



Introducing an occupational accident insurance system in Estonia

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MÄRT MASSO AND MERILEN LAURIMÄE – EUROPEAN SOCIAL POLICY NETWORK

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The Ministry of Social Affairs proposed in September 2018 to develop a government-regulated private occupational accident insurance scheme in Estonia. The costs would be borne by the employer, not by the Health Insurance Fund and Unemployment Insurance Fund, and should motivate employers to improve the work environment and working conditions, thus reducing the number of accidents at work. Occupational accident insurance would cover medical expenses and other return-to-work expenses.

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Description

Due to the growing number of accidents at work and reduced work ability in Estonia, the Ministry of Social Affairs has come up with a proposal to develop a government-regulated private occupational accident insurance scheme. The purpose of the scheme is to change how the costs of work-related accidents are financed, and thereby motivate employers to improve working conditions in order to prevent accidents at work (Ministry of Social Affairs 2018).

According to data from the Labour Inspectorate, the number of registered work accidents has grown considerably between 2009 and 2017: from approximately 3,000 up to almost 5,200. In the first half of 2018, the number of accidents at work was 2,674, almost the same figure as in the first half of 2017 (2,692). In 2018, 550 of these accidents were serious and three people died. These are registered accidents, and there are many unregistered accidents. (Labour Inspectorate 2018a and 2018b) The incidence and probability of work accidents differ across the sectors. Most of the accidents occur in the metal industry, national defence and trade, while the number of accidents is lowest in the food industry and healthcare (Labour Inspectorate 2018b).

The main costs of work accidents are covered by the Health Insurance Fund (for sickness benefit and medical expenses) and the Unemployment Insurance Fund (for work ability

allowances and work rehabilitation). The employee and employer may agree to cover the extra costs and expenses, such as a drop in income, but in most cases it is difficult to claim the compensation, and recourse to the courts is frequent (Ministry of Social Affairs 2018).

Currently, in the Estonian social protection system, general accident and occupational accident compensation schemes are mostly handled in the same way. However, there is one crucial exception: sickness benefit. In case of a work accident, the employee's waiting period is 1 working day, and from the second day the expenses are covered by the Health Insurance. For general accidents, the waiting period is 3 working days, the employer covers the next 5 days, and from the ninth day expenses are covered by the Health Insurance. Also, the replacement rates differ – in the case of occupational accidents the rate is 100%, whereas it is only 70% for general accidents (Masso et al 2018).

As a result, in the current system the employers' responsibilities and costs are lower for work accidents, and they lack motivation to improve the working conditions and work environment (Ministry of Social Affairs 2018). The proposal of the Ministry of Social Affairs (Ministry of Social Affairs 2018) aims to reform the system to make the financing of the system fairer and motivate employers to improve working conditions. The level of the insurance contribution would depend on the risk,

so there would be different contribution rates in different sectors. The insurance would reimburse to the injured employee:

- a work ability allowance, including sickness benefit;
- medical expenses and medication;
- other costs related to increased needs (e.g. glasses, wheelchairs, physiotherapist, retraining, etc.);
- funeral expenses, benefits to dependants in case of death;
- non-material damage (approximately €100-3,200 depending on the accident).

The government-regulated private occupational accident insurance system would be compulsory, and employers would have to insure employees against work accidents. According to the proposal, the employers' overall employment tax burden would not increase as the unemployment insurance premium rate would be decreased.

The trade unions support the plan, as employers would then be responsible for tackling these issues, conducting risk analyses and truly making work environments safer. Moreover, they suggest that the next step should be to create an occupational disease insurance system. By contrast, the employers do not support the idea, as they think this would put too much responsibility on them, while many of these problems also occur because employees do not follow safety rules and instructions. It is assumed that the changes will be implemented not earlier than in 2021 – after the upcoming parliamentary elections on 3 March 2019.

Outlook & commentary

The Estonian work ability compensation system does not, although it could, provide

economic incentives for prevention. Other countries' experience shows that a compensation system that rewards employers who create a health-promoting environment and discourages employers who fail to secure safety at the workplace could be used to prevent occupational accidents and diseases (Tompä et al 2007 and 2012; Elser et al 2012). However, occupational accidents can also be prevented by making other changes in occupational safety and health policy. Other countries' experience shows that the most important aspect of occupational safety and health policies is the obligation to provide a safe work environment and to offer counselling and advice to both employers and employees (and making these obligations effective via fines that are also economic incentives). Thus, changes in other aspects of occupational safety and health policy may be necessary to improve the work environment and prevent incapacity to work.

Under the current incapacity to work compensation system, working days compensated for because of occupational accidents constitute 4% of all the paid absence from work due to illness (Masso et al 2015). This indicates that the share of occupational health problems in the compensation system is relatively small, and therefore it is questionable whether a separate effective and efficient compensation system should be created for these incidents. In this regard, the government proposal to introduce a government-regulated private insurance system is questionable. Due to the small number of incidents, there is no reason to presume that government-regulated private accident insurance providers competing in an open market would be more cost-effective than a government monopoly social protection scheme.

Further reading

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Author

[Märt Masso](#) and [Merilen Laurimäe](#) (Praxis)