Return on Prevention

Dr. Thomas Kohstall
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Structure

Research project “Return on Prevention”
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Motivation and purpose

• Cross-country project to draw up prevention balance sheets for companies in different countries and to calculate the country-specific return on prevention as well as to estimate the global single-economic costs and benefits of investments in occupational safety and health

• Preferred branches: e.g. mining, construction, industrial production

• Interviews: positively selected companies interested in prevention work, one company per one million persons employed in the country (minimal ten, maximal 40)
Motivation and purpose

Companies spend money on prevention work (occupational safety and health, OSH) according to legal requirements and social responsibility

• Necessary expenses or value-generating investments?

Does prevention pay for companies?

• Traditional (financial, cost, social, ecological) accounting not recording the single-economic costs and monetary benefits of prevention work

• Up to now, predominantly macroeconomic studies
Motivation and purpose

Research questions

• (Theoretical) concept of prevention accounting?
  • Prevention balance sheet identifying prevention profit or loss?
  • Calculation of the „Return on Prevention“ for individual companies and countries as well as consolidated for all involved countries?

• (Empirical) survey?
  • Interviews, questionnaire?
  • Statistical analysis?
Possibilities and limits

Prevention in companies is more than OSH-prevention! So there is no clear border between OSH-prevention and other prevention activities. This is one of the main problems in OSH-research for prevention activities.
Theoretical concept

Prevention accounting

• Form of cost-benefit analysis
  • Costs and benefits of the single company
  • Referring to single branches or cross-sectoral

• Effects of prevention work
  • Primary: prevention of occupational accidents, diseases and health risks
  • Secondary: economic advantages (benefits) and disadvantages (costs) for the company

← Prevention balance sheet, Return on Prevention
Theoretical concept

Assessment of prevention work and its effects

- Qualitative estimations

Prevention balance sheet

- Quantitative estimations: prevention profit or loss as the difference between the costs and the monetary benefits of prevention work

Return on Prevention

- Ratio between the monetary value of the benefits and the costs of prevention work
- Describing an abstract economic potential
Theoretical concept

Prevention accounting as a model

• Economic model based upon assumptions
  • Not considering the effects of technical and social progress (also representing effects of occupational safety and health)
  • Not isolating prevention costs included in prices of goods
  • Not isolating singular effects of individual prevention measures
• Impression of the dimension of the economic potential of occupational safety and health
Empirical survey

Interviews addressed to experts of the companies

- Controller, employer, member of the worker’s council, safety officer etc.
- Standardized interviews
- Qualitative and quantitative questions
- Subjective estimations
- Personally visited or contacted by phone or email
- Expressing themselves as group and delivering common respectively intra-coordinated answers
Empirical survey

Voluntary participation and positive selection: companies interested in occupational safety and health

- Willingness to support the interviews
- Experienced in prevention work
- Prudence principle: even better results regarding the prevention profit or loss with companies less interested in occupational safety and health
- Completely anonymous

Evaluating prevention benefit following the willingness to pay-method
Empirical survey

Method

• Prevention costs
  • Source: management accounting, controlling
• Prevention benefits
  • Illustration: prevention balance sheet as a pair of scales
  • Estimation: benefits outweighing the costs? or vice versa?
  • Quantification of the ratio between benefits and costs: values beginning at 1.0, steps of 0.2 upwards are proposed
  • Selection of the highest ratio which is accepted
Benefits of the project

• Understanding the single-economic success of prevention work
• Discovering new ideas and inspiration for future prevention work
• New approach to prevention work and politics

For more information:
### Project Partner

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as of 2010-10-28
Outlook

Results are supposed to be presented at the World Congress on Safety and Health at Work, 11-15 September 2011, Turkey
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