

C O N G R E S S I O N A L T E S T I M O N Y



RAND

**Economic Consequences of
Work-Related Injuries**

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PREFACE

This publication is a transcript of written testimony delivered in May 1992 by M. Susan Marquis to the United States Senate Committee on Labor and Human Resources. Although Dr. Marquis' testimony is based on her work at *The Institute for Civil Justice*, it does not necessarily reflect the views of the Institute or its research sponsors.

The author addresses three questions: How frequently do work-related injuries occur? What are the costs of those injuries? and Who pays for those costs?

**STATEMENT PREPARED FOR THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE, MAY 6, 1992**

M. Susan Marquis

Mr. Chairman, my name is Susan Marquis, I am a senior economist at RAND. RAND is a private nonprofit corporation that conducts policy research.

I am pleased to be here today to offer some background information on the costs of work-related injuries. My testimony draws on the results of a Congressionally requested study that was carried out by RAND in 1989 to measure the costs of all accidental injuries in the United States and the role of various compensation systems in paying these costs.

I would like to address three questions:

- First, how frequently do work-related injuries occur?
- Second, what are the costs of these injuries?, and
- Third, who pays these costs?

In answering these questions, I will be talking primarily about nonfatal, traumatic work-related injuries. Work-related deaths and most illness due to exposure to toxic substances in the workplace or to work-related stress are not in my estimates.

Turning to the first question, work-related injuries affect millions of American adults each year as shown in the first of the background tables that I provided. In every year almost 7 million individuals, or about 4 percent of American adults, suffers an injury on the job that requires medical treatment or results in lost productive time. This means that almost 1 in every 16 workers is injured on the job annually.

In addition, another 4 million adults each year will seek medical treatment or cut back on productive activity because of continuing problems from a work-related accident that happened in an earlier year.

In total then, nearly 11 million individuals --or about 6 percent of adults--annually suffers some economic loss because of a work-related injury.

Turning to my second question on costs, these work related injuries impose substantial costs on the economy each year in medical spending and in economic product that is lost because of injuries that keep people from work. As shown in Figure 1 on the second page of the background material, these costs totaled 83 billion in 1989 as shown in the bar on the left of the figure. This is almost 2 percent of gross domestic product and represents resources that could be directed to alternative productive activities if work place injuries were prevented.

As shown in the top, unshaded portion of the bar, almost 32 billion dollars or about 40 percent of the total cost, are expenditures for health care and other treatment required by the injury; the remaining \$52 billion are work loss costs that represent the value of lost production due to workplace injuries.

The substantial costs imposed by work-related injuries are underscored when we compare them with the costs of other types of injuries, which are also shown in Figure 1. The costs associated with work-related accidents almost equal the total costs of all other accident types--including non-fatal motor vehicle accidents--even though work accidents make up only 20 percent of all accidents. And as you can see by comparing the shaded portion of the 2 bars, injuries occurring on the job result in work loss costs or foregone market product that is twice as high as the work loss cost due to all other types of accidents.

The distribution of the 52 billion work loss costs for occupational injuries is shown in Figure 2. One-third of the costs are due to short periods of work absence among employees injured on worktime. About 10 percent of work loss cost is due to reduced productivity or limitations on the amount or kind of work the employee can now perform because of the injury. Disability due to workplace injuries, however, takes the largest toll accounting for 60 percent of the work loss costs. This is the value of time lost by individuals who can no longer work because of the injury they suffered on the job.

The cost in lost production can be measured in lost work time as well as in dollars. I estimate that leave taken by employees and work lost because of disabling occupational injuries results in about 2 million work years lost annually.

I've talked about health care costs and lost market product because these have an observed market value. But work injuries also impose another cost when they affect the kind or amount of productive activities that people can engage in outside of the workplace, such as community service, making home repairs, or caring for children. Though I don't have a dollar value for this cost, I can report that work place injureis cause persons to miss almost as many days-- 2/3 as many days-- from these nonmarket activities as they miss from production.

Finally, my third question is who pays for costs. Injured workers and their families do bear a sizeable burden of the cost in out-of-pocket payments for medical care and in lost income. About 45 percent of the treatment costs and earnings loss fall on the injury victim and his or her family. The remaining 55 percent, totaling about \$45 billion in 1989, comes from a a variety of public and private sources that individuals turn to for assistance in paying their medical bills and in supporting themselves while they are out of work. These include private health insurance, purchased through the employer or individually, other types of private insurance, employer provided benefits, workers compensation, and a variety of public programs. I do not have precise estimates of how the \$45 billion in compensation payments divides among the various private and public sources, but approximate estimates are shown in Figure 3. Rougly half of the payments are from workers' compensation, about 10 percent are employer provided benefits such as sick leave and benefits of sickness and disability plans, and about 10 percent or about \$5 billion, are from a variety of public programs such as Medicare, Supplemental Security Income, and Social Security Disability Insurance.

**Table 1. Persons With Economic Loss
Due to Work Accidents Annually**

	Number of Persons (millions)	Rate per 1000 Adults
Accidents occurring during year	6.7	37
Accidents occurring in earlier years	3.8	21
All work-accidents	10.5	58

Source: Compensation for Accidental Injuries in the United States, RAND.

