

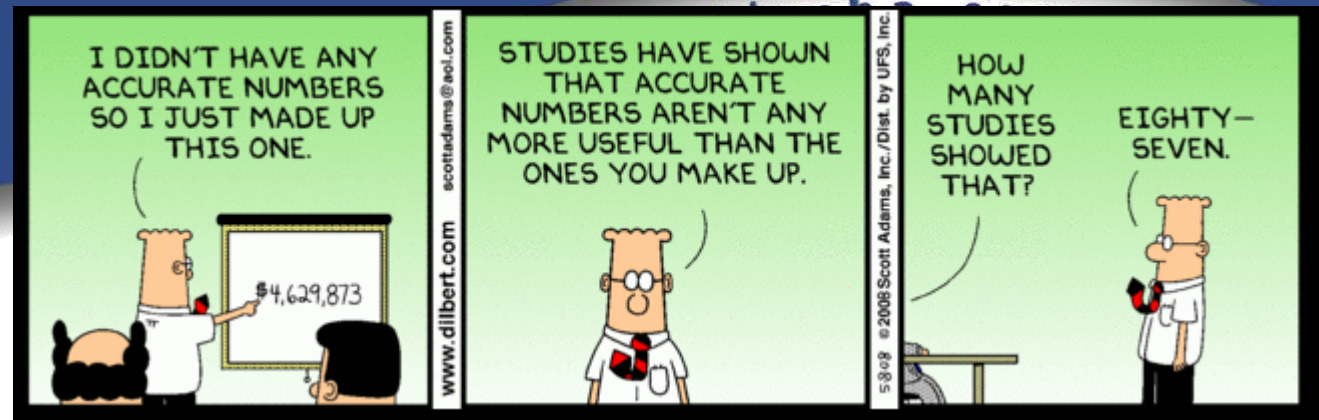
# Why we need both: external incentives and internal business case in OSH

<http://osha.europa.eu>

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# Estimation of work-related Fatalities – EU 27



- **205 million people in employment**
- **167,000 fatalities attributed to work-related accidents and diseases in EU, and within that:**
  - 159,000 fatalities attributed to work-related diseases
  - 7,460 fatalities caused by accidents at work
  - 74,000 fatalities attributed to hazardous substances at work (asbestos included)
- **95,581 work-related cancer deaths annually (9.6% of all cancer deaths estimated to be attributable to work) (2002)**

The logo for 'FACTS' features a stylized grey ribbon icon on the left, followed by the word 'FACTS' in large, white, bold, sans-serif capital letters. The entire logo is set against a teal rectangular background.

- **Cost of accidents at work and of occupational diseases in EU-15 ranges from 2.6% to 3.8% of GDP**
- **According to a study (CIOP, Poland) average cost of an accident is incurred by**
  - 76% of society
  - 13% of the victim and his or her family
  - 11% of the employer

# How to motivate employers? How to reach the workplace?

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## ➤ **Regulation: Command and control**

- Only guarantees a minimum level
- Problem of enforcement, not enough inspectors
- Costly to take companies to court

