

Contexts and arrangements for occupational safety and health in micro and small enterprises in the EU – SESAME project

European Risk Observatory
Executive summary

Authors

David Walters and Emma Wadsworth, the Cardiff Work Environment Research Centre (CWERC) at Cardiff University, for the Safe Small and Micro Enterprises (SESAME) Project Research Group.

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Project management: Malgorzata Milczarek, Marine Cavet – (EU-OSHA)

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Foreword

Micro and small enterprises (MSEs) form the backbone of the European Union economy and are seen as a key driver for economic growth, innovation, employment and social integration. About half of the European workforce is employed in MSEs. Effective occupational safety and health (OSH) management in MSEs is essential to ensure both the well-being of workers and long-term economic survival of these enterprises. Statistics and studies show, however, that the safety and health of many workers employed in MSEs is poorly protected and that ensuring good OSH management in MSEs remains a significant challenge. This problem is acknowledged in the Strategic Framework on Health and Safety at Work 2014–2020, adopted by the European Commission, which identifies the enhanced capacity of MSEs to put in place effective and efficient risk prevention measures as one of the key strategic objectives for safety and health at work.

Responding to the existing gap in OSH requirements and workplace practice, EU-OSHA launched a wide-ranging, three-year project (2014–2017) with an overall aim to identify key success factors in terms of policies, strategies and practical solutions to improve OSH in MSEs in Europe. The project, commissioned to a group of researchers constituting the ‘SESAME’ (Safe Small and Micro Enterprises) consortium, has three main objectives. It will provide evidence-based support for policy recommendations, contributing to the current discussions on the regulation on OSH in Europe with regards to small enterprises. Moreover, it will identify workplace-level good practices in assuring good OSH management, and will facilitate further development of the existing or new practical tools, including the Online interactive Risk Assessment (OiRA) tool. Finally, the findings will inform future research aiming to expand knowledge on the determinants of good OSH in MSEs operating in dynamically changing economies.

This report presents findings from the first phase of the project, which reviewed up-to-date knowledge on OSH in MSEs, identifying what is currently known and where the gaps are, including the degree of existing OSH arrangements and outcomes, as well as contextual issues such as regulatory environment and available support. As such, it provides the project with a solid research base on which the next steps towards supporting policy recommendations and exchange of good practice can be built. In pursuit of this, the subsequent project phase will look deeper into MSEs to understand, from the perspective of employers and workers, the problems and concerns associated with OSH at workplace level. This will be followed by further investigation involving policy-makers, social partners and OSH experts to identify key elements of successful policies, strategies and workplace interventions. The findings that support policy recommendations and that demonstrate good practice, facilitating better OSH in MSEs, will be published and disseminated by EU-OSHA over the next years.

Christa Sedlatschek

Director

Executive summary

Micro and small enterprises (MSEs) account for nearly 99% of enterprises in the European Union (EU) and employ nearly 50% of EU workers. Given these numbers, and the significant role such enterprises play in society as well as in the EU economy, the importance of effective means to prevent harm to the health and safety of workers in these firms should be apparent. Bearing this in mind, the aim of this review is to contribute an informed EU-wide analysis of current knowledge concerning the nature and experience of health and safety in work in micro and small enterprises. It reviews research concerning the nature of micro and small firms and their role in the EU economy, measures of the known extent of mortality and morbidity associated with work in them and the arrangements made in these enterprises to prevent this harm to their workers, while taking proper account of the structural, economic and political contexts in which this occurs in the Member States of the EU. It is intended to inform discourse on future policy development in this important area, while at the same time helping to identify important gaps in current understanding.

The approach taken in the review may be distinguished from previous studies in several important ways.

First, it focused on the relevant research literature and used robust selection criteria in relation to the material reviewed. We have taken a critical realist approach in our consideration of this literature, within which we have used the technique of *realist evaluation* to discover the extent to which it adds to knowledge concerning ‘what works, for whom and in which contexts’ in our examination of the evidence of arrangements made for health and safety in micro and small firms and the strategies and resources available to support them.

