

Health and safety and the Health and
Safety Executive

What the spending cuts will mean

**All-Party Parliamentary
Group on Occupational
Safety and Health**

Report and
recommendations

Why do cuts matter?

In any civilised society, most people expect to return home from a day's work without injury or disease caused by work. The Health and Safety Executive's (HSE) data shows Great Britain has the lowest accident rates in the European Union, yet around 20,000 people die prematurely due to work-related illness and injury.

Britain's good safety performance relies on the HSE working with employers and employees to improve the management of health and safety and raise an awareness of personal responsibility. When companies and individuals commit a criminal offence by neglecting this and endangering the lives of themselves and others, then the HSE enforces the law.

By preventing injury and disease, the HSE benefits:

- **Individuals** – accidents and disease cause trauma and loss
- **business** – the costs of accidents are vast. The union Prospect estimates that the cost of responding to a fatal accident in utilities exceeds £1m even before compensating the family of the deceased, so prevention is highly cost-effective
- **the taxpayer** – whilst it is difficult to calculate the precise monetary benefit of the HSE, analysis suggests that for every every pound spent by the HSE between £5 and £7 is saved by government by avoiding health costs, reducing the demand for benefits and maintaining tax revenue from business and individuals.

Therefore, reducing the impact of the HSE makes little economic sense.

What is the Health and Safety Executive?

The HSE's strength is that it adopts a varied approach to enforcing health and safety legislation and promoting occupational health and safety. Each business benefits from an approach that assesses the risk to employees and recommends responses that are both proportionate to the risk and affordable. Stories of excessive controls on health and safety

are simple myth: prosecution is a last resort when other actions to avoid disease and death have proved ineffective.

Given that the risks in operating a nuclear power station and a farm are very different, the HSE varies its style and employs staff with a wide range of expertise to match the range of businesses the HSE advises and regulates. This leads to a complex structure.

The HSE was set up under the Health and Safety at Work Act 1974, and was given a number of functions, including inspecting, investigating and prosecuting where breaches of the Act take place, but also research and the promotion of health and safety. It also makes recommendations to government on regulation. It is a part of the civil service but has a board of directors, representing employers and workers, setting policy so it remains close to the world of work and avoids letting politics influence regulation.

Although the primary role of the HSE is the protection of workers, it covers all people affected by work activity, so has a role in many public safety issues as well as gas safety.

Its enforcement role is shared with other regulators, in particular local authorities, however there are separate regulators for the rail industry, civil aviation and the maritime industry.

The HSE splits into nine sections as follows:

Field Operations Directorate: It inspects local authorities, the NHS, schools, colleges, universities, construction, manufacturing, agriculture, airports, ports, energy generation, telecoms, the emergency services, quarries and government.

Hazardous Installations Directorate: It inspects chemical production, offshore oil and gas, distilleries, mines, explosives, pipelines and biological hazards.

Operational Strategy Division: It provides national direction and standards for inspection and enforcement.

Chemical Regulation Directorate: It regulates the use of chemicals, including pesticides.

Health and Safety Laboratory: This provides scientific support and research into health and safety for the HSE and for industry.

Nuclear Directorate: This covers civil and government use of nuclear power.

Cross-Cutting Interventions: This division supports the design of regulations and national campaigns on health and safety.

Chief Scientific Officer: This provides focused scientific, statistical, social science and economic support.

Business Support: This provides specialist support like IT functions, the press office, publishing, HR and finance.

The HSE has around 3,600 staff of which 1,500 are inspectors, however some of them work in managerial or policy roles so do not inspect, and the number of “frontline” inspectors is around 1,300.

The biggest division is the Field Operations Directorate (FOD), which inspects and enforces those premises not covered by the hazardous installations and nuclear directorate. The number of premises that are covered by the Field Operations Directorate is 884,000, covering 15 million workers. In 2008/09 the number of recorded inspections was 23,004. At present, there are 400 ongoing investigations for fatal injuries, roughly one for each FOD inspector.

The HSE operates a system of proactive inspections that involve planned visits to premises on a risk-based approach, and also reactive inspections

following reports of injuries or fatalities. These are currently carried out at a ratio of 60:40.

State of health and safety in Britain

The most recent figures from the HSE state that 2.1 million people are suffering from work-related ill-health. Of these, 77 per cent are suffering from just two conditions – musculoskeletal disorders and the effects of work-related stress.

In addition, the HSE estimates that 12,000 people died from occupational cancer and chronic obstructive pulmonary disease (COPD) in 2009. The TUC has estimated that if cardiovascular deaths and deaths by road traffic accidents whilst at work are added to that figure, then over 20,000 people died as a result of their work last year.

