

## FORCED EARLY RETIREMENT AS AN ISSUE OF OCCUPATIONAL HEALTH AND SAFETY

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### ABSTRACT

*Early retirement is not always by choice—often it is the best of a bad set of choices arising from work-related chronic injuries and/or dire economic circumstances. While modern societies have long used Workers' Compensation and Employment Insurance as safety nets to mitigate the harm from, respectively, work-related acute injuries and short-term unemployment, they have been more reticent about addressing and resolving chronic work-related risks.*

*This paper, after determining that some jobs and circumstances place some workers at greater risk of forced early retirement than others, considers whether the cost of this harm should be left to workers and their families or be transferred to employers and/or society as a whole. Identifying, allocating and mitigating these costs is becoming ever more important as the concepts of Corporate Social Responsibility move into the mainstream of corporate and social awareness.*

*This paper concludes that if appropriate social institutions are established to resolve this social issue, accounting for the associated costs becomes almost trivial and is well within the scope of traditional accounting.*

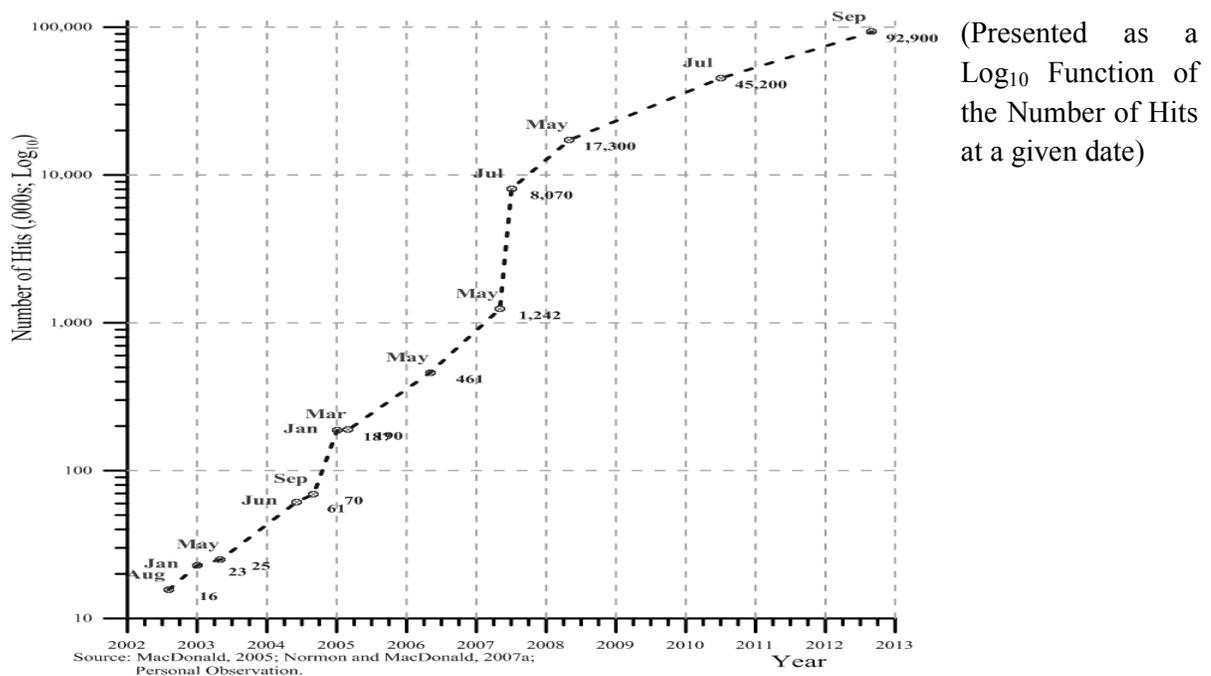
**KEY WORDS:** *Early retirement, Poverty, Fairness, Chronic harm, Corporate Social Responsibility Accounting and Triple-bottom-line.*

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### INTRODUCTION

This paper considers from a corporate-social-responsibility perspective an optimal allocation of the costs of the chronic harm that some employers cause their employees. Corporate Social Responsibility is becoming an ever more important issue for businesses and has given rise to such socio-accounting concepts as *the Social Return on Investment, CSR, the Double Bottom Line* and *the Triple Bottom Line* (Utting, 2005; Savitz & Weber, 2006). While The Triple Bottom Line (3BL) concept has critics (Norman and MacDonald, 2004, 2007a, 2007b), its escalating importance is evident in Figure 1, below. In its simplest form, 3BL means *People, Planet, Profits*. While these ideals are all recognised as important, the main criticism of 3BL is that it is more of a feel-good rhetoric sporting multiple fuzzy measures, than a sound means for corporations to measure, manage, and account for their social responsibilities (MacDonald, 2005; Norman & MacDonald, 2007b).

