

Keynote address

Ann Sherry

Chair, Safe Work Australia

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Ann Sherry:

Welcome to the 2015 Virtual Seminar Series where business leaders, academics and work health and safety experts share their ideas, experience, skills and knowledge about good work health and safety practice.

Hello. I'm Ann Sherry, Chair of Safe Work Australia the national body that develops policy to improve work health and safety and workers' compensation arrangements across Australia. As Chair of Safe Work Australia, CEO of Carnival Australia and board member of a number of major Australian businesses I understand how the health and safety of workers affects business success, profitability and sustainability. This is an issue that's very close to my heart.

Work health and safety should not be a box ticking, bureaucratic exercise that detracts from the real work of getting the job done. In fact workers' health and safety and business success are co-dependent and so inextricably linked that neglecting work health and safety can drop your organisation share price or hit your profitability.

I'll start by looking at the very heart of the Australian Work Health and Safety Strategy where lies the vision of "Healthy, safe and productive working lives." The idea that productivity, business success, the bottom line is directly linked to good work health and safety is not new but it's one that some businesses struggle to put into practise. This is because business productivity is typically measured only by easy to quantify economic results like the number of items produced or the quality of services provided, a company's buildings, plant and equipment, the skills of its workforce, the value of its contracts. These measures of an organisation's success are great but they don't take into account two things – the cost of poor work health and safety and the return on investment of good work health and safety.

So today I'll talk about the evidence, about how I know that health and safety businesses are productive and sustainable in the long term. We know that in Australia the total economic cost of work related injuries and illness is well over \$60.6 billion each year. Or to put it another way, these human tragedies waste 4.8% of our Gross Domestic Product. Evidently poor work health and safety is expensive. If your workers become sick or injured you lose production time. You have to pay for sick leave, overtime and back filling. There's possible damage to your equipment and plant. Your insurance premiums may go up and you may have to shell out fines or penalties not to mention the harm that a prosecution could do to your reputation. And let's not forget that poor work health and safety practice can lead to legal sanctions and reputation damage which in turn lead to the loss of business opportunities and access to key suppliers and clients.

So if the cost of poor work health and safety is so high then it follows that by improving work health and safety we avoid these costs. That alone should be a reason to invest in better work health and safety. But this is only part of the benefit we see. Not only can we avoid unnecessary costs we can actually make businesses more productive and the data supports this idea. Our research and research from around the world tells us that improvements to work health and safety practice lead to productivity benefits like improved timeliness, delivering the right product on time, making the best use of workers' skills and knowledge by identifying the best people for the job which in turn improves workers' motivation and engagement. Improved motivation and enthusiasm shows positive results in fields like sales and public

contact areas and improved work health and safety practices improves performance for example by reducing errors and increasing innovation.

