

# Impacts of Workplace Violence:

An Assessment of **Social** and **Financial** Risks



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Part 2 of 3

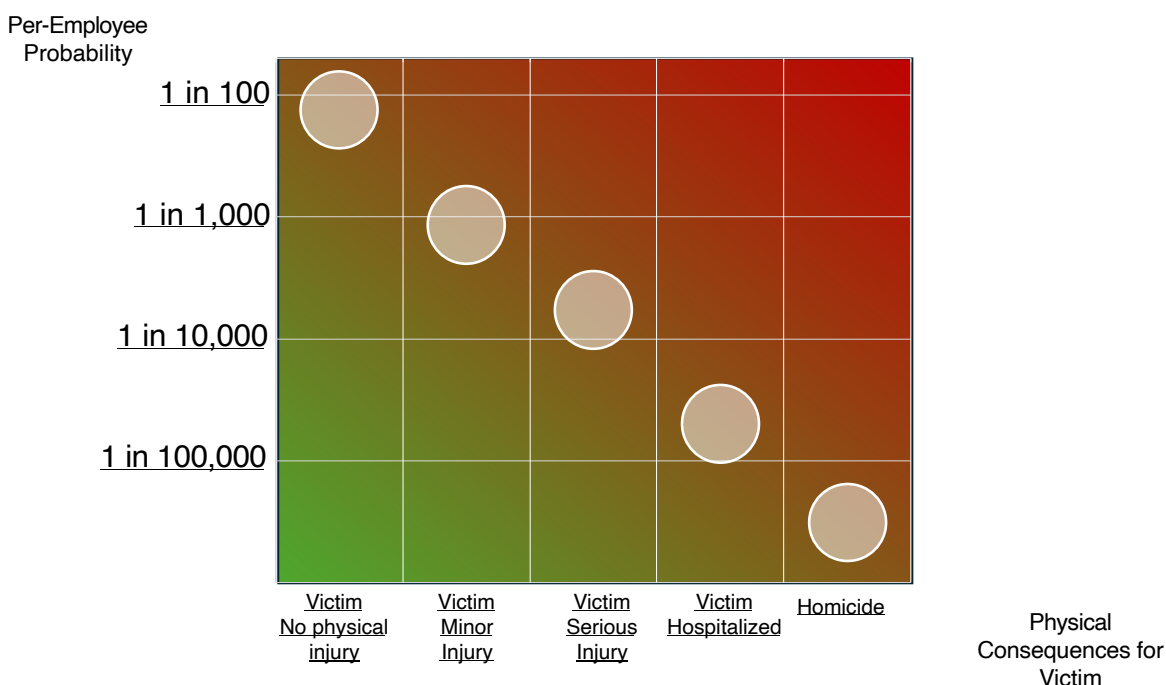
## Consequences of Violence in the Workplace

There is no question that violence in the workplace has extremely harmful consequences for the people who work in the organization, as well as their families and communities. According to a joint report by the U.S. Department of Justice, Department of Labor, and Department of Health and Human Services, “acts of violence in the workplace can disrupt nearly all aspects of society. They can result in physical, psychological, and financial costs to victims. They can also drive down employee productivity and morale and increase turnover. Organizations can also endure financial costs due to lawsuits and increased employee medical insurance rates. Coworkers, witnesses, victims’ families, and the community can be negatively impacted” (Indicators of Workplace Violence, 2022). Workplace violence can occur in many different forms, with different motivations leading up to the incident. It can be difficult to predict if and when hazards of workplace violence might occur, and what circumstances might trigger violent individuals to act. Workplace violence can be acted out in the form of altercations, robbery, assault, sexual assault, rape, homicide or attempted homicide, and active assailants bent on mass murder. The consequences produced by these actions can cause grave social harm, affect the operations of your business, and threaten the future of your firm. Below are some of the consequences to consider when conducting a risk assessment.