## ➤ **Information about good practice**

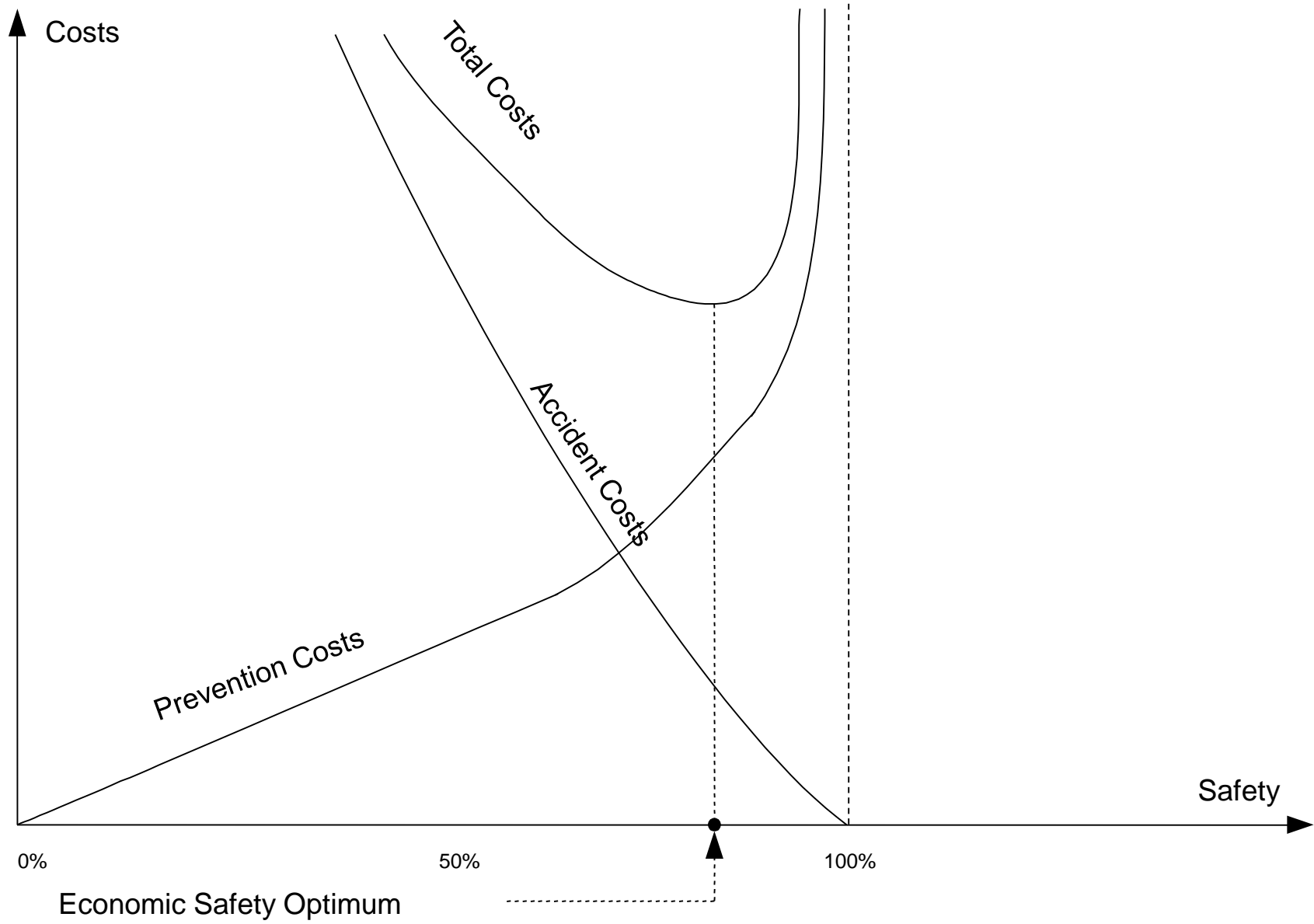
- Preaching to the converted
- Does the SME around the corner look on our website every day?

- **Safety and health may not always pay on company level, but in most cases it pays on society level**
- **Solution: external incentives**
  - Best allocation of economic resources: Safety and health are improved there, where it is most efficient (like in environment)
- **Problem of awareness: costs are obvious, benefits long-term and uncertain**
- **The better companies are, the less strong is the business case (marginal costs problem)**

# Economic safety optimum – marginal costs problem

(Compes, 1965)

