



# HAZARD PREVENTION

## A Sound Investment for Business and Society

**F**our hundred and thirty-six worker deaths. More than 240,000 worker injuries and diseases. These were the claims reported to Ontario's Workplace Safety and Insurance Board (WSIB) in 2011.

Although alarming, these numbers fail to tell the whole tragic truth as many more workers suffer injuries and illnesses or die from diseases never reported or linked back to harmful work environments. There is a steep cost associated with this suffering. But who pays, and how?

Clearly workers and their families pay the dearest price in human terms. An even wider community of friends, co-workers and neighbours suffer similarly. Beyond this burden of pain and suffering though are considerable financial implications for workers, their families, employers and society as a whole.

### ECONOMIC BURDEN

The International Labour Organization (ILO), a United Nations agency which seeks the promotion of social justice along with human and labour rights, estimates four per cent of the world's gross domestic product (GDP) is lost due to the economic burden of work-related injuries and diseases (both direct and indirect cost).<sup>1</sup> This price tag (US \$1.25 trillion) represents a dollar figure 20 times greater than all official development assistance to developing countries.<sup>2</sup>

Closer to home, Ontario's Workplace Safety and Insurance Board (WSIB) reports the average lost time injury costs more than \$106,500 (2007 data). This figure includes direct costs to the WSIB of nearly \$21,300. Indirect cost to the company, including lost productivity, compliance cost and human resource cost, make up the bulk of the total.

Using these estimates and the fact the WSIB reported more than 57,000 accepted lost time injuries, the economic burden in Ontario for 2011 was more than \$6 billion. Although

alarming, even this estimated annual figure fails to capture the true extent of financial implications as it does not consider the economic costs of fatalities and the 40 to 55 per cent of injuries and illnesses that never get reported to compensation systems.<sup>3</sup>

No matter the cost, this significant economic burden is shared by many.

Australia's Industry Commission in a 1995 report, estimated employers bore just 30 per cent of the total cost of occupational illness, the majority through workers' compensation premiums. Injured workers and their families paid a similar percentage while taxpayers bore the remaining 40 per cent of the costs. In the case of serious injury, the cost burden on workers, their family and the community was even greater.<sup>4</sup>

Understanding just how the burden is shared may help to promote workplace and legislative actions aimed at prevention.

### Economic burden on workers and families

**R**arely are the costs to individual workers and their families analyzed or considered by employers or government regulators whose duty it is to provide safe work environments or enact and enforce legislative frameworks to help achieve the same. Yet, these costs mount rather quickly.

For instance, some form of homecare for injured workers is often provided by family members and/or friends. An American study reported one in six injured workers needed some other family member to provide care. Two in five needed another family member to do some or all household tasks.<sup>5</sup> Those providing this support may be forced to quit full or part time employment or forego educational opportunities impeding their future employability. In other

situations, injured workers or those with debilitating occupational diseases pay for these services out of their already limited resources.

All the while, financial assistance for these types of expenses may be covered by the WSIB. But, a lack of awareness or misunderstanding of the compensation system by employers and workers adds to the economic burden of workers and their families.

Other financial implications for workers and their families can include, but are not limited to:

- ▶ reduced income while collecting workers' compensation benefits (receive 85 per cent of net average wages)
- ▶ potential loss of benefits (employer obligation to pay dental or other benefits while collecting compensation benefits exists for only one year)
- ▶ unemployment (i.e., may have a work-related impairment that hinders employability though is not accepted by WSIB)
- ▶ loss of potential future earnings (i.e., promotion)
- ▶ loss of second job
- ▶ loss of ability to perform handy work/maintenance around home
- ▶ early retirement (related to injury/illness)
- ▶ depletion of savings
- ▶ deferral or loss of education opportunities for a family member(s) due to financial situation or care obligations.

## Economic burden on employers

We've seen through WSIB estimates the significant economic consequences borne by Ontario's businesses whose workers are killed, injured, or develop diseases as a result of work.

