

Incentives for adoption of safe systems of work on farm

Accreditation options

Prepared for

The Farm Health and Safety Joint Research Venture

FOR DISCUSSION WITH INSURERS AND FARMERS

1 March 2004

The purpose of this paper

The Farm Health and Safety Joint Research Venture has commissioned the Centre for International Economics (CIE) to develop and assess options for improving adoption of occupational health and safety (OHS) on farms.

Participation in training courses and raising awareness have been found not to be sufficient to induce significant adoption of on-farm hazard management. Additional incentives are needed. The Round Table considered the potential for price premiums and greater market access as well as financial incentives on inputs into production. The most attractive incentive is thought to be a discount on the cost of insurance products such as worker's compensation, public liability and accident and life insurance. To support a discount scheme insurers would need to be assured that farmers were improving their hazard management and as a result reducing the incidence and severity of accidents. An accreditation scheme is seen as the best way to ensure not only that farmers are aware and have the skills to implement hazard management but that they do so. CIE is interviewing a number of farm groups and insurers to assess the viability of OHS accreditation.

This paper presents two options for OHS accreditation of farms as Farmsafe farms. This information is provided for farmers and insurers as input into their assessment of the viability of an accreditation scheme. The options were developed at a Round Table on December 15 2003 with representatives of the Research Venture, industry quality assurance programs and representatives from insurance and other agencies. A discussion paper is also available that describes the development of Farmsafe Managing Farm Safety packages and presents the evidence on its effectiveness as well as canvassing a range of options to encourage adoption (www.rirdc.gov.au).

A number of questions are posed (in italics) that raise issues where CIE also seek input. Other comments are also welcome. Please send comments to Dr Jenny Gordon at CIE:

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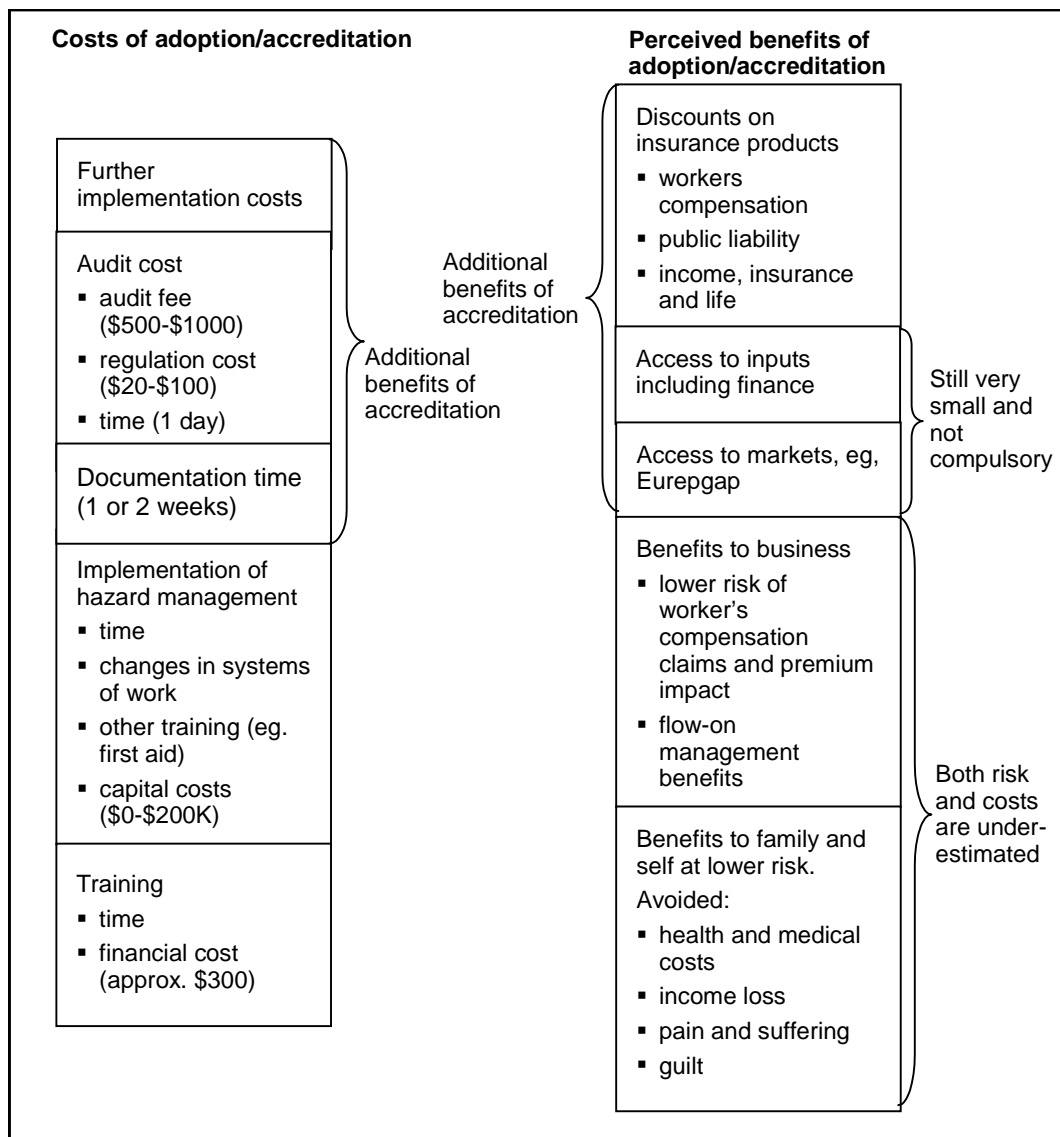
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Please also visit the RIRDC website to participate in a brief survey designed to assess farmer's interest in and views on the accreditation scheme.