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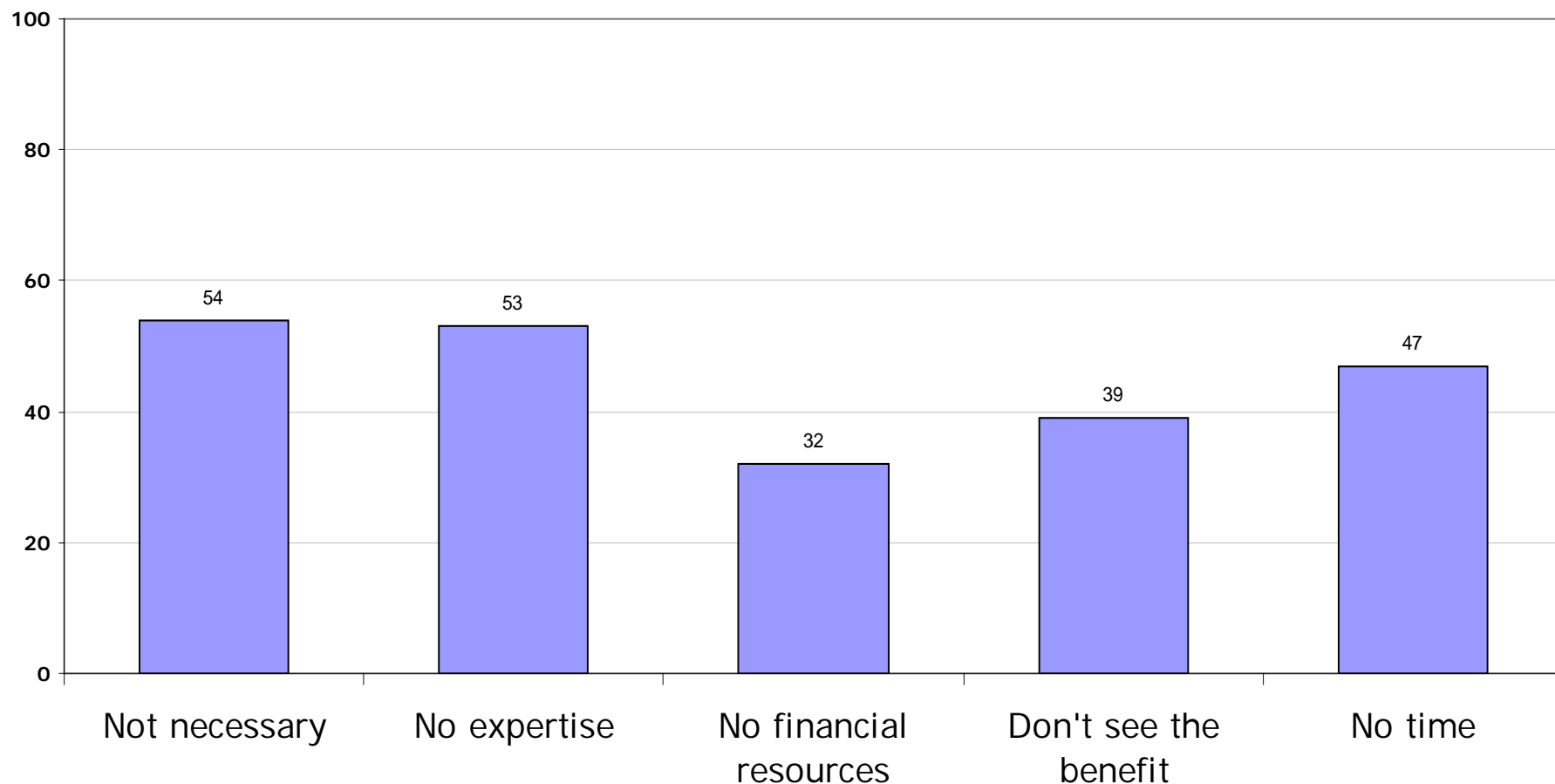


