

# Optimistic and pessimistic views on hiring smokers:

## *Total fringe benefit costs for smokers vs. non-smokers*

Many companies are adopting restrictive policies about smoking in the workplace. This direction is usually related to the rights of non-smokers and the established ill effects of "second hand smoke". There are other good economic reasons for discouraging employees from smoking. Smoking in the workplace results in higher facilities costs: more frequent repainting, airhandler maintenance, effects on furnishings; lost time is higher for smokers due to more frequent breaks and sick time, and smokers have higher health care costs. However, it's been suggested that total fringe benefits for heavy smokers hired late in their careers may actually be lower than for non-smokers as life expectancy is less and so there may be substantial savings on pensions for smokers.

Suppose you are the benefits director of a large company, and you want to develop a policy of hiring only non-smokers, moderate discrimination, or no discrimination against the large number of smokers that have trouble getting jobs at other companies. One of the uncertainties is the possibility that advances in medical science might give effective, albeit costly, treatments for the health effects of smoking, that would prolong the lives of smokers, or else that someone might discover breakthrough cures - either for the ills or for curing smoking itself.

The following table gives costs that might reflect this situation:

### Total benefits cost as a function of policies on hiring smokers (\$M)

	medical progress			optimist	pessimist
	none	treatments	cures	(Maximax)	(Maximin)
only non-smokers	200	200	200		
some discrimination	360	280	210		
no discrimination	150	300	220		

### Potential Regrets about policies on hiring smokers

	medical progress			Minimax
	none	treatments	cures	regret
only non-smokers				
some discrimination				
no discrimination				