

ECONOMIC INCENTIVES TO IMPROVE OCCUPATIONAL SAFETY AND HEALTH

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INAIL projects and plan for economic incentives



Liliana Frusteri

Technical Advisory Department for Risk Assessment and Prevention
Italian Workers' Compensation Authority (INAIL), Italy

OBJECTIVE

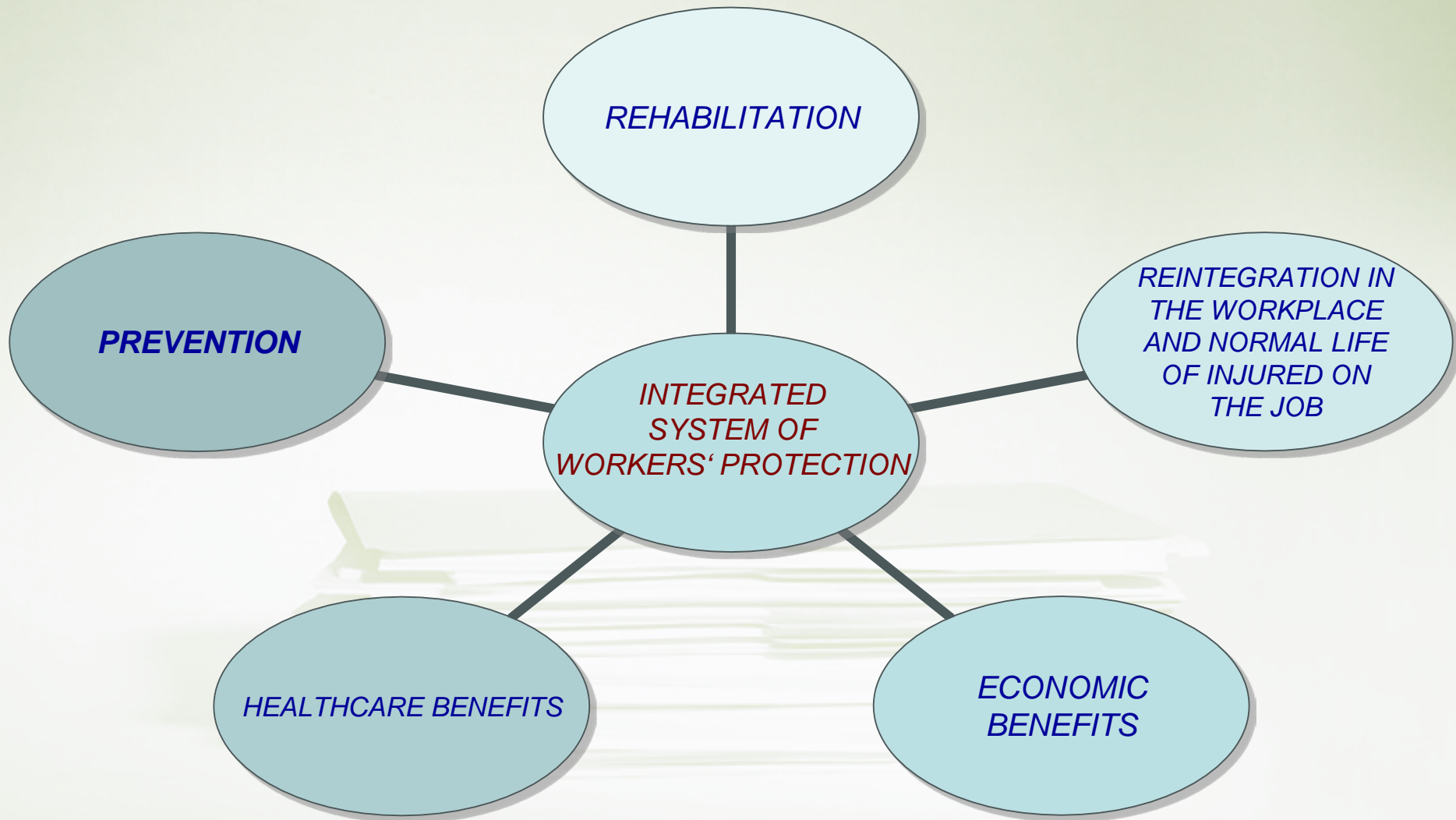
- INAIL mission
- Past experiences on economic incentives