Figure 1: Google Hits (,000s) for “Triple Bottom Line” or “3BL” or “TBL” Google



This paper agrees that Corporate-Social-Responsibility-Accounting concepts are neither sufficiently focused nor rigorous enough to be incorporated into the Conceptual Framework of Accounting. However, if the public become aware that a firm is shirking its social responsibility, they have means to hit back via boycotts, taxes, legislation, etc. Thus, corporate social responsibility remains important to the Accounting discipline—it is a responsibility of Accounting Theorists and Practitioners to develop practical methodologies for firms to measure, manage, and account for their social responsibilities. In that spirit, this paper studies the chronic harm that some employers cause their employees with the objective of identifying socially efficient ways to identify and estimate the associated costs. Accountants would then perform their social role as recorders and reporters of trusted information (i.e. fair, unbiased, and verifiable) as an input to the stakeholder decision process (Wright & Sayed, 2003).

Almost all forms of remunerative effort have associated risks of injury, disability, and/or death. Canada’s approach to optimising the trade-off between the risks and benefits of work is Workers’ Compensation—a combination of:

- 1) Insurance to remove a large portion of the post-accident costs of work-related harm from those harmed and/or their families,
- 2) Premiums that transfer those costs to employers on an actuarial-basis so as to encourage them to optimise the risks associated with the employment they offer,
- 3) Government inspection and enforcement of worker-safety codes and laws to optimise the pre-accident risks of work,
- 4) Accident investigation and reviews to enhance worker-safety codes and laws, and
- 5) Premium reductions as an incentive for employers to manage pre-accident work-related risks with safety training, first-aid facilities and attendants, safety officers, and other safety-related programs.

The Workers' Compensation programme appears to function reasonably well in resolving the interest trade-offs between workers, employers, and society as a whole. However, chronic injury has been an area of contention with long-running major court battles, arbitrations, and public-relations campaigns.

This paper recognises that resolving the harm from repetitive-motion injury, long-term exposure to toxins (e.g. electromagnetic radiation, silicon dust, lamp-black, sick-building syndrome), chronic stress, or education deficiencies is important. However, the focus in this paper is on changing outcomes rather than regulating the plethora of causes of those outcomes.

A basic thesis of this paper is that if society can transfer a significant portion of the costs of work-related forced early retirement and/or work-related premature death to employers, then reasonable efforts will be made by those employers to optimise the plethora of causes of those outcomes—just as the current Workers' Compensation programme encourages optimisation of the plethora of work-related acute injury.

### WORK-RELATED CHRONIC HARM

While it is clear that some jobs are harder than others, is there strong evidence that the accumulated chronic harm from some jobs can lead to forced early retirement and/or premature death?

The anecdotal evidence is strong. A number of diseases have historically been linked to specific occupations:

- ❖ ***Mad as a hatter*** is a phrase reflecting the effect of mercury on people who formed hats from beaver felts,
- ❖ ***Caisson's Disease*** (the Bends) afflicted people working on bridge caissons and tunnels (hundreds of feet below the surface) where air pressure was used to drive water out of the work space.
- ❖ ***White Lung*** (silicosis) crippled and killed hard-rock miners who breathed rock dust in mine shafts.
- ❖ ***Black Lung*** crippled and killed coal miners who breathed coal dust in mine shafts and rubber workers who mixed lamp-black into rubber compounds.