Of those suffering injuries at work, 95,000 people needed more than three days off work and 26,000 of those injuries were considered “major”. 152 workers died.

Overall 28.5 million working days were lost simply because of ill health and injury caused by work last year. Of these 23.4 million days were attributed to ill health and the remaining 5.1 million days to injuries.

In 2000 the HSE set targets for reducing injury and illness. The target for reducing fatalities has been exceeded and last year saw the lowest level ever. However, the target for reducing the incidence of work related ill-health has not been met.

Although Britain has one of the lowest fatality rates in Europe its occupational disease rates are much nearer the European average. However, international comparisons can be misleading as some European countries have much higher rates of mining, heavy engineering, or agriculture, all of which would be likely to lead to higher fatality figures.

Financial situation

The HSE is primarily funded by central government although around 30 per cent of income comes from charges to industry for high hazard regulation and scientific research.

If the scientific service provided by the Health and Safety Laboratory (HSL) is included, the HSE has an annual budget of £330m, of which £230m comes from central government.

In addition to the contribution from government, the HSE raises income through charging. Last year it raised over £100m. For example, the full cost of nuclear regulation and offshore regulation is recovered from those industries which are so hazardous that they require a high level of HSE support.

In October 2010 the government announced, as part of the Comprehensive Spending Review, that the HSE was to achieve savings of at least 35 per cent over the SR10 period. This will result in a cut in the government contribution towards the HSE of around £80m a year by 2014/15, compared to its 2010 budget.

The DWP statement did however say “we will share more of the cost with those businesses who create risks, while reducing burdens on low-risk businesses.” References were also made to “streamlining the health and safety system”.

The statement on sharing costs is likely to mean that the government expects the HSE to obtain more of its income from industry and that the cuts should focus on what the government considers “low risk” businesses. Whilst the All-Party Parliamentary Group agrees that industry should contribute where it has a higher level of risk, this should not reduce the quality of service and simply transfer costs from the HSE to the NHS and the Benefits Agency as a result of higher accident and disease rates.

The effect of the cuts

The All-Party Parliamentary Group is clear that it will not be possible for the HSE to maintain its current level of operations with a cut of 35 per cent in its government grant as charges can only fund regulation and overheads that relate to those charges. At the same time as spending on hazardous industries, such as the nuclear industry, is likely to increase to reflect the need for effective regulation, HSE activity elsewhere would fall even in industries such as construction, which have a high level of inherent risk.

The government has indicated that much of the cuts can be achieved through “administrative savings”. While an element of cost reductions will always be possible, it is unclear how the HSE will be able to achieve significant savings without reducing its ability to operate as a regulator. The HSE unions, FDA, Prospect and PCS estimate that the cuts could remove up to 750 posts: even if all frontline posts were protected, the time spent on inspection would drop significantly as inspectors were diverted into performing more administrative tasks.

Many of the very high expenditure areas, such as PFI costs of £29m, cannot be altered. There is also a considerable expenditure on accommodation costs. Over the past four years the HSE has been seeking to reduce these. It recently closed its main London headquarters and has closed several area offices. All other properties are reviewed every five years when their lease expires or there is a lease-break. This is commended by the All-Party Group, but it is concerned about the effect on both staff and industry of reducing the HSE regional presence. In addition, accelerating this programme and closing offices while there is still a valid lease and there is little chance of sub-letting to another tenant would be a false economy.

While it may be possible to pool some support services with other bodies in Merseyside, where the HSE is based, any significant reduction in administrative or IT support could have a considerable effect on the ability of frontline staff to operate. The All-Party group would be concerned were inspectors or policy staff to be expected to spend a

greater part of their working hours on administrative tasks rather than providing a service.

The bulk of the HSE budget is however spent on payroll costs. Of that around half is on inspectors and the rest on a range of other functions including communications, policy, and support functions such as administration, IT, and finance. The All-Party Group has, in the past, argued that the number of inspectors the HSE employ should be increased. This view has also been taken by previous DWP Select Committee reports into the HSE. The previous administration recognised that a minimum number of inspectors were required and instructed the HSE to maintain frontline inspector numbers at above 1,283. Current numbers are only just above that level.

The presence of inspectors in the workplace, or the possibility that they may visit, is a major driver for behavioural change by employers. In general HSE inspectors are seen to play a positive role with almost 90 per cent of employers visited by an inspector claiming that the visit was “helpful”.