NEW INAIL PLAN FOR ECONOMIC INCENTIVES



INAIL MISSION



INTERNAL ORGANIZATION



IN ROME



CEO

***CENTRAL
OFFICES***

***CENTRAL
ADVISORS***

- *lawyers*
- *physicians*
- *statistics*
- *risk experts*

TERRITORIAL STRUCTURE



**REGIONAL
CEO**

**REGIONAL
OFFICES**

**REGIONAL
ADVISORS**

- *lawyers*
- *physicians*
- *technicians*

120 local offices in the chief provincial towns;
101 sub-provincial local offices;
55 local agencies

INAIL MISSION



- Managing the **compulsory insurance** regarding accidents and diseases at work

All working activities are divided into four categories:

a) "Industry"; b) "Crafts"; c) "Service sector"; d) "Other".

The cost of the insurance, called **premium**, is the exclusive responsibility of the employer, or craft workers, autonomous fishermen and autonomous workers in agriculture.

Each fund has **its own tariff premium rates** corresponding to the **average national risk** of the works therein. The premium tariffs are organized according to a **technical classification of work**, divided into ten main groups.

For dependent workers, this premium is calculated on the amount of their **salary** and in relation **to the hazardous nature** of the work.

The premium can be eventually reduced or increased depending upon the accident trend or the prevention measures.

INAIL MISSION

- **Rehabilitation** and **reintegration** in the workplace and in normal life of those injured on the job



INAIL MISSION

Support to companies in the field of safety and health by means **training, advice, assistance**

It aims to reduce economic, social and insurance costs as a result of the improvement in the conditions of safety and health in the workplace.



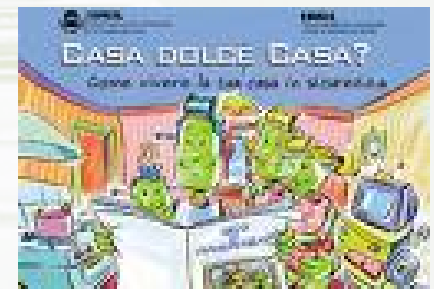
INAIL MISSION

- **Promoting prevention culture: training and information**

- ❖ DVD, Guidelines, fact sheets, posters, booklet, etc.

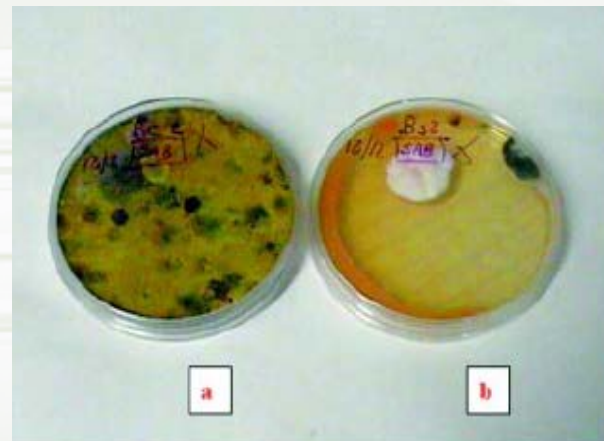
- ❖ Training courses for:

- Schools and universities
- Employers
- Employees
- Safety representatives
- OHS Auditors
-



INAIL MISSION

- **Studies** and **research** in the field of OHS



ITALIAN CONTEXT

About 22 million workers

About 95% is represented by SMEs

SMEs: few resources invested in prevention

Sectors particularly dangerous:

- **Metalworking**
- **Mines**
- **Construction industry**
- **Wood Furniture**
- **Agriculture**
- **Transport**



Every year:

- ~1 million accidents
- ~ 1200 deaths
- ~ 10.000 occupational diseases accepted by INAIL



ITALIAN CONTEXT

The costs of “**lack of safety**” are very high, both direct and indirect:

- loss of lives
- loss of production
- Interruption of production
- increase in insurance premiums
- damaged company image
- etc.

