Accident Costs: Rethinking ratios of indirect to direct costs

Presentations to management on the costs of worker injuries and illnesses can be attention-getting and convincing, provided the data are plausible and can be supported with suitable references. Unfortunately, little research and hard data exist to support the frequently used ratios of indirect to direct costs that appear in safety-related literature.

Furthermore, as in the sources cited by this article, the elements included in direct and indirect cost categories may differ (Heinrich, 1931; Grimaldi & Simonds, 1989; Leigh, Markowitz, Fahs, et al., 1997). And, the ratios in those sources are invalid because the direct costs of accidents have increased in recent years at a pace far greater than in-direct costs.

This article discusses the author's review of select data pertaining to indirect and direct accident costs. Computations are made in order to update a ratio reported in a plausible research study in order to approximate the current ratio of indirect to direct costs. In addition, the author discusses the inappropriateness of the "additional sales needed" argument to cover total indirect and direct accident costs.
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Assessment of Direct and Indirect Economic Consequences of Nuclear Accidents. Models and Case Studies. Prof. Eduardo Gallego Nuclear Engineering Department Escuela Técnica Superior de Ingenieros Industriales Universidad Politecnica de Madrid. The Cost of Nuclear Accidents. § The “cost” of an accident would normally represent a benefit foregone, including direct monetary impact but also other indirect and subjective aspects: § Pain and anxiety, § Degradation of the quality of life and welfare. § Spatial and temporal limitations Presentations to management on the costs of worker injuries and illnesses can be attention-getting and convincing, provided the data are plausible and can be supported with suitable references. Unfortunately, little research and hard data exist to support the frequently used ratios of indirect to direct costs that appear in safety-related literature. Furthermore, as in the sources cited by this article, the elements included in direct and indirect cost categories may differ (Heinrich, 1931; Grimaldi & Simonds, 1989; Leigh, Markowitz, Fahn, et al., 1997). And, the ratios in those sources are invalid because the direct costs of accidents have increased in recent years at a pace far greater than in-direct costs.