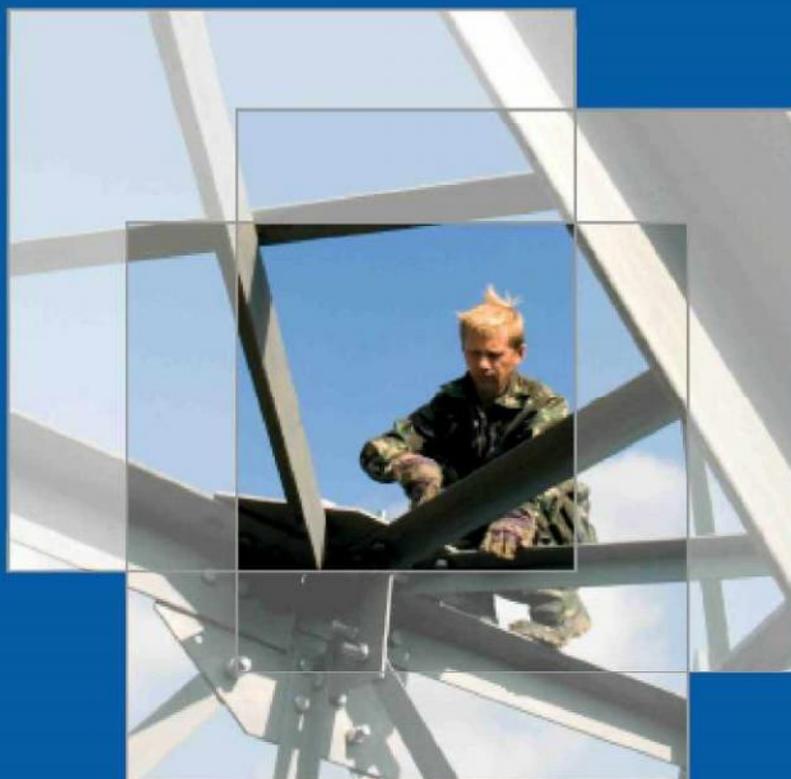




International
Labour
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REDUCE RISKS - CUT COSTS!

Economy and occupational safety and health

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Why is it necessary to focus on OSH economy?

Nowadays, it is economical for every enterprise to abide by the labour legislation and keep a high level of occupational safety and health as it allows to save funds!

Accident-related expenses are often underestimated by the management because:

- The record of accidents is not kept;
- Costs resulting from accidents are not calculated;
- Only obvious loss of property is registered (damaged buildings, structures, equipment or tools);
- Indirect costs and lost profits are not taken into account;
- Accident-related costs are not compared with other indicators of an enterprise's performance.

Of course, it is impossible to be absolutely insured against accidents, but it is possible to significantly improve occupational safety and health which will, by all means, result in lesser unforeseen costs and losses.

The purpose of the leaflet is:

- ‡ To show how expensive accidents at work can be for an enterprise;
- ‡ To explain how you can reduce the costs;
- ‡ To suggest simple methods to calculate accident-related costs;
- ‡ To prove that high level of occupational safety and health is not only a requirement of the law but a means to save time and money.

An accident at work leads both to the loss of money and time. Insurance cannot cover all the expenses.

A total of accident-related expenses can be compared with an enterprise's annual income.

However, accidents can be prevented which will save you time and money.

Remember!

2



Which expenses are in question?

An example of an accident: A badly secured metal beam fell from a travelling crane while being hoisted and hit a leg of a worker. An ambulance took him to hospital. The worker sustained a bone fracture and spent two months on a sick leave.

All in all, the injured worker was absent from work for 310 hours including 4 hours on the day of the accident. The worker's pay was 100 roubles per hour.

The amount of work to be done during the worker's incapacity for work was partially compensated for by another hired worker. It cost 1280 roubles to provide him with personal protective equipment and instruct him on the duties and safety. Besides, an overtime of 40 hours was organized. The additional works cost 50 roubles per hour.

An OSH engineer (paid 60 roubles per hour) spent 4 hours looking into the accident. It took 2 auxiliary workers (paid 50 roubles per hour each) 12 hours to clean up the site of the accident.

The metal beam costing 8 thousand roubles was damaged beyond repair. Also, it broke a welding unit worth 50 thousand roubles.

The accident made 6 workers stop their activities for an hour (four of them are paid 100 roubles per hour, the two others - 120 roubles per hour). Following the investigation, an off-schedule one-hour instruction was given to them. The enterprise's actual accident-related costs were estimated at about 80 thousand roubles.

Firstly (and this is the key thing!), your worker lost his health, and sometimes life can be lost that cannot be compensated for!

Secondly, the equipment, tools, raw materials and the end product of the enterprise were damaged.

Thirdly, other workers were distracted from work in the course of investigation into the accident.

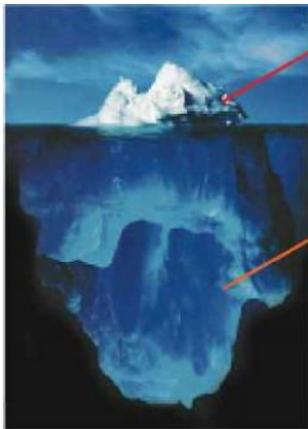
Fourthly, the products were not manufactured, services were not rendered - your enterprise lost profits.

