

# **The Dutch practice of Risk Assessment in Small Enterprises**

## **Author**

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## **Abstract**

The central questions in the presented study<sup>1</sup> focused on the knowledge present in small companies about the RI&E; the costs and benefits of the RI&E as perceived by small businesses; the extent to which the RI&E is accepted and, related to this, the readiness of small businesses to comply with standards; and the informal control exercised by third parties of RI&E performance in small enterprises.

The study involved the following three research activities:

1. data analysis and a literature search;
2. expert meetings;
3. focus groups of business owners.

Dutch government policy concerning the compliance with statutory obligations related to occupational health & safety, including the performance of the RI&E by companies large and small, consists chiefly of encouraging and facilitating (organisations of) social partners in a sector (often trade associations) to reach agreement on the translation of policy to suit the sector and its implementation. This is known as the dominant policy route taken by the government.

The dominant route has been pursued in the past, often, but not always, with success. When developing any new policy concerning the RI&E obligation on small companies, there are two possibilities:

1. Building the dominant policy route by supporting sector and trade associations and increasing their professionalism. The digital RI&E projects of the Dutch Occupational Health & Safety Platform were one means by which this has been achieved.
2. Developing an alternative policy route via local players in municipalities where small business owners meet one another.

The alternative policy route is, however, labour intensive and not sector specific. The presented study shows that small companies maintain the most contacts at the local level and this level provides, therefore, the best opportunities for fostering voluntary compliance with the RI&E obligation.

## **Key words**

**Risk assessment, small enterprises, compliance, OSH policy, enforcement**

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<sup>1</sup> A study commissioned by the Ministry of Social Affairs and Employment and carried out by TNO Quality of Life, The Netherlands, 2008

## **Introduction**

Since 1994 Dutch businesses employing staff have been required to perform a Risk Inventory and Evaluation (RI&E). The RI&E should be used to devise a policy for improving the working conditions within the business. This has the additional effect of preventing, eliminating or controlling the identified risks. While many companies in the Netherlands have performed an RI&E, certainly among the large companies, it is apparent that many small companies (with 5-9 employees) and in particular very small companies (with 1-4 employees) are not fulfilling this obligation: 58% of very small companies and 47% of small companies have no RI&E.

The aim of this study is to offer insight into how the voluntary compliance of the RI&E obligation by small companies in the Netherlands can be fostered. This insight is intended to lead to practical building blocks for designing future policy in this area.

The central questions in this study concern the knowledge present in small companies about the RI&E; the costs and benefits of the RI&E as perceived by small businesses; the extent to which the RI&E is accepted and, related to this, the readiness of small businesses to comply with standards; and the informal control exercised by third parties of RI&E performance. The Health and Safety Inspectorate's enforcement (i.e. the 'formal control') of the obligation to perform an RI&E falls outside the scope of this study.

## **Approach and methods**

The study involved the following three research activities:

1. data analysis and a literature search;
2. expert meetings;
3. focus groups of business owners.

The data analysis involved data taken from the Occupational Health & Safety in Action (Arbo in bedrijf) Monitor of the Dutch Health and Safety Inspectorate (hereinafter referred to as the AI-monitor), a large-scale study of a representative sample of Dutch companies carried out by the Health and Safety Inspectorate, and the Employers' Monitor of Working Conditions (hereinafter referred to as the WEA), a large-scale survey of employers commissioned by the Dutch Ministry of Social Affairs and Employment (SZW).

As well as the above-mentioned sources, use was made of research reports and policy studies (including case studies), evaluation studies of products and services and information taken from websites. Every effort was made to use recent literature (since the year 2000) wherever possible.

In November 2007 two meetings were held with experts who have extensive contact with small businesses. These included representatives of trade associations, employers' associations, occupational health & safety services (arbodiensten) and the fire brigade.

At the end of November/early December 2007 two evening meetings were held with the owners of small companies, in order to hear from them first-hand how they regard the RI&E obligation.