Figure 1 Costs of Injuries, 1989

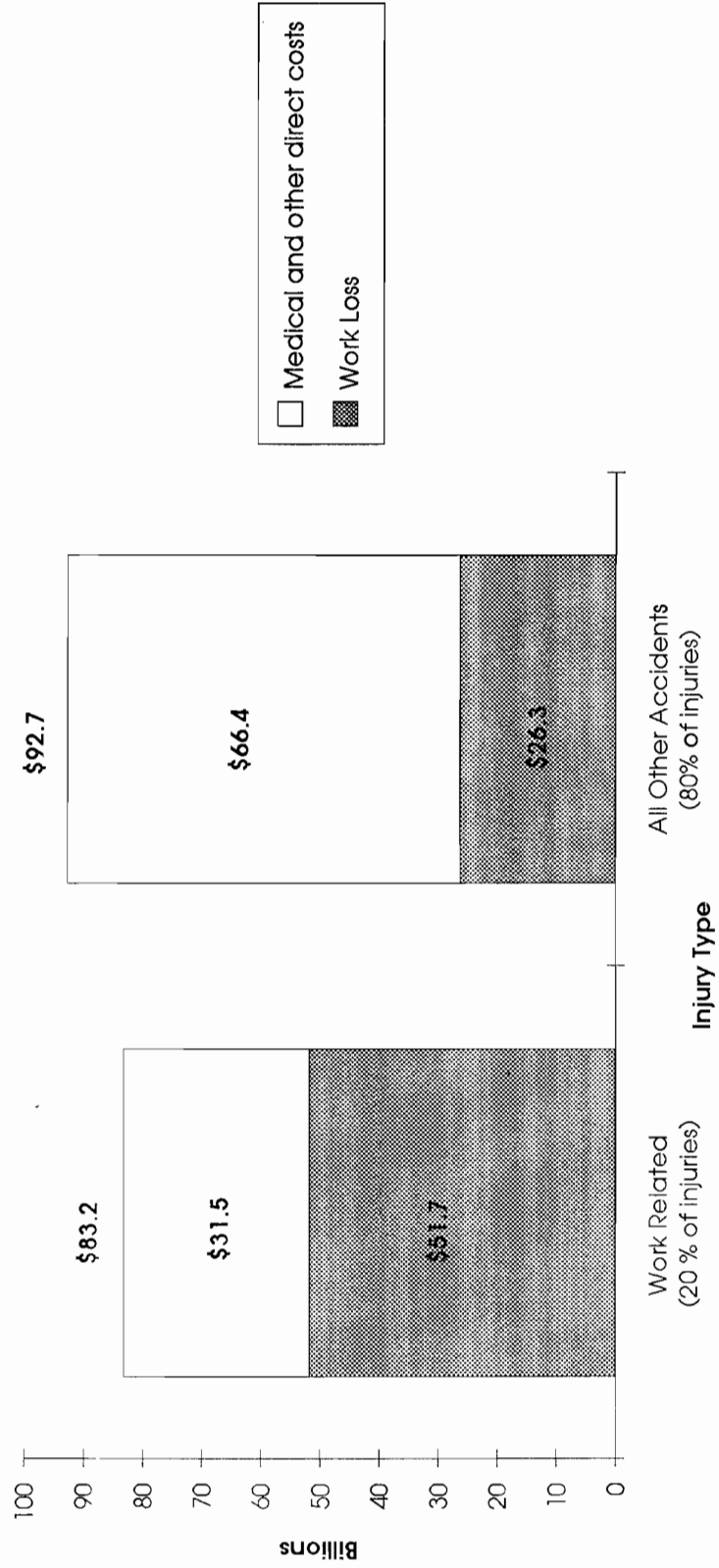


Figure 2 Distribution of Work Loss Costs for Workplace Injuries
Work Loss Costs Total \$52 Billion Annually

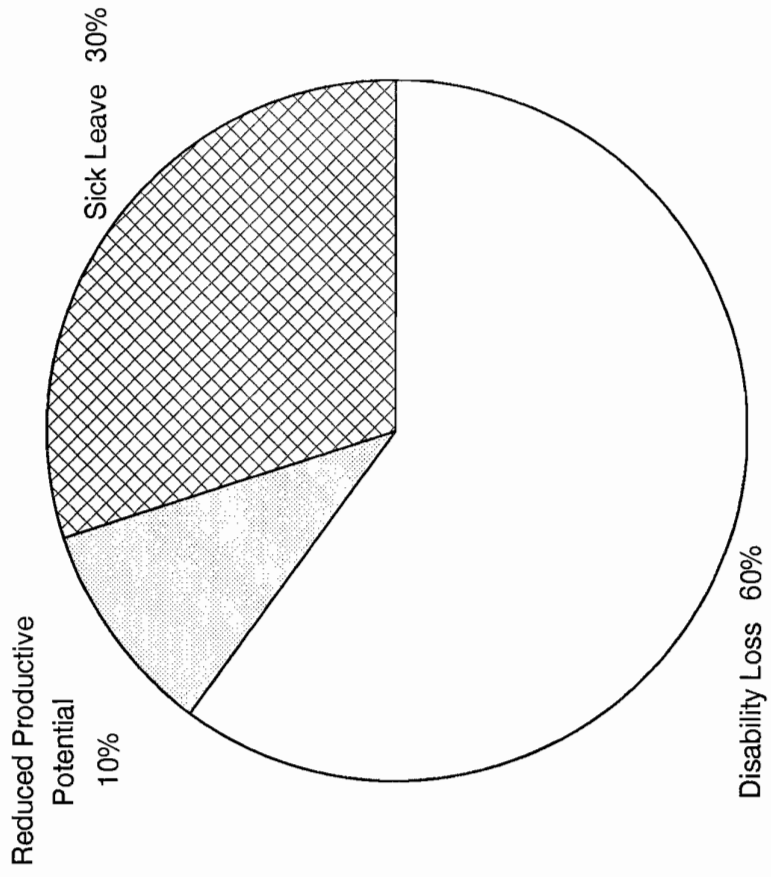


Figure 3 Approximate Distribution of Compensation Payments to Persons With Workplace Injuries

Compensation Payments Total \$45 Billion Annually