While legislation and other reforms have reduced the incidence and severity of these diseases, there are still many diseases associated with various types of work:

- Repetitive Motion Disease (e.g. carpal tunnel syndrome) afflicts many workers (e.g. supermarket cashiers, keypunch operators, professors, etc.). Even though great strides have been made in workplace ergonomics, few employers are willing to incur the costs of applying those ergonomics. (emedicine, 2005).
- Reynaud's syndrome (i.e. deadening of the nerves at the end of the finger tips and cold hands—caused by exposure to toxins (e.g. heavy metals, PVCs, cigarette smoke, and/or alcohol) or to occupational trauma. Affects electronics technicians, chain saw operators; pneumatic hammer operators; pianists) and forces many into early retirement. (FLC Nursing, 2005).
- Carpet layers tend to have knee trouble because they use their knee to drive the knee-kicker carpet-tightening tool. (NIOSH, 1990).
- Auto-body repairmen tend to suffer arthritis of the knees and asthma from kneeling on cold concrete floors and breathing dust from body putty.
- Auto-body painters tend to have liver trouble—probably from exposure to solvents.
- Silicosis can kill or maim workers in construction, demolition, and rock drilling (NIOSH, 1992, 1996).
- Heavy-duty mechanics tend to be forced from employment in their fifties due to arthritis of the knees, hands, and back.
- Brick-layers in Australia tend to suffer high rates of skin cancer—all other outdoor workers engaged in heavy labour may be at risk.

- Dentists tend to have higher than normal rates of heart-attacks, strokes and suicide.
- Professional divers tend to suffer a chronic variant of Caisson’s Disease (the *bends*) that leads to bubble-weakened bones (Lanting, 2003).
- Life-Insurance companies tend to *rate* (i.e. charge higher premiums) slaughter-house workers higher than the general public, but do not rate workers doing similar work in fish-packing plants—in North America, there is a correlation between slaughter-house employment and violence. (GU, 2002).
- Workplace Bullying (Needham, 2003; Clarke, 2005) is increasingly recognized as a source emotional harm (e.g. malaise, fatigue, angst, feelings of reduced self-worth, suicide, heart attack/stroke) that is needlessly suffered by employees in many industries, especially those with hard to measure white-collar/intellectual outputs.

More subtle effects appear to be associated with certain types of work—an adaptation of a review of 15 EU nations (Auer & Fortuny, 2002) profiles who is more likely to retire early (Figures 2 and 3) and suggests that workers with lower educational qualifications have a greater propensity to retire early.

Figure 2: Employment-rate Distribution, by Education, of Males Aged 55-64  
(Adapted from Auer and Fortuny, 2002, Table 4)

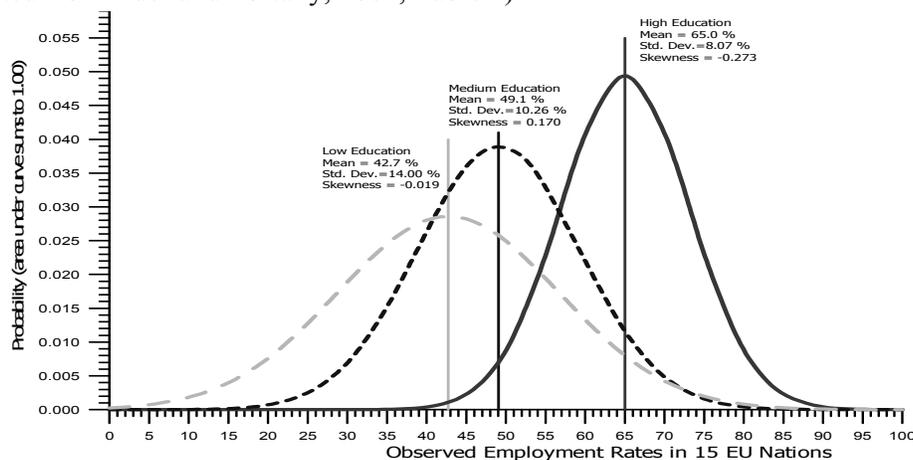
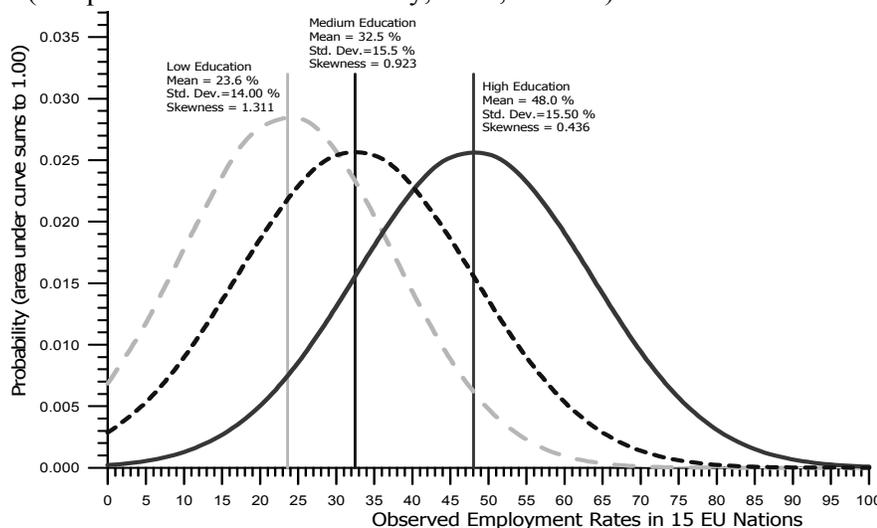


