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Effectiveness of economic incentives to improve occupational safety and health

Summary of a workshop organised by the European Agency for Safety and Health at Work as part of a European conference held during the Dutch Presidency in 2004 ([1])

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1. Introduction

'Economic incentives' aim to stimulate enterprises to invest in management of occupational safety and health (OSH) by making it more financially attractive. They are potentially strong instruments in driving companies towards safety and health excellence because they reinforce the link with profitability.

By 'speaking the language of business', economic incentives are effective in drawing the attention of companies' management to safety and health issues. Furthermore, economic incentives allow companies themselves to find the most cost-efficient way of improving safety and health ([2]).

To be considered successful, incentives must in general stimulate actions by the company that are both beyond what is already required by law and would not otherwise have been carried out. However, assessment of their effectiveness is not straightforward in practice and systematic empirical assessments of existing incentives are rare.

The need for greater understanding of the effectiveness of economic incentives in promoting safety and health has grown more apparent following the European Commission's call for a 'more systematic application of economic incentives' as an important 'innovative approach'. Economic incentives are considered an approach that 'encourages the various parties "to go a step further" and to associate all the interested parties in achieving the overall objectives of the strategy' ([3]). Given that there exist several types of economic incentive, the following questions may be asked:

- Which type is most effective, if any?
- What is the most successful method of implementation?

This publication, based on a workshop organised by the Agency, aims to contribute to the discussion on the effectiveness of economic incentives by presenting the main issues raised by invited experts and by giving some practical examples.

Economic incentives of various types exist in all Member States of the European Union and the Agency has created a web feature with links to information about these ([4]).

2. Types of economic incentive

Economic incentives are usually put in place by public administration or by insurers and may act at national, regional or sector level. They grant financial advantages to companies or organisations that improve the quality of their working conditions. The economic incentives examined in this publication may be broadly divided into three categories:

2.1. State subsidies, grants, financing

Companies that improve working conditions are given financial payments or favourable financing conditions (e.g. bank loans). Examples include government programmes that sponsor companies to invest in safe machinery or in innovative models of work organisation (see the Danish and German examples in section 4).

2.2. Incentives based on tax systems or tax structures

Taxes can be tailored to influence the behaviour of businesses. Tax reduction, for instance, can be offered to employers who invest in equipment that is safer than the minimum legal requirement (see the Dutch example in section 4).

([1]) 'Towards effective intervention and sector dialogue in occupational safety and health', Amsterdam, 15 to 17 September 2004.

([2]) Dorman, P., 'Three preliminary papers on the economics of occupational safety and health', prepared for the International Labour Organisation (ILO), Geneva, April 2000.

([3]) European Commission, 'a new Community strategy on health and safety at work 2002–06', Brussels, 11 March 2002 (COM(2002) 118 final).

([4]) http://europe.osha.eu.int/research/rtopics/economic_incentives/.

2.3. Insurance premium variation

Incentives of this type aim to establish a strong link between the insurance premium paid by a company and its safety and health performance. Premium graduation may reflect outcomes following past exposures (e.g. hearing loss as a consequence of many years of noise exposure) or current exposures (e.g. the current exposure to noise at the company). In addition, premium graduation may be more or less aggregated (focused on the performance of the economic sector to which the company belongs or on that of the individual company (see the French and UK examples in section 4).

3. Research

A study carried out by the European Foundation for the Improvement of Living and Working Conditions ([5]) highlights the scope for increasing the use of economic instruments in almost all EU countries, but at the same time identifies that the challenge remains to determine from existing applications where they work best. The researchers found that for safety and health a commonly used economic instrument consists of linking the insurance premium to performance and giving bonuses or discounts for good safety and health planning. Furthermore, the report concludes that the use of voluntary instruments serves as a useful alternative to regulation, especially when the goals are clearly defined and agreed by all actors.