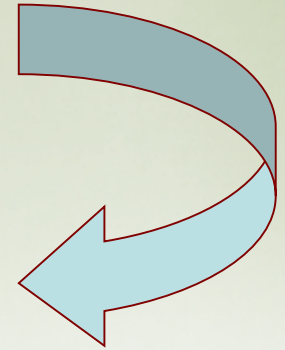
The cost of accidents are of particular concern to SMEs
These companies account for more than 80% of all
occupational injuries (90% of fatal accidents)

ITALIAN CONTEXT

It is important to support the enterprises (mainly SMEs) to invest in prevention and safety in a such period when **profit margins have already been reduced by the current historical and financial scenario**



**aimed at supporting the
preventive measures of
Italian enterprises**



Variation of
premiums paid by
companies for
prevention

Economic incentives for:

- Compliance programs
- Information & training programs

It innovated the old system of increase/reduction of premiums for accident trends.

Companies that carried out actions to improve the hygiene and safety conditions at work, in addition to the minimum legal requirement, obtain a “**premium discount**”.

The aim is to lead companies **beyond merely complying** with law provisions, by promoting a **management approach to safety and a continuous improvement** of the environment and the organization of the workplace.

PREMIUM VARIATION FOR PREVENTION

Rate reduction is granted as follows:

- **5%** for companies employing more than 500 workers
- **10 %** for the other companies

The reduction concerns the preventive measures implemented in the calendar year preceding the year in which the application is made. It is valid for the year in which the application is made



News 2010

NEWS 2010 FOR PREMIUM REDUCTION

The last April 21st an INAIL deliberation approved the revision of Article 24 of DM 12.12.2000 to widen the range of premium reduction.

This resolution has been sent to the Ministry of Labour and Social Policies to be issued in consultation with the Ministry of Economy and Finance.

Workers per year	Reduction
Up to 10	30%
11 to 50	23%
51 to 100	18%
101 to 200	15%
201 to 500	12%
Over 500	7%

PREMIUM VARIATION FOR PREVENTION

The Companies have to fill a questionnaire, in which they declare to be compliant with insurance contributions and with the compulsory provisions in the field of accident prevention and hygiene at work (prerequisites).

Furthermore, it is necessary that companies carried out a **particularly relevant preventive action included in the list of Section A of the application form** or, alternatively, at least **three actions** among those listed in the remaining Sections from B to I, at least one of which need to fall under the sector of **training** of employees (section E).

NEWS 2010 FOR PREMIUM REDUCTION

Addition of two particularly relevant actions:

d) The company has implemented and adopted a procedure for the **selection of suppliers** which takes account of the enforcement of hygiene and safety at work.

e) The company has made important interventions aimed at improving the health and safety in the workplace (integrated prevention, CSR and OHS Management System) undertaken on the base of **agreements** between INAIL and social partner organizations or bodies of the bilateral system.

ECONOMIC INCENTIVES

The first Italian experience, promoted at the legislative level and implemented by INAIL, concerning the **financing of safety-related initiatives** was carried out in 2002 and repeated in 2004 and 2006.



- The Decree identified the **subjects** which would *de facto* obtain financial support (**small and medium sized enterprises** and **agricultural** and **craft** sector companies).
- INAIL defined **priority criteria** for eligible projects, **deadlines** for submission, and the **amount of resources** to be allocated to the actions in favour of prevention.



ECONOMIC INCENTIVES: OBJECTIVES

The aim of economic incentives was to finance:

1. Compliance programs

To make facilities and organization compliant with safety regulations, fostering the renewal of machinery, refurbishment of the workplace and system renewal, installation of monitoring systems to reduce exposure to hazardous substances, promotion of a safety management system.

2. Information and training actions

To make workers aware of the risks they may run, and by making them gain knowledge of the dangers of substances, processes and activities, prevention and emergency procedures

3. Tools and products

To provide the largest number of workers with an innovative information and/or training tools (at once exhaustive), specific and easy to understand.

