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Demonstrating the financial impact of mining injuries with the “Safety Pays in Mining” web application

J.R. Heberger

epidemiologist at CDC NIOSH, Pittsburgh, PA, USA

Abstract

The “Safety Pays in Mining” web application, developed by the U.S. National Institute for Occupational Safety and Health Mining Program, helps mines determine the potential costs associated with mining injuries. This web app groups injuries by type, either by the cause of the injury or by the nature of the injury. When the user selects one of more than 30 common types of mining injuries, the app provides information on the distribution of costs of workers’ compensation claims for that type of injury. Based on other user inputs, the app will estimate the total costs of the selected injuries, including an estimate of additional indirect costs, the estimated impact of total injury costs on mining company profits, and provide some examples of other items, such as services or equipment, on which companies could spend the savings that result from the prevention of injuries. This paper reviews the app by discussing its development, how it is used to show the true costs of mining injuries, and how mines can benefit from using it.

Introduction

Injuries on the job cause pain and suffering. They can also profoundly affect profits and daily operations. In addition to paying direct costs or increased premiums for workers’ compensation insurance, a company might need to pay overtime for other workers to fill an injured worker’s job role, cover training costs for a replacement worker or divert administrative resources in the wake of an injury. “Safety Pays in Mining” is a web app that estimates the distribution of these injury costs and assesses the impact that occupational injuries have on a company’s profits.

The costs of specific types of occupational injuries in mining are not readily available as mining and insurance companies do not usually share this information. As a consequence, companies only have cost information based on previous experience with their own employees. Therefore, if a mine never experienced a finger amputation for one of its miners, for example, it would not be aware of the possible costs associated with this type of injury. In addition, injury costs are unique in that the cost distribution is so wide that just using the average cost of a specific injury type does not provide adequate information. Some injuries involve immensely high costs, and even though the risk of these high-cost injuries occurring is low, mines need to be aware of the potential impact on their company’s financial health.

Disclaimer

The findings and conclusions in this paper are those of the author and do not necessarily represent the official position of the National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention.

Safety Pays in Mining was designed to enable users to enter their own cost, sales and profit margin values or to use the default values based on the mining industry to show the impact on profits. The app brings awareness to what specific injuries such as burns, fractures, dislocations and sprains might cost a mine — from \$820 for an ankle sprain, \$22,500 for a fractured hand, to more than \$45,000 for a sprained shoulder. The app can be found on the U.S. National Institute for Occupational Safety and Health (NIOSH) mining website: <https://www.cdc.gov/niosh/mining/content/economics/safetypays.html>.

Methods of app development

There are four sections in the Safety Pays in Mining app:

1. Most common injuries and work activities for 2016.
2. What is the cost of occupational injury?
3. What is the impact of the cost of occupational injury on your company?
4. How could your company spend the savings from preventing injury?

Most common injuries and work activities for 2016.

The U.S. Mine Safety and Health Administration's (MSHA) accident/injury/illness file for 2016 (NIOSH, 2017a) was used to determine the most common injury types and to identify the activities miners were performing when injured. This dataset includes all of the injuries reported to MSHA in 2016. The injury data was sorted by commodity and then by:

1. The most frequent mine worker activities during which a miner was injured.
2. Common injuries, which is “part of body” crosstabulated with “nature of injury” to identify specific types of injuries.

What is the cost of occupational injury?

In the app, direct cost is the cost of workers' compensation claims — medical expenses and indemnity payments for wage loss, both paid and reserved — for a specific injury type represented as a mean cost and various percentile costs.

Injury costs are presented by one of two injury classifications: (1) injury by nature and (2) injury by cause. Injury by nature is based on the Ohio Bureau of Workers' Compensation (OHBWC) 57 injury diagnosis category descriptions. About a third of the claims included multiple diagnosis categories. In these cases, the category used for the claim was the diagnosis most likely to keep the injured worker off work for the longest period. Claims with multiple diagnoses tend to have higher costs than claims with single diagnoses. Additional injuries were identified from the aforementioned 2016 MSHA injury data and were classified in the OHBWC data by using the Barell Injury Diagnosis Matrix (Barell et al., 2002). Only injury types with more than 10 claims were included in the analysis to calculate direct costs. It should be noted that some common work injuries and illnesses identified in the MSHA accident/injury/illness data are excluded from this section due to the limited number of cases in the OHBWC dataset.