While the number of frontline inspectors is seen as an important indicator of the level of activity and intervention by the HSE, the All-Party Group recognises that these inspectors could not operate without administrative and other support, and any cut in these services would reduce the effectiveness of the inspectorate.

Much of the remaining staffing bill goes towards areas such as policy, guidance and advice. While inspection activity is important, the All-Party Group recognises that changing behaviour to prevent injury and ill health requires a range of interventions. Employers need good quality, simple and accessible advice and guidance. This is one area that the HSE is seen to excel in. Its guidance is often used as the international standard, in particular in areas such as chemicals, stress and musculoskeletal disorders. Its website is also considered to be one of the most accessible and user-friendly in its field.

If the number of frontline staff were reduced, or if their activities were to be curtailed it would be likely to have a significant effect on the ability of the HSE to have an impact on injury and sickness rates. There is significant evidence that inspection activity influences behaviour by employers. An analysis of 44 research papers on the issues concluded that: "There is strong evidence that when companies are given orders or fines as the result of inspections, there is an impact on the rate and severity of injuries." This effect was also confirmed by a study by the Occupational Safety and Health Administration in the US, which showed that inspections imposing penalties produced a 22 per cent decline in injuries during the following weeks. The TUC recently published a report that shows that 61 per cent of employers are believed to have made improvements because of the possibility of a visit by an inspector.

This means that any reduction in enforcement activity would be likely to lead to an increase in injury rates. This is at a time when Britain is likely to be coming out of a recession and injury rates traditionally rise as more employers take on new staff and there is a growth in manufacturing and construction.

The effect of inspector numbers on occupational ill health is less clear cut as many occupational diseases develop over time and may have a variety of causes. However, there is evidence that HSE interventions have led to reductions in certain occupational diseases, including asthma and dermatitis. These interventions include visits to premises and campaigns.

One particular campaign has greatly impressed the All-Party Group. That is the Hidden Killer campaign, which was aimed at changing behaviour among maintenance workers who are at risk of exposure to asbestos. Campaign material was reported to have been seen by 85 per cent of the target group and 76 per cent said they would take or had planned to take precautions to prevent exposure when working. This is a remarkably high figure for a campaign and will make a real difference.

What the spending cuts will mean

The Group also notes that the HSE campaign to raise farmers' awareness of safety won the prestigious PR Week Campaign of the Year award in 2010.

Changing behaviour and reducing injury and illness rates is best achieved by a mixture of enforcement, support, guidance, advice and information. If any one of these is reduced it is likely to reduce the effectiveness of the others. As the effect of research, campaigns, guidance and information, especially those on occupation health issues, is often only seen over a longer period of time, there may be a tendency to cut these as a short-term measure. The All-Party Group believes that this would have considerable implications for the British economy and British industry.

It is estimated that 30 million working days were lost last year as a result of work activities. Of those 24.6 million were caused by work-related ill health and the remaining 4.7 million were a result of injury. The direct cost to employers of this was £3.7bn. A further £2.3bn was paid in compensation. There is also the additional cost of state benefits and NHS costs.

The All-Party group believes that cuts in the HSE service will lead to a much higher cost to the government as a result of increased benefit claims from those on long-term sickness and higher NHS costs.

“Low-risk” businesses

The DWP have also suggested that the HSE could cut expenditure by reducing the burden on what have been described as “low-risk” businesses. This is a theme that was also developed by Lord Young in his recent report *Common Sense – Common Safety*, which identified low-risk businesses as offices, schools and shops, as well as many SMEs.

However, HSE figures do not show that these sectors have lower risks of occupational illnesses and diseases than other sectors and the definition of “low-risk” appears to be based solely on fatality rates from injuries (which make up less than 1 per cent of all fatalities caused by work). These sectors, rather than being low risk, seem to be particularly vulnerable to

musculoskeletal disorders but there are a wide range of specific risks that need to be identified and removed or reduced.

Nor does health and safety appear to be a particularly great burden for these sectors with the average employer spending an average of 20 hours a year on risk assessment. Despite this, the All-Party Group does commend the attempts that have been made by the HSE to make it easier to comply, such as encouraging the risk assessments that cover many of these sectors. It also notes that there is an electronic risk assessment tool available for offices. However, the All-Party Group believes there is a danger the risk assessment process is over-simplified. This could mean that many genuine risks, particular to an individual situation, are missed. Inadequate risk assessments could also give rise to a false sense of security amongst employers and their workforce.