Social Consequences	Loss of human life
	Trauma, disability, and injury
	Harm to mental health
	Loss of a community cohesion
	Impact to employee morale
Disruption of Business Operations	Absence from work
	Damage to property
	Loss of revenue
	Relocations
Impacts to Business Viability	Uninsured Liabilities
	Increased insurance costs Legal costs
	Employee turnover & difficulty recruiting talent
	Loss of customers

## Risk Matrix

Now that we have identified a number of workplace violence hazards and consequences, and evaluated probabilities on a per-employee basis, this information can be visualized in a risk-matrix to compare the relative risks of each hazard. Bear in mind that as demonstrated in part I of this white paper series, the probabilities of each hazard also depend on the size of the organization. The following risk matrix reflects the per-employee risk based on historic data at the national level.



The hazards range in severity from violence with no physical injury to homicide. Each hazard is exponentially worse in terms of its social and organizational consequences. This comparison demonstrates that although the probability of each hazard decreases by about a factor of 10 as the consequences become more severe, the risk associated with each hazard is relatively the same. This insight is a result of adopting a risk framework that considers both the probability and consequences of workplace violence hazards in the assessment of risk. A key takeaway is that U.S. employers should abandon the paradigm of “but it will never happen here” to a paradigm of risk assessment and effective risk management. It is especially important to know how unique risk factors such as industry, size, and others affect your organization’s risk matrix.

## Financial Risk Premium

While the social ramifications are by far the worst aspect of violence, there is also a substantial financial risk imposed by workplace violence hazards. A common misconception is that insurance fully protects organizations against these financial risks, either through their workers’ compensation, general liability, or commercial property policies. However, there are a few limitations if insurance is your only form of risk mitigation.

The premium you pay on your policy only reflects some of the financial risk of workplace violence. The amount you pay for insurance is the direct risk premium, and only pays out for claims for covered losses (direct costs). The covered losses include costs such as employee medical expenses resulting from injuries, treatment for mental health, lost wages (partially covered), disability benefits, ongoing care costs, and death benefits for funeral costs and survivor benefits. Direct costs are broadly classified as medical (medical and mental health treatment) and indemnity (lost wages to worker).

Because there are many liabilities that are often not covered by insurance, employers also face an indirect risk premium that is associated with indirect costs. These often-overlooked costs can include lost productivity, overtime to cover for employee absence, loss of customers, and more. A majority of corporate financial decision makers state that for every dollar spend on the direct costs of a safety incident, they will spend at least \$2.12 on indirect costs, with some stating that it could be as high as \$10 of indirect costs for every \$1 in direct costs (Huang et al., 2011).

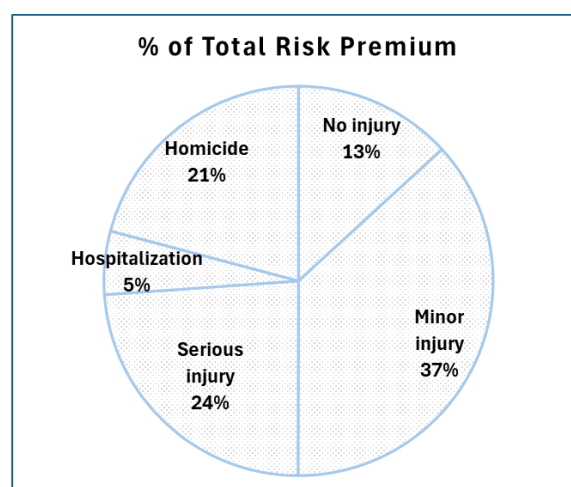
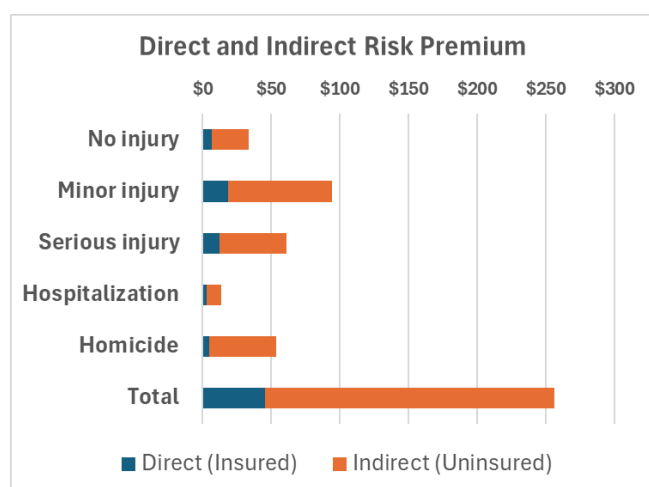
Direct and indirect costs vary depending on the severity of the workplace violence hazard. Our estimates of the direct and indirect costs of hazards are presented in the table below based on an analysis of historic data. The National Safety Council (NSC) publishes statistics on the direct costs of workplace injuries and illnesses which was developed from analysis of National Council on Compensation Insurance (NCCI) claims data. A conservative estimate for indirect costs of non-fatal workplace violence hazards would be \$4 for every \$1 of direct costs, and \$10 for every \$1 of direct costs for fatal workplace violence. This is because indirect costs of workplace violence hazards are likely much higher than typical safety incidents, due to additional downtime in operations for law-enforcement investigations, time and attention from management and human resources, firing of the offending employee, recruiting and training a new employee, impacts to workplace morale, and legal expenses.