There is little research data available on the effectiveness of economic incentives. However, research in the UK ([6]) on the effectiveness of insurance schemes demonstrates that:

– insurance-based schemes can work as a motivator where the costs of the insurance (and therefore the potential savings) are perceived to be (relatively) high by employers: generally, where premiums represent more than 1 % of the payroll;

– if the insurance costs are too high (above 3 % of the payroll), this might work as a negative driver (employers reject the legitimacy of the cost of insurance);

– insurance schemes can function as a driver if companies believe that there is a direct connection between their safety and health performance and the level of their premiums;

– the impact of premiums can be reduced where they form part of a central overhead cost in a large organisation, thus removing the immediate incentive from local management to reduce such a cost. In addition, certain types of organisation, such as those in the public sector, are less cost-sensitive;

– the effect of the incentive might be lost if the delay between improving safety and health and renewal of insurance is too long;

– in addition, a long delay between exposure to hazards and the occurrence of ill effects, such as latent diseases, may break the link between current safety and health management and premium-based incentives.

Based on these considerations, it may be concluded that economic incentives cannot be a substitute for traditional regulation. However, they have an important role as a complement, which — when they work — can motivate companies to go further than required by traditional safety and health regulation.

([5]) European Foundation for the Improvement of Living and Working Conditions, 'Economic instruments for sustainable development', Dublin, 2000.

([6]) Wright, M. and Marsden, S., *Changing business behaviour — Would bearing the true cost of poor health and safety performance make a difference?*, Contract Research Report 436/2002, HSE.
Wright, M., Marsden, S. and Antonelli, A., *Building an evidence base for the Health and Safety Commission strategy to 2010 and beyond: a literature review of interventions to improve health and safety compliance*, Research Report 196, 2004, HSE.

4. Objectives of the workshop

The workshop brought together leading European safety and health experts, together with representatives of social partners, governments, the European Commission and the Agency. With the aim of reflecting on the effectiveness of economic incentives, the workshop addressed the question: to what extent does safety and health at work improve as a result of (different types of) economic incentives?

Although economic incentives are not new tools, having been used for some years, systematic information about their effectiveness is scarce. Therefore, the workshop focused on assessing their effectiveness and on identifying new approaches, rather than on discussing the economic incentives themselves.

The chair of the workshop, Hans-Horst Konkolewsky (Director of the Agency), emphasised in his introduction that, alongside the existing body of legislation on occupational safety and health, other stimulating means are needed to improve the safety and health situation in European workplaces. Economic incentives can be a very useful approach in this respect.

5. Experts' contributions

5.1. Social insurance economic incentives and OSH development
Jean-Claude André (INRS, France)

In France, the insurance system offers incentives to companies based on a combination of insurance premium variation and financial support for those companies that invest in improving working conditions.

Insurance premium variation

Occupational accident insurance in France is covered within the social security system by the national health insurance fund (caisse nationale d'assurance maladie — CNAM) and its regional branches (caisse régionale d'assurance maladie — CRAM). The premium paid by a company depends on the costs of occupational accidents and diseases, or on the risk. The method for calculating the premium depends on the size of the company.

In the case of larger companies (more than 200 employees), the premium is calculated for each individual company and is based solely on its occupational accident and disease rate. Therefore, large companies have to bear the costs of the accidents that occur.

For small companies (less than 10 employees), a collective rate is calculated for specific industrial sectors (risk-based premiums). This system therefore introduces a genuine mutualisation of compensation for occupational injuries among the small enterprises in each of the sectors.

For a company between these two limits (more than 10 and less than 200 employees), the rate is a factor of the sector cost and the individual company costs.

This system represents a genuine incentive, especially for larger companies, since they are directly affected by the effects of increasing or decreasing accidents or disease rates. For smaller companies, however, the drivers are not as strong because the premiums depend on the results of their industrial sector. Nevertheless, the insurance system encourages smaller companies directly by offering financial support through a 'prevention contract' (see below) to those with less than 200 employees that invest in safety and health at work.

Prevention contracts

General contracts are made with industrial sectors, establishing the results the branch wants to obtain, the various measures and

actions, the resources, etc. The contracts take the form of four-year action plans. Individual companies (less than 200 employees) from these industrial sectors can benefit from financial support if they subscribe to the general contract and develop a four-year action plan. Furthermore, enterprises can receive financial support from the national health insurance fund (up to 70 % of the costs of renewing the workplace). In practice, most of the support is used for technical prevention measures.

