European Economic and Social Committee

SOC/623
Investments in OSH: costs and benefits

OPINION

Section for Employment, Social Affairs and Citizenship

Summary of the costs and benefits of investments in occupational safety and health (OSH)
(Exploratory opinion requested by the Finnish Presidency)

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1. **Conclusions and recommendations**

1.1 This opinion identifies new challenges in the area of Occupational Safety and Health (OSH), such as job quality, equality, digitalisation and climate change, which should play an important role not only in discussions on the benefits of investments in OSH but more generally in the future EU OSH policy.

1.2 The EESC stresses the important role played by the social partners and civil society organisations in developing and implementing sustainable OSH policies. Investments in OSH will only deliver benefits if there is sound social dialogue and extensive collective bargaining coverage. It is important to promote the role of workplace health and safety committees and workers’ representatives.

1.3 Many studies as well as the experience of the social partners and civil society organisations have shown that investments in OSH contribute not only to enhanced wellbeing for workers and entrepreneurs but also to high returns, particularly in terms of cost reduction, greater productivity and sustainability of social security systems. Some good practices are presented in the appendix to this opinion.

1.4 There is a clear economic justification for societal investment in OSH, given that 3.3% of European GDP is spent each year on dealing with occupational injuries and diseases. Furthermore, a significant proportion of the costs caused by work-related accidents and illness falls not only on public health systems but also on workers and their families.

1.5 The EESC calls for more public and private investment in OSH and more financial incentives for companies investing in OSH. Public investments should be tailored to the needs of specific types of labour market actors, with a particular focus on Small and Medium-sized Enterprises (SMEs). Larger companies with greater financial capacity should promote and invest in OSH, including in their supplier network.

1.6 The EESC calls for a holistic approach to investment in OSH. Special attention should be given to topics such as psychosocial risks, Musculoskeletal Disorders (MSDs), circulatory diseases and cancer, given their links to the world of work, society and the environment.

1.7 The EU needs to invest in mental health in the European population. More jobs are becoming emotionally demanding, particularly in the growing service sector, and all actors in the labour market - including SME entrepreneurs – are experiencing stress.

1.8 The EESC calls for more comprehensive studies to better understand the benefits of investment in OSH. To this end Member States must demonstrate greater transparency with regard to sharing statistical information on work-related diseases and infections as well as aligning the recognition and registration of occupational diseases.

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1.9 The EESC calls on the EU, the Member States and all other relevant actors to promote the exchange of good practices in OSH, particularly financial incentives for companies investing in OSH.

1.10 Investments in OSH should be approached from the perspective of job quality. Standard working conditions provide the best prevention of psychosocial risks, thus leading to enhanced wellbeing and higher productivity.

1.11 The EESC is concerned that access to OSH and thus the benefits of OSH investment are not evenly distributed throughout the EU Member States. Initiatives should take into account dimensions such as gender, ethnicity, age and disability and link the OSH strategy to the debate on equality.

1.12 The process of digitalisation could bring many positive developments in the area of OSH. However, the EESC is very concerned that some new types of work created by digitalisation could fall outside the scope of OSH regulations. All working people in the EU should be protected by OSH legislation.

1.13 The EESC underlines that OSH not only provides benefits for the EU economy but is also a fundamental labour right. Promoting OSH standards should not be limited to the Member States but should cover all countries worldwide, in particular those with which the EU has ratified trade agreements. European investments should favour companies which have sound OSH policies and endorse OSH in their supply chains.

2. **Background**

2.1 Each year, there are over 3.2 million non-fatal accidents in the European Union and nearly 4,000 people die in accidents. At a conservative estimate, 100,000 people die as a result of work-related cancer. Many accidents are unreported and the real numbers are likely to be much higher. For instance, data on workers who have died on the way to work are not included in this figure, nor are the number of work-related suicides. Some workers do not report non-fatal work accidents.

2.2 24.2% of workers consider that their health at work is at risk, while 25% state that their work has a primarily negative effect on their wellbeing. 7.9% of the workforce suffered from occupational health problems, 36% of which resulted in absence from work for at least four days a year.

2.3 For 30 years, the EU has had a system of legislation aiming to protect workers against accidents and other forms of work-related ill-health. The basis of the EU OSH acquis is Article 153 of the TFEU and the European Framework Directive (89/391/EEC). The directive established general

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4 EU Labour Force Survey 2013
principles for managing health and safety and is applicable to all employees in sectors of activity across the EU. In addition, the EU has adopted 23 individual directives on OSH. Recently, the European Pillar of Social Rights referred to OSH in its tenth principle.