## Barriers

# Reasons for not having developed a policy management system or action plan for safety?

% establishments, all 31

Note: establishments with no documented policy on health and safety



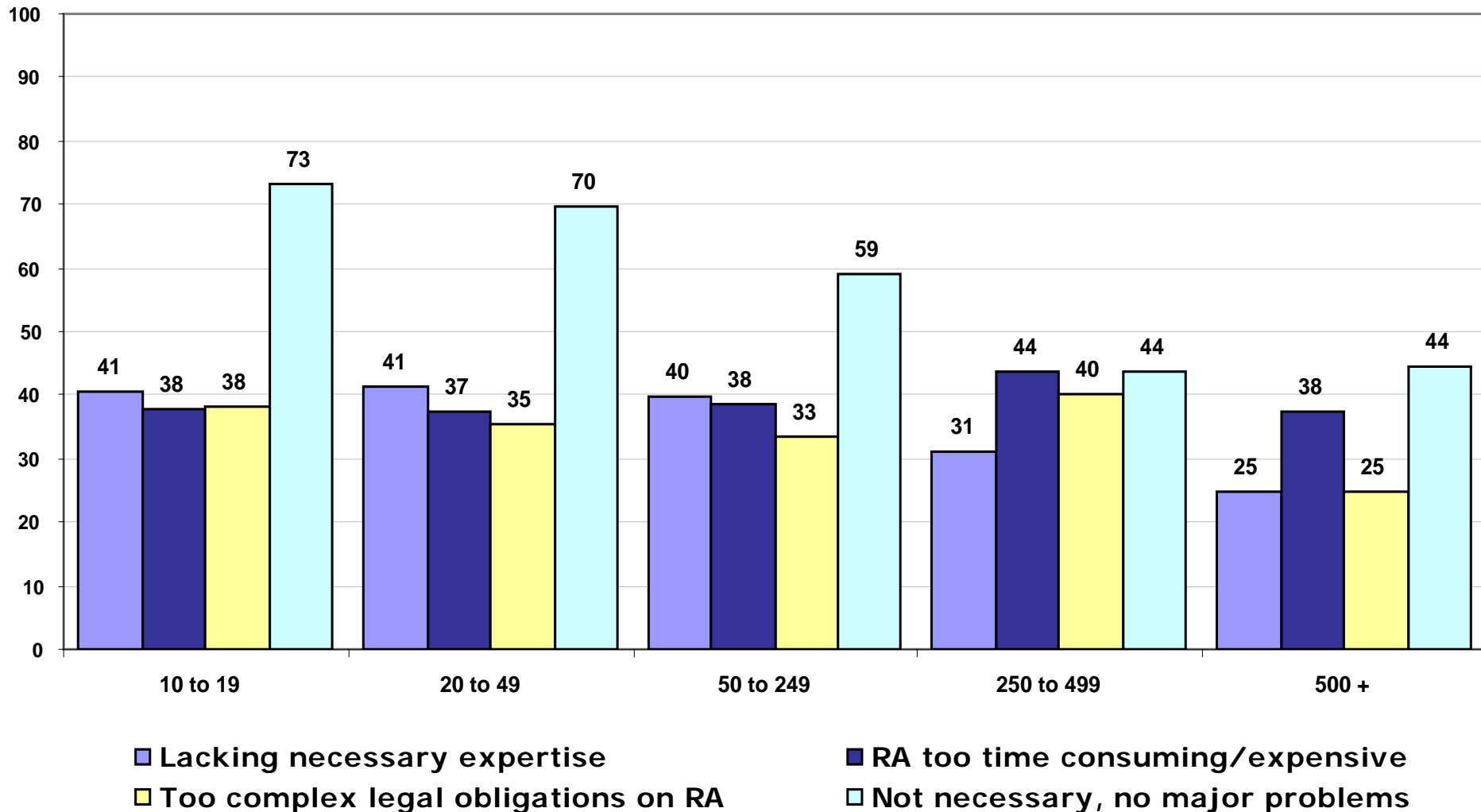
## Barriers

# Reasons for not carrying out risk assessments regularly

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% establishments, EU27

Note: establishments where risk assessment or similar measures are NOT carried out





# Why external economic incentives?

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- **Strong case for Economic Incentives (EI) by European Foundation and ILO (P. Dorman (2000)):**
  - EI are **directly linked with business performance** (impact on productivity easily visible to managers)
  - EI can stimulate **continuous improvement** (vs. regulation specifying minimum performance level)
  - EI **encourage problem-solving and innovation** (vs. method-focus)
- **First step to increase companies attention: Foot in the door for OSH!**