Figure 3: Employment-rate Distribution, by Education, of Females Aged 55-64  
(Adapted from Auer and Fortuny, 2002, Table 4)



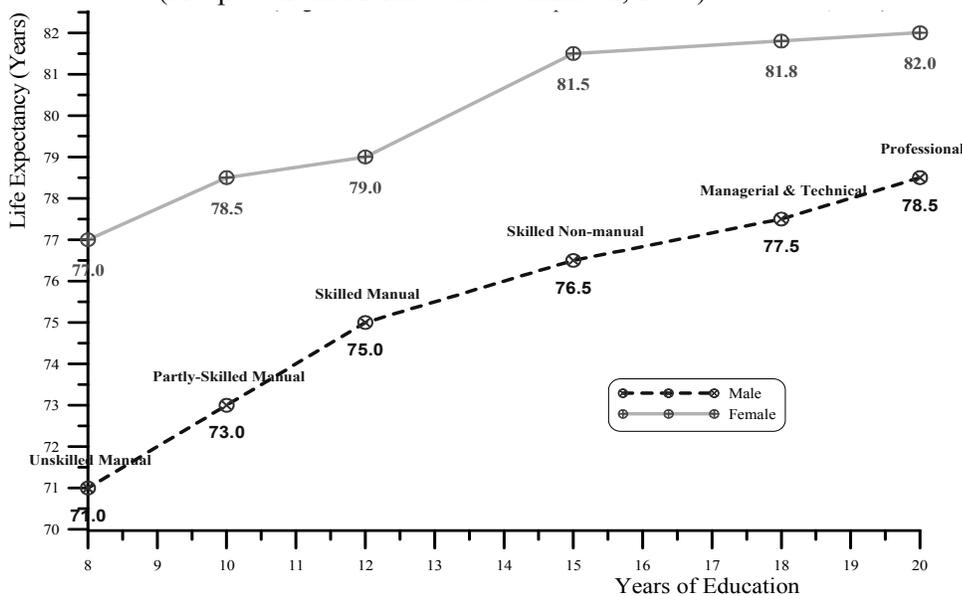
This effect appears to be due, in part, to declining health (Table 1 and Figure 4), job losses, and/or other narrowing of work options that often afflict older, less educated workers.

Table 1: Occupational Class Differences in Life Expectancy, England and Wales (1997-99 -- Adapted from Marmot and Wilkinson, 2000)

OCCUPATION	EDUCATION LEVEL (YEARS)	LIFE EXPECTANCY (YEARS)	
		Male	Female
-- Professional	20	78.5	82.0
-- Managerial & Technical	16	77.5	81.8
-- Skilled Non-manual	12	76.5	81.5
-- Skilled Manual	11	75.0	79.0
-- Partly-Skilled Manual	10	73.0	78.5
-- Unskilled Manual	8	71.0	77.0
RANGE	12	7.5	5.0

These long-term chronic effects are the focus of this paper. They are rarely (if ever) linked to one on-the-job incident are often difficult to link to the job—in some cases, (e.g. the slaughterhouse-effect on life insurance ratings) they may involve the type of people who are willing to do the job (which confounds the effect of the job on the workers), and/or (as in the case of Raynaud’s Syndrome) be compounded and confounded by self-inflicted harm (e.g. smoking and excess alcohol consumption) that may, itself, be exacerbated by work-related stress.