Assessing the viability of an accreditation scheme

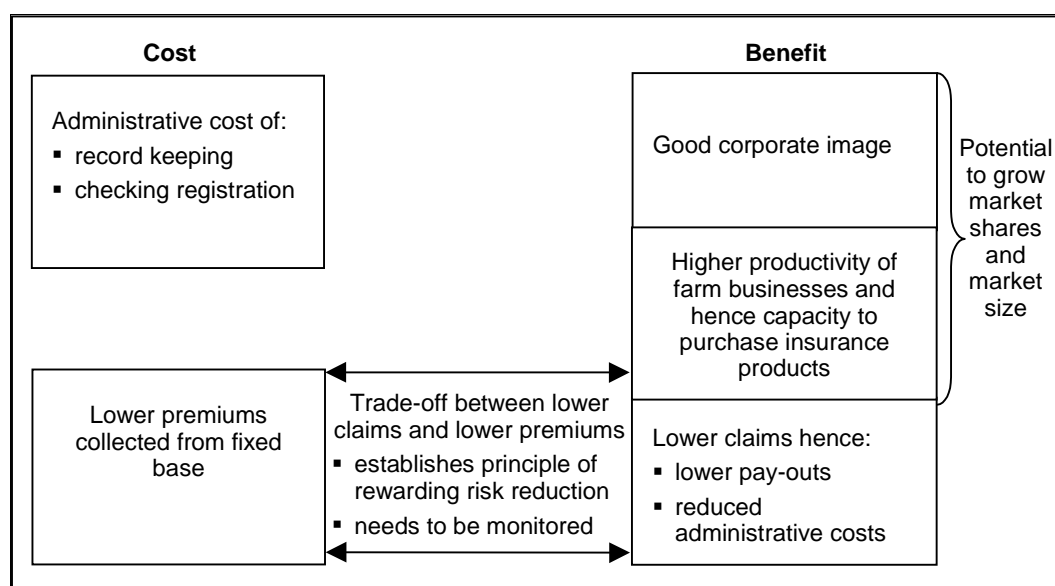
For an accreditation scheme to be viable it must be able to attract a critical mass of farmers participating in the scheme on an on-going basis. The benefits of participating must exceed the costs. Chart 1 sets out the potential benefits and costs to farmers of participation. As OHS is about reducing the probability of negative outcomes the benefits of better farm OHS are not readily apparent to all farmers so the perceived personal benefits (the bottom box on the right) might vary greatly across individuals.

Chart 1 **Benefit and cost assessment for farmers**



If insurers are to provide discounts or other incentives to farmers they also need to be assured that the benefits to their company exceed the cost of the discounts. Chart 2 sets out the potential benefits and costs to the insurers. These will depend critically on the competitive environment for the different insurance markets, in particular the extent to which competition forces a reduction in the risk of an insurance pool to be passed on in reduced premiums.

Chart 2 **Benefit and cost assessment for insurers**



- *How many farmers need to become accredited for the scheme to operate at a minimum cost to farmers?*
- *How big does the financial benefit (total value of discounts offered) have to be for at least this number of farmers to become accredited (for their perceived benefits to exceed their perceived costs)?*
- *What discounts on which products would insurance companies be willing to offer farmers who become accredited and how long would they continue to offer such discounts?*

The CIE is seeking input into answering these questions in its assessment of the viability of an accreditation scheme. As the answers depend in part on what the accreditation looks like this paper sets out two options for accreditation.

Two options for accreditation

Why accreditation?