# What could act as an incentive?

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- **Insurance premium variations, e.g. dependent on**
  - Occupational accidents and diseases
  - Specific risk of sector
  - Prevention activities such as training, investments, personal protection measures
- **Tax incentives, e.g. better write-off conditions**
- **Better banking conditions, e.g. lower interest rates**
- **State subsidies, e.g. for innovative investments or reorganisation**
- **Certification of OSH management systems (e.g. reimbursement of certification fees)**

# Why a project on economic incentives?

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- **More economic incentives is called for in in the new community strategy**
- **Need to develop better models for SMEs**
- **Need for models which reward rather OSH effort than only OSH results**
- **Institutions that can provide incentives need good practice information**

# Premium discount model - Finland

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- **Farmers employment accident insurance (MATA) for self-employed farmers**
- **Each claim free year:**
  - premium reduction: 10%
  - every consecutive year: +10%
  - max of 50% for 5 consecutive years
- **Each compensated accident:**
  - 10% loss of discount
  - Upper limit



**Decrease in overall injury rate: 10.2%**

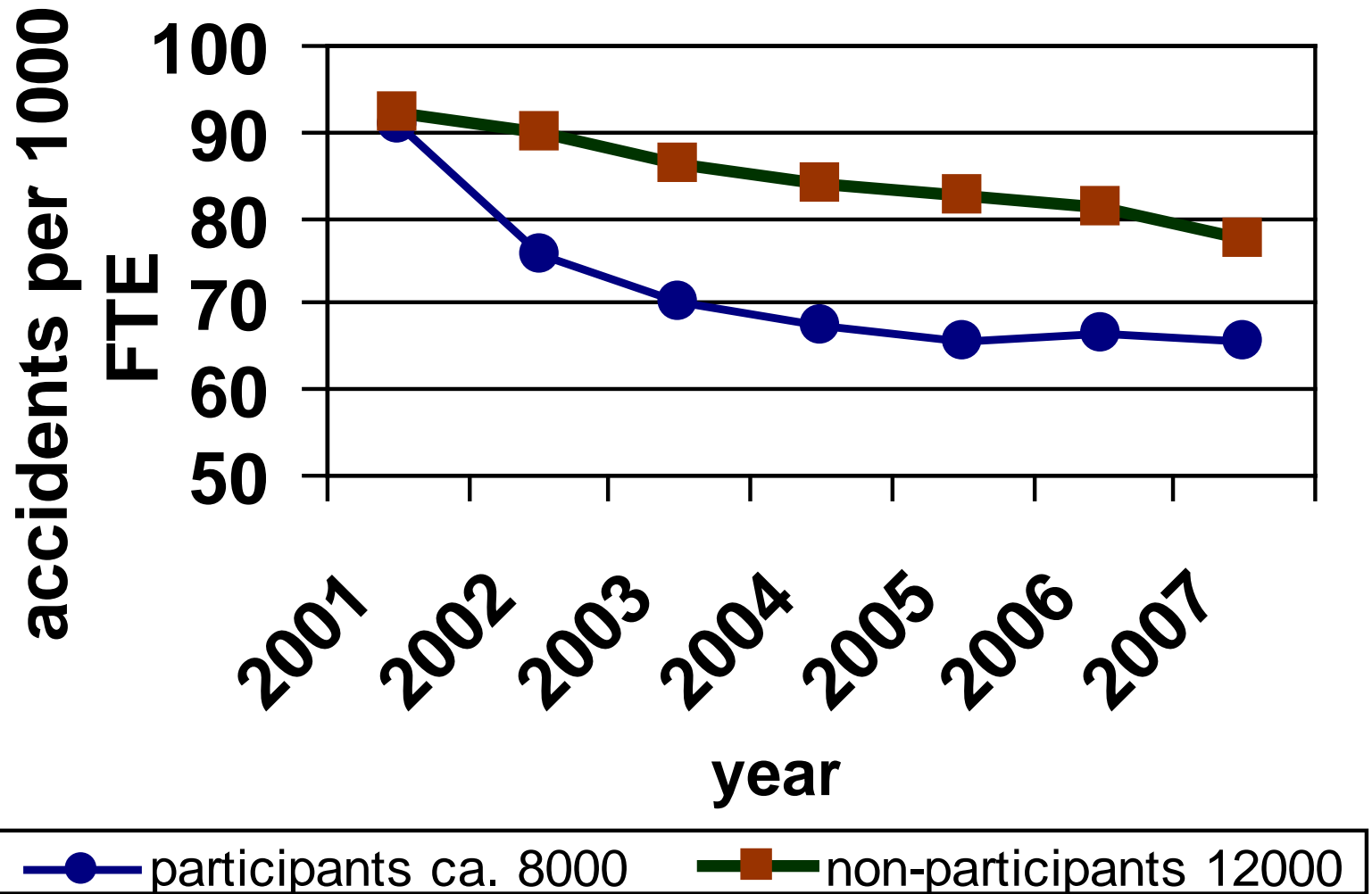
# Incentive model in German butchery sector

