The Economic Costs of Occupational Diseases and Injuries: A Conceptual Framework

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Economics and OSH

• Link b/w Economic Development and OSH
• Relationship b/w hazardous working conditions and incidence of injuries and diseases
• Poor working conditions and OSH risks
• Data about injuries and diseases
• Calculation of the economic costs
• Distribution of the costs among the society
Economics and OSH

• The calculation of economic costs might lead to:
  – Better understanding of the importance of OSH practices by all related parties in the society
  – Identification of sector related particular hazards and their possible cost outcomes
  – Enlightenment of decision makers to take more serious measures to improve working conditions at national levels by new regulations and more monitoring
Economics and OSH

• Poor Working Conditions and Its Costs
• Raising Awareness and Calculating Costs
• Improving Work Conditions also means Costs
  – Do They Contradict?

• Should not be the practice of better measures be independent of economic costs?
Economics and OSH


  - “It is the employer's obligation to ensure the safety and health of workers in every aspect related to work and he may not impose financial costs to the workers to achieve this aim.”
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• C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)
  – **Article 3**
  – “3. .................shall promote basic principles such as assessing occupational risks or hazards; combating occupational risks or hazards at source; and developing a national preventative safety and health culture that includes information, consultation and training.”
Economics and OSH

• These Regulations both at national and international level should be supported by
  – Governments
  – Employers (Employer Unions)
  – Workers (Labour Unions)
Economics and OSH

• Incentives are important
• Employers should be Willing and Devout Too
• Calculation of economic costs accurately
  – Might reveal the relationship b/w productivity and OSH measures
  – Better conditions, higher economic growth
  – All parties can benefit
  – OSH at enterprise level
The Data

• Appropriate and reliable data collection
  – Insurance System Records
  – Labour Force Surveys
  – Company Records
  – Health Surveys

• Incomplete Coverage and Underreporting are major sources of concern
The Data

• Serious injuries might be more difficult to hide
• Casual injuries might be more likely to be unreported
• Uncounted occasions are more likely to be prevalent in occupational diseases records
  - As a result of identification problem, whether the case is related to working conditions or the occupations
The Data

• Employment injury insurance workers compensation systems
  – Important source as the claims cover essential information
  – 23,3 million (Employment in Turkey 2012)
  – 18,3 million (Socially insured)
  – 8% of employment uncovered

• Source:
  http://www.sgk.gov.tr/wps/portal/tr/kurumsal/istatistikler/sgk_istatistik_yilliklari
The Data

• Employment injury insurance workers compensation systems
  – The unregistered workers are especially the ones who are more likely to experience poor working conditions and occupational hazards
  – Only if “claims” are present than the data is reliable
  – May be/most probably industrial countries have an advantage as datas are more accurate and incidences are more frequently recorded
Costs

Employers
Workers
Societies
Costs

• Employers
  – Direct Costs
    • Payments for health services and payments to workers
    • Added expense (higher premium payments)
    • Easier to measure or calculate
  – Indirect costs
    • Lost days in production
    • Presenteeism
    • Absenteeism
    • Harder to measure or calculate
Costs

• Workers
  – Lost income
  – Unpaid expenses by insurance schemes or employers
  – Losses in occupational earning potential either permanently or temporarily
  – Household members
  – Pain and suffering whether be counted?
Costs

• Societies and Governments
  – Compensation of incurred costs to workers and employers
  – Social insurance systems
  – Coverage of indemnifications
  – Higher costs when fatal or disabling incidences occur (invalidity pension, death indemnity)
  – Whether totally socialising the costs by risk pooling creates negative incentives for employers
Some Pioneer Studies


Some Pioneer Studies


• HSE (2012). Costs to Britain of workplace fatalities and self-reported injuries and ill health, 2010/11
Some Pioneer Studies

Some Pioneer Studies

• Long story and numbers in short
  – %4 of World GDP, the cost of occupational injuries and illnesses
  – World GDP (2013) 73,9 trillion USD
  – 2,9 trillion USD is the economic cost
  – GDP of France (2013) 2,7 trillion USD
  – Sources:
    • IMF (2014) World Economic Outlook Database
    • ILO (2003) Safety in Numbers
Concluding Remarks

• Improving working conditions only for the sake of raising health status of all workers is even enough for taking proper OSH measures
• Though the subject is much more complicated
• All parties of interest both on international and national levels should act in co-operation
• Economics might/will play an important role
Concluding Remarks

• A significant relationship between the level of human and economic development and better OSH practices

• Although difficulties in estimating the economic costs are present, it is important especially for developing countries to undertake such proper economic estimations and consultations
Concluding Remarks

- The previous experiences gained from studies conducted in developed countries may provide some undisputable benefits to both researchers and policy makers in the developing countries