## **Results**

### ***Actual compliance with the RI&E obligation***

Between 2004 and 2006 almost no changes were observed in the level of compliance with the RI&E obligation. According to the AI-monitor, the compliance percentage fluctuated around the 50% throughout the years 2004, 2005 and 2006. In 2006 51% of the companies inspected had an RI&E. The larger the company, the greater the likelihood of its having an RI&E. According to the AI-monitor, 47% of the companies with 1-4 employees and 53% of the companies with 5-9 employees had an RI&E in 2006. Of the companies with 100 or more employees, 97% had an RI&E. Small companies in the agriculture, fisheries and minerals sector, the building and utilities sector and the industry sector have a relatively high level of compliance with the RI&E obligation. The hotel and catering sector and the repair and trade sector have a relatively low level of compliance. Compared with other obligations arising under the Working Conditions Act, such as those relating to company emergency response (BHV), compliance with the RI&E obligation is relatively low. For all obligations, larger companies have a better level of compliance than small companies.

Of the companies with an RI&E, 79% had drawn up a plan of approach in 2006 (AI-monitor). Larger companies, relatively speaking, have drawn up more a plan of approach than smaller companies. Fewer companies in the hotel and catering sector have a plan of approach than companies in any other sector.

### ***Knowledge***

***What do people in small companies know about RI&E regulations? Are the regulations clear?***

***Do they know more or less about these regulations than they do about other topics in the fields of occupational health & safety or social provisions?***

As far as the knowledge of RI&E regulations present in small companies, we conclude the following:

#### ***Familiarity with the RI&E obligation***

- Data from the WEA show that small companies seldom cite of their own volition unfamiliarity with the phenomenon of the RI&E as a reason for not having an RI&E.
- Unfamiliarity with occupational health & safety regulations in general is cited by few companies as an obstacle to complying with occupational health & safety regulations.
- According to the experts with whom we spoke as part of this study, unfamiliarity with the RI&E is more widespread than the above would suggest. Examples from practice show that some business owners have never heard of the RI&E.
- In general, small companies are less familiar with occupational health & safety and social regulations than larger companies. This is true, for example, of recent amendments to the

Working Conditions Act and the Gatekeeper Improvement Act (WvP). Although it must be said that the WvP is more widely known among small business owners than the RI&E obligation.

This may be due to the practical nature of the consequences of insufficient compliance with this Act, which include the risk of having to continue paying a sick employee's wages for an additional year.

#### *Knowledge of how to perform an RI&E and implement working conditions policy*

- A lack of knowledge about how to perform an RI&E is cited of their own volition by few companies as a reason for not having an RI&E. This is shown by data from the WEA. In addition, the scope of the working conditions regulations and lack of clarity about their scope form an obstacle to compliance for few small companies.
- It is evident from the literature that many small businesses lack the necessary expertise related to providing working conditions care in general. This is related to the lack of a staff role charged with this responsibility in small companies, as well as the fact that small businesses work in a more problem-driven manner and apply a short term perspective to resolving problems, including those related to working conditions. The need for knowledge arises only when something happens. The approach taken is reactive rather than proactive.

#### *Earlier policy initiatives*

- Initiatives have been taken in the past to provide companies with information about the RI&E and support with its performance. Two important initiatives are the SME occupational health & safety activity programme and the Dutch Occupational Health & Safety Platform (Arbo Platform Nederland), which also carries out activities. From the evaluations of these initiatives we conclude that, despite them, small companies have consistently been a hard-to-reach target

group. Less use is made of the products developed under the initiatives by the small companies (1-9 employees) than by the larger companies. The evaluation in 2004 of the digital RI&E projects of the Occupational Health & Safety Platform took place shortly after the Platform's introduction. It may be that since then small companies have made more use of them. By contrast, some sectors, including agriculture and fisheries, are managing to reach companies, including small companies

### ***Points for discussion***

- The provision of information about the RI&E continues to be advised. The tone of this information must be positive. The content should be easy to understand and applicable in practice (good and best practices appeal).
- The information must be regularly offered anew.
- Channels must be used with which the small business owner often comes into contact (e.g. accounting consultancies and other local players).
- The support post for RI&E instruments can boost the use of digital RI&E instruments among small companies.
- There is no clear information post for business owners who are about to hire staff. This would be an appropriate juncture at which to offer information about the RI&E. Another good starting point at which information could be provided is the point at which business owners should complete a wage tax form.
- Vocational education and training for business owners can play an important role in the advancement of knowledge about the RI&E and working conditions care.