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<b>Preventive approach</b>	<b>Tangible measures</b>	<b>Bonus Points (can reduce premium by 5%)</b>
<b>Technical measures</b>	<b>Use special safety knives</b>	<b>8 points</b>
<b>Organisational measures</b>	<b>Road safety training for drivers</b>	<b>8 points</b>
<b>Individual measures</b>	<b>Use skin protection agents</b>	<b>6 points</b>

# Incentive model in German butchery sector

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# A review of case studies evaluating economic incentives

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- **Butchery sector incentive scheme leads to ca. 1000 accidents less/year**
- **Costs for incentives € 8.32 Mio Euro (6 years, 2002-2007)**
- **HSE estimates 6670 € costs for each reportable accident**
- **Business case**
  - 6000 accidents X 6.670 € = 40.02 Mio €



**4.81 € savings for every 1 € invested**

- **Transferability:**  
Regarding the basic criteria there are not very many differences in Europe.
- **Following incentives are possible everywhere:**
  - Experience rating (private or public insurance)
  - Subsidies (Insurance or governmental)
  - Tax incentives (rarely used)
- **Problem: effort-based incentives in private markets, possible solutions:**
  - Long-term contracts
  - Prevention funds (e.g. Finland)



# How to get from output to impact – work of expert group

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- **December 2007: Scoping meeting**
- **February 2009: Discussion of first drafts**
- **November 2009: With ECOSH, Agency CLEV**
- **May 2010: With INAIL in Rome**
- **November 2010: With BE-Presidency in Brussels**

# New report on economic incentives

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- **European countries could benefit from more economic incentives!**
- **Incentive schemes can reduce accident rates significantly:**
  - Agriculture Finland: 10 %
  - German butchery sector: 12 %
  - INAIL bank loans: 13-25%
- **Exchange of European experience leads to new incentive schemes**
- **More on the web in 22 languages:**  
<http://osha.europa.eu/en/topics/economic-incentives>



# Exchange of good practice

## Example Italy

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- INAIL is the Italian national worker's compensation body for 3.8 Mio enterprises and 17.8 Mio workers
- Based on the discussion of the Agency's expert group INAIL will implement an incentive scheme focussed on SMEs with € 60 Mio budget
- Estimation of potential benefit on society level based on evaluations of other economic incentives schemes:
  - Financial benefit assuming a pay-back ratio of 1 to 3: € 180 Mio
  - Accidents prevented assuming a cost of € 6670 per reportable accident (HSE): ca. 27000

- We need both: promotion of the business case and external economic incentives
- External economic incentives can
  - Be effective in all EU countries
  - Be attractive for SMEs
  - Promote also health, not only safety
- The EU-OSHA project has stimulated a mutual learning process between economic incentives organisations, e.g. Italy, France, Finland, Switzerland, Cyprus

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**Thank you very much  
for your attention!**

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