2.4 Various European surveys show that there have been improvements in OSH but the total cost burden of accidents at work and occupational ill-health remains high. According to EU-OSHA estimates, 3.9% of global GDP and 3.3% of European GDP are spent on dealing with occupational injuries and diseases. This percentage differs between countries, depending on their economy, legislative framework and prevention incentives. The main cost driver is work-related cancer, followed by MSDs.

2.5 Studies show that ensuring good OSH management in SMEs and family farms remains a significant challenge. For instance, the 2014–2020 EU framework on Health and Safety at Work identifies the enhanced capacity of SMEs to put in place effective and efficient risk prevention measures as one of the key strategic objectives for OSH.

2.6 Research into the contexts and arrangements for OSH in SMEs in the EU points to a "general and multifaceted lack of resources," forcing a substantial proportion of SMEs to pursue "low road" business strategies. The key characteristics of such companies are a weak economic position; concerns about economic survival; lack of investment in OSH; limited knowledge, awareness and competence in the field of OSH.

3. General comments

3.1 Many studies as well as the experience of the social partners and civil society organisations suggest that investment in OSH contributes not only to enhanced wellbeing of workers but also produces a high rate of return, particularly in terms of cost reduction, greater productivity and sustainability of social security systems. Finnish studies have revealed that there can be positive profitability effects even without immediate measurable productivity effects, which indicates that the economic benefit mechanisms of OSH are more subtle than is often assumed.

3.2 Given that workers and their families cover a larger share of costs related to occupational diseases or accidents there is clear economic justification for societal investment in OSH.

3.3 The EESC welcomes the fact that in some Member States schemes have been put in place to financially reward organisations for having safe and healthy workplaces and calls on more Member States to introduce similar schemes. These incentives include lower insurance

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8 Murphy, R. and Cooper, C. (2000), Healthy and productive work.
premiums, tax breaks or state subsidies, and make the schemes economically beneficial for insurers by reducing the number, severity and cost of claims.

3.4 The EESC believes that incentive schemes should not only reward past results of good OSH management (such as few accidents), but should also reward specific prevention efforts that aim to reduce future accidents and ill health. Apart from financial schemes, special attention should be given to existing voluntary sectoral initiatives towards industrial product management and performance excellence\(^\text{10}\).

3.5 Considering the overall downward trend in the number of accidents causing injuries and deaths at work, the EESC suggests focusing more on work-related illnesses such as cancer, circulatory diseases, MSDs and those illnesses linked to psychosocial risks which are the most deadly and the most common causes of sick leave in the EU.

3.6 The EESC calls for a more holistic approach to investment in OSH. This approach should avoid over-generalisation and, given the limited resources, should focus initially on the most effective ways to improve OSH policies.

3.7 Investments in OSH should be analysed within the context of a discussion on job quality. Data from Eurofound demonstrate that casual employees have the lowest access to information about OSH risks\(^\text{11}\). Furthermore, precarious types of employment as well as unemployment contribute to mental ill health. Standard working conditions provide the best prevention of psychosocial risks, thus leading to enhanced wellbeing and higher productivity.

3.8 More comprehensive studies are needed to make the benefits of investment in OSH more visible. The Committee welcomes recent studies and calls for more in-depth studies that help to raise awareness about the importance of investment in OSH and contribute to more efficient allocation of resources by focusing on the areas where investments can bring the greatest and quickest returns.

3.9 Recognition and registration of occupational diseases in the EU need to be aligned and that related data collection needs to be introduced in order to follow trends at EU level. In the EESC’s view, lack of alignment of the recognition of occupational diseases may lead to discrimination against some companies and workers in the EU, whose countries have either higher or lower levels of recognition of occupational diseases.

3.10 Furthermore, there is a need for greater transparency among Member States in sharing statistical information on work-related diseases and infections.

3.11 The EESC suggests that relevant EU bodies should, together with Eurostat and the Member States, work towards establishing a sound system of information and data collection, building on the pilot project on European Occupational Diseases Statistics.

\(^\text{10}\) Such an example is Responsible Care® which is the ethical framework of the European and Global Chemicals Industry for improving safe production, handling and use of chemicals across the supply chains.

\(^\text{11}\) See Appendix.
3.12 Given that education and prevention are a key part of investment in OSH, the EESC draws particular attention to health and safety trade union representatives or other volunteers. It is important to promote the role of workplace health and safety committees and workers' representatives and, if required, to improve the legal protection of workers' representatives.

