Economic incentives in OSH

Key results of the policy report

Workshop 4-5 Feb 2009, Bilbao

Marc De Greef
Content

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Introduction
Aim & scope

- **Aim**
  - Overview of the policy context of economic incentives in OSH, within the 27 EU Member States
  - Define which incentives in OSH are / can be applied under which national conditions

- **Scope**
  - Financial incentives (insurance-related, tax and funding schemes)
  - Non-financial incentives
  - Not: legal incentives (e.g. fines, penalties) and incentives for the self-employed
Incentive model (1)

- National social security body
  - OSH assistance programme
  - Incentives
  - Lower costs
    - Less accidents
    - Less diseases
    - Less pensions

- OSH programme
- Company
  - Liabilities
  - Differentiation in premiums
  - Subsidy
Incentive model (2)

- National social security body
  - OSH assistance programme
  - Incentives
    - Liabilities
    - Differentiation in premiums
    - Subsidy
  - Lower costs
    - Less accidents
    - Less diseases
    - Less pensions
  - Effectiveness
    - Social security system
      - Legislation
      - Available alternatives
      - Administrative burden
    - Financial compensation
      - Administrative burden
      - Coverage conditions
      - Control mechanisms
Methodology

- Information collection
  - Focal Point questionnaire survey
  - Policy overview by TCWE partners (based on template)

- Information analysis
  - Policy classification, incl. development of matrix: characteristics of welfare and social insurance system + existing economic incentives in OSH
  - Conclusions
2 Policy classification
Policy classification (1)

- **Type of welfare-state regime**
  - Liberal (Anglo-Saxon countries)
  - Corporatist (Central-European countries)
  - Social-democratic (Scandinavian countries)
  - Mediterranean (South-European countries)
  - Post-communist (Eastern-European countries)
  - Hybrid: The Netherlands

- **Financing source of social security system**
  - Beveridgian: tax financed
  - Bismarkian: funded by social insurance (contributions)
Policy classification (2)

- Workers’ compensation (WC) system
  - Public (state-run) versus private WC
  - Monopolistic versus competitive insurance market
  - Insurance of occupational accidents (OA) and diseases (OD): overall versus separate approach