Second, much of the research on occupational safety and health (OSH) in smaller organisations is primarily concerned with addressing the experience and needs of the owner-managers, informed by an assumption of shared interests between them, their company and the workers they employ. However, the wider literature concerning the employment relationship and the relations of production in small companies suggests these assumptions are not entirely valid. We have therefore also directed our review towards examining research concerning social, economic and regulatory contexts in which the experience of work in MSEs is situated. In adopting this focus, it has become clear that, in contrast to research and writing on larger organisations, there has been only limited study of these elements in MSEs. This is an important omission for several reasons, including the challenges that so-called ‘hard-to-reach’ micro and small firms present for regulation and regulatory inspection; the impact this has had on the redesign and refocus of regulatory strategies; the extent to which these strategies are ‘smart’ (for example, in the way they exploit the value chain positions of micro and small firms) in extending the reach or effects of regulation; and the political and economic contexts in which redesign and refocusing has taken place and its relationship to debate concerning regulation, risk and regulatory burdens on small and micro firms. We have therefore sought to provide a more *robust socio-legal analysis* of the experience of OSH and its regulation in micro and small firms than has been the case in previous reviews.

Third, we have taken some account of the implications of the national contexts in which MSEs are situated in different Member States of the EU and noted that there is evidence of variations between Member States in the presence and quality of arrangements for OSH in micro and small firms. In our analysis, we have clustered EU Member States according to shared features of economy, the structure of work, regulation and public administration to help provide contexts for understanding these differences in ‘what works, for whom’ in OSH arrangements in MSEs in the different Member States of the EU.

In summary, the review explores the rationales, mechanisms and realities shaping the experience of OSH for workers in MSEs in ways intended to be useful for both science and policy. It seeks to critically review the current knowledge on arrangements and outcomes in relation to OSH in MSEs, the strategies in place to support them and their social, economic and regulatory contexts, and to consider the implications of gaps identified in this knowledge for future research.

Key findings

Our analysis confirms the importance of micro and small firms in the economy of the EU. As well as their important societal role, this is seen directly in terms of their numbers and as a source of employment for a substantial part of the EU workforce. In addition, it is seen more indirectly in their support for the business and productivity of larger organisations with which they are linked in value chains, through various outsourced activities and in contracting and subcontracting relationships. It is also clear that, as a result of the linkage between bundles of organisational and business strategies and the multifaceted limitations on resources available to them, a substantial proportion of these MSEs can be seen to employ 'low road strategies' to their economic and business survival. The many workers that are employed in these enterprises are most likely to experience poorer working conditions, lower job quality and proportionally greater risks to their health, safety and well-being.

Although there are considerable uncertainties in the data, which make reliable comparative study difficult, there is nevertheless good evidence in the research literature that the occurrence of serious injuries and fatalities is proportionally greater in smaller firms than in larger ones. This is notwithstanding the undisputedly strong influence of sector on OSH outcomes. While evidence of size effects is more difficult to evaluate concerning working conditions and work-related health effects, there are many examples of poor outcomes here too, and there is certainly nothing in the literature to suggest that overall work in MSEs is healthier or safer than in their larger counterparts. There is therefore good reason for concern about the arrangements for health and safety in a substantial proportion of micro and small firms. This is a concern that applies to a greater or lesser degree across all the Member States of the EU and gives little reason for complacency among any of them.

Our findings suggest there are a set of socio-economic and regulatory factors that act in concert to raise the risks to health and safety experienced by workers in a substantial proportion of smaller firms to levels greater than those experienced in larger enterprises in comparable sectors. In brief, numerous studies identify reasons for poor uptake of arrangements for managing OSH in these enterprises. They include:

- the weak economic position of many MSEs and the low investment they are able to make in OSH infrastructure;
- the limited knowledge, awareness and competence of their owner-managers in relation to both OSH and its regulatory requirements;
- limited capacity to manage their affairs systematically; and
- their attitudes and priorities, given the limited resources at their disposal and their concerns for the economic survival of their business, in which OSH has a low profile.

We explored these underlying weaknesses further by examining the research on workers' experiences, labour relations and regulation in relation to OSH. We found the 'general and multifaceted lack of resources' for OSH experienced in many MSEs to be embedded in wider social, economic, regulatory and labour relations contexts and within the structures and business relations in which MSEs are situated. Focus on wider literature addressing these matters helped draw attention to the heterogeneity of MSEs, not only in terms of their institutional variety, but also in terms of the varieties of experience within them and, especially, the often very different experience of workers from that of their employers in these firms.

We further concluded that research on the regulation of OSH in MSEs painted a portrait of generally limited engagement and weak compliance practices on the part of owner-managers in these firms, in which those relating more specifically to poor OSH practice were situated. Again, the situation is complex and the heterogeneity of MSEs makes for a mixed picture. We noted typologies found in the literature that attempt to describe compliance behaviours and the reasons for them, which further confirm that many MSEs pursue 'low road' strategies towards their survival, among which exposures that are harmful for workers' health and safety are likely to be disproportionately experienced. It is often also among such firms that the regulatory research identifies greater prevalence of non-compliance. We found an emergent set of regulatory strategies with the potential to address these challenges, which parallel current understandings in the academic literature concerning the advantages of regulatory

mixes in new approaches to economic governance and regulation. However, we also note that the research evidence for their success is limited.

Turning to strategies to support the development of appropriate arrangements for OSH in MSEs, we found some evidence concerning the effectiveness of specific interventions. Overall, however, our findings indicate that research in this area remains weak in its analysis of the contexts in which interventions take place, and concerning their potential for transfer. This leads us to conclude that, despite a burgeoning literature addressing various specific interventions, there remains much room for further evaluation of these wider issues before a proper understanding can be achieved of ‘what works, for whom and in which contexts’.

Our findings suggest national contexts are important additional determinants of workplace arrangements and their outcomes. In our analysis of the Second European Survey of Enterprises on New and Emerging Risks (ESENER-2) data, Member States in which regulatory requirements focusing on processes of OSH management were of the longest standing generally report having greater numbers of good OSH management practices than those in which such requirements were of more recent origin. However, as we argue in the full report, this observation oversimplifies what is likely to be a more complex reality, in which these national differences cannot be explained simply by the longevity of the shift from prescriptive to process-based regulation in each Member State. They are better understood by further exploration of the underlying determinants of these changes and the roles played by economic actors, the state and civil society in bringing them about, and we allude to these determinants in more detail in the report.

The literature suggests, for example, that among the clusters of countries we have used for the purpose of our analysis, there are differences between the capacities of MSEs in Northern and Western Member States to respond effectively to business challenges associated with globalisation and those in MSEs in Southern and Eastern EU Member States, which in turn may influence the proportions of such firms pursuing ‘low road survival strategies’ in different Member States. Such differences are unlikely to be solely the result of innate features of MSEs, but rather of the interaction between these enterprises and the social, political, regulatory and economic contexts with which they are surrounded. While wider research has focused on the consequences of these contexts for issues such as collective bargaining and wage determination, there is little study of their role as influences on OSH arrangements and outcomes.

Reflections on the findings

Many sources describe MSEs as a significant element of EU society and its economy. The different ways of measuring their contribution serve as a reminder that they not only are a source of significant employment, but also support the performance of larger organisations, often enabling them to achieve ‘economic efficiencies’ as cost and risk burdens are outsourced to these smaller companies. It is also a further reminder that in many such situations the consequences of such risks are often invisible to systems for reporting and recording, because they fall outside their remit. The latter is even more the case if it is remembered that the increasing informal economy in the EU is largely populated by small and micro companies.

Contrasting accounts are found in the literature on the role of MSEs in the economy. Some, which focus on enterprises especially active in high value-adding activities, present them as entrepreneurial success stories and significant players in revitalising economic growth. Others characterise the activities of many as ‘low road’ survival strategies in which poorly resourced businesses operate on the margins of the economy, often in markets with low entry barriers, and frequently as subcontractors or in other dependent positions in relation to larger companies where they have little decision latitude. Further accounts portray work in MSEs as highly rewarding, socially integrated, flexible and varied, undertaken through choice by individuals with strong skill sets, and commanding not insignificant labour market power. However, others suggest a preponderance of poor-quality jobs undertaken by relatively poorly educated or otherwise disadvantaged workers with low skills, significant vulnerability and insecure

employment. Finally, as we have outlined above, robust research analysis demonstrates an inverse relationship between establishment size and serious injuries and fatalities, while work on less reliable indicators (such as lost-time injuries and the like) sometimes suggests different patterns, such as better performance among micro firms than among small ones.

These polarised views of MSEs are explained by limits in the availability of reliable data and the heterogeneity characterising MSEs as a group. Such heterogeneity indicates a need for caution before generalising about MSEs. However, some broad categorisations are important and necessary if policies are to be effective. Our findings are clear in this respect. In the case of arrangements for the health, safety and welfare of workers in MSEs, both the older analytical literature and recent EU-wide survey findings on these OSH arrangements consistently demonstrate that they are considerably less well developed in smaller workplaces than they are in their larger counterparts, and this holds true regardless of sector or country. While not all of these enterprises can be so described, a substantial proportion pursue ‘low road’ survival strategies and many operate in sectors traditionally regarded as presenting high risks of physical injuries and ill-health. There is further evidence of a relationship between these observations and the disproportionate levels of poor health and safety arrangements and outcomes and poor job quality among a substantial proportion of these firms. These are fruitful areas for further research and also lead to reflections on their policy context.

The policy context

It is not difficult to notice that the dominant economic policies in the EU and its Member States during recent decades position MSEs as fairly central to economic growth and have attempted to enhance this role with support from economic and regulatory policies aimed at promoting flexibility and removing what are regarded as unnecessary constraints on business. While such policies may contribute to increased freedoms from OSH rules, at the same time they arguably help in promoting the ‘low road’ strategies pursued by a large proportion of MSEs, because they make it easier for weak and poorly resourced firms to survive at these levels. This helps create conditions for poor OSH arrangements, which in turn lead to poor OSH outcomes. Deregulatory (or re-regulatory) policies that aim at removing regulations, exempting enterprises below a certain size from their coverage or modifying their application are set within the aims of wider policies that are intended to reduce the regulatory role and institutions of the state more generally, and to encourage the growth of market and other forms of private regulation in taking over this role. As a result, many of the institutions of public regulation, including those established to ensure surveillance of measures to protect workers’ health and safety, have reduced in size and coverage in recent years. At the same time they have been obliged to direct their diminishing resources at increasingly complex and divergent scenarios that remain subject to regulation, as the effects of the same economic and regulatory policies also make for increases in their prevalence by encouraging and supporting outsourced, fissured and fragmented organisation of work in the restructured and reorganised economies of the EU. Despite a generally improving trend in injury rates overall, it is difficult to escape the conclusion that there are connections between these structural changes and the poor health and safety experience of many workers in MSEs and especially those employed in enterprises pursuing the ‘low road’ survival strategies we have discussed. Viewed in this context, for example, it is not entirely clear how the EU Strategic Framework for Occupational Safety and Health, introduced in 2014, will achieve its stated intention ‘to improve implementation of existing health and safety rules, in particular by enhancing the capacity of MSEs to put in place effective and efficient risk prevention strategies’.

Moreover, our findings indicate that these developments present regulators, who remain charged with ensuring compliance from duty-holders in MSEs, with something of a challenge to their regulatory ingenuity, which they are obliged to meet in most Member States, with fewer resources available to them than previously. Wider research on regulation makes clear that the market and voluntary approaches to regulation advocated by economic policy have only limited impact in relation to MSEs that have neither the will nor the capacity to implement them. Where price and delivery demands dominate market regulation and long supply chains prevail, research on compliance behaviours has

shown there is little pressure on larger organisations to be concerned about the regulatory or reputational risks of their business strategies in relation to MSEs situated at the ends of their supply chains. The means to address these challenges discussed in the literature, such as the introduction of regulatory mixes, placing duties on the heads of supply chains, combining market-based incentives with regulatory duties, making greater strategic use of means to heighten reputational risks, and so on, are all innovative ways of seeking compliance from ‘hard to reach’ duty-holders such as those in small firms. However, as we have observed, our findings indicate that the current evidence of the extent to which such approaches are effectively used is limited.

Further research

Our findings suggest implications for further research that are essentially of two main and related types. Firstly, a number of gaps exist in present knowledge concerning OSH in MSEs in the EU that might be usefully explored in future studies. Secondly, there are a number of issues of quality and coverage of previous research that could be fruitfully addressed in future studies. We outline these in the following sub-sections. They are presented in greater detail in the conclusions to this report and in its recommendations.

Analysis of quantitative outcomes

We have shown that long-established and robust analysis provides strong evidence of an inverse relationship between establishment size and rates of serious and fatal occupational injuries. There is circumstantial evidence suggesting a similar inverse relationship between size and good performance for exposures associated with other types of injuries, work-related ill-health, the quality of jobs and the work environment. However, the quality and availability of the latter evidence is weak and varies between Member States. There are also signs that the national surveys that generate it are declining in number and quality. For the majority of Member States, no such analysis exists. Given the policy issues outlined in the previous section, and especially achieving a balance between support for the role of MSEs in the economy and protecting the health, safety and welfare of the millions of workers employed in them, the availability of reliable data for the analysis of OSH outcomes is important and would provide material for better analysis of the effects of size and sector.

The gist of our findings is that, for a substantial proportion of workers in MSEs, risks to their safety and health are elevated by a combination of inadequate arrangements made to protect them in scenarios in which there are significant hazards, and especially in enterprises that pursue so-called ‘low road’ strategies to ensure economic survival. However, there are clearly other MSEs in which less hazardous work is conducted and also those where ‘low road’ survival strategies are eschewed in favour of ones leading to greater business success. There are some suggestions in current research that risks may be better managed within this group, with positive OSH outcomes linked to business success. However, accurate data are not forthcoming. Opportunities for further study of all these matters would be facilitated by more in-depth and comparative analysis of better quantitative data reflecting sector and national experiences.

Context

There are good reasons to move beyond the limited perspectives found in much of the specialist OSH research on MSEs, which tends to be largely framed in terms of the interests and experiences of owner-managers. New research needs to take better account of the quality of *workers’ experiences* in relation to OSH in MSEs. This is not to suggest that owner-managers need to be studied less — OSH research has quite rightly identified their pivotal role. Nor does it mean that the business and economic contexts of small and micro firms can be ignored. But it is important to acknowledge that study of the contexts and determinants of workers’ experiences requires an appropriate conceptual framework and

methodology that we have found to be missing from much specialist OSH research. There are several examples of studies in the wider sociological and labour relations literature that provide some useful indications of how this might be achieved.

It also needs to be acknowledged that ‘going upstream’ implies understanding the effects of business, economic and regulatory contexts in which OSH is situated in MSEs. There are consequences for OSH that arise from the dependency dictated by the business position of MSEs, which a substantial body of research indicates have profound effects in determining the nature of OSH outcomes within wider contexts of regulation and governance. There is a growing body of literature exploring these effects on the conditions under which work takes place and their implications for its governance and regulation, although it does not usually address MSEs directly. There is also a rapidly growing body of work pointing to the role of the informal economy, undeclared work and economic migration, the effects of all of which are probably disproportionately experienced in MSEs and especially those MSEs following ‘low road’ survival strategies. There are therefore significant gaps to be filled with further research here too.

Intervention

The gaps we have found in the understanding of the relationship between intervention, effectiveness, transferability and the wider regulatory and economic contexts governing these matters point to the need for future research that moves beyond the largely descriptive narratives of programmes, strategies and interventions and provides more appropriate and robust *evaluation of their uptake and effects* in relation to sector characteristics and context.

We have also noted that intervention research on MSEs focuses mostly on arrangements to address conventional risks associated with chemical, physical or biological exposures. There are few studies that examine interventions aimed at supporting the prevention or control of psychosocial risks in MSEs. In particular, there is a need to further explore the possible relationships between job quality, working conditions and psychosocial risks that are suggested in both high-level aggregated quantitative data and more in-depth qualitative studies of ‘lived-in’ experiences within small and micro enterprises, and to determine whether or not there is a role for intervention to improve outcomes in relation to the mental and emotional health of workers in these situations.

National contexts

Our review emphasises the importance of national contexts in shaping OSH arrangements and their outcomes in MSEs. This applies equally to the effectiveness of intervention. It is clear that neither exists in a vacuum, but are parts of the wider national ‘health and safety systems’ in which they are situated in every country. We think that the approach we have adopted to clustering countries in the analysis presented in this review is a useful model for further and more detailed comparative analysis of the determinants of arrangements for OSH in MSEs and the effectiveness of interventions to improve them.

Conclusions

In conclusion, our review highlights the presence of weak arrangements and poor outcomes on OSH found among a substantial proportion of MSEs and identifies reasons for them found in the research literature. It indicates the role played by economic and regulatory contexts in this respect, as well as that of policies at EU and national levels in relation to these weaknesses. It indicates what can be learned from previous research on interventions and resources necessary to help improve these arrangements and outcomes. Finally, it also identifies a number of gaps in our understanding of these matters and the contexts in which they occur. Further inquiry in these areas is justified and would be beneficial. We think this would be most usefully explored through future field research in MSEs through detailed nationally based studies that include more in-depth further analysis of the wider regulatory, economic and policy contexts identified by the present report as significant determinants of OSH arrangements and outcomes in MSEs.

The European Agency for Safety and Health at Work (EU-OSHA) contributes to making Europe a safer, healthier and more productive place to work. The Agency researches, develops, and distributes reliable, balanced, and impartial safety and health information and organises pan-European awareness raising campaigns. Set up by the European Union in 1994 and based in Bilbao, Spain, the Agency brings together representatives from the European Commission, Member State governments, employers' and workers' organisations, as well as leading experts in each of the EU Member States and beyond.

European Agency for Safety and Health at Work

Santiago de Compostela 12, 5th floor
48003 Bilbao, Spain
Tel. +34 944358400
Fax +34 944358401
E-mail: information@osha.europa.eu

<http://osha.europa.eu>