Pilot studies undertaken by Farmsafe and ACAHS with support from the Research Venture have found that implementation of hazard management increases considerably with a follow-up farm visit after training. It is most effective when an audit is undertaken that also provides advice on implementation. An accreditation process would require an on-farm audit, which could also provide such advice.

- *Are there other, more effective, approaches to increase adoption of OHS on farms?*

Insurance agencies will require proof of adoption of Farmsafe practices in order to reward participating farmers. They will also require proof that adoption of Farmsafe practices reduces accident rates for participating farmers, and that this reduction in accidents improves the bottom line for the agency. This proof can only feasibly be provided by the insurer for their insured pool of farmers. Thus the insurer must have the capacity for and willingness to undertake this kind of analysis.

- *Do insurance agencies require an accreditation process with a national registry that they can contact for verification of registration?*
- *How many farmers in any one industry need to participate to provide statistical evidence of the impact of adoption on accidents and claims?*

Characteristics of successful accreditation

The characteristics of a successful accreditation scheme include:

- consistent agreed approaches to:
 - reduce costly duplication; and
 - maintain the integrity of training and hence its acceptance as accurate and appropriate by the farming community;
- low cost of implementation; with costs including time and personal costs of dealing with complexity and uncertainty as well as financial costs;
- clear and deliverable actions to be taken with clear guidelines as to minimum acceptable standards for documentation of actions;

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- choice over the extent of involvement (levels of compliance for example, Eurepgap's 'major must', 'minor must' and 'should') unless outcomes are contingent on an all or nothing approach; and a
 - demonstrated returns to investors (farmers and insurers).

The Farmsafe program

The two options are both based on the Farmsafe program developed by Farm Safe Australia. Farmsafe is the only farm OHS program that has been developed from the statistical evidence on the causes of accidents on farms and consultation with industry on less common but significant hazards in each commodity production system (see the Issues Paper December 2003). Farmsafe has developed training and implementation packages and accredits trainers to deliver a two-day training course on hazard identification and management. The training package covers industry specific as well as generic farm safety issues and can be tailored to an individual farmer's needs based on their industry involvement. Hazard management packages have been developed for Cotton, Dairy, Sheep/Wool, Viticulture and Grains, and are currently in development for Horticulture, Pigs, Beef Cattle and Sugar. These manuals set out the types of hazards relevant for the industry and approaches to identify and manage them. They also provide formats for documenting management plans and implementation.

The model(s) for accreditation of Farmsafe farms

There are two models for accreditation of Farmsafe farms. They are not necessarily exclusive, although they are likely to suit different industries. The two approaches are:

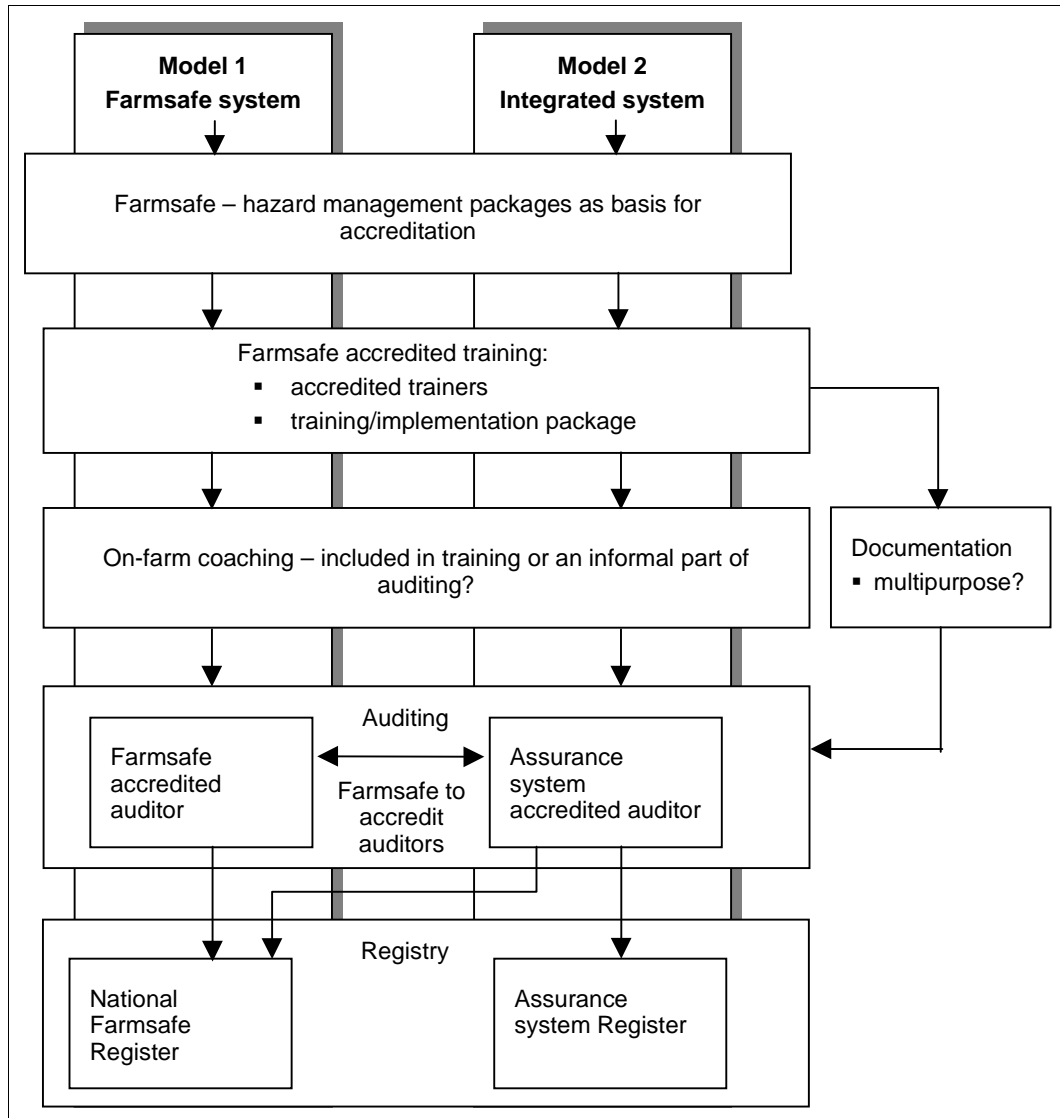
- Farmsafe accreditation as a stand alone system with its own national registry; and/or
- Farm OHS accreditation to be embedded in other assurance systems as a separate module, with registration in both the assurance system and, if the stand-alone system also exists, with the national Farmsafe registry.