Injury by cause indicates the manner in which the injury was inflicted. NIOSH used the Occupational Injury and Ill-ness Classification System (OIICS) to code the occupational injury incident descriptions included in the claims data that were provided by the OHBWC. The OIICS v2.01 event and exposure codes were used. More information can be found on the NIOSH OIICS Code Trees page (NIOSH, 2017b).

The injury cost data are based on the cost of workers' compensation insurance claims in the mining industry, excluding oil and gas, in the OHBWC system for the years 2001 through 2011. Only nonzero cost injury types with more than 10 claims were included in the cost analysis. A total of 4,041 mining claims were included in the analysis. For all injuries, the mean, 25th percentile, 50th percentile (median) and 75th percentile direct costs were calculated. If there were more than 50 cases of a specific injury, the 90th percentile costs were calculated. If there were more than 100 cases, the 95th percentile costs were calculated, and if there were more than 500 cases, the 99th percentile costs were calculated.

Looking at the difference between the 25th and 95th percentiles helps illustrate the wide distribution of the injury costs. Percentile is the percentage of injuries with equal or lower cost. After sorting the direct cost data in ascending order, the n th percentile describes the value below which n percent of the data falls. For a given injury, a direct cost in the 75th percentile would mean that particular injury costs as much or lower than 75 percent of the same type of injury cases, and therefore 25 percent of that injury type's costs would be higher.

All costs are adjusted to 2015 dollars. The most recent total cost evaluations — medical expenses and indemnity payments for wage loss, both paid and reserved — for each claim were used. A time-trend analysis on claims filed from 2001 to 2011 showed that total claim costs are rising at about 5.8 percent a year. Using this percentage, injury costs were calculated in 2015 dollars. For example, a claim in 2005 that had a total cost evaluation of \$1,000 is estimated as having a total cost evaluation of \$1,757.34, or $\$1,000 \times 1.058^{10}$, if it had occurred in 2015.

Indirect costs usually account for the majority of the true costs of an injury, and these costs may be uninsured and unrecoverable. The indirect costs in the app are the costs to the employer beyond those covered by workers' compensation. Indirect cost estimates can include:

- Any benefits paid to injured workers for absences not covered by workers' compensation.
- Wage costs related to time lost through work stoppage associated with the worker injury.
- Overtime costs of other workers necessitated by the injury.
- Administrative time spent by supervisors, safety personnel and clerical workers after an injury.
- Training costs for a replacement worker.

- Lost productivity related to work rescheduling, new-employee learning curves, and accommodation of injured employees.
- Cleanup, repair and replacement costs of damaged material, machinery and property.
- Increased workers' compensation insurance premiums (Jallon, Imbeau and de Marcellis-Warin, 2011; Sun et al., 2006).

To estimate the indirect costs of injuries, the app uses an indirect cost multiplier of 2.12 (Huang et al., 2007). The indirect cost is calculated by multiplying the direct cost of an injury and the indirect cost multiplier:

$$\text{Indirect cost} = \text{Direct cost} \times 2.12 \quad (1)$$

The total cost of an injury is the sum of the direct and indirect costs.

What is the impact of occupational injury?

The financial impact of occupational injuries can be calculated by using the total injury cost, profit margin and annual sales of a company. Profit margin measures how much of a company's sales it keeps as earnings, and in the app this is calculated as after-tax profit divided by revenue. The profit margin used in the app can be either a company's actual profit margin, if the user chooses to enter it, or a precalculated default value. The default value of 5.5 percent represents the average of aftertax profits per dollar of sales for all mining commodities for 2010 through the second quarter of 2015. The average was calculated using quarterly financial reports data from the U.S. Census Bureau (2016a). The default value gives the best estimate for corporations with North American Industry Classification System (NAICS) mining codes and assets of \$50 million or more.

