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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

# Social Policy Highlight 19



## Prevention is good for health and good for business

Safe and healthy working conditions are essential for the employability and social security of the working population. For this reason, the engagement of social security organizations in prevention strategies is to be one of the major topics discussed at the XIX World Congress on Safety and Health at Work, in September 2011 in Istanbul, Turkey. Framed by the 2008 Seoul Declaration, this engagement coincides with the commitment of ISSA member organizations to develop the role of prevention strategies across all branches of social security. As this *Highlight* concludes, greater investment in workplace prevention strategies contributes to enhanced indicators of individual health, to the improved economic performance of enterprises and to the sustainability of social security systems. The case for boosting international support in favour of a “culture of prevention” has never been stronger.

*Hans-Horst Konkolewsky, ISSA Secretary General*

### Workplace prevention

The importance of workplace prevention measures in national social security agendas and occupational safety and health (OSH) strategies is widely recognized. Nevertheless, a defining moment in raising awareness about prevention was the signing of the “Seoul Declaration on Safety and Health at Work” at the 2008 XVIII World Congress on Safety and Health at Work held in Seoul, the Republic of Korea – a joint initiative of the ISSA, the International Labour Organization and the Korean Occupational Safety and Health Agency to promote a preventive safety and health culture.

#### This issue

- Discusses the role of prevention in occupational safety and health (OSH) strategies
- Explains why the promotion of OSH is essential for social security systems
- Presents new evidence showing how the “return on prevention” is cost-effective and beneficial for workers, enterprises and society

Since 2008, international momentum behind the Seoul Declaration has grown impressively, with a large number of governments, intergovernmental agencies, multinational enterprises, social security organizations, safety and health bodies, employers and workers having committed their support to the rallying call that prevention should be “accorded the highest priority”.

### Strengthening OSH: Key facts and figures

The United Nations Universal Declaration on Human Rights of 1948 is unequivocal about the importance of OSH for workers: “Everyone has the right to life, to work, to free choice of employment, to just and favourable conditions of work ...”.

The importance of prevention in OSH is widely recognized and important improvements can be noted, but important challenges remain:

- According to the International Labour Office (2009), 337 million workplace accidents are reported every year; 2.3 million workers die annually through work-related accidents and diseases; and 270 million suffer non-fatal workplace accidents. Moreover, each year 160 million new cases of occupational illnesses are reported.
- Globally, the financial burden of compensation, health care, rehabilitation and disability that stems from workplace accidents is significant. The cost of these measures is equivalent to 4 per cent of global GDP per annum. For some developing countries, the cost for economies of work-related accidents alone can be as high as 10 per cent of GDP.
- Globalization presents heightened challenges to safety and health at work as a result of increased informal employment, growing migration flows and profound social shifts, especially in countries with less-developed prevention cultures.
- Vulnerable employment (higher exposure to poor OSH conditions, weak employment rights, inadequate social protection, low pay) affects around 1.5 billion workers worldwide. It is most pronounced in South Asia, sub-Saharan Africa, and South East Asia and the Pacific, and more women are impacted than men.
- New technologies, including nanotechnologies and ambient intelligence, as well as ergonomic risks, stress and other psychosocial strains, further increase the complexity of ensuring successful prevention.

## A healthy investment

OSH is a societal responsibility, involving a wide range of traditional and new actors whose actions complement and support the prevention efforts of OSH specialists at company level. Given that health and performance at work increasingly is determined by occupational and non-occupational factors, a more holistic and integrated approach involving a multitude of actors with different expertise and skills is required.

Among international actors, the ISSA Special Commission on Prevention, with its 12 International Sections, holds a role of particular importance. Representing a worldwide network of OSH expertise, it offers a unique international platform for prevention experts and organizations to work together to promote a global culture of prevention.

One of the main obstacles to improving safety and health at the company level is the traditional view that investments in prevention are externally-imposed costs that reduce competitiveness. To promote awareness of the modern understanding of investments in prevention as productive investments in the health of workers and the health of enterprises, the ISSA has coordinated an international pilot study to assess the “return on prevention”.

The objective of the pilot is to compare the costs and benefits of investments in prevention using data collected from a total of 300 enterprises from 15 countries in Europe, North America and Asia and the Pacific (Australia, Austria, Azerbaijan, Canada, Czech Republic, Germany, Hong Kong (China), Romania, Russian Federation, Singapore, Sweden, Switzerland, Turkey, United States and Viet Nam).

As a complement to OSH studies that collate incident-related indicators, such as the number of workplace accidents and occupational diseases, the ISSA’s “return on prevention” study has developed a balance sheet to detail the economic impact of prevention measures for enterprises.

The study took a broad look at different measures and interventions in the workplace and collected data through interviews with employers, managers, workers’ representatives, controllers and safety specialists. The interviewees were asked to estimate the respective costs and benefits of prevention for various economic activities in their enterprise.

Results from a model study (DGUV, 2009) comprising 39 German enterprises estimate that for each EUR 1.00 invested in prevention the economic potential of return for the company equates to EUR 1.60. More significantly, following a similar methodological approach, the ISSA’s pilot study estimates the average cost/benefit ratio for investment in prevention to be a strong 1:2.2.

It is notable that the cost/benefit ratios for specific investments vary greatly. For example, investments in preventive medical check-ups and in prevention training measures generated cost/benefit ratios of 1:7.6 and 1:4.4, respectively (see Table 1).

## Proactive and preventive social security

In addition to an increase in workplace awareness, the most positive effects of prevention measures are reductions in occupational hazards and negative health outcomes (accidents and diseases) and, consequently, safer and healthier workplaces leading to higher productivity and cost-saving as a result of lower staff turnover and sickness absenteeism and reduced contributions to accident insurance.