ECONOMIC INCENTIVES: PROJECT FINANCING

Some **310 million EUR** was divided as follows:

- **compliance programmes** (232 million EUR approximately)
- **training & information projects** (78 million EUR approximately)

3 CALLS FOR PROPOSALS

2002

2004

2006

All three calls provided funding for compliance programmes (interest account and capital account)

The 2002 and 2004 calls also financed training and information projects (capital account).

Capital account financing was provided for projects with **special qualities** and **excellence features**.

TYPE OF FINANCED COMPLIANCE PROJECTS

COMPLIANCE PROGRAMMES

Strand 1	Elimination equipment without the EC brand , and its replacement with EC-branded equipment
Strand 2	Purchase, installation, refurbishment, modification of systems, machinery and devices in order to increase safety levels, reduce workers' exposure to chemical, physical, and biological agents, to eliminate or reduce the use of hazardous substances from production cycles.
Strand 3	Installation of systems to monitor workers' exposure to chemical, physical, and biological agents.
Strand 4	Refurbishment and/or structural modification of the working environment .
Strand 5	Implementation of safety management systems .

PROJECTS FOR INFORMATION AND TRAINING

APPLICANTS

Companies, consortia or groups of companies, public law bodies, non-profit associations, institutes and bodies operating in the field of prevention, Public Administration bodies, employers' associations, trade unions, joint committees or bilateral organizations are eligible for funding.

FUNDING STRANDS

In order to be eligible for financing, projects had to fall within one or more of the following strands:

Strand	Project	% of funding
1	Workers' information and training	58%
2	Training of workers' safety representatives (WSR).	18%
3	Training of staff responsible for emergency management.	12%
4	Training aimed at helping employers and the staff responsible for prevention and protection services.	12%

PRIORITY CRITERIA

The score attributed to the projects had to follow specific criteria:

- **occupational injury category** in the production sector corresponding to the INAIL premium rate group
- **number of workers** in the production sector
- **assessment** of trainees' learning level
- **features** of the project submitted.



TOOLS AND PRODUCTS

PRIORITY CRITERIA

- index of **national-level hazardousness** attributed to the sector activity;
- **number** of target group members,
- **completeness** and **adequacy** of contents,
- **communication effectiveness**
- degree of **innovation** with reference to existing tools and products;
- level of **usability** by the target groups;
- **applicant bodies**;
- level of **exportability**.

INAIL acquired the intellectual property rights of the products. All information and training products must be disseminated free of charge.



RESULTS

The experimentation of the business incentive system yielded good results, with a growing interest by companies across the three calls for proposals published.

14,612 companies applied, totalling over **900 thousand workers**.



STRAND 1

The replacement of obsolete equipment without the EC brand was one of the most requested.

Twofold advantage:



- **Increased safety for workers**
- **Higher productivity for the company**

STRAND 2

The installation or renovation of systems received the greatest amount of the funding allocated:

- electrical systems
- fire prevention systems
- waste water treatment plants
- exhaust fume reduction systems
- etc.



Agricultural firms:
mainly funding for cattle
nutrition and milking systems,
entailing a lower risk for
workers.

STRAND 3

This strand was largely neglected, probably due to its complexity and the little advantage companies could gain over the short term; monitoring actions imply technical issues difficult to manage for some of the company types called upon.

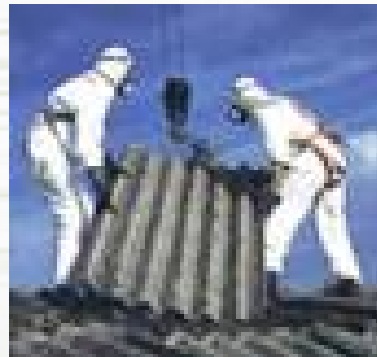


STRAND 4

This strand ranked second in terms of importance, both from the standpoint of the capital invested, and of the number of projects submitted.