### ***Costs and benefits***

***What are the costs and benefits of the RI&E for employers running small companies in terms of time, money, effort and intangible costs?***

As far as the costs and benefits of an RI&E obligation as perceived by small companies, we conclude the following:

- In the WEA small companies mention the high costs of performing the RI&E (time and money) but seldom give this of their own volition as the reason why they have no RI&E. However, from the literature and the meetings with experts and business owners it is evident that business owners regard the RI&E as a cost item, in terms of both money and effort. In particular, the costs charged by the occupational health & safety service for compiling an RI&E and having it tested are felt to be high. Similarly, when deciding whether or not to perform an RI&E, business owners consider the costs, which may be high, of taking measures. It could be that business owners have an antiquated impression and that too little consideration is given to the simplification of legislation and the digitalisation of RI&E instruments.
- In particular, making work 'healthy and safer' is seen by the companies as the benefit of occupational health & safety policy and as grounds for taking practical measures to counter occupational health & safety risks. This is shown by WEA data. This is more widely reported by larger companies than by the small companies (1-9 employees). WEA figures show that economic motives are seen as grounds for complying with working conditions policy by few companies. Conversely, during the meetings with business owners it was stated that safeguarding against claims made by employees is an important motive for businesses to perform the RI&E.
- Business owners experience a heavy administrative burden; and they perceive the RI&E to be an element of this. The government has taken a range of initiatives to reduce both the

administrative burden in general and the costs involved in performing and testing an RI&E. Sector-specific (digital) RI&E instruments can reduce the costs involved in performance. The business owners and experts with whom we spoke concur with this. Once an instrument is recognised or has been established in, by or in accordance with a collective labour agreement (collective labour agreement), the RI&E and the plan of approach require only a light test or no further testing at all. Clear oversight such as that provided by the companies' helpdesk and front offices aims to reduce the burden on businesses and their perception of this burden. The latter can also be said of initiatives intended to reduce the administrative burden.

### *Points for discussion*

- An increase in the number of available recognised sector RI&E instruments can reduce the costs of the RI&E for small businesses (25 employees or fewer); the support post for RI&E instruments has an important role to play in this respect.
- A clear relationship between the RI&E and the benefits for the business can encourage business owners to perform the RI&E.
- There would seem to be a role for insurers in encouraging business owners to perform an RI&E. Economic incentives by means of subsidies and investment grants and financing incentives under the tax system could also play a role. Business owners in our study reported, for example, that they felt it would be appropriate to receive a tax concession for having an RI&E. This requires close and complex cooperation between market parties and various national and local government bodies.
- Experts believe that coupling the RI&E obligation to other (municipal) obligations, such as a licence to establish a business or an environmental permit, offers opportunities.

*Acceptance and the readiness to comply with standards*

*To what extent do the owners of small businesses accept the RI&E obligation as reasonable, of itself and compared with other obligations?*

*To what extent does the 'the readiness to comply with standards' (the willingness, motivated by habit or respect, to do what the government asks) concerning the RI&E differ from the level of this readiness in general?*

As far as the extent of acceptance of and the readiness to comply with the RI&E obligation among small companies, we conclude the following:

- The acceptance of the RI&E obligation among companies *without* an RI&E is low: many of these companies believe it is not necessary to perform an RI&E because the company, in their opinion, is too small, there is little employee ill health and/or few occupational health & safety risks and it is not a priority. This is shown by the WEA.
- The WEA also shows that the majority of the companies *with* an RI&E believe it is useful to perform an RI&E. In the group of companies with 1-9 employees more than three-quarters is convinced of the benefit.
- Small companies comply with occupational health & safety policy primarily because it is a statutory obligation (the readiness to comply with standards). This is evident from the WEA. Of the very small companies (1-4 employees) 48% reported of their own volition that they adhere to working conditions policy because it is a statutory obligation under the Working Conditions Act. Other important motives for occupational health & safety policy for the very small companies are the health of employees (35% of the very small companies stated this of their own volition) and the belief that this is morally right (13% of the very small companies stated this of their own volition).