5.2. Linking insurance premiums to health and safety performance
Alan Morley (Health and Safety Executive, UK)

The case from the UK is another example of putting insurance premium variation into practice, although in quite a different way.

From insurance to incentive

In the UK, most employers are required by law to insure against liability for injury or disease to their employees arising out of their employment. However, in particular for small and medium-sized enterprises (SMEs), there was very little relation between the premiums they were asked to pay and their safety and health performance. Therefore, SMEs complained that the cost of their premiums did not reflect how well they manage safety and health. This, and the idea of turning insurance into an instrument to encourage safety and health, were the starting points for the Health and Safety Executive (HSE) to develop an SME index; a safety and health performance index for small and medium-sized enterprises. It would promote safety and health, create a new source of influence for safety and health, and benefit employers who manage safety and health well. The SME index score should then be linked to the employers' liability insurance.

Such an index was already under development for large organisations. CHaSPI (corporate health and safety performance index) is intended to assess the performance of big companies, and is therefore not transferable as such to SMEs, but it did serve as a starting point for the SME index.

SME index

The SME index is a self-assessment questionnaire. It indicates performance through scores and asks questions on two key areas:

- incident rate (i.e. recorded accidents, legally reportable injuries and dangerous occurrences, legal action and number of employees referred to a doctor for work-related injury or disease) and
- hazard exposure and management (i.e. manual handling, repetitive movement tasks, work with chemicals, work at height, work with machinery, stress, workplace transport, slips and trips, noise and vibration).

Several arguments could be used to convince the employer to use the SME index:

– financial benefits;
– web-based;
– as short as possible;
– no legal requirement to use it;
– free to use;
– available through government website;
– anonymous;
– benchmarking.

But the SME index goes beyond linking performance to the cost of insurance. It is also a tool to encourage better safety and health programmes by advising SMEs on the items to which they should pay more attention. The SME index can at the same time serve as a means for a structured assessment, leading to a regular review. The index could be extended with links to sources of help.

A main point is the link between employers and insurance companies. The possible financial benefits of linking insurance to safety and health are lower premium cost, better terms, obtaining insurance (others might not), and better terms for other insurances. Individual insurance companies will decide what is actually offered. To increase the chances that insurers will use the index when deciding on SME premiums, the insurers were involved in the development of the index. The index is now being tested. The provisional results show that none of the parties involved is against it. There is some cautiousness, but in general insurers and employers are supportive of the SME index ([5]).

5.3. German initiatives in the healthcare and butchery sectors
Manfred Rentrop (Hauptverband der gewerblichen Berufsgenossenschaften, Germany)

In order to encourage improvements in occupational safety and health, the Hauptverband der gewerblichen Berufsgenossenschaften (German federation of institutions for statutory accident insurance and prevention) is testing new approaches in two sectors: healthcare and butchery. The first of these economic incentives is an example of the category 'grants and bonuses', whereas the second concerns 'insurance premium variation'. Both approaches are based on the assumption that occupational safety and health is not always a high priority in companies, but that regulatory safety and health requirements have been met.

Healthcare sector

Since the1990s, quality management systems have been introduced increasingly in healthcare sector enterprises (hospitals, workshops for the disabled, nursing homes, etc.). An analysis of these quality management systems revealed that in their comprehensive requirements they were comparable to those of OSH management systems. Therefore, the two systems were aligned and an integrated management system has now been developed. In adhering to ISO 9001, enterprises must establish, document, implement and continually improve the effectiveness of their quality management system. In this context, occupational safety and health is as important as the other objectives of the enterprise, such as quality, customer satisfaction, productivity and cost-effectiveness. Therefore, occupational safety and health must be integrated into the management system in accordance with the requirements of the institutions for statutory accident insurance and prevention.

The institution for statutory accident insurance and prevention supported the implementation of this integrated management system. As a further incentive to recognise safety and health as a management task, bonuses are available for companies which can prove that they have effectively integrated safety and health into their management systems.

