



Reduce risks- cut costs

The real costs
of accidents
and ill health
at work



Health & Safety
Commission

What is this leaflet about?

This leaflet:

- explains how expensive work accidents and ill health can be;
- provides a real-life example to show this;
- suggests simple methods to work out the potential costs to your firm; and
- offers advice on what you can do to stop them happening.

In a transport company studied by the Health and Safety Executive, the costs of accidents were equivalent to one third of its annual profits.

Taking action to improve health and safety standards, as well as required by law, is also good for your business.



Remember

Accidents and ill health caused by work cost time and money.

You cannot insure against all the costs arising from these and they can have a dramatic impact on your business. But you can stop them happening, saving you time and money.

What could happen to my business?



A worker was using an unguarded drilling machine in a small engineering company employing 15 workers. The sleeve of his jumper caught on the rotating drill entangling his arm.

Both bones in his lower arm were broken and he suffered extensive tissue and muscle injury. He spent 12 days in hospital undergoing major surgery and was off work for three months. On his return he was placed on administrative duties for five months and he was unable to operate machinery for eight months.

The managing director was prosecuted following the incident.

Costs to company

Wages for injured worker over period	= £10 000
Loss of production/remedial work required	= £8000+
Overtime wages to cover lost production	= £3000+
Wages for replacement worker	= £7000+
Loss of time of manager/MD	= £4000+
Legal expenses	= £3000
Fines and court costs	= £4000+
Increase in Employers' Liability Insurance premiums	= £6000

Total cost to business = £45 000+

Another cost was that two employees not involved in the accident were made redundant to prevent the company from going out of business.

Remember

For other examples see our website at www.hse.gov.uk/costs
Work-related ill health can cost over two times more than an accident causing injury.



But my business doesn't have many accidents

Your employees are less likely to have work accidents and ill health if you have good controls in place.

But things can and do go wrong.

And it's not just the big accidents that will cost you money; there will be many less serious ones. Each one of these costs you money too – often more than the immediate costs.

The real cost of a minor cut is much more than the sticking plaster. What is the cost to you of the person being away from their job, even for a short time? And what about the people who help them out?

- What if there was a serious accident involving a key worker?
 - Would your business cope?
 - What would the effects be?
 - How would it make you feel?
- Imagine the costs if your company was prosecuted.
 - How would this affect your business reputation?



And on top of the financial costs of such incidents, there is also the stress of having to deal with them.

Remember

The smaller your business, the bigger the impact will be if you have a serious incident. It could put you out of business.

But I have insurance for such incidents don't I?

Insurance policies don't cover everything and may only pay for serious injuries or damage. All other costs will have to be met by you.

The amount of these uninsured costs varies between businesses and the types of incident, but is several times more than the insurance costs.

Insurance costs

- covering injury, ill health, damage

Uninsured costs

- Lost time
- Extra wages, overtime payments
- Sick pay
- Production delays
- Fines
- Loss of contracts
- Legal costs
- Damage to products, plant, buildings, tools, equipment
- Clearing the site
- Investigation time
- Excess on any claim
- Loss of business reputation

Remember

Uninsured costs cannot be claimed. And a poor health and safety record may mean increased premiums or refusal of future insurance cover.

How can I reduce these costs?



There are a number of steps you can take to reduce the chance of accidents and ill health happening in your business.

- STEP 1** Find out what could cause harm.
- STEP 2** Identify who might be harmed – including your employees, visitors or members of the public.
- STEP 3** Decide what you should do to prevent anything happening to them.
- STEP 4** Take action in a planned way, recording what you have done.
- STEP 5** Check these actions are still working from time to time.

Ask for help if you need it from:

- your employees – they can often come up with simple solutions to problems;
- local occupational health and safety groups;
- your insurance company;
- trade unions and safety representatives;
- Chambers of Commerce and Enterprise;
- Trade Associations;
- HSE or local authorities;
- local learning and skills councils.

Remember

You can cut down on your costs by preventing accidents and ill health in the workplace.

Saving on the costs of these incidents is an investment in the future of your business.

Where can I get more advice?

A good place to start is HSE's booklet *Essentials of health and safety at work* (ISBN 0 7176 0716 X). This practical, easy-to-use guide will help you prevent workplace accidents and ill health and comply with the law without major disruption or expense.



Other useful sources of advice on health and safety are given on the back page.

Packed with good advice to put you on the right track and help you start planning for safety, its 19 chapters contain checklists, diagrams and photographs covering the whole range of workplace hazards.

Having the basics at your fingertips couldn't be simpler!

Remember

You can contact HSE's InfoLine on 08701 545500
You can contact HSE Books on 01787 881165

How can I work out my own costs?

Every incident and every business is different – the only way to accurately know your costs is to measure them. But there are some quick ways to predict what accidents and ill health may be costing your business.

The following methods can be used to estimate your average uninsured losses each year. These are costs which cannot be recovered. Because they are different methods you will get different answers – but they all show what you could be losing.

Method 1 As a rough guide, HSE found that, on average, the cost of uninsured losses is 10 times the cost of insurance premiums paid for the same period.