Annual sales were averaged using enterprise statistics data for 2011 from the U.S. Census Bureau (2016b) and are shown in Table 1. This is the average yearly sales estimate for the selected commodity for companies with at least 250 employees and at least two establishments.

To calculate the total cost of the injury as a percentage of annual sales, total cost was divided by annual sales. To calculate the additional sales needed for a company to cover the total cost of the injury, total cost was divided by profit margin.

How could a company spend the savings from preventing injury?

Although a mining company might choose any number of ways to spend or reinvest savings from injury prevention, mines could decide to add to their workforce or better outfit their existing workers. The app calculates the number of employees a mine could hire for one year, the number of employees a mine could enroll in a hearing-loss prevention program for one year, number of pairs of MSHA-suitable safety boots, and number of MSHA-suitable hard hats a company could purchase if an injury was prevented. The hard hats, boots and hearing-loss prevention program enrollment were incorporated because they are included in

the MSHA rules in Title 30 of the Code of Federal Regulations and therefore mines may be required to provide these for their employees (MSHA, 2015).

To estimate the number of employees a mine could hire for one year if the injury was prevented, the total cost of the injury was divided by total employee compensation and multiplied by average hours worked per year. Hourly wage data were retrieved from the U.S. Bureau of Labor Statistics (BLS, 2017a) occupational employment statistics, national industry-specific occupational employment and wage estimates, which are calculated each May. The default hourly wages were calculated from the five-year (2011 to 2015) average hourly wages for mining, based on NAICS coding, and are shown in Table 2.

Employee compensation includes both the wage amount and any additional benefits a company provides to its workers. Employee benefits might include Social Security, insurance, retirement benefits, paid leave and overtime pay. The average benefit amount for mining industries, calculated using 2011 to 2015 data, was one-third of the total compensation figure. Therefore, total compensation is equal to hourly wage plus another 50 percent of the wage value in employer-paid benefits. These data were retrieved from the BLS national compensation survey (BLS, 2016).

Data on the average weekly hours worked were retrieved from the BLS current employment statistics program (BLS, 2017b). The average hours worked per week for the mining industry — for 2011 to 2015, excluding oil and gas — was 44.5 hours. By calculating 50 working weeks per year, the average employee worked 2,225 hours per year.

To calculate how many employees a company could enter in a hearing-loss prevention program for one year, total injury cost is divided by the yearly cost of a hearing-loss prevention program. The default \$375-per-person annual estimate for a hearing-loss prevention program is based on averaging estimates, according to a presentation by D. P. Driscoll titled “The Economics of Noise Control Engineering versus the Hearing Conservation Program” at the 2010 Professional Conference on Industrial Hygiene by the American Board of Industrial Hygiene, as cited in the U.S. Occupational Safety and Health Administration Technical Manual (OSHA, 2017).

To calculate how many employees could be provided with MSHA-suitable safety boots, the total cost of the injury is divided by the cost of a pair of MSHA-suitable safety boots. The default price of \$175 for MSHA-suitable safety boots was averaged by NIOSH using 2016 prices from numerous occupational safety and health equipment suppliers and NIOSH purchases from 2015 to 2016.

To calculate how many employees could be provided with MSHA-suitable hard hats, the total cost of the injury is divided by the cost of an MSHA-suitable hard hat. The default price of \$60 for MSHA-suitable hard hats was averaged by NIOSH using 2016 prices from numerous occupational safety and health equipment suppliers and NIOSH purchases from 2015 to 2016.

Results

Common injuries and work activities for 2016.

In 2016, for all mining commodities, handling supplies or materials was the most common activity when an injury occurred, with 2,106 cases, making up 30 percent of mine worker activities performed when an injury occurred. Table 3 shows that machine maintenance and repair was the second most common activity, occurring in 14 percent of all injury cases, followed by powered and nonpowered hand tools at 14 percent, walking/running at 10 percent, and getting on/off equipment at 6 percent. These common mine worker activities had the same patterns in metal, nonmetal, and stone, sand and gravel commodities. Coal included the aforementioned activities plus roof bolting, which was the mine worker activity in 9 percent of all coal injuries, with 210 injuries, and also included the activity of moving power cable, which occurred in 3 percent of all coal injuries, with 70 injuries, in 2016.