- Possible causes of the low acceptance that emerged from the literature and the meetings with business owners and experts are:
- The regulations are not sufficiently in step with what happens in practice and the business owner's perception of things.
- The priority of business owners is the day-to-day activities and there is no culture of prevention at small companies.
- According to business owners, the effect of performing an RI&E is often invisible.
- While business owners do appreciate the importance of occupational health & safety and agree that these are part of good employership, they do not always appreciate how the RI&E can actually improve working conditions and reduce absence due to illness. They are of the opinion that these aims can be achieved without an RI&E.
- The experts and business owners with whom we spoke say that the RI&E has a poor image. Performing an RI&E is clearly an activity that is regarded as an obligation. As a consequence, companies have an RI&E performed but then do nothing with the outcomes. Thus, there is a certain degree of readiness to comply with standards, but internal motivation is often lacking.
- It is difficult to state the extent to which the acceptance of other legislation differs from the acceptance of the RI&E obligation. From the evaluation of the Foreign Nationals Employment Act, for example, it is evident that the acceptance level is reasonable but that this has barely any influence on compliance. The factors of overriding importance are evidently the likelihood of inspection, getting caught and the severity of the sanction.

***Points for discussion***

- A positive attitude by organisations with which a company has close contact, for example, colleague companies and trade associations, can raise the acceptance of the RI&E. This can be

expected to apply in particular where the relationship with the trade association and/or colleague companies is good.

- While business owners are often aware of risks, they do not appreciate that the RI&E can help when reducing these risks. It is important, therefore, to emphasise the advantages to the business owner rather than the statutory obligation.
- The labelling of the RI&E as positive can raise the performance level among small companies. There lies a task here for the government and intermediary organisations.
- According to the business owners with whom we spoke, RI&E instruments should be designed to fit the business process as far as possible (superfluous questions should be avoided) and to meet the need of business owners for instant solutions wherever possible.
- The way in which companies work affects the acceptance of the RI&E obligation. Companies used to working with protocols accept the RI&E obligation as reasonable because it seems to fit in this framework. We believe that companies not used to this should be offered the RI&E in another way.
- Greater attention to safe and healthy working in vocational education and training for business owners can increase the readiness to comply with standards.

### ***Informal control***

***What is the ‘informal control’ as far as the RI&E is concerned, as may be exercised by, for example, colleague companies, CAO’s (Dutch acronym for collective labour agreements), trade associations and insurers? What do employers know of this?***

As far as the extent of informal control that can be exercised by various players, we conclude the following:

Strong opportunities for fulfilling the informal control role in a *social* sense:

- Employees: staff in small companies can report poor working conditions directly to the business owner. The lines are short and there is less anonymity. On the other hand, the fear of reprisal may be greater.
- Colleague companies: the geographical concentration of small companies in shopping centres can be used to foster informal control. For example, through the Safe Business (*Veilig Ondernemen*) quality mark<sup>2</sup>.
- Suppliers: as part of their provision of additional services, suppliers can help identify the risks to which their customers, the small businesses, are exposed. For example, a supplier of car paints can give companies instructions and advice.
- National trade associations: provided these develop many activities via which small companies are among those reached. If, however, the emphasis is on the provision of information without obligation, barely any informal control role exists.
- Local and regional employers' organisations: because they are the closest to small companies.
- Service providers, including accounting consultancies, which often organise the reporting of employee absence and the contract with the occupational health & safety service on behalf of small companies. They can bring the high costs and scope for making savings to the attention of the small business owners.
- Absence or sector helpdesks:<sup>3</sup> the experts with whom we spoke observed that absence helpdesks or sector helpdesks can also play a role in encouraging companies to comply with the RI&E obligation and in monitoring their compliance.

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<sup>2</sup> This only exists in the Netherlands.

<sup>3</sup> Absence or sector helpdesks are set up by trade associations for their members to deal with absence issues that arise in connection with a collective contract with an occupational health & safety service provider.

The following seem to offer strong opportunities for fulfilling the informal control role in a *sanctioning* sense:

- Certification and quality marks: a KIWA<sup>4</sup> quality mark or a VCA<sup>5</sup> certificate conferred on a contractor by an ordering customer provides strong informal control.
- Insurers, because they can offer premium variation and occasionally refer to their own provision of occupational health & safety services. In addition, the role of insurers may expand as an effect of the privatisation of the implementation of the Resumption of Work of the Partially Employment Disabled Act (WGA).
- Collective Labour Agreements: according to many business owners the collective labour agreement does not play an important role when employment terms and conditions are being set and agreements about the provision of working conditions services are being made; more collective labour agreement agreements about occupational health & safety matters are expected to be made in the future. By contrast, there are examples of intensive horizontal oversight where collective labour agreement obligations are not being fulfilled.