The All-Party Group would be concerned if there were any attempt to reduce the level of intervention and support for these sectors. SMEs, in particular, comprise the group that is least likely to have professional in-house expertise, and the occasional visit by an inspector, whether HSE or local authority, is likely to give considerable value. This is also the sector which is most likely to benefit from the HSE website, guidance and information line.

Alternatives to cuts – cost recovery

The government has indicated that it expects the HSE to increase its revenue from charging. At present the HSE reclaims all or part of the cost of its inspection and enforcement activity from certain sectors or activities. This includes the nuclear sector, oil and gas, and major hazards sites. Much of the cost recovery is through its use of permissioning regimes. There are some quirks in this system that ensure that some high-risk activities are exempt from charges because they do not require permissioning regimes even though they make a similar high demand on the HSE's specialist resources. It also charges for certain licensing requirements and makes a small income from the sale of publications.

The All-Party Group would support an extension of charging so charges were based on risk rather than on historical precedent, but believes there are limits to what can be raised this way. There are also dangers that it could alter the way that the HSE operates so any move to charging needs careful management and consultation with both sides of industry.

The Group broadly supports extending charging to all permissioning and licensing activities to ensure that the full cost is recovered, either on a case-by-case basis or a levy on the industry, and to consider where a similar level of HSE advice is provided at comparable risk levels to ensure some consistency. For example, the National Grid is charged for gas but not for equally hazardous electricity. In the case of utilities, this safety levy could be collected by suppliers and paid directly to the HSE. It is unclear how much revenue could be raised this way, but it is unlikely to be anywhere near the amount required as a result of the government cuts, and will, in itself, introduce new costs for collection.

The Group would not support an extension of charging for general inspections. This would undermine the relationship between an employer and the inspectorate, which is currently generally positive. However the Group would support a levy on higher risk activities to meet the costs of providing HSE regulation and advice.

Consideration should be given to charging for activities which take place as a result of wrong-doing, such as where an inspection leads to enforcement action or a requirement to take remedial action and, as a result, the inspector must return to the workplace to ensure that the problem has been rectified. However, this needs to be carefully monitored to make sure that it does not mean that inspectors increase the number of visits required to rectify a problem, or target only premises where there is a known incident with a view to maximising revenue. It is therefore important that the current split of 60 per cent proactive inspections and 40 per cent reactive is maintained.

There are other HSE activities for which the HSE may wish to consider charging but none of these are likely to lead to significant increases in revenue and there is a danger that the cost of maintaining the costs regime may lead to most of the income being spent on collection charges. The Group recommends that any charging regime remains administratively simple to avoid excessive bureaucracy and to ensure that charges are spent on safety.

The All-Party Group would oppose any further charging for advice or guidance. The HSE recently made all publications freely available on their website. This was welcomed by all sides of industry. It is important that this continues and that there is no charge for access to the guidance that employers, professionals or safety representatives need to keep the workplace safe. However, consideration should be given to maximising revenue from resources overseas where they are increasingly being used.

Conclusions and recommendations

By 2014 the HSE will have had to reduce its budget by approximately £80–85m a year. This cannot be achieved by administrative savings and increased charging alone, which will leave the remainder to be met through cuts to the service it provides.

The All-Party Parliamentary Group on Occupational Safety and Health believes that cuts in prevention are a false economy and any reduction in HSE activities will lead to increased costs from sickness absence, compensation and benefit costs.

Reducing expenditure on prevention does not fit with the government's stated intention of reducing the number of people on benefits, in particular incapacity benefit.

In addition the cuts are likely to lead to an increase in the number of deaths, injuries and illnesses. These will have a real impact on those at work as well as their families and dependants.

What the spending cuts will mean

As well as asking that the level of HSE funding be increased to meet the challenges that it will face in the period when Britain emerges from the recession, the All Party Group recommends that:

- administrative savings are supported but that there should be an acceptance that the ability to make such cuts without reducing services is limited
- there is an increase in charges to high hazard industries to reflect the greater benefit to them of HSE activity, as long as those charges are used to plug gaps in funding
- the HSE continues to see the provision of enforcement, inspection, guidance, research and advice as an overall package, all of which are necessary
- the HSE retains the 60/40 split between proactive and reactive inspections
- the HSE is encouraged to maximise income from cost recovery for permissioning and related activities and eliminate inconsistencies in the charges to high-hazard industries
- consideration be given to increasing cost recovery for cases of non-compliance to reflect the full costs of regulation but the HSE should not charge for general inspection activity
- cuts should not prioritise preventing injury at the expense of preventing occupational illness and disease
- the HSE continues support for SMEs, including simplifying guidance where appropriate, but there should be no reduction in the inspection and enforcement regime.

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