Figure 4: Life Expectancy vs. Occupation Class for England and Wales (1997-99) (Adapted from Marmot and Wilkinson, 2000)



**THE SOCIAL ISSUE AND ITS RESOLUTION**

There is clearly a correlation between the diminishment of the capacity to enjoy a long, prosperous life and tenure in some jobs. This impairment comes in a variety of forms—chronic injury (arthritis, diminished lung function, nerve damage, etc.), emotional injury (stress, shellshock, fear, etc.) diminished learning capacity, proclivity to violence, and other effects that can generally diminish the quality and

duration of life. The causation of these effects is more difficult to prove than simple correlation and, as a result, assigning responsibility for relief of consequences is problematic—who should pay what, for the consequences of these effects?

In prior centuries, workers were seen as just one more expendable to be acquired, used and replenished at the whim of their betters—employers. The streets of the 18<sup>th</sup> and the 19<sup>th</sup> Century Western cities were littered with broken soldiers, loggers, miners, factory workers, etc. who due to work-related factors (including life-style) were no longer fit for work and had to beg or pilfer a living as best they could.

“Am I my brother’s keeper?” (Genesis 4:9) has never been fully answered, but modern societies increasingly accept that: We all have a duty to reduce the harm we do one another. This duty was expressed first in anti-slavery legislation and then in laws against child labour and then in progressively meticulous efforts to improve the lot of workers. Workers’ Compensation laws incorporated new understandings of externalities by returning to employers, at least, part of the costs of acute injuries and employers, after internalising those costs, acted to optimise injury rates.

The nature of work-related chronic injury and/or premature death is so amorphous that pre-event regulation is likely to be problematic and ineffective. Reliance on the courts for post-event compensation may benefit lawyers more than victims—i.e. proof is costly and hard to come by for most situations. Self-regulation will impose hardships on responsible employers by making them less competitive in the short run. If the causes of work-related chronic injury and/or premature death are amorphous, the outcomes tend to be more definitive. Therefore, in resolving this issue, society and corporations must be outcomes focused.

## THE COSTS

At present the costs of work-related chronic injury and/or premature death are borne mostly by individual workers and their families. These costs include:

- Reduced earnings,
- Reduced quality of life,
- Increased medical and rehabilitation costs,
- Reduced access to services,
- Reduced social contact, and/or
- Increased dependence leading to loss of respect by self, peers, and dependants.

While prevention is always superior to compensation, compensation makes the burdens easier to bear and the re-allocation of a portion of the cost burden to employers forms part of a long-term solution—by encouraging the prevention of future harm.

## CONCLUSION -- EVOLVE WORKERS’ COMPENSATION

When individuals face the uncertainty of outrageous ill-fortune, insurance can transform uncertainty into risk and then remove it via premiums and coverage (e.g. life, fire, auto, and disability insurance). When the insured risk can be managed, as a basic principle, those who can best control the risk should pay the premium. In the case of work-related chronic injury and/or premature death, employers tend to have the most control over the outcomes.

A policy implication of this paper’s findings is that Workers’ Compensation premiums and services should be expanded to cover work-related forced early retirement and premature death. Such an expansion of services should be founded on extensive analysis and research by National Statistics Bureaus of this issue and the design of the programme should pre-empt efforts by less-responsible employers to escape the consequences of past bad actions—e.g. via programmes that pressure older workers into *voluntary* early

redundancy. Another desirable feature of this approach is that it reduces the complexity of accounting for the associated social issues to the more traditional-accounting role of recording actual and contingent liabilities.

Future research in this area should include:

- ✓ A full enumeration of the costs of work-related chronic injury and/or premature death requires further study, deliberation, and debate,
- ✓ A review of the contingent liabilities that firms should record and/or consider in recognition of past, current and contemplated bad actions, and
- ✓ Consideration of what other social and ecological issues may best be resolved via a government or UN sponsored insurance programme—instead of the hand-waving rhetoric of 3BL.

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