The projects submitted aimed to:

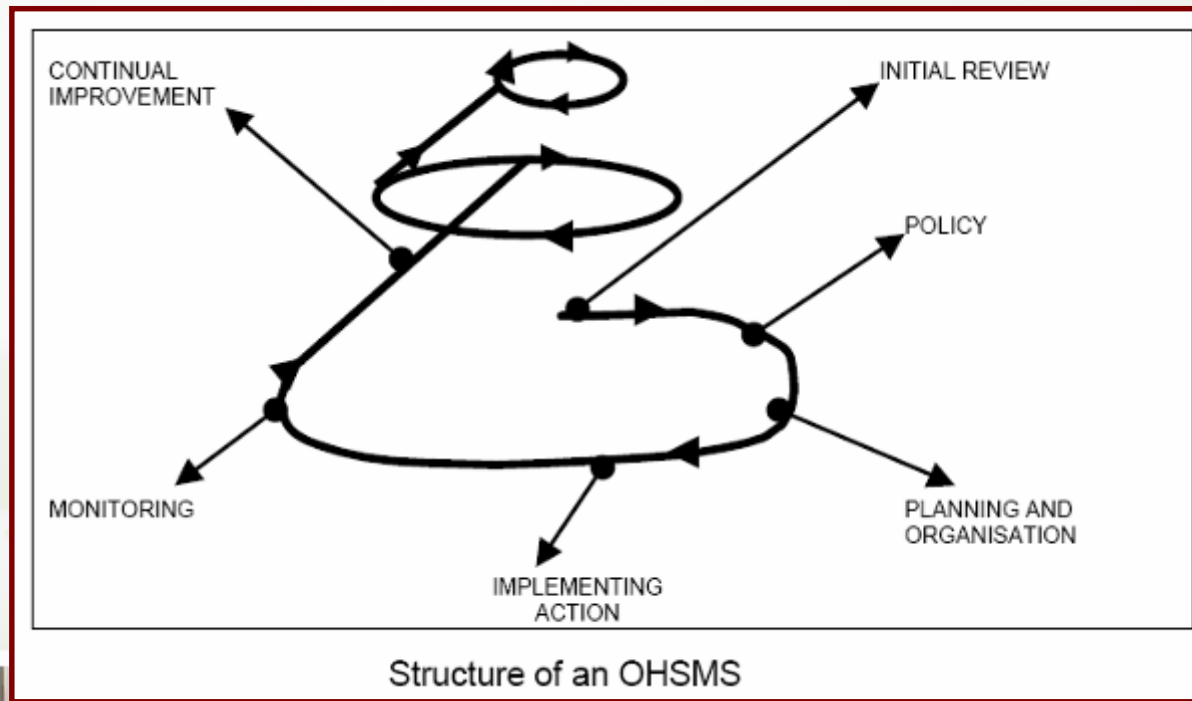
- refurbish premises
- better organizing the workspace
- improve buildings by removing or deactivating materials containing asbestos



STRAND 5

There were few applications in 2002. In 2004 there was a remarkable increase (+ 36% approximately) confirmed in the 2006 call.

Applications for funds to implement a Health and Safety Management System were almost invariably made by companies with a staff **greater than 16**, clearly possessing a stronger culture of safety.



STATISTICAL ANALYSIS /1

To ascertain if there has been a decrease in the number of injuries in the group of companies benefiting from funding, statistical analysis were carried out to evaluate the injury trends in the period **2001-2007**.

A X^2 analysis was performed by comparing **three homogeneous groups** of statistical units which benefited or did not benefit from the incentives proposed.

The **first two groups** were represented by companies that obtained the funding (in 2002 and 2004 respectively).

The **third** was identified by drawing from the population an overall sample of companies as similar as possible in terms of features and production sectors to those in the first two groups.

The first group (**2002**) has shown a **significant reduction** of claims (down **25.5%** vs. the control group)

The second group (**2004**) has seen a decline of **13.4%**.

These results related mainly to **injuries of mean severity** (receiving temporary INAIL compensation).

Further in-depth analyses and controls will have to be repeated in order **to widen the observation period**, (which is still too short), and to cross-check results over a greater number of years, taking into account, naturally, also the subsequent calls for proposals (2006).

PROBLEMS FACED

Some problems and critical aspects emerged, which need to be analysed and solved.