"Managing the significant and growing cost of workplace injuries is a critical challenge facing all companies, regardless of size, industry and location," explained Brian Melas, senior vice president of commercial insurance for American Insurance provider, Liberty Mutual, in a company press release, October 23, 2003. "Improving workplace safety is key to managing this nearly one billion dollar per week impact, prevent the injury, avoid the associated costs."

The financial and human resources needed to achieve safe and healthy work environments have long been mistakenly identified as cost items to business rather than investments. Workers, their representatives and many others have long attempted to debunk this myth.

Businesses choosing not to invest in prevention may face financial implications ranging from capital expenditures to legal/regulatory costs.

## Capital Costs

- ▶ maintenance/repair of damaged equipment/machinery
- ▶ expedited depreciation of damaged equipment/machinery
- ▶ removal/disposal of damaged or redundant equipment/machinery
- ▶ loss/removal/disposal of damaged raw material or product
- ▶ clean up and/or maintenance
- ▶ equipment/machinery rental
- ▶ purchase of new equipment/machinery
- ▶ installation
- ▶ other workplace modifications

## Administrative Costs

- ▷ managing the incident scene
- ▷ investigating the incident
- ▷ filing and managing claim and claim process along with other WSIB ramifications (Workwell Audit)
- ▷ dealing with MOL inspectors and orders
- ▷ managing return to work or modified work
- ▷ rescheduling/reassigning staff
- ▷ recruitment
- ▷ developing new work procedures
- ▷ external OHS services (consultants, engineers)
- ▷ in-house activities (promoting awareness and prevention efforts)
- ▷ develop, implement, evaluate and maintain new health and safety policies and procedures
- ▷ develop, implement and maintain preventive maintenance program
- ▷ develop, implement and maintain new hazard or job specific training
- ▷ negotiate/working with union or workers

## Employee Associated Costs

- ▶ higher absenteeism
- ▶ higher turnover
- ▶ overtime (cover productivity shortfalls)
- ▶ wage supplements, benefits (to injured worker and or their family in the case of fatality)
- ▶ wage/benefits of replacement worker

## Insurance Costs

- ▷ WSIB premiums will rise
- ▷ WSIB penalties/surcharges
- ▷ short/long term disability benefits/premiums will rise

## Legal/Regulatory Costs

- ▶ legal costs, fines, indemnities
- ▶ expert witness fees
- ▶ MOL orders — cost of compliance

## Production Costs

- ▷ loss of skilled/productive worker
- ▷ replacement worker not as productive/may produce lower quality product or service

- ▷ reduced productivity of injured worker
- ▷ low worker/co-worker morale (lower productivity/quality)
- ▷ loss of production/business interruption (associated with an incident)
- ▷ damaged equipment/materials leading to rejected products

### Intangible Business Costs

- ▶ attractiveness to potential employees declines
- ▶ retention of existing workers
- ▶ retention of existing customers
- ▶ attractiveness to potential customers
- ▶ overall corporate image and public trust

Any organization's capacity to succeed and grow will be impeded by the outcomes of an unsafe and unhealthy work environment. Each cost in terms of money or human resources becomes a drag on other business opportunities or investments such as research and development, and new technology. Investing in prevention would seem a logical step in any sound business plan. It will also help keep an organization in compliance with health and safety legislation and Canada's Criminal Code.

### Economic burden on society

**D**o you pay taxes? If so, you are subsidizing the costs associated with occupational injuries, disease and death.

For instance, the public health care system pays medical costs when treatment is sought and occupational disease is not linked back to hazardous workplace exposures (for accepted illness claims, medical costs are borne by the WSIB). Injured workers may also be forced to seek social assistance.

British Columbia researchers found between 1991 and 1997 almost one in four workers' compensation clients ultimately ended up as clients of the welfare system. Only single mothers and the unemployed were more likely to receive welfare benefits than injured workers or those suffering an occupational illness.<sup>6</sup>

There are many reasons why injured workers or those who've developed an occupational disease end up as clients of the welfare system. Compensation claims may be unjustly denied. Red tape and other frustrations with the compensation system lead many to abandon claims. In these and other cases, workers are forced to look elsewhere for the financial means to support themselves and their families.