- Economic incentives for OSH
  - Insurance-related incentives (incentives via premium setting)
  - Tax schemes
  - Funding schemes
  - Non-financial incentives
<table>
<thead>
<tr>
<th>Geographical</th>
<th>Welfare-state model</th>
<th>Social insurance system</th>
<th>Workers’ compensation system (WC)</th>
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<tbody>
<tr>
<td></td>
<td>Predominantly Beveridge</td>
<td>Predominantly Bicmarckian</td>
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<td>Country</td>
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<td>Welfare-state model</td>
<td>Financing of social security system</td>
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<td>Predomina ntly BE (Beveridge) or BI (Bismarckian)</td>
<td>S/P M/C</td>
<td>Information available on used rating system and application of insurance-related incentives</td>
<td>Information available on tax schemes in OSH</td>
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<td>Belgium</td>
<td>Central European/ Continental</td>
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<tr>
<td>Country</td>
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</table>
| Germany | Central European/ Continental | Corporatist | BI | SM | Premiums vary between the different sectoral BGs and even between the member companies of one BG. In addition to a bonus-malus, certain BGs have established a system giving a premium reduction for certain prevention efforts:  
- Incentive scheme of the Statutory Accident Insurance of the Butchery Industry (Fleischereiverband der Berufsgenossenschaft, FBG)  
- Incentive scheme of the Statutory Accident Insurance of the Health Care Sector (BG Gesundheitsdienst und Wohlfahrtsdienst)  
- Enterprise for Health: Promoting health management among companies in Lower Saxony (AOK Niedersachsen, Allgemeine Ortskrankenkasse Niedersachsen) | Tax incentives for occupational health promotion start in 2006. Employers can write off up to €500 per worker each year from tax. Promotion of OSH management systems by the Bavarian Business Inspectorate |
| Estonia | Baltic | Post-communist | BI | SM |  |
| Greece | Southern Mediterranean | Mediterranean | BE | SM |  |
| Spain | Southern Mediterranean | Mediterranean | BE | SC | Premium calculation based on: no risk category. No specific premium variation system. |
| France | Central European/ Continental | Corporatist | BI | SM | Premium calculation based on company size: premiums of large companies (>200) vary according to OA/OD rates; for smaller companies, premiums vary according to sector. |  
- Prevention contracts, advances and grants (CNAM/CRAM)  
- ‘Safer tools’ campaigns (CNAM)  
| Ireland | Anglo-Saxon | Liberal | BE | SM | … |  
- “Incentive scheme of the Statutory Accident Insurance of the Health Care Sector (BG Gesundheitsdienst und Wohlfahrtsdienst-BGW); BGW Health Prize  
- OSH partnership programme Hamburg; awards  
- Statutory Accident Insurance of Trade and Goods Distribution (Berufsgenossenschaft Handel und Warenverkehr, BHGW); awards for ‘Innovations in Prevention’ and ‘Healthy Employees’ Healthy Company’  
- Steinbruchs-Berufsgenossenschaft (SBG): Seal of Approval - Systematic Safety |
<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Type</th>
<th>BE</th>
<th>SM</th>
<th>Description</th>
<th>Measures</th>
</tr>
</thead>
</table>
| Italy     | Southern/ Mediterranean     | Mediterranean | BE | SM | Premium calculation based on sector/activities; premium may be reduced based on compliance with OSH standards and individual claims experience. | - Business financing for programmes and projects in OSH  
- Loans for SMEs for technological innovations resulting in accidents reduction  
- Grants for SMEs for programmes aiming at accident reduction |
| Cyprus    | Southern/ Mediterranean     | Mediterranean | BE | SM | Premium calculation based on individual risk.                              |                                                                                                       |
| Latvia    | Baltic                      | Post-communist| BI | SM | Tax-exemption of general expenditure on labour protection measures         |                                                                                                       |
| Lithuania | Baltic                      | Post-communist| BI | SM | Premium calculation based on risk category (three groups).                | Prevention fund  
Conditions for enterprises participating in public tendering |
| Luxembourg| Central European/ Continental | Corporatist  | BI | SM | Premium calculation based on risk category. Premium can be increased due to individual claim experience. | Grants by Insurance Association against Accidents (AAA, Association d’Assurance contre les Accidents) for various financial support to companies; installation of safety management systems, acquisition of the software ‘Matriks’, various training courses |
| Hungary   | Eastern European            | Post-communist| BI | SM | A bonus-malus system is being elaborated.                                 |                                                                                                       |
| Malta     | Southern/ Mediterranean     | Mediterranean | BE | SM |                                                                            |                                                                                                       |
| The Netherlands | Central European/ Continental | Hybrid      | BI | PC | Specific insurance-related incentives such as premium variations or bonus systems for specific prevention activities, occur within the framework of contracts between employers and the private insurers and safety and health services. | (Farbo Sheme)  
- Farbo Sheme  
- Education & Development Funds (O&O fondsen) |
| Austria   | Central European/ Continental | Corporatist  | BI | SM |                                                                            | - Low cost consultancy for safety and health management for SMEs (AUVA)  
- Funding of Health Promotion Activities (FGÖ)  
- Funding of fMS implementation |
<p>| | | | | | | |
|           |                             |               |    |    |                                                                            |                                                                                                       |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Type</th>
<th>Economy</th>
<th>Calculation Method</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Eastern European</td>
<td>Post-communist</td>
<td>BI</td>
<td>Premium differentiation system: premium calculation based on company size, risk category, and experience rating.</td>
<td>Polish Agency for Enterprise Development and Polish Chamber of Commerce; grants for SMEs and trainings CIOP-PiB and National Labour Inspectorate; promotion of a systematic OSH approach (training, consulting, audits)</td>
</tr>
<tr>
<td>Portugal</td>
<td>Southern/Mediterranean</td>
<td>Mediterranean</td>
<td>BE</td>
<td>Premium calculation based on risk category or individual rating. Bonus system based on risk analysis, quality of risk information, claims experience, and minimum premiums for particular sectors.</td>
<td>Diploma of the National Labour Inspectorate 'Safety at work in small enterprises' Safe Work Leaders' Forum</td>
</tr>
<tr>
<td>Romania</td>
<td>Eastern European</td>
<td>Post-communist</td>
<td>BI</td>
<td>Premium calculation based on risk category.</td>
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<tr>
<td>Finland</td>
<td>Nordic/Scandinavian</td>
<td>Social-democratic</td>
<td>BE</td>
<td>Two systems for premium calculation: &quot;risk per mill&quot; system for SMEs, and special rating system for larger companies.</td>
<td>The Finnish Work Environment Fund TYKES program for the development of working life TYTA model Zer</td>
</tr>
</tbody>
</table>
3 Incentive schemes
Insurance-related incentives (1)