	Direct Costs*	Indirect Costs	Total
No injury	\$1,000**	\$3,900	\$4,900
Minor injury	\$21,900	\$87,400	\$109,300
Serious injury	\$79,900	\$319,700	\$399,600
Hospitalization	\$134,700	\$539,000	\$673,700
Homicide	\$1,559,800	\$15,598,000	\$17,157,800
* All figures adjusted from 2022 price levels to Nov 2024 using the Bureau of Labor Statistics Consumer Price Index			
**No-injury incidents may produce no medical costs, but can include lost wages as well as mental health treatment.			

Direct and indirect costs can each drag on a firm's profitability, though in different ways. The direct risk premium influences insurance premiums, which are recurring cash flows. The indirect risk premium, though not a recurring cash flow, is a corollary to the insurance premium. It can be thought of as what it would cost to insure against all financial consequences of workplace violence hazards, rather than only covered losses. Although it is not possible to insure against 100% of risk, the indirect risk premium is a useful concept for gauging true risk, and also gauging the potential future liabilities associated with the indirect costs of workplace violence. Indirect risk premium is calculated from the annual probability and the indirect costs of each workplace violence hazard.

The following table illustrates estimated direct and indirect risk premiums per U.S. employee, again based on our analysis of the historic probabilities of different workplace violence hazards occurring. The risk premiums presented here are based on historic national level data, which means that the risk premiums that your organization faces might be different.

Victim Consequences	Per-Employee Risk Premium		
	Direct (Insured)	Indirect (Uninsured)	Total
No injury	\$6.8	\$27.0	\$33.8
Minor injury	\$18.9	\$75.4	\$94.3
Serious injury	\$12.2	\$48.8	\$61.0
Hospitalization	\$2.7	\$10.8	\$13.5
Homicide	\$4.9	\$48.5	\$53.4
Total	\$45	\$211	\$256



In total, the estimated direct risk premium for all hazards is \$45 per U.S. employee, compared to an indirect risk premium of \$211. Out of the total risk premium of \$256 per U.S. employee, indirect risk accounts for 82% of all financial risk. These results indicate that most of the financial risk of workplace violence is not insured.

So how do workplace violence hazards compare with all other work injuries and illnesses? The National Safety Council estimates that in 2022, all workplace injuries and illnesses cost \$167 billion, or \$1040 per employee, including direct and indirect costs. This means that the risk premium from workplace violence hazards may account for one quarter (25%) of the total risk carried by employers for all workplace injury, illness and fatality hazards.

Risk assessment using available statistics and data affords us an extremely useful, albeit incomplete depiction of the risk of workplace violence. The next and final installment our white paper series on workplace violence will round out the risk assessment by discussing critical uncertainties, including the “known unknowns” that every good risk manager considers when assessing risk. We also discuss risk mitigation strategies, including how workplace violence affects workers compensation premiums, and the value and effectiveness of violence prevention training.