3.13 The EESC has previously recommended that relevant OSH, prevention, enforcement and research bodies should have sufficient financial and human resources to carry out their duties.\(^\text{12}\)

3.14 The EESC is concerned that access to OSH is not evenly distributed throughout the EU Member States, and therefore neither are the benefits of OSH investment. Different initiatives should take into account dimensions such as gender, ethnicity, age or disability and link the OSH strategy with the debate on equality.

3.15 The EESC underlines that OSH does not only provide benefits for the EU economy but is also a fundamental labour right. Promoting OSH standards should not be limited to the Member States but cover all countries worldwide, in particular those with which the EU has ratified trade agreements. European investments should favour companies which have sound OSH policies and endorse OSH in their supply chains.

4. **Importance of investments in OSH for SMEs**

4.1 SMEs face a range of intervention costs for OSH: initial investments (purchasing new equipment, installation, adaptation, training), recurring costs (maintenance, recurring equipment, training costs in terms of money and time), and costs of OSH services. Most SMEs have limited economic and managerial resources, and it is therefore necessary to provide low-cost or free OSH programmes and tools in order to reach a larger proportion of SMEs.

4.2 The policies must be tailored to the needs, business setting and context of SMEs including family farms, at sectoral, subsectoral and work process level. Relevant business organisations and social partners can help tailor them to the needs and requirements of SMEs.

4.3 SMEs need more support to provide sound OSH. This includes:

4.3.1 Financial support (financial incentives), tailored guidance and advice;

4.3.2 Support from labour inspectors, who should play a more pertinent role in raising awareness about OSH legislation and providing support and advice;

4.3.3 Tailored, practical and cost-effective tools;

4.3.4 Raising awareness among employers and workers, the exchange of good practices;

4.3.5 The "think small first" principle, the provisions of Small Business Act and functions of the SME-Envoys should be applied consistently, while avoiding unnecessary/disproportionate burdens with a view to improving compliance;

4.3.6 Better cooperation and partnerships to support SMEs, especially at regional/local level with all relevant stakeholders such as the social partners, insurance bodies and public authorities.

4.4 Intermediaries of various kinds are often preferred by SMEs. However, face-to-face meetings are also expensive, and it is therefore crucial to find cost-efficient solutions.

4.5 EU-OSHA and the Enterprise Europe Network can offer practical support - such as free user-friendly tools and information and advice - and should continue to extend the special programmes in this area.

5. **Specific comments**

5.1 Psychosocial risks are among the most challenging and growing health and safety concerns at work and even SME entrepreneurs experience high levels of stress\(^\text{13}\). Although tackling stress and psychosocial risks are costly, research shows that ignoring them are more expensive for businesses and economy\(^\text{14}\).

5.2 The EESC stresses the need for further discussion and research on burnout in order to put in place relevant strategies to prevent it.

5.3 Similarly, the EU needs to focus on reducing presenteeism. Presenteeism may not only increase the likelihood of health impairments, it may also reduce workers' productivity\(^\text{15}\).

5.4 Although men and women work in the same workplaces they can face different risks due to different biology, demands or exposure. Therefore, the EESC calls for a more "gender sensitive" approach to investment in OSH. In particular, significant attention should be given to preventing MSDs and cancer among women.

5.5 Investments in OSH should be tailored to the needs of disabled people.

5.6 Special attention should be given to mobile, migrant and seasonal workers, as due to language and other barriers they are more likely to have an accident at work. Many of them, particularly irregular migrants, are not adequately covered by social systems and data reporting.

5.7 The EESC notes that in the specific context of rapid ageing of the European population, OSH is a key issue, in which the EU has an important role to play. For example, older workers have a much higher risk of fatal work accidents than younger workers although they are less subject to

\(^{13}\) European Working Condition Survey 2015.

\(^{14}\) See Appendix.

non-fatal accidents at work. In addition, they experience a much higher burden of long-latency diseases such as work-related cancer or circulatory diseases.

5.8 Companies with a supplier network have greater capacity to invest in OSH\(^\text{16}\), and have a responsibility to promote and invest in OSH to provide a safe and healthy environment for all workers in their supply chains.

5.9 Public bodies must offer free high-quality IT tools to enterprises to help assess occupational risks. These tools must also be simple and practical and meet the expectations of enterprises precisely. They should be integrated into broader initiatives to mobilise the sectors concerned and be accompanied by campaigns promoting risk prevention efforts. Involvement of the social partners and workers is indispensable. Businesses should be able to make use of stakeholders as OSH experts.

5.10 The EESC notes that innovations in the field of tackling cancer could bring great benefits to patients, but they also pose challenges to current OSH standards. Scrutiny of adherence to high levels of OSH in the field of nuclear medicine and cytotoxic drugs across hospitals is essential to realise the potential of cancer therapies without endangering healthcare professionals.

