in-hand. Both can impact a company's costs, contribute to workers' compensation claims, and affect a worker's ability to effectively perform job duties. Both programs also play a role in preventing injury and illness, and therefore, costs. By implementing these programs, you not only protect your workforce, you also protect your organization.



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