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## **OSH and Corporate Competitiveness in a Global Context**

As the World is getting increasingly globalized the competition among companies increases. As a result of increased global competition companies search for new means for reducing costs. It is widely assumed that competitive advantage can be gained by reducing safety and health levels of production. In a fierce competition situation also companies in highly industrialized countries tend to adopt this kind of policy. There are, however, a number of reasons for why reducing occupational safety and health levels is not a wise competition strategy.

The major corporate competition strategies are (Porter 1980 , Sveiby 2001)

- cost leadership
- product differentiation and
- knowledge (intangible assets)

From an occupational safety and health (OSH) perspective all three strategies are relevant. By reducing the number of accidents and improving work well-being companies can strengthen their competitive position. OSH is relevant for planning the service and product portfolio of the firm. Finally, all aspects of the knowledge assets of the firm have OSH dimensions.

The cost reducing effects of OSH are well documented (Johanson .et.al. 2007, Pelletier 2005, Aldana 2001, Chapman 2005, Baicker 2010). Taken together, they have a consistent message: well planned and systematically carried out OSH measures create economic returns which are 3-10 times the monetary investment. This is so, despite the difficulties to measure exactly the positive productivity effects of work. Systematic literature reviews indicate that both small-scale measures and comprehensive OSH programs can be profitable for organisations. Finnish intervention studies show 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 what is often is assumed (Lindström et.al. 2000).

In Finland it has for a long time been realized that multi-dimensional, comprehensive programs to simultaneously promote all aspects of work-ability and well-being are most efficient. The Druvan-project is a recent example of such a program (Näsman & Ahonen 2009). The project demonstrated that even a 20-fold increase of the well-being expenditure can lead to a positive return of investment (see TTK 2008).

The basic economic logic of OSH measures starts from the facts that health and safety strongly affects the amount of productive work. Several studies show that early retirement reduces significantly the productive potential of highly developed countries. The OECD average is 6,3 % of GDP (Herbertsson et.al. 2001). Recent calculations in Finland show that the annual loss of early retirement is 13 % of the GDP. Some estimates are even higher (Herbertsson et.al.2001). The productive loss caused by sickness absenteeism is smaller (about 4 %) but much more observed (European foundation 2007). Also the hidden costs of occupational accidents are many times bigger than their direct cost (Johanson 2007). Altogether the total cost burden of poor health and safety is enormous, and those costs will one way or the other affect the competitiveness of individual companies.

Considering the economic relevance of health and safety it should be of interest to look at the investments in OSH. On a macro-level the economic return of investing in health has been estimated to vary between 47% and 252 % (Suhrcke et.al 2005). Attempts to estimate the total investments in work-ability and well-being are scarce. In 2009 the first national estimate of magnitude of the direct investments in work well-being was made in Finland (Aura et.al. 2010). It was found to be 1,9 Bill Euro. The figure becomes interesting when you consider that the total cost of non-optimal working conditions are estimated to be close to 30 billion (Ibid.). It is obvious that there is under-investment in work well-being.

In the industrial era the cost reducing strategy was dominating. Moving towards more knowledge intensive production and consumption (Sveiby 1997) the basis of competition has changed. Knowledge as the basis of business puts the main focus on the three main forms of intangible assets: Human Capital, including the knowledge and skills of the employees, Structural Capital, including the work community and the production processes, and Relational Capital, including the perceptions of the company held by its relevant stakeholders, including those of the customers, suppliers and competitors (Ahonen 2008). All aspects of intangible assets are related to OSH. Safety affects directly the amount of available Human Capital. All forms of OSH activity affects the quantity, quality and effectiveness of Human Capital. Education improves skills, occupational health services increases available amounts of work, increased commitment to work increases productivity of work. Measures taken to improve corporate culture and leadership improve the productivity of work and innovation activity. Finally, all measures promoting employee satisfaction improve the employer and consumer image of the company, and therefore its economic performance.

Putting intangible assets at the heart of competition strategy has important implications for occupational safety and health. The increasingly intangible nature of business and consumption emphasize responsible action. As consumers want to behave ethically companies are compelled to demonstrate responsible conduct. The increasing role of Corporate Social Responsibility is an expression of this ([www.globalreporting.org](http://www.globalreporting.org)). It is not often realized that OSH is a significant part of CSR.

To conclude: Inadequate health and safety causes enormous cost annually for the industrial countries. All these costs are eventually transformed to production cost and therefore harm the competitiveness of companies. In the globalised, knowledge-intensive economy the role of intangible assets becomes crucial. As a consequence occupational safety and health gets a completely new meaning from an economic point of view. To promote the competitive position of highly industrialised countries the awareness of policy- and decision-makers of all the economic aspects of OSH need to be raised.

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