Accreditation costs under both systems can be reduced if auditors are approved for more than one system. For example, if a Farmsafe auditor is also trained in Flockcare accreditation, the farmer can be certified in both on one visit.

Key elements as set out in chart 3 are:

- Agreement on the Farmsafe package as the basis for all accredited farm OHS training. Work to promote Farmsafe as the definitive source for farm OHS training programs.
- Agreement on the Farmsafe accreditation of trainers for any accredited training programs. Training of trainers and accreditation of trainers undertaken by Farmsafe.
- The training program to include an on-farm coaching session.
- An on-farm audit to be conducted by an accredited auditor. Auditor training to be provided by Farmsafe. As the most important characteristic of a good auditor is familiarity with the industry it is sensible that auditors would be accredited in other systems such as Flockcare, Freshcare or CattleCare. This would also help to reduce the overall cost to farmers if involved in several systems
- The audit approach should meet the international standards for accreditation systems.
- Documentation required should be streamlined and multi-purpose records developed where possible. Audit focus is to be on risk management assessment.
- Audits to conclude that the farm meets the criteria is working toward the criteria, or has not met the criteria. (Development of draft criteria is described in the issues paper. It is based on current legal requirements under state OHS law and ISO and AS standards.)
- Auditors to report results to national Farmsafe registry and/or the registry of the other system.
- Audits to be undertaken on an annual basis.

Chart 3 Two models for accreditation



- *Should Farmsafe be the sole source of content for training?*
- *Should only Farmsafe be able to accredit auditors?*
- *Should a pass/fail or a grade system be used in accreditation?*
- *Are annual audits required?*

Other issues

Temporary or permanent discounts

Temporary discounts on insurance can provide an incentive for initial adoption. It is an open question as to whether permanent discounts are required to attract farmers to maintain accreditation, or whether once in the system farmers will be willing to stay in the system. The theory behind the temporary nature of the NSW Premium Discount Scheme is that after the initial discount period the employer will have a reduced accident rate and will receive reduced premiums anyway. Given the need for documentation there is a strong possibility of dropout unless incentives are maintained. This has been the experience of a number of EMS and QA systems.

- *Do discounts need to be permanent for farmers to be attracted to the scheme and remain in the scheme?*
- *Are insurers willing to offer permanent discounts to accredited farmers?*

Which assurance systems would be willing to 'opt-in'?

Freshcare have indicated an interest in exploring the second model to develop an OHS module for the Freshcare system where Farmsafe would provide the training and accreditation of trainers and auditors. Issues to be resolved include streamlining of documentation between the systems to reduce the compliance burden.

- *Are there other issues that would prevent the successful development of the second model?*
- *Which other industry assurance schemes would be interested in such an approach?*