pennsylvania
DEPARTMENT OF LABOR & INDUSTRY
BUREAU OF WORKERS' COMPENSATION

PATHS
PA Training for Health & Safety
Accident Prevention Through Education

:: Generic Cost of Accidents ::

Why are you working? The most obvious answer is that you need to earn money. Your employer is in business for the very same reason: to make money. If they don't operate at a profit, they may not be able to keep you on the job! It may be surprising to hear that most companies in "private industry" do not make money hand-over-fist, and likewise, neither do we. Expenses take a big chunk of the income, and competition limits how much they can charge for the goods or services they provide. What's more, competition is no longer just local–it is often statewide.

Most large US companies operate at a small profit margin–some as small as ½ percent. This means they earn only ½ cent for every dollar taken in. Profit margins of 1 percent to 5 percent are more common, but this is still not a lot of "extra" money. Each time an accident occurs, the cost of the injury must be subtracted from profits. So, how much do these incidents really impact a company in terms of direct and indirect costs? Take a look at how many additional sales are required to pay for work-related injuries:

This Table Shows the Dollars of Revenue Required to Pay for Different Amounts of Costs for Accidents

YEARLY ACCIDENT COSTS	PROFIT MARGIN				
	1 percent	2 percent	3 percent	4 percent	5 percent
$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	500,000
50,000	5,000,000	2,500,000	1,667,000	1,250,000	1,000,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000
150,000	15,000,000	7,500,000	5,000,000	3,750,000	3,000,000
200,000	20,000,000	10,000,000	6,666,000	5,000,000	4,000,000
REVENUE REQUIRED TO COVER LOSSES					

Source: US Department of Transportation, Federal Motor Carrier Safety Administration.

What does this chart tell us? If a company was operating at a profit margin of 5 percent, then $20,000 in new sales will be needed to make up for a $1,000 injury. If the profit margin is nearer 1 percent, an additional $100,000 worth of goods or services are necessary to keep that profit level. In other words, a lot of business would have to be generated to compensate for those losses! Since work-related back injuries average about $5,000 in expenses, every time a worker strains his/her back, other employees must work longer and harder to achieve necessary production levels.

Whatever you do in sales or service, think about the extra hours you must work to help pay for the average jobsite injury. Why should you care about this? It's very simple. Safe work behavior can contribute directly to the bottom line as well as to your own job security. The more profitable your company is, the more likely there will be funds available for better equipment, improvements in the work environment and, hopefully, pay raises.

Although money is an important factor, personal well-being is more important. It's always wiser to spend a bit more time doing the job safely than to recover from an injury. That's why you should avoid taking dangerous shortcuts, always wear your personal protective equipment, do the job as instructed and support company safety efforts. You need to think of safety as both pain-free and profitable. Accident prevention is a win-win proposition for everyone!

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