In order for an enterprise to be eligible for bonuses, certification of the management system must be by an accredited body. An eligible enterprise may receive up to 50 % of the certification cost and at least 10 % of the insurance contribution if successfully certified. The bonus cannot, however, exceed 50 % of the insurance contribution. A 'normative document' forms the basis for this initiative, in combination with auditing queries and ISO 9001; this normative document contains the following elements:

– assessment and implementation of statutory requirements;
– occupational health surveillance;
– risk assessment;
– optimisation of facility acquisition;
– management of hazardous substances;
– audit and maintenance of working equipment;
– emergency management.

([5]) Health and Safety Performance Indicator http://www.hspi.info-exchange.com.

An assessment of the initiative's impact on accidents and occupational diseases has not yet been carried out; however, 38 000 out of a possible 200 000 companies are interested in launching integrated management systems. This amounts to almost 20 %.

Butchery sector

The Berufsgenossenschaft (institution for statutory accident insurance and prevention) is exploring new ground in accident insurance within the butchery sector. It applies the legal tools — in addition to risk-based tariffs and the 'bonus-malus' system (taking into consideration claims made in past years) — to grant enterprises economic incentives in the form of a bonus for prevention of occupational accidents and diseases, as well as for the prevention of work-related health hazards.

The principle underlying the butchery business initiative is that a company's commitment is rewarded directly by a reduction in its insurance premium. In order to qualify for a discount, the preventive measures taken must exceed the legal minimum standards and should already be implemented. Each year, a list of eligible measures is drawn up from which enterprises can select those that they will adopt during the following year. Each measure adopted confers bonus prevention points (see table), and the premium is reduced according to the bonus points collected, up to a maximum of 5 %. The likelihood and severity of accidents in the enterprise are not considered.

Measures and bonus prevention points

Preventive approach	Tangible measures	Prevention bonus points
Technical measures	Use of special knives, for example foil knives	Eight points
Organisational measures	Road safety training for driving company vehicles	Up to eight points
Individual-related measures	Use of skin protection agents	Up to six points

Butcheries are traditionally very small enterprises and have the reputation of being difficult to reach with respect to communication of OSH issues. This programme has succeeded in reaching a large number of these SMEs (40 % of SMEs with 1 to 9 employees and 48.5 % of SMEs with 10 to 19 employees participated (see Figure 1). As can be seen from Figure 2, a considerable proportion of the bonus points were given to SMEs with 1 to 9 employees.

Analysis of the incentive shows that enterprises receiving a bonus also record fewer accidents and occupational diseases. The launch of the bonus scheme has led to behavioural change in enterprises and the effects are positive. Approximately 50 % of enterprises and 60 % of their employees in the sector are currently participating.

Most importantly, companies participating in the scheme report fewer accidents and diseases independent of the size of the enterprise. Furthermore, the longer the company has participated in the scheme; the lower its occupational accident and disease rate.

Figure 1 — Participation in bonus scheme

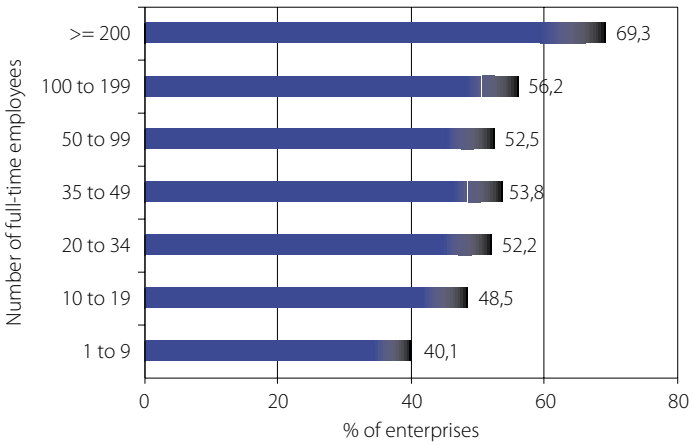
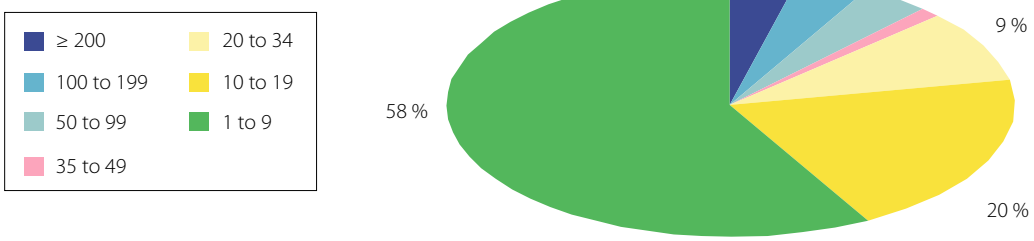