The common injuries also had similar patterns for each commodity, and are shown in Table 4. For all mining, hand/ finger lacerations were the most common injury, making up 12 percent of all injuries in 2016, followed by back sprains/ strains at 9 percent, hand/finger fractures at 6 percent, knee sprains/strains at 5 percent, and shoulder sprains/strains at 5 percent. In addition to the injuries shown in Table 4, coal also had black lung as a top illness, with 186 cases, or 8 percent of all reported coal injuries/illnesses, which is quite surprising as occupational illnesses tend to be underreported in the MSHA data (Almberg et al., 2018). The metal, nonmetal, and stone, sand and gravel commodities also had eye injuries show up in the top injuries, making up about 5 percent of all injuries in those respective commodities.

What is the cost of occupational injury?

The direct costs in the app are shown in percentiles. Table 5 shows the common injuries for all mining in 2016 and their direct cost percentiles. Using hand and finger fractures as an example, the direct cost in the 75th percentile is \$9,000. This means that for all mining hand and finger fractures, the direct cost is likely to be \$9,000 or less 75 percent of the time.

Within this OHBWC mining injury cost dataset, the mean was always higher than the 75th percentile, and for about half of the injuries, the mean was higher than the 90th percentile. The mean would generally overestimate injury costs, as the mean alone does not fully represent a distribution of costs. Variability and skewness must also be taken into account. Showing percentiles of the direct costs helps show the distribution of this injury cost data. Additionally, percentiles require no distributional assumptions.

There are two main reasons why a mine might want to use different percentiles rather than the 50th percentile, or median, which is usually the most familiar. The median provides a good estimate for a single “typical” claim, because half of the claims have higher costs and half of them have lower costs. One reason to select a cost higher than the median is related to the total number of claims that are expected. If a mine is expecting more than one claim, the chance of having a very expensive claim increases. As a result, if expecting two to 10 claims, using the 75th percentile for each claim will lead to a better estimate for total costs. When the number of claims exceeds 15, the 90th percentile for each claim provides a better estimate.

Another reason to select a cost higher than the median is concern about the risk of having a high-cost claim that costs much more than the typical claim. There is substantial risk that claims will cost much more than the “typical” claim, as illustrated by the cost of claims at the 90th percentile and above. Even if a mine has a single claim, there is a 10 percent chance that the claim will exceed the 90th percentile cost. Table 5 helps explain why different percentiles are used. For shoulder sprains/strains, the median (50th percentile) cost is \$2,300 but the mean is \$20,600, which is much too high an estimate for a typical injury.

When the indirect cost is taken into account, the total cost of injury can be quite surprising. Table 6 shows the common mining injuries, their 75th percentile direct cost, the calculated indirect cost and the total cost, which is the sum of direct and indirect costs. The total cost gives a good estimate of what the true cost of the specific injury can be to a company. A hand or finger fracture with a direct cost of \$9,000 is actually going to cost a company about \$28,000.

What is the impact of occupational injury?

Using the total costs of the selected injuries from Table 6, the impact to a company’s profits can be calculated. Table 7 displays the common mining injuries along with their total cost, total cost as a percentage of annual sales, and most importantly, the additional sales needed to pay for the total cost of that specific injury. The example in Table 7 is for a hypothetical mine with \$10 million in annual sales and a 5.5 percent profit margin. To cover the cost of a hand and finger fracture with a direct cost in the 75th percentile, a company would need to have additional sales of \$510,545, which is calculated by dividing the total cost of the hand and finger fracture by the profit margin, or $\$28,080 \div 0.055$. One of each of the top five common injuries could cost a company more than \$100,000 and require nearly \$2 million in additional sales to recoup those injury costs.

How can a company spend savings from preventing injury?

