



**COST OF ACCIDENTS AND INVESTMENT ON
SAFETY IN CONSTRUCTION INDUSTRY - A CASE
STUDY IN SRI LANKA**

MASTER OF BUSINESS ADMIN STRATI ON
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PROJECT MANAGEMENT

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Abstract

Construction accidents cause considerable damages to the contractor as well as the project and employees. It has a direct financial cost to the contractor and other indirect costs as well as social cost to the country. This study attempts to collect and analyze data regarding the safety investment and cost of accidents in construction industry. Altogether, 32 projects and 75 accidents including 9 fatal were investigated to find out the safety investment and the cost of accident in each project. On each site, the safety investment was calculated by dividing the total safety investment by contract sum and accidents loss ratio was calculated by dividing the total financial loss caused to contractor due to accidents by contract sum. The total accident loss ratio was calculated by dividing the total of financial loss caused to contractor and social cost related to accidents by contact sum of the projects.

It was found that the average investment on safety in construction projects is 0.66 % of contact sum and the relationship between safety investment and contact sum to use as a guide line to calculate the amount required for safety performance.

The average accident loss ratio, which includes only the direct financial cost borne by the contractor, was found as 0.5% of contract sum and it increase up to higher than 1.2% in 10% of project mostly due to the fatal accidents. The average total accident loss ratio, which includes both direct cost borne by contractor and the social cost related with accidents, was found as 1.98 % of contract sum and it increase up to higher than 4% in 10% of projects. The relationships between accident loss ratio against safety investment ratio were found to have an idea about the effectiveness of safety investment for reducing of accidents

Only the investment of money on safety is not sufficient to reduce accidents. It is also depend on the component of management, worker's attitude and interference of government authority, client and consultant.