Figure 2 — Distribution of bonus according to size of enterprise



5.4. Evaluation of a subsidy scheme
Henrik Andersen (Advice Analysis & Strategy, Denmark)

In Denmark, a government incentive scheme to reduce repetitive strain injury (RSI) has been evaluated.

Subsidy scheme

The programme, which may be classified as a 'State subsidy', offered up to 50 % funding for projects that aimed at the reduction of RSI. The programme ran for over five years and covered 129 projects ranging from private production companies to a number of research projects. In total, EUR 14 million was granted.

The subsequent evaluation included examination of the 129 project descriptions and visits to 60 projects, and was based on interviews with the management and employees and observation studies at the production facilities.

The overall results from the projects were good:

– RSI was eliminated in at least 25 % of the projects;
– in the remaining projects, reductions could be noted;
– only in a few cases could no reduction at all be observed.

Although external funding was welcomed, in many cases the project was not dependent on it. Therefore, no direct link could be established between effects and funding.

Overall, the projects were divided into either technical or organisational projects, although most combined both aspects.

Technical projects

These projects aimed at creating a better physical working environment by automating, partially or fully, those parts of the production process that had previously been done manually. In practice, this was often achieved by investing in computer-controlled machinery.

Most of the projects had a technical aspect (114 out of 129) and resulted in an effective reduction or elimination of RSI, but this was usually limited in scope. Normally, only the workers included in the automation projects could benefit from the RSI reduction programmes. During the project evaluation, high levels of RSI risk could often be observed in participating companies that in some areas had reduced RSI as a consequence of the subsidy scheme.

The implementation was relatively straightforward; it was a matter of properly installing and fine-tuning the machine purchased with the co-financed subsidies. The objectives of these projects were clearly defined.

One of the benefits of subsidy schemes should be the diffusion effect, whereby the subvention of one project is followed by improvements in other companies. The diffusion effect (transferability of the projects) was, however, very limited, due to lack of transferability and disincentives. Transferability was hampered by the fact that the solutions developed were often specific to the particular process in which they had to function and, generally, the knowledge developed was specific to the individual companies. As regards the disincentives to knowledge transfer, an important barrier was the fear of providing competitors with information that could potentially give them an advantage. As these two barriers are important and could limit considerably the effectiveness of a subsidy scheme, it is important to consider transferability and diffusion at an early stage.

The efficiency gains played a major role and were described in detail as part of the project. In many cases, the organisation and supplier of the machine estimated the manpower savings and the increased output in a very precise manner. RSI was not even present as a major expected gain, but was seen more as a derived gain for the organisation as opposed to justification for the intervention itself.

Organisational projects

The organisational projects aimed to introduce job rotation, job enrichment and group organisation within the companies (included as an element in 71 out of 129 projects).

There was potential for the reduction of RSI, but the certainty of a positive outcome was lower than in the technical projects.

Barriers to implementation were often substantial, mainly cultural, and in some cases proved so great that the project was cancelled. Often, the cause of the resistance was a lack of communication or understanding. Unsurprisingly, a change in culture was more likely to be achieved as a result of a successful organisational project than a technical one.

The diffusion rate associated with these projects was significantly higher than among the technical projects. The cultural elements could be useful for other organisations going through similar organisational changes. Because the information is not as specific as in technical projects, the potential for diffusion is also considerably greater, and could be shared with companies in other sectors without fear of ceding competitive advantage.

Potential gains were often estimated in a far less specific way than for technical projects, and were calculated in terms of general effectiveness, increased flexibility and necessary organisational development. However, even though the focus was more on organisational change as such, it seems that the focus on reducing RSI blended in more smoothly with the organisational aims than with the technical ones.