- No real incentives via premium setting in several countries
  - Estonia, Greece, Ireland, Latvia, Hungary, Malta, Slovenia, Slovak Republic, Sweden, UK
  - Insurance premium setting based on risk category system: e.g. Denmark, Spain, Lithuania, Romania

- Incentives through experience rating
  - Both in countries with Public/Monopolistic (SM) and private/competitive (PC) WC schemes
    - SM: Bulgaria, Czech Republic, Germany, France, Italy, Cyprus, Luxembourg, Poland
    - PC: Belgium, The Netherlands, Portugal, Finland
Insurance-related incentives (2)

- Introduction/change of premium variation system discussed/planned in
  - Belgium, Denmark, Estonia, Spain, France, Hungary, Slovak Republic
- Premium variation based on (amongst others) company size:
  - Belgium, France, Poland, Finland
  - France and Finland: different approach for larger and smaller companies
- Germany: specific sectorial approach (by social insurance companies: BGs, ...) (see presentation FBG)
Tax schemes

- Latvia: tax-exemption on general expenditure on labour protection measures
- The Netherlands: Farbo scheme (initially developed as a tax system; in 2005 changed into funding; abolished in 2009)
- Germany: tax incentives for occupational health promotion starts in 2009 (employers can deduct from tax up to € 500 per worker per year for activities that promote occupational health)
Funding schemes

- Reported in nearly every country
  - Beveridgian (tax funded) as well as Bismarckian (contributions)
  - Public/Monopolistic as well as Private/Competitive
- Mainly established by public bodies
- Funds/subsidies/grants for a wide range of topics
  - Implementation of training in OSH
  - Purchase of didactic material
  - Implementation of OSH management systems
  - Set up of specific plans and projects (rehabilitation of persons with chronic low back disorders, prevention of MSD, ergonomic programmes, diversity-oriented plans, etc.)
  - Purchase, adaptation, renewal, replacement of unsafe equipment and tools; reimbursement of vaccines
  - Etc.
Non-financial incentives

- Aimed at recognition of companies that invest in safer and healthier workplaces
- No substantial financial implications
- Examples in Belgium, Denmark, Germany, Poland, Finland, etc.
- Germany: strong role of social insurance companies (BGs) favours insurance-related incentives and recognition schemes
4 Conclusions
Conclusions

- Every country has its own approach (relating to its specific economic, political, legislative and social structures)
- Premium differentiation is mostly limited to experience rating
- Discussions/plans on introduction/reform of premium variation system are taking place in several countries
- Tax schemes are very rare
- Funding schemes are very common, but usually voluntary (reach mostly companies that have already a certain OSH level)
Questions

- Can clusters of countries with similar approaches be identified?
- Can incentive schemes be transferred?
- Are the incentive schemes:
  - voluntary or compulsory?
  - Supported by legislation?
  - Part of a general strategy?
- Can the Agency have an added value in disseminating incentive schemes and models of good practice
Thank you!

Marc De Greef