To put these costs into perspective, one could think of ways a company could spend money if an injury is prevented. Table 8 displays the common mining injuries and uses the total costs shown in Table 7 to give examples of what a company could spend money on if an injury was prevented. If a hand or finger fracture was prevented, instead of paying the costs associated with that injury, a company could enroll 74 employees in a hearing-loss prevention program for one year, or purchase 160 pairs of safety boots, or purchase 468 hard hats. If a company prevented all five injuries, they could hire an additional employee for one year, or enroll 285 employees in a hearing-loss prevention program for one year, or purchase 611 pairs of safety boots, or purchase 1,783 hard hats. Note that the All Injuries row in Table 8 is not equal to the sum of the column totals due to rounding for each injury.

Discussion

Listing the most common injuries and the worker activities performed during injuries by commodity can help mines identify which possible hazardous activities and injuries are occurring in similar mining commodities. A metal mine might not have had an eye injury in

the past, but it is helpful to be aware that eye injuries are the third most common injury in that industry. If they are occurring at other metal mines, they could occur at any metal mine.

The direct costs data show how the costs of specific injuries are widely distributed. With the mean higher than the 75th percentile for every injury and higher than the 90th percentile for half of the injuries, this shows that every injury has a few cases of extremely high costs. Generally, costs will be between the first and third quartiles, but it is important to be aware that there are those high-cost cases.

Allowing the app user to choose direct cost percentile based on number of injuries or their own risk profile allows users to explore the various costs per injury and how these costs can impact the financial success of a company.

This app is intended for mine managers, safety managers, consultants, researchers, government agencies and students — or anyone who is interested in the costs of specific injuries in the mining industry. Mines can benefit the most from the app, as it can help them prioritize safety and health interventions and focus on areas for improvement. Mines may want to focus on eliminating the higher-cost injuries first. By showing the additional sales needed to cover the injury cost and providing examples of how money could be spent instead of paying for an injury, the app presents the same information in different terms, which can be useful for safety managers who do not have experience analyzing financial aspects of the industry. They can also use the app to assist with cost-benefit analysis for safety budget allocations to help justify purchasing personal protective equipment, enrolling in safety programs, or obtaining engineering controls to reduce exposure to injury.

Limitations

The main limitation of this app is that the workers' compensation claims data are from only one state, Ohio. Even with 10 years of workers' compensation cost data from more than 4,000 mining claims, the costs from Ohio may be different from costs from other states.

To mitigate this limitation, NIOSH is working to acquire workers' compensation claims data from additional states. The National Council on Compensation Insurance (NCCI) is a rating bureau that collects data, analyzes trends and provides insurance rate recommendations for 35 states. NIOSH is working with NCCI to obtain aggregate mining-related workers' compensation claims cost data, which can improve the accuracy and generalizability of the app.

Another limitation is the estimate of indirect costs by using the indirect cost ratio. There is not a universally accepted method for estimating indirect cost ratios (Manuele, 2011). The survey study by Huang et al. (2007) focused on large manufacturing, healthcare and finance/insurance industries, which are markedly different from the mining industry. The mining industry tends to have fewer available skilled workers and employ fewer workers per location, with many mines employing five or fewer miners. Therefore, the indirect cost ratio of 2.12 may underestimate indirect costs in the mining industry.

Also, direct costs are paid by those companies who self-insure. Companies who purchase workers' compensation insurance would have these direct costs paid by the insurance

company. However, the cost impact for mines with workers' compensation insurance would largely be through increased premiums and even eligibility to participate in group policies.

Finally, it should not be assumed that all injuries result in workers' compensation claims. Many injuries are unreported. These injuries can result in costs for employers as well, although there is some evidence that the unreported injuries tend to be less severe. Unreported injuries can still result in reduced productivity, absenteeism, sick days and group medical costs (Leigh, Marcin and Miller, 2004; Ruser, 2008; Boden and Ozonoff, 2008).