Influence of economic incentives

The first conclusion, as already mentioned, is that RSI was reduced significantly in the companies involved in the subsidy scheme. There are, however, a number of additional conclusions:

– A large reduction in RSI in a subsidised project does not necessarily mean a high effectiveness, because the reduction in RSI may have occurred even without the subsidy. Therefore, subsidy resources were spent most effectively on those projects resulting in the largest reduction in RSI that would not have happened without the subsidy.

– The subsidy scheme had a greater impact through the organisational projects than through the technical projects. The potential gains in the technical projects were so great and obvious that the project might have been carried out even without the subsidy. This was not the case for the organisational projects, which were based on far more uncertain benefits. Furthermore, the barriers for the implementation of technical projects were much smaller.

It may be concluded that 'soft' incentives can reduce RSI. However, there are five lessons to be learned:

1. No subsidies should be given for projects that are already under way.
2. Special emphasis should be placed on experimentation and learning.
3. Diffusion effects should be considered in the planning phase.
4. Understanding the organisational dynamics, including cultural barriers, is crucial. Overcoming cultural resistance and uncertainty about the aims and objectives behind the project proved vital.
5. Projects should be assisted that would not otherwise have been implemented

5.5. Tax incentives
Caroline Van Wijk (the Netherlands)

The Dutch Ministry of Social Affairs introduced a tax incentive programme, known as the Farbo scheme, to promote the application and use of worker-friendly means of production.

Subsidies

Enterprises are stimulated to purchase certain means of production via a tax incentive. The Farbo scheme is based on a list of products that, in comparison with the usual products, improve the health of the employees. The list is divided into three categories of work equipment, which reduce exposure to:

– physical burden;
– toxic substances;
– noise.

Each year, EUR 100 to EUR 150 million is spent on purchasing products included on the Farbo list. When a profit-making organisation buys one of these products, it may, after indications from the government, freely write the product off against its tax declaration. This means that the organisation does not have to apply a straight-line depreciation but may, for instance, write it off against tax returns in the year it was bought. In this way, it may be cheaper to buy these products, therefore making them more attractive for companies.

A similar scheme was established in 2001 for non-profit-making organisations based on the same list. Non-profit-making organisations are allowed to deduct 3.5 % of their investments from their wage-withholding tax.

Each year, the list of products is revised; products not applied for and products that have become common disappear from the list and an expert committee assesses new products. In this way, the scheme can be properly managed and if there are technological developments, it is easy to update the list.

Evaluation

An evaluation of the scheme carried out at the beginning of 2004 showed — not measurably, but justifiably — that the scheme contributes significantly to improving working conditions. The list, revised each year, can be effectively managed and the implementation costs are acceptable (5 % of the investment). In addition, sector associations, for instance, appear to use the list as a guideline for their advice.

'Free-riders' are seen as the scheme's principal problem, with 83 % of the companies asked answering that they would have bought the same working equipment even without the incentive scheme. The reasons behind this can be traced back to two aspects of the current list: a very broad application of the conditions for inclusion of products in the list and an actual benefit that is too small (3.5 %).

A proposal to tighten up the scheme suggested that the threshold at which a product is included in the list has to be much higher and should possibly be determined in a quantifiable way. This would shorten the list considerably, thereby also reducing the accounting expenses, and would then also make it possible to increase the benefit. This would not be successful in a tax reduction scheme, so the scheme had to be adjusted. The scheme was therefore changed from 2005 to a subsidy scheme.

6. Round table

Participants

Krzysztof Pater (Minster, Ministry of Economy, Labour and Social Policy, Poland)
Kris De Meester (VBO-FEB, Federation of Enterprises in Belgium)
Paul Glynn (European Commission)
Marc Sapir (TUTB, European Trade Union Technical Bureau for Health and Safety)

In their contributions, the participants focused on different aspects of the effectiveness of economic incentives.

6.1. Krzysztof Pater (Minster, Ministry of Economy, Labour and Social Policy, Poland)

As a representative of one of the new Member States, Minister Pater described the history of the insurance system in Poland. In the 1930s, a differentiated insurance system was in force, but that was later replaced by a system in which all enterprises contributed the same amount. In 2003, Poland reintroduced the differentiated insurance system.