Among the funding applications filed, approximately **30% were rejected.**

Out of these, about **70%** were rejected for **banking reasons**, i.e. credit unworthiness (neither INAIL or the banks took the risk of credit loss);

30% for administrative and technical-prevention reasons (i.e. at times it was not clearly stated what would happen to the obsolete equipment to be replaced, or the action was unclear in terms of risk reduction goals, etc.).

SUCCESS FACTORS

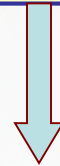
- Many companies had the **opportunity to benefit from funding**, facing the challenges represented by the high cost entailed by the enforcement of legal provisions in the field of occupational safety and hygiene.
- **Improvement of health and safety standards** and the introduction of **innovative organizational and management systems**.
- This initiative has shown the role that an insurance institution involved in prevention activities can play to support businesses. It can put in place many resources at financial, technical, technological, management, organizational and IT level.
- The future prospects for this type of initiative is its **translation** – recently provided for by the law – **into an institutional activity**.

- Italian policy makers have become **more interested in economical instruments** such as economic incentives to improve working conditions
- Economic incentives are considered **levers** for **raising awareness** and **complying** with the legislation

Legislative Decree N°81, 2008 and subsequent modifications and integrations



The law states that **INAIL** has a primary role to support and finance **small, medium, and micro-companies** to invest in prevention.



INSTITUTIONALIZATION OF INCENTIVES



Art. No. 11 of Legislative Decree N°81, 2008

*In accordance with the Social Partners, INAIL finances by own resources, **investment** and **training projects** in the field OHS and projects to experiment **new organizational and management solutions** based on principles of CSR.*

The adoption of best practices is a priority criterium to benefits

ECONOMIC INCENTIVES IN 2010

INAIL stated to invest 60 million Euros to improve working conditions by financing:

- **training projects**
- **investment projects** (good practices and experimentation of **organizational and management models**)
- development of new solutions based on principles of **CSR**.

At the present, the new EI plan is under discussion within INAIL and with the Social Partners

NEW PLAN FOR ECONOMIC INCENTIVES

The most relevant indications for new EI are:

- to link EI to local and sector needs in relation to workers' number and accident rate;
- regional decentralization of the economic resources;
- cooperation with the Social Partners and the local Bodies
- the funds are devoted to all companies, with priority to SMEs;
- financing by means of capital account;
- simplification of administrative procedures;
- elimination of the banks as intermediates

TWO GROUPS OF FINANCING

- 1) Actions that involve capital grants from 5,000 to 50,000 Euros (**Group A**)
- 2) Actions that involve capital grants from 50,000 to 100,000 Euros (**Group B**)

Funding will be provided up a maximum of 75% of the expenditure incurred for the project.

The release is on the base of chronological request, without ranking.

ADMISSION TO THE FINANCING

It should take place in several phases:

- Application
 - Verification
 - Action/Intervention
 - Advance
 - Reporting
- 

APPLICATION

- The application should be submitted online.
- The company has to describe the action and the amount needed
- It fills in a form drawn up on the base of **parameter values** assigned to:
 - company size
 - % of workers involved in the intervention
 - tariff average
 - technical or organizational measures planned
 - adoption of best practices, OHS Management System, CSR, agreements with Social Partners

Filling in the form determines the allocation of a **score**.

Overcoming a score threshold determines the **possibility of applying** for the financing

VERIFICATION

The verification should be done by:

1. **technicians** of the regional directorates regarding to technical aspects
2. **administrative personnel** regarding to the conditions required by the application



ACTION & DEADLINES

From the date of positive response by INAIL, the company will have a definite time to perform the ACTION.



ADVANCE

INAIL should give Group B an **advance** of the total value of the intervention, after obtaining bank or insurance guarantee to cover the full amount



REPORTING

The company will submit to INAIL:

- the summary statement of expenses incurred
- the invoices
- the technical documentation for each type of intervention



WORK IN PROGRESS



These days INAIL is completing the phase of definition of criteria and funding arrangements.

The next step will be to issue the public notice.

We will keep you updated



THANK YOU FOR YOUR ATTENTION

Liliana Frusteri

INAIL - Consulenza Tecnica Accertamento Rischi e Prevenzione
Via Roberto Ferruzzi 40, 00143 Rome - Italy