Conclusion

The Safety Pays in Mining web application can be used to estimate the total costs of common mining injuries to a mine. This app can raise awareness of these costs and the distribution of direct costs for each injury. The app can also educate users on the wide range of occupational injury costs. For specific injuries, mine management will find it useful to see the distribution of workers' compensation costs as well as the indirect costs, which are often overlooked. The app demonstrates that even a common injury has the potential to be extremely expensive. This app can be used to help mines prioritize health and safety interventions.

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Table 1

Mining commodities and their associated default annual average sales values.

Commodity	Default annual sales
All mining (except oil and gas)	\$32,820,000
Coal	\$41,560,000
Metal	\$182,750,000
Nonmetal	\$12,360,000
Stone, sand and gravel	\$12,360,000

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Table 2

Average hourly wages from 2011 to 2015 for each mining commodity.

Commodity	Default hourly wage
All mining (except oil and gas)	\$25
Coal	\$26
Metal	\$28
Nonmetal	\$22
Stone, sand and gravel	\$22

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The most common mine worker activities performed when injuries occurred in 2016, for all mining commodities.

Table 3

Mine worker activity	Percentage of all injuries	Count
Handling supplies or materials	30%	2,106
Machine maintenance and repair	14%	907
Hand tools (powered and nonpowered)	14%	869
Walking/running	10%	605
Getting on/off equipment	6%	410

The most common injuries in 2016 for all mining commodities.

Table 4

Common injuries	Percentage of all injuries	Count
Hand/finger lacerations	12%	770
Back sprains/strains	9%	599
Hand/finger fractures	6%	368
Knee sprains/strains	5%	353
Shoulder sprains/strains	5%	347

Table 5

Percentiles of direct costs for the most common mining injuries in 2016.

Common injuries	25th	50th (median)	75th	90th	95th	Mean
Hand/finger lacerations	\$600	\$910	\$1,300	\$2,400	\$3,400	\$2,300
Back sprains/strains	\$540	\$1,400	\$5,200	\$16,300	\$31,800	\$8,700
Hand/finger fractures	\$990	\$1,900	\$9,000	\$22,500	\$42,700	\$10,400
Shoulder sprains/strains	\$600	\$2,300	\$15,400	\$45,200	\$78,400	\$20,600
Knee sprains/strains	\$620	\$1,100	\$3,400	\$14,100	\$32,900	\$6,400

The most common mining injuries and their associated 75th percentile direct costs, indirect costs and total costs.

Table 6

Common injuries	75th percentile direct cost	Indirect cost	Total cost
Hand/finger lacerations	\$1,300	\$2,756	\$4,056
Back sprains/strains	\$5,200	\$11,024	\$16,224
Hand/finger fractures	\$9,000	\$19,080	\$28,080
Shoulder sprains/strains	\$15,400	\$32,648	\$48,048
Knee sprains/strains	\$3,400	\$7,208	\$10,608
Total	\$34,300	\$72,716	\$107,016

The most common mining injuries from 2016, their estimated total costs, the total cost as a percentage of \$10 million in annual sales, and the additional sales needed to pay for the injury cost with a 5.5 percent profit margin.

Table 7

Common injuries	Total cost	Total cost as percentage of annual sales	Additional sales needed to pay for injury cost
Hand/finger lacerations	\$4,056	0.041%	\$73,745
Back sprains/strains	\$16,224	0.162%	\$294,982
Hand/finger fractures	\$28,080	0.281%	\$510,545
Shoulder sprains/strains	\$48,048	0.480%	\$873,600
Knee sprains/strains	\$10,608	0.106%	\$192,873
Total	\$107,016	1.070%	\$1,945,745

The most common mining injuries and examples of how savings from preventing injuries could be spent by a company (columns may not sum to total due to rounding).

Table 8

Common injuries	Additional employees company could employ for one year	Employees who could enroll in hearing-loss prevention program	Pairs of MSHA-suitable safety boots	Number of MSHA-suitable hard hats
Hand/finger lacerations	0	10	23	67
Back sprains/ strains	0	43	92	270
Hand/finger fractures	0	74	160	468
Shoulder sprains/ strains	0	128	274	800
Knee sprains/ strains	0	28	60	176
All injuries	1	285	611	1,783