Under this system, employers with less than 10 employees all pay the same contribution, whereas employers with 10 or more are subject to a differentiated rate. The rate of contributions depends on the risk categories, calculated on the basis of:

– incidence rates for all occupational accidents;
– incidence rates of fatal and serious occupational accidents;
– rate of cases of occupational diseases;
– rate of workers exposed to hazards in the work environment.

Studies conducted by the Central Institute for Labour Protection have shown that economic incentives are among the basic factors that affect the implementation of occupational safety and health management systems in enterprises. The introduction of a differentiated insurance system is helping to make these economic incentives stronger.

6.2. Kris De Meester (VBO-FEB, Federation of Enterprises in Belgium)

Speaking as a representative of the employers, Kris De Meester commented on the issue of targeting incentives at specific groups of companies. Targeted, specific incentives may be effective (hit the target) but often they are not efficient (they do not go straight to the target). In his view, incentives should apply to the largest possible group of companies to avoid inefficiency. The search for effectiveness requires precise definitions of goals, which again requires expertise and selection processes, and often results in bureaucratic and inefficient schemes.

The best overall incentive for business is to limit regulation and to reduce complexity and the administrative burden. Alternative solutions should allow SMEs to dispose of implementation tools. A promotional framework for OSH is important in this respect and includes several aspects: information, education, training, consultation, voluntary agreements, economic incentives and expert advice.

Therefore, KIS is the baseline: 'keep it simple'. There should be no thresholds, no exclusion of companies. The more conditions are set, the less companies will participate, and those companies that will participate are very likely to have already attained a high level of safety and health. When using economic incentives, these should be linked to mechanisms that have automatic application such as taxation, insurance (bonus-malus, SME index, etc.) management systems, and training (training cheques, free trainers, etc.).

So-called 'free-riders' (companies that make use of an economic incentive for a project they would have realised anyway, independently of whether they could use the economic incentive or not) should not be considered a problem. The money already allocated to safety and health will be invested in other safety and health projects when it turns out that there is funding for a project that is already planned. On the contrary, it can be seen as a stimulus; an extra incentive for leading companies.

Attention to the selection of target groups is also important, as economic incentives are not intended for all purposes and not all organisations or institutions have the same mission. A clear division should be made between who should be doing what and the economic incentives should be divided accordingly. Therefore, it should be clear from the beginning who and what is the aim of the incentive.

It is certain that economic incentives do help and are necessary, but an overall strategy is required. There is no explicit need for new or experimental incentives; a mix of economic incentives and a specific project-based approach should give the best result. The application must be easy and/or automatic, and bureaucracy should be minimised.

6.3. Paul Glynn (European Commission)

Paul Glynn of the European Commission stated that, in addition to traditional occupational safety and health regulation, other instruments such as economic incentives are needed. The Commission is now starting an evaluation of the effectiveness of these instruments and will outline a project in the coming years. Important factors that need to be considered include the need to be selective when choosing instruments and the adoption of the partnership approach. This should be the basis for an interactive way of working, taking into account the difference between large companies and SMEs.

6.4. Marc Sapir (TUTB, European Trade Union Technical Bureau for Health and Safety)

Marc Sapir indicated that economic incentives are a new topic for trade unions at European level.

Insurance systems

Social protection is the basis of solidarity with the victims of occupational injuries and legislation is a key element of the social contract. Occupational accidents and diseases entail a lot of costs (individual, social, microeconomic), but companies do not bear the full cost; it is actually the social protection system that takes up this part.

In recent years, there has been pressure to deregulate labour markets and to freeze legislation in order to favour competitiveness. Existing regulation and the application of directives are the key instruments to protect the safety and health of workers. Current legislation, however, does not correspond to the present problems of the labour market and new problems such as stress, precarious working contracts, intensification of work, psychosocial problems, etc., are not covered sufficiently. Marc Sapir posed the question whether market-based incentives could really be an answer to this challenge.

Internalising the cost of occupational accidents and diseases is based on a variety of instruments: taxes, fines, liabilities and selected subsidies. The main element, however, is premium differentiation (although it remains a tough job to estimate costs and benefits with regard to the value of life). For calculation of insurance premiums (which is, moreover, not a prevention tool), management and certification systems are commonly used as safety and health performance indicators. As a consequence, insurance premiums are based on biased data (belonging to the past). Moreover, SMEs are too small to have relevant figures that can serve as a basis for a premium differentiation. In addition, SMEs are often just a part of the process where the dominant client determines the risks. Another inconvenience is that there is no common European system of recognition of accidents and diseases. In any case, market-based insurance should always be linked to other instruments such as information flow with public enforcement, taxation, support for investment, training, etc.

All instruments must be used to achieve multidisciplinary prevention in the framework of a consistent national policy. Evaluation and diffusion tools should be set up through social dialogue; the social partners have a key role to play here. Sustainable work is a major issue and requires major changes. Trade union action is central at all levels; at enterprise level, the role of workers is crucial.

7. Overall conclusions and perspectives

The workshop showed that economic incentives are generally recognised as an interesting instrument to promote occupational safety and health. However, the term 'economic incentive' includes a broad variety of instruments. The objective of the workshop, as already indicated, was to create a first overview of the knowledge about the effectiveness of economic incentives in promoting occupational safety and health and on that basis to identify issues for further consideration.

Some of the main points from the workshop are as follows:

Social security contributions

For larger companies (more than 200 employees) contributions are fixed according to OSH performance, whereas for smaller companies (less than 200), four-year action plans for industry/sector plus subsidy scheme for OSH investments at enterprise level are prepared.

- Positive: Incentives differentiated to fit large and small enterprises.
- Negative: Favouring the classical safety risks and industries.

Tax reduction

Creating incentives, based on tax reductions, for companies to invest in products that improve the working environment.

- Positive: It works.
- Negative: High risk of paying for something that would have been introduced anyway.
- Decision to replace tax reduction by subsidy scheme.

SME index

Voluntary self-evaluation tool for individual SMEs. The purpose is to enable and encourage the insurance business and brokers to take into account SMEs' OSH performance when setting insurance premiums.

Healthcare sector

Financial reward (up to 50 %) for integrating quality management systems and OSH management systems in the form of a bonus from the Berufsgenossenschaft.

- Positive: 38 000 out of 200 000 companies interested in integrating the two management systems.
- Negative: (effect not yet evaluated).

Butchery sector

Differentiation of insurance premiums. A catalogue of measures for which bonus prevention points are given is published whereby the company may affect its premium by +/– 5 %.

- Positive: 50 % of the potential companies participated within the first year.
- Positive: Companies that receive a bonus have fewer accidents and fewer cases of diseases.

RSI subsidy scheme

Subsidy of up to 50 % for projects aimed at reducing RSI.

- Positive: RSI eliminated in at least 25 % of projects and only a few projects resulted in no reduction at all.
- Negative: Many projects, in particular technical ones, would have been carried out even without the subsidy.

General

1. It is important to differentiate between small and large companies.
2. Incentives should promote real innovations that would not have happened otherwise.
3. The trend is to move away from general solutions for all industries towards innovative solutions differentiated for small and large companies; and away from a focus on safety/accidents towards a more holistic view on prevention (including organisational/health aspects).
4. Economic incentives need to be based on partnership, including new actors such as brokers.
5. Both effectiveness and efficiency must be taken into account.
6. Economic incentives should be linked to other instruments, for example quality management, and mainstreamed into other policy areas at European level.
7. The issue should be followed up within the framework of the Community strategy for safety and health at work.

Some of the issues which need further consideration and discussion are:

– The relationship between traditional occupational safety and health regulation and economic incentives. How do these two kinds of instrument interact and what are their respective roles?

– For tax incentives and subsidies: Do free-riders present a problem and, if so, how and to what extent? Should public money be used to pay for something that may have happened anyway?

– The unintended consequences of incentives. The lack of data of a sufficient quality on current exposure levels in companies may result in the use of historical data that, in the worst case, could encourage companies to give lower priority to the reduction of, for example, noise exposure. Is the lack of data on current exposure levels a problem and, if so, how can it be solved?

– The heterogeneity of companies. The most typical difference is between SMEs and other companies. How can economic incentives be effective for all companies without losing efficiency?

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