SAFETY MARGIN

JAMIE WHYTE argues that politicians should step away from health and safety regulation...

In all developed countries, governments regulate the safety of workplaces.

They insist that employers meet certain safety requirements, and threaten them with penalties if they fail to – including imprisonment in some cases.

The underlying assumption of such legislation is that, without it, workplaces would not be as safe as they should be. Too many people would be killed and injured at work.

But just how many people should be killed and injured at work each year?

The politicians who introduce workplace safety laws never address this question. If they did, they would soon see that their legislation is not merely unnecessary but harmful.

To see why, consider a similar question that all adults face. How many people should be seriously injured in your bathroom?

Bathrooms are dangerous. They get slippery and they are full of hard surfaces and edges. About 30,000 Brits are seriously injured each year from accidents in bathrooms. That's roughly 0.001 people per bathroom.

Is that too many, too few or about right? Or, to put it in practical terms, is your bathroom too dangerous, too safe or just safe enough?

"A bathroom can never be too safe!" That's what some will say. But no one means it.

Everyone's bathroom could be safer than it is. We could pad the edges of the bath to protect ourselves in case we slip and fall. We could have rubberised floors. We could take out the light fittings, which introduce dangerous electricity, instead lighting the room with battery powered lamps.

But we don't. To avoid the cost, in money and inconvenience, we are willing to bear the increased risk of accidental injury and death. Such safety measures cost more than the extra safety is worth to us.

Similarly, a workplace can be too safe. That happens when its safety measures cost more than they are worth.

Politicians tacitly accept this by not setting their standards as high as is strictly possible. They tacitly accept that a trade-off between safety and cost must be found.

But how should the optimal trade-off be found?

This is where politicians' legislative intervention goes wrong. Unregulated employers already have an incentive to make workplaces too safe: that is, to spend more on safety than it is worth to employees.

Here's why.

Imagine you were offered two jobs, identical in all respects except that the chance of accidental death is 0.6% a year in one and 0.1% in the other. You would choose the safer job unless the dangerous employer offered you higher pay.

How much extra will the dangerous employer need to offer you? Suppose the answer is £5,000 a year. Then this is how much you value the quantity of safety at stake, the 0.5 percentage point difference in your chance of accidental death.

Now suppose an employer could make your job this much safer by spending £4,999. Then he will make this safety improvement because it costs him less than the £5,000 he can save on your wages. He is £1 ahead.

A profit-seeking employer will make every safety improvement that costs less than the value employees place on it.

In other words, a profit seeking employer will find the perfect balance between safety and the cost of providing it.

Regulators can rest easy.

Actually, that's not quite right, because incomes are taxed.

When you demand £5,000 more to increase your chance of death by 0.5 percentage points, you are really demanding only £4,000 because you know that this part of your income is taxed at 20% (let's suppose). You receive only your net salary.

But employers pay your gross salary. An employer will still save £5,000 by providing safety that you value at only £4,000. So he will provide it even when it costs more than it is worth.

In our example, he will spend £4,999 to give you safety you value at only £4,000. Income taxes mean that safety will be over-supplied in an unregulated market.

If politicians want to find the right balance between safety and what it costs, the last thing they should do is force employers to provide yet more safety than they would if uncoerced.

Instead, they should eliminate all safety regulations and tax expenditures on safety at the marginal rate of income tax for the workers concerned.

They won't, of course. If they did, both wages and workplace injuries would increase.

This would be welcome, since it would reflect workers' preferred trade-off between wages and safety.

But the connection between increased incomes and deregulation would be invisible to campaigners.

They would notice only the extra injuries and deaths. And they would attribute them to a wicked neoliberal ideology that puts profits before people. Vote-seeking politicians would soon feel compelled to re-regulate.

Politicians are thus inclined to make regulations that override the preferences of the people they supposedly aim to help. But that's OK when no one can tell.

In politics, helping is not as important as appearing to help●

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