Method 2 Norwich Union Risk Services estimates uninsured losses from accidents in smaller firms add up to £315 per employee per year.

Method 3

Type of accident	Average uninsured cost per accident	No of accidents	Total cost (average cost x no of accidents)
Causing absence from work	£2097	<input type="text"/>	<input type="text"/>
Only requiring first aid	£33	<input type="text"/>	<input type="text"/>
Damage to plant, equipment etc but no one injured	£141	<input type="text"/>	<input type="text"/>
Total			<input type="text"/>

Method 3 Another non-HSE study worked out the average costs of different types of accidents. You can use these costs if you know how many of these different types of accidents you have each year (perhaps from looking in your accident book). Simply multiply the number of accidents by the average cost per accident. You may like to use the table (left) to record the information.

Remember

These methods will not give the real cost of a serious accident, which will be much higher. To make a more accurate costing, use the Incident Cost Calculator.

How do I complete the Incident Cost Calculator?

This form can be completed electronically online at www.hse.gov.uk/costs

The website version also gives some example costs to help you, as well as help on completing the form.

The website also has an interactive table which works out the costs of back pain and repetitive strain injury (RSI) based on work by the TUC.

The form allows you to record many of the main costs relating to work accidents and ill health. The amount which can be recovered through your insurance depends on the terms and conditions of the policy you hold.

Handy tips:

- Record the facts and associated costs as soon as possible after an incident happens, while you are investigating what went wrong.
- Some costs on the form may not be relevant, or only known at a later date. Others you may need to estimate.
- For each cost area consider all the costs involving:
 - people;
 - premises;
 - plant, equipment and substances;
 - procedures.
- Encourage your employees to report all incidents. The more information you know, the more accurate your costing will be.
- You can photocopy the Incident Cost Calculator form to use it more than once.

Remember

The costs of accidents and ill health only have real meaning when related to your business. You should compare them to your overall operating costs, or annual turnover, or the added work or 'sales' needed to cover them. You can then judge how significant they are.

The Incident Cost Calculator

Date and time of incident
Description of incident
Name of person involved

Dealing with incident (immediate action)

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
First-aid treatment	_____	_____
Taking injured person to hospital/home	_____	_____
Making the area safe	_____	_____
Putting out fires	_____	_____
Immediate staff downtime (eg work activity stopped)	_____	_____
Other	_____	_____

Investigation of incident

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
Staff time to report and investigate incident	_____	_____
Meetings to discuss incident etc	_____	_____
Time spent with HSE/local authority inspector	_____	_____
Consultant's fees to assist company in investigation	_____	_____
Other	_____	_____

Getting back to business

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
Assessing/rescheduling work activities	_____	_____
Recovering work/production (including staff costs)	_____	_____
Cleaning up site and disposal of waste, equipment, products etc	_____	_____
Bringing work up to standard (eg product reworking time/costs)	_____	_____
Repairing any damage/faults	_____	_____
Hiring or purchasing tools, equipment, plant, services etc	_____	_____
Other	_____	_____

Business costs

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
Salary costs of injured person while off work	_____	_____
Salary costs of replacement workers	_____	_____
Lost work time (people waiting to resume work, delays, reduced productivity, effects on other people's productivity etc)	_____	_____
Overtime costs	_____	_____
Recruitment costs for new staff	_____	_____
Contract penalties	_____	_____
Cancelled and/or lost orders	_____	_____
Other	_____	_____

Action to safeguard future business

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
Reassuring customers	_____	_____
Providing alternative sources of supply for customers	_____	_____
Other	_____	_____

Sanctions and penalties

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
Compensation claim payments	_____	_____
Solicitor's fees and legal expenses	_____	_____
Staff time dealing with legal cases	_____	_____
Fines and costs imposed due to criminal proceedings	_____	_____
Increase in insurance premiums	_____	_____
Other	_____	_____

Other

<i>Examples</i>	<i>Time spent</i>	<i>Cost (£)</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total

_____	_____
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Useful contacts

HSE Books

HSE priced and free publications are available by mail order from HSE Books, PO Box 1999, Sudbury, Suffolk CO10 2WA
Tel: 01787 881165 Fax: 01787 313995

Website: www.hsebooks.co.uk

(HSE priced publications are also available from bookshops.)

HSE InfoLine

For information about health and safety ring HSE's InfoLine

Tel: 08701 545500 Fax: 02920 859260

e-mail: hseinformationservices@natbrit.com or write to
HSE Information Services, Caerphilly Business Park,
Caerphilly CF83 3GG.

You can also visit HSE's website: www.hse.gov.uk

This leaflet contains notes on good practice which are not compulsory but which you may find helpful in considering what you need to do.

This leaflet is part of the Revitalising Health and Safety Initiative, which has been launched by the Government and the Health and Safety Commission, because people are still dying, being injured or made ill at work.

This leaflet is available in priced packs of 15 from HSE Books, ISBN 0 7176 2337 8. Single free copies are also available from HSE Books.

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