However, as an increasing number of health problems, and in particular chronic diseases, are caused by occupational and non-occupational risk factors, it is paramount to move beyond the traditional workplace focus of prevention strategies. This requires greater effort to foster prevention measures that protect and promote workers’ health in all branches of social security. Such measures must go hand in hand with the income-replacement and employment-supporting roles played also by social security programmes.

Current work by the ISSA, supported by its expert Technical Commissions, is examining how measures rooted in proactive and preventive approaches support the realization of higher levels of employment and activity, greater individual empowerment and responsibility, improved health outcomes, and better ensure the sustainability of national social security systems.

## Prevention and sustainable social security

Prevention measures are indispensable to ensure financially sustainable social security schemes, especially as they strengthen the capacities of individuals to remain healthy and active in the labour market. Of particular importance when social security finances are under strain (e.g. as a result of the recent financial and economic crisis), prevention measures can obviate or reduce the need for individuals to have recourse to the income-replacement role of social insurance.

In support of this, work injury insurance schemes are well placed to deliver effective prevention programmes, owing to their vast knowledge of the downside risks events for which they provide compensation. They can also exert leverage on employer behaviour through the pricing of contributions.

Linking prevention to the pricing of work injury insurance contributions, for example through bonus-malus systems or by offering lower contributions to companies with certified OSH-management systems, can provide an incentive for employers to boost prevention measures in their enterprises – as reductions in work-related accidents and diseases will reduce their contribution rates.

Longitudinal data sets that map the causes and impacts of accidents and diseases enable work injury programmes to develop tailor-made prevention measures. It also supports the design of workers' rehabilitation and reintegration programmes.

Successful work injury prevention strategies can support the sustainable financing of other social insurance programmes, such as disability and old-age pensions and health care. This may be achieved because fewer workers should seek long-term sickness benefits or early retirement while the frequency, severity and duration of illnesses/incapacities may be reduced.

However, as the recent global crisis demonstrated, investment in workplace prevention may suffer whenever the State's fiscal position weakens and whenever employers are challenged by immediate issues of economic competitiveness.

### Challenges for workplace prevention in times of economic downturn

- Reduction in the use of internal and external OSH specialists in enterprises.
- Reduction in the use of OSH measures such as training and equipment.
- Growth of poor OSH conditions as a consequence of an expansion of informal employment.
- Hazards of longer working hours, heavier workloads and new job roles.
- Higher levels of psychosocial stress attributable to job insecurity.
- Higher risk of accidents caused by longer working hours and higher work intensity.

Sources: ILO (2009), ISSA (2010).

## Prevention pays

The prevention role played by social security systems operates on two levels. At the societal level, social security programmes prevent down-side risk by absorbing social and economic shocks and they proactively support economic recovery and employment. At the individual level, prevention measures support well-being and are essential for a healthy and active life.

For workers, investment in prevention measures has led to a significant decrease in reported work accidents, including workplace fatalities, and occupational diseases. Improved health and employability help secure stable income and improved living conditions.

For employers, investment in prevention is not only a legal and moral obligation, but also makes economic sense and is good for corporate image: the increased health and productivity of workers are strategic assets for the increased competitiveness of companies in local and global markets.

**TABLE 1: The "return on prevention"**

Prevention costs (for companies), per employee per year (in EUR)		Prevention benefits (for companies), per employee per year (in EUR)	
Personal protective equipment	168	Cost savings through prevention of disruptions	566
Guidance on safety technology and company medical support	278	Cost savings through prevention of wastage and reduction of time spent on catching up after disruptions	414
Specific prevention training measures	141	Added value generated by increased employee motivation and satisfaction	632
Preventive medical check-ups	58	Added value generated by sustained focus on quality and better quality of products	441
Organizational costs	293	Added value generated by product innovations	254
Investment costs	274	Added value generated by better corporate image	632
Start-up costs	123	–	–
<b>Total cost</b>	<b>1,334</b>	<b>Total benefit</b>	<b>2,940</b>

**Cost/benefit ratio 1:2.2**

As regards long-term investments in OSH, it can be concluded that prevention pays.

Looking to the future, the challenge is to raise the profile of proactive and preventive approaches in social security further under the strategic umbrella of the Seoul Declaration. A special opportunity in this respect is the XIX World Congress on Safety and Health at Work, in September 2011 in Istanbul, Turkey.

The business case for greater investment in prevention is important, but the case for prevention is more than an economic argument alone. It is first and foremost about investing in the health, safety and social security of individuals, as such investment should equate with a lower prevalence of workplace diseases, accidents and deaths. These are outcomes that cannot – and should never – be forgotten.

### Key policy conclusions

#### *OSH is a basic human right*

All societal actors must recognize and implement safety and health in the workplace. As a right, workers must benefit from measures to protect their health, should be covered by adequate social insurance schemes and should have access to prevention programmes. Employers are legally and morally obliged to provide all necessary means to ensure the health and safety of their employees.

#### *OSH must be recognized as a strategic asset for companies and for society*

“Return on prevention” studies show that investment in safety and health at work is central to human capital formation and to creating a motivated workforce and fosters competitiveness and innovative capacities in enterprises.

#### *OSH is a societal responsibility*

In view of the enormous global challenges in workplace safety and health, enterprises must scale up their investment in prevention. However, as a common responsibility and in order to foster a genuine prevention culture, this must be supported by all relevant societal actors starting with the education and training of children and young people.

#### *OSH is ever-more complex*

Ever-more complex health risks in the workplace and an increasing multi-causality of health problems call for innovation and for cooperation and partnerships among all relevant actors, including different social security organizations.

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The **International Social Security Association (ISSA)** is the world's leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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