The following seem to offer fewer opportunities for fulfilling the informal control role:

- Corporate social responsibility: small companies are insufficiently familiar with this concept and do not see its value.
- The Chamber of Commerce: small companies regard this body primarily as the keeper of the Commercial Register.
- Trade Unions: the degree of union membership among employees in small companies is very low and declining further.

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<sup>4</sup> KIWA is a notifying body in the Netherlands

<sup>5</sup> VCA is Safety Contractors Checklist; a compulsory safety certification for all suppliers to Dutch petrochemical industries.

Finally:

- The informal control role that can be exercised by, for example, municipalities, the fire brigade and the tax authorities should be investigated further. Municipalities and the fire brigade are interesting players at the local level because many small businesses have dealings with them when applying for a licence to establish a business or building permits. Via the tax authorities the RI&E obligation can be coupled to other mandatory company tax returns.
- According to the experts and business owners with whom we spoke, small business owners do not regard the Occupational Health & Safety Service as a genuine advisor. It may be that the liberalisation of the provision of the occupational health & safety service and the updating of the services offered by the occupational health & safety services have not fully registered with small companies. Occupational health & safety services and individual occupational health & safety experts can raise their service level by assisting the small business owner to fulfil the RI&E obligation, for example, by giving timely warning when the RI&E may soon be out of date.
- Fostering voluntary compliance by means of informal control is one approach. Companies regard the threat of or actual implementation of formal government control as a strong incentive to comply with legislation.

### ***Points for discussion***

- Promising forms of informal control can be investigated further and developed. This concerns:
- The scope for better staff training, so that staff can better play an informal control role.
- The integration of the RI&E with other obligations in one instrument.

- An investigation whether the mandatory returns made by small companies to tax authorities and/or municipalities, such as an application for a licence to establish a business, can be coupled to the RI&E obligation.
- An investigation of the role that the fire brigade and the municipality can fulfil in the fostering of compliance with the RI&E obligation.
- An investigation whether local employers' organisations, such as shop-owners associations, can be used to encourage small companies to comply.

## **Conclusion**

### ***Dominant and alternative policy routes***

Government policy concerning the compliance with statutory obligations related to occupational health & safety, including the performance of the RI&E by companies large and small, consists chiefly of encouraging and facilitating (organisations of) social partners in a sector (often trade associations) to reach agreement on the translation of policy to suit the sector and its implementation. This is known as the dominant policy route taken by the government and it assumes the presence of a certain self-management ability at the meso-level, i.e. among trade associations, to actually make those agreements. Subsequently, it is important that these agreements be implemented at the micro-level, i.e. at employee level in businesses. There exists a gap between these levels, known as the meso-micro gap. This is often difficult to bridge, especially where small to very small companies are involved (Veerman *et al.*, 2007<sup>6</sup>). Even where the self-management ability in a sector appears strong, there is no guarantee that the small companies will be reached.

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<sup>6</sup> Veerman TJ, e.a. Convenanten in context. Aggregatie en analyse van de werking en opbrengsten van het beleidsprogramma Arboconvenanten. (Covenants in context. Aggregation and analysis of the functioning and outcome of the policy programme OSH covenants.) The Hague, Ministry of Social Affairs and Employment, 2007.

The dominant route has been pursued in the past, often but not always with success. When developing any new policy concerning the RI&E obligation on small companies, it may be sensible to first make an estimate of the sector's self-management ability, certainly if the sector is characterised by many small companies. If a sector has many varied interests (heterogeneity of interests) and complex risks (such as work pressure, aggression and violence), strong self-management ability is required. The need for this ability is heightened when such a sector has many small companies.

If after such an analysis it is evident that the self-management ability is strong and the meso-micro gap is narrow, the dominant policy route can be pursued. If the self-management ability is weak and the meso-micro gap is large, there are two possibilities:

1. Building the dominant policy route by supporting sector and trade associations and increasing their professionalism. The digital RI&E projects of the Dutch Occupational Health & Safety Platform were one means by which this has been achieved.
2. Developing an alternative policy route via local players in municipalities where small business owners meet one another.

The alternative policy route is, however, labour intensive and not sector specific. In short, this route should be investigated further. This study shows that small companies maintain the most contacts at the local level and this level provides, therefore, the best opportunities for fostering voluntary compliance with the RI&E obligation.

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