Defending Your OHS Budget During Times of Recession

Debunking the myth that workplaces are safer during a recession.

As the Canadian and world economy heads into recession, OHS coordinators face the daunting task of staving off deep budget cuts. Don’t be surprised if your CFO tries to sugar coat budget cuts by contending that safety incidents actually decline in a recession. This is an all too common myth supported by unemployment, workplace injury rates and other statistical evidence showing a rough correlation between incident rates and macroeconomic conditions. But when you look past the numbers, it becomes clear that recessions **aren’t** good for workplace safety’in fact, just the opposite. Your effectiveness in keeping your OHS budget intact may depend on being able to debunk this myth and point out the true impact of recession on workplace safety. Here’s how.

The Statistical Correlation between Workplace Safety & Recession

Statistically, incident rates do seem to increase when the economy prospers and decrease when it struggles. The real question is why.

The rise in incident rates during economic upswings seems illogical. After all, companies tend to spend more on health and safety when the economy is strong. One theory is that companies overwork their workers when times are good. Studies have concluded that because of increased demand for a company’s products or services, the company expects more effort from its workers. The increased pressure on workers to perform makes them sloppy and apt to cut safety corners. In addition, companies may need to hire additional workers to meet consumers’ demands. And new workers are more likely to be involved in safety incidents, especially if they’re inexperienced in that particular job or industry.

The flip side is that incidents decline during recessions because workers work more slowly and safely when companies aren’t struggling to meet high consumer demand. But that just doesn’t sound right. And it’s not.

Incidents Don’t Decline in Recession, Incident

Reporting Does

A landmark 2006 study (‘Are Recessions Good for Workplace Safety” Boone and van Ours, Tilburg University, The Netherlands, Institute for the Study of Labor) finds that safety incidents actually increase in times of recession; the problem is that they’re much less likely **to be reported.** The study found that the higher the unemployment rate, the lower the number of incidents that actually get reported. Likelihood of reporting depends on 2 factors:

Likelihood of being fired: Workers consider the likelihood of being fired before they report an incident. The perception is that reporting an incident is a blot on workers’ records, the study explains, making them more vulnerable to termination. When the economy is booming, a company is unlikely to get rid of workers simply because they reported safety incidents. But when the economy is poor and companies are looking to lay off workers for financial reasons, reporting an incident may make a worker an attractive layoff target. In addition to being seen as a trouble maker, the reporting worker may come off as being more ‘accident-prone.’ Such concerns aren’t unique to recessions, of course. However, when national unemployment is high and the prospects of finding a new job are poor, workers’ fears of reprisals for reporting incidents sharply increase.

Consequences of being fired. Workers also consider the consequences of being fired. Of course, getting fired always carries adverse consequences, even in the best of times. But when unemployment rates are high, the consequences of getting laid off are heightened because workers fear they’ll be unable to find a new job quickly.

The Fatalities Factor

The correlation between recession and lower incident numbers affect only non-fatal incidents. If workplaces really were safer during recessions, fatalities would decline, too. The fact that fatal incident numbers seem unaffected by recession suggests that something else is going on. The real explanation, according to the 2006 study, is the difference in workers’ reporting behaviours. Workers generally have a choice about whether to report non-fatal incidents; if they don’t report, the incident may go undetected. And willingness to report a non-fatal incident is likely to decline in a recession when workers are most worried about layoffs and unemployment.

By contrast, workers feel like they must report fatal incidents knowing that companies will eventually find out about them anyway. In these circumstances, the risk stems from failing to report.

Takeaway

Yes, the number of reported non-fatal incidents does tend to be lower when times are bad and higher when times are good’but not because a bad economy somehow improves safety. In a tough economy, workers are simply too scared of being fired to report safety incidents. The underreporting of safety incidents creates the false impression that your workplace is safe while actually making incidents more likely. After all, if workers don’t report incidents, you may not be able to identify hazards and take appropriate steps to address them.