5.11 Knowledge is increasing about some genetic conditions that predispose people to malignant tumours, while the type and time of onset of the cancer that may or will actually develop are unknown. On the other hand, an increasing number of environmental, work-related circumstances are known to be carcinogenic. A combination of these two factors most likely increases the risk of developing cancer. It is useful for workers to know what type of malignant DNA structure they may have, while responsible employers should inform workers about the possible risk factors present at their workplace.

5.12 Sound return-to-work policies and practices need to be promoted to keep workplaces sustainable. For workers wishing to return to work, appropriate rehabilitation processes should be put in place, including e.g. adaptation of their workplace.

5.13 The EESC firmly believes that climate change will require OSH strategies to be adjusted. Increasing temperatures or unusual natural disasters will be a real threat to the working conditions of the EU population.

6. **Digitalisation and OSH**

6.1 The process of digitalisation could bring many positive developments in the area of OSH. For instance, robots may be used for high-risk work in mining or construction, or IT technologies will improve the way OSH surveillance is organised. Digitalisation can also ease psychosocial risks caused by monotonous work, while older or disabled people could benefit from a digital assistance system.

6.2 On the other hand, the EESC is concerned about the negative effects of digitalisation on OSH and workers. Significant risks have already been demonstrated across digitalised workplaces, such as work intensification, stress and psychosocial violence. Furthermore, in the future we can expect to see accidents caused by Artificial Intelligence, which we need to prevent.

6.3 The EESC reiterates its opinion on the right to disconnect as a means to protect workers’ health and private lives. This is also important for the younger generation that is more likely to depend on IT technology and social platforms.

6.4 The EESC is very concerned that some new forms of work created by digitalisation (such as work platforms or the gig economy) could fall outside the scope of OSH regulations, which were designed to protect workers in standard forms of employment. This development could lead to the unacceptable situation whereby some new type of workers such as platform workers in Europe are not adequately protected. All workers in the EU should come under the protection of OSH legislation. In that respect, the EESC agrees with the Council Conclusions which stated that “new forms of work should not reduce or detract from the employer’s responsibility to ensure OSH of workers in every aspect related to that work”.

Brussels, 10 September 2019

Christa SCHWENG
The president of the Section for Employment, Social Affairs and Citizenship

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N.B. Appendices overleaf.

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18 OJ C 237, 6.7.2018, p. 8
19 EPSCO 9686/19, 13 June 2019
APPENDIX to the OPINION
of the
Section for Employment, Social Affairs and Citizenship

The following amendments, which received at least a quarter of the votes cast, were rejected in the course of the debate (Rule 39(2) of the Rules of Procedure):

1. **Point 3.12**

Amend as follows:

*Given that education and prevention are a key part of investment in OSH, the EESC draws particular attention to health and safety trade union representatives or other volunteers. It is important to promote the role of workplace health and safety committees and workers’ representatives and, if required, to improve the legal protection of workers’ representatives.*

**Outcome of the vote:**
In favour: 28
Against: 54
Abstentions: 4

2. **Point 6.3**

Amend as follows:

*The EESC reiterates its opinion on the right to disconnect as a means to protect workers' health and private lives. Via social dialogue at all levels, adequate measures to prevent workers' risks from digitalisation have to be sought. This is also important for the younger generation that is more likely to depend on IT technology and social platforms.*

**Outcome of the vote:**
In favour: 32
Against: 54
Abstentions: 2

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20 OJ C 237, 6.7.2018, p. 8
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APPENDIX

(The appendix includes relevant data related to the topic of the opinion and some good practices)

FACTS AND FIGURES ON OSH

Decrease in accidents at work in the EU’s common economic sectors, 1994-2016
(instances per 100 000 employed persons)

Source: Eurostat, European Statistics on Accidents at Work (ESAW)
Common economic sectors (break in series between 2007 and 2008):
Global estimate of costs of fatal and non-fatal accidents in 2017

Deaths resulting from work-related injury and illness

Source: EU-OHSA
Main work-related illnesses and DALY (years of life lost and lived with disability per 100,000 workers)

Source: EU - OSHA

Cost estimation in 2019 as % of GDP by country

Source: EU-OSHA
Cost estimation in 2019 by stakeholder

Cost estimation 2019 – costs by stakeholder

Source: EU-OSHA

Health and safety risks according to the type of work

Health and safety at risk because of work

Information on the health and safety risks related to the performance of the job


GOOD EXAMPLES

1. **The business case for safety and health: Cost–benefit analyses of interventions in small and medium-sized enterprises**

This report examines the economic aspects of occupational safety and health (OSH) interventions in small and medium-sized enterprises (SMEs). First, case studies in the existing literature were identified and examined. Second, 13 new case studies on OSH initiatives in European SMEs were developed, with a business case for each intervention prepared according to a common model. The OSH interventions studied were generally profitable, and these new case studies therefore provide a useful tool to allow owners and managers of SMEs an insight into the potential benefits of improving OSH and the key factors involved in carrying out a cost–benefit analysis.