But, society need not bare this burden. Vigorous enforcement of existing health and safety legislation will lead to safer and healthier workplaces resulting in lower injuries, illness and fatalities.

Meantime, without enforcement and specific workplace actions aimed at prevention, the burden borne by society will grow. Public money will continue to be funneled into the following institutions or initiatives whose operational costs potentially increase with each occupational injury, disease and death:

- ▶ Ministry of Labour (i.e., costs associated with death and injury investigations)
- ▶ Ministry of Health (i.e., health system picks up the tab for the many cancers and other diseases/injuries not linked back to work)
- ▶ public ill-health linked to industrial pollution is also taxing on the health system
- ▶ police and fire service who respond to the needs of injured workers
- ▶ court system that deals with violations of the Occupational Health and Safety Act and the Criminal Code of Canada
- ▶ public subsidies such as tax exemptions to the workers' compensation system.

Beyond the direct cost items funded by taxpayers are many additional financial implications adding to the burden of communities and society. Employers may download some of their costs to consumers through increases in product or service costs or to workers in the form of lower wages. The loss of potential future earning for a worker injured or killed impacts families, communities and society. What other contributions, financial or otherwise, might these individuals have made to society?

Whether moral, legal or financial, the costs associated with occupational injuries, disease and death can be life and/or business altering. The only sure way to avoid these costs is to invest in and commit to prevention.

### CONCLUSION

**C**orporations seem to be taking notice that worker health is important to the success of any business. The World Economic Forum recently conducted a survey of the chief executive officers of the 40 corporations signed on to its joint statement on global corporate citizenship. Results showed worker health and safety to be one of the key corporate citizenship issues.

Survey results though cannot save lives, prevent suffering or help to generate sound bottom lines for business and society. Actions have always spoken louder than words. Can business or government regulators afford the price of inaction? Judging by the evidence, they can't.

With thousands of worker deaths each year in Ontario and hundreds of thousands more suffering injuries and illnesses, clearly much work remains.

**additional information:**

<http://www.pbs.org/wgbh/pages/frontline/shows/workplace/etc/cost.html>

<http://www.healthypeople.gov/Document/HTML/Volume2/20OccSH.htm>

<http://www.wsib.on.ca/wsib/wsibsite.nsf/Public/BusinessResultsHealthSafety>

<http://agency.osha.eu.int/publications/factsheets/27/en/index.htm>

<sup>1</sup> International Labour Organization (ILO), *Safety in Numbers, pointers for a global safety culture at work*, Geneva, 2003.

<sup>2</sup> ILO, *Facts on SafeWork*.

<sup>3</sup> Shannon and Lowe, *How Many Injured Workers Do Not File Claims for Workers' Compensation Benefits*, *Amer. J. Ind. Med.* 42:467-473, 2002 and Biddle et al, *What Percentage of Workers With Work-Related Illness Receive Workers' Compensation Benefits*, *Journal of Occupational and Environmental Medicine*, Vol. 40, Num. 4, April 1998.

<sup>4</sup> Industry Commission, Australia, 1995, *Work, health and safety: an inquiry into occupational health and safety* (report no. 47, 2 vols) Canberra: Australian Government Publishing Services.

<sup>5</sup> David Weil, 1999, *The Economic Consequences of Work Injury and Illness: What We Know and What We Must Learn*. Invited conference paper for Functional, Economic and Social Outcomes of Occupational Injuries and Illness: Integrating Social, Economic and Health Services Research, National Occupational Research Agenda, National Institute for Occupational Safety and Health, June 13-15, 1999, Denver, Colorado.

<sup>6</sup> Hertzman et al. 1999, *Patterns of Service Utilization and Welfare Use Amongst Injured Workers: A Record Linkage Study*. Paper presented to the 4<sup>th</sup> International Congress on Medical Legal Aspects of Work Injuries, Toronto, June 6-9, 1999.



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