And do not forget - the accident may bring your company into disrepute.

And finally, the enterprise may be fined, an increased insurance premium of the Social Insurance Fund may be imposed, i.e. you may face substantial money losses.



Any accident at work results both in direct and indirect costs. Direct costs are obvious while the indirect ones are often not. Indirect costs generally exceed, or at least equal, the direct ones. The proportion between direct and indirect costs can be described as an iceberg:



DIRECT COSTS

- Wage of the injured on the day of the accident;
- Investigators' salaries;
- Expenses on the accident investigation, fines, etc.

INDIRECT COSTS

- Workers' loss of time;
- Damaged equipment, tools, raw materials, end products, suspension of production;
- Expenses on restoring safety on the site of the accident;
- Labour hours of workers distracted from their activities;
- Loss of profits;
- Increased insurance premiums to the Social Insurance Fund, etc.

Accident-related indirect costs are much higher than the direct ones.
But you can reduce costs through prevention of accidents.
Thus, you will contribute to the development of your enterprise!

Remember!



But I have almost no accidents at my enterprise...

If your enterprise employs experienced and skilful staff, continuously monitors the situation and has not had any accidents so far it does not mean that no accidents will occur in the future.

Accidents may occur and they do occur

It is common knowledge that it is mostly the experienced workers who tend to adapt for danger, very often neglect safety rules and cause accidents at work.

Not only serious accidents - severe or fatal ones with a lot of people involved - lead to major losses.

Minor accidents generally result in lesser costs, but bear in mind that they tend to occur more often. Think of indirect costs which are much higher than the direct ones!

Remember!

S

The smaller the enterprise, the worse it can be affected by a serious accident. In some cases it may go bust!

Minor accidents result in lesser costs, but they are more frequent.



But I do pay insurance premiums!

The example of an iceberg proves that insurance cannot cover all the enterprise's accident-related costs. Besides,

‡ If the accident rate at the enterprise is higher than the average one for the respective industry in Russia, the following year the enterprise will have to pay an insurance premium of up to 40 percent higher. Therefore, indirect financial losses resulting from accidents at work will increase accordingly.

‡ The Russian Social Insurance Fund cuts financing prevention of occupational injuries and diseases (up to 20 percent of the insurance premium paid in the previous year) by the amount of insurance indemnities to those injured at work. Thus, indirect financial losses of the enterprise increase by the same amount.

‡ If an enterprise has no less than 30 percent of its workplaces certified on the basis of working conditions, holds compulsory medical check-ups and has the accident rate in any report year lower than the average one for the respective industry in Russia, it may get an insurance premium discount of up to 40 percent from the Social Insurance Fund in the following year. However, if the accident rate at the enterprise is higher than the average one for the respective industry, it will get no discount and its accident-related indirect losses will increase by the amount of up to 40 percent of the insurance premium.

Remember!

To prevent means to protect and save!
A combination of insurance and prevention is the best way to protect workers and save money



How can I reduce losses?

Step one: Find out what can cause an accident at work (the most objective way to find it out is to certify workplaces on the basis of working conditions and assess risks).

Step two: Identify workers who might be affected by an accident at work.

Step three: Decide what should be done to prevent any possible accidents and how it can be done.

Step four: Act in accordance with your plan.

Step five: Occasionally check if your actions are efficient.

If necessary, seek assistance from:

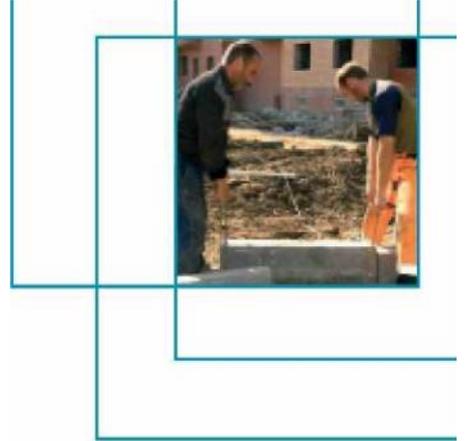
‡ Workers of your enterprise - very often they know the simplest solution to the problem;

‡ Your Safety and Health Committee (Commission), authorized persons in charge of occupational safety and health, a primary trade union organization or any other representative body of your workers;

Remember!



Prevention of accidents and occupational diseases reduces your costs!



- ‡ Executive labour authority of the respective Russian Federation constituency;
- ‡ Local authorities (with respective departments and OSH specialists);
- ‡ OSH educational and/or service centres;
- ‡ The Internet, there are a lot of web-sites devoted to safety and health in various branches.

The Russian Governmental Information OSH System (RISOT) risot.safework.ru
The Internet-Based Virtual Academy of Safe Work - www.safework.ru
ILO Safework Library - <http://base.safework.ru/safework>

Remember!

Reduce these costs now to have a prosperous business in the future!

8



How can I calculate my costs?

The only right way to accurately know your costs is to calculate them. Detailed methods and examples of how to calculate your costs are given in book [Ունեցվածքի և աշխատանքի անվտանգությունը և առևտրի գործունեությունը](#) (Occupational Safety and Health and Business). Its electronic copy is available at ilonw.safework.ru.

It is easy to quickly calculate costs and losses for an individual accident by means of a cost calculator.

Remember!

Costs and losses of your enterprise should be compared against other figures of financial and economic activity, such as current expenditures, annual turnover or - the amount of additional work to be done to compensate for costs and losses resulted from accidents.

Such an analysis will let you estimate your actual accident-related losses.



Cost Calculator

To calculate your accident-related losses fill in the form that gives an overview of the key items of direct and indirect costs. Every specific accident may require additional cost items. Please add them to the Other section.

Costs and Losses

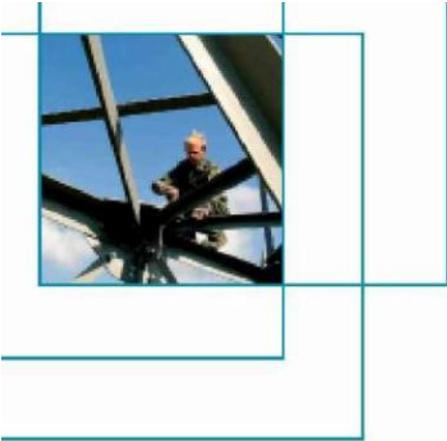
Time, Costs, Total,
h RUR/h RUR

Immediate costs and losses

Wage of the worker on the day of the occupational injury			
Transporting injured person to hospital or home			
Lost profits of the enterprise			
Other			

Costs and losses related to disruption of production process

Wages of downtime workers			
Restoring safe working conditions on the site of the accident			
Lost profits of the enterprise			
Other			



Damage to the enterprise resulting from damaged equipment,
tools, raw materials, end products, buildings and structures

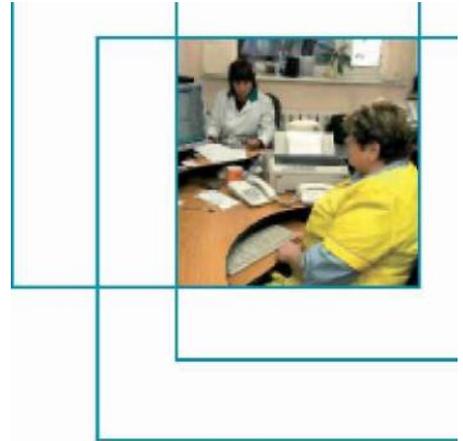
Damage resulting from broken equipment, tools, etc.		
Damage resulting from destroyed, damaged materials, raw products, semi-products, etc		

Reorganization of production process

Lease of equipment and tools for the time out of own equipment and tools		
Overtime pay to workers substituting for the injured within his incapacity for labour		
Wage of the substitute worker		
Providing appropriate working conditions to the substitute worker		
Other		

Accident investigation

Expenses on members of the accident investigation commission - staff of the enterprise		
Expenses on experts and examinations		
Other		



Implementation of decisions made by investigation commission

Off-schedule instructions to workers		
Eliminating causes of the accident		
Legal expenses and solicitors' fees		
Other		

Treatment and rehab of the injured

Medical services, treatment, medicines		
Sick leave payment		
Retraining of the injured		
Other		

To be deducted from a total of costs and losses

Wage not paid to the injured		
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Total:

You can also use an electronic calculator at www.ilonw.safework.ru

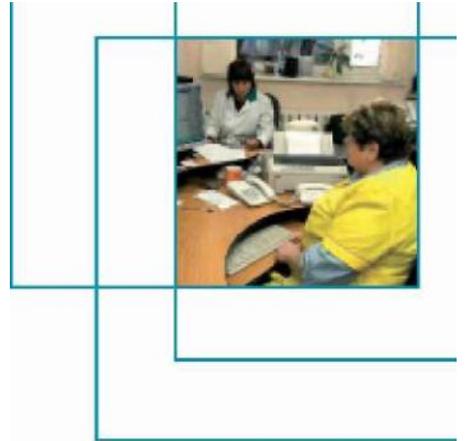


Tips:

‡ Some items in the form may be irrelevant for a specific accident or may become known later. You may enter both accurate and preliminary figures (estimates). Even in this case you will get an idea of your actual costs and losses.

Fix the facts and approximate costs shortly after the accident.

‡ The workers need to be motivated to report on all accidents and incidents at work. The more information you have, the more accurate your estimates will be and the more comprehensive picture you will have.



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Web-site ilonw.safework.ru.

The leaflet and adapted methods to estimate accident-related costs were prepared in contact with:

- Labour and Social Protection Committee of the Leningrad Region;
- Non-governmental organization OSH Research Institute under the Moscow State Social University.

The leaflet is based on the documents of the British Health S. Safety Executive / Commission (SHE) www.hse.gov.uk

For more information visit the ILO Subregional Office for Eastern Europe and Central Asia web-site at www.ilo.ru.

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