2. **Calculating the cost of work-related stress and psychosocial risks**

Work-related stress is expensive. Tackling stress and psychosocial risks can be viewed as too costly, but the reality is that it costs more to ignore them. Stress affects performance and leads to absence from work. If prolonged it may result in serious health problems such as cardiovascular or musculoskeletal diseases. All this comes at a cost. This report summarises the studies focusing on calculating costs of work-related stress and psychosocial risks. The main costs for individuals relate to health impairment, lower income and reduced quality of life. Organisations are affected by costs related to absenteeism, presenteeism, reduced productivity or high staff turnover. Health care costs and poorer business outcomes ultimately affect national economies and society.


3. **Calculating the international return on prevention for companies**

In 2013, the International Social Security Association (ISSA), the German Social Accident Insurance Company (DGUV) and the German Social Accident Insurance Institution for the Energy, Textile, Electrical and Media Products Sectors (BG ETEM) launched a research project on *Calculating the international return on prevention for companies: costs and benefits of investments in occupational safety and health*. The answers supplied by the 19 participating countries and 337 companies interviewed demonstrate that for every euro invested in OSH, the return on investment was approximately 2.2 euros.


4. **Benefits of Occupational Safety and Health**

The 2011 project aimed to evaluate the cost of accidents at work and work-related ill health and to demonstrate the incremental benefit to companies if they develop an effective occupational safety and health prevention policy. The research project was based on multiple case studies and its findings show that the cost/benefit ratio of investment was 1.36:2.70.


5. **Software company SAP**

The company introduced the Business Health Culture Index (BHCI) which measures the general cultural conditions in an organisation and enables employees to stay healthy and maintain a good balance. The company estimates that in 2016, for each percentage point change in the BHCI, the impact on operating profit would be between EUR 80 million and EUR 90 million.

6. **Butchery sector in Germany**

Participating companies had their premiums reduced if they promoted safety, for example by buying safety knives or giving safety training to drivers. The scheme resulted in 1 000 fewer reportable accidents per year for the sector in Germany; a reduction in costs valued at EUR 40 million in six years; and a saving of EUR 4.81 for every euro invested.


7. **Positive impacts of cooperation between management and workers safety representatives at EGIS Pharmaceuticals PLC, Hungary**

The company is dealing with hazardous substances, where workers’ exposure is high. The use of mandatory protective equipment is of highest priority, requiring close cooperation between workers and management. In joint undertaking by the EGIS OSH Committee and the OSH Department mapping of work processes requiring mandatory wearing of protective equipment took place, with questionnaires on the length, frequency of time spent in protective equipment, the problems they cause, and other effects on workers during wearing PPEs. The mapping and the survey has helped to better understand the PPE wearing habits, the typical faults of protective equipment worn, the timeframe in which wearing protective equipment provide the necessary comfort feeling for efficient work. Many workers contributed to the gathering ideas and suggestions to improve the culture of wearing protective equipment. As a result, a Director's Guide was issued on requirements for workplace climate parameters, 12 new protective devices were added for introduction and focus on practical EHS education has been given priority at the company OSH programme, while a renewal programme of PPE, work clothes was started with close cooperation of trade union, works council and the OSH Committee. Communicating with workers came also high on the agenda. New OSH culture, higher OSH awareness has been developed through the cooperation between company management, workers and the interest representations (trade union, works councils). It has been proven successful by low level of accident rate and improved OSH record.


8. **Railway transport in Poland and OSH responsibility of contractors**

The Polish State Railway Company PKP PLK SA implemented a code of conduct for construction work on modernising railway lines, carried out by its own employees and workers employed by contractors. PKP PLK SA brought together OSH requirements for contractors and simplified the method of providing information on potential risks for workers employed by contractors on the railway site. This initiative resulted in a reduction in the number of accidents and increased all workers’ awareness of OSH.

9. "Don’t ignore the Elephant in the room", a campaign by the British Employer National Grid

The campaign run in 2012 to 2014 in the UK aimed to promote mental wellbeing among workers by also underlining the costs of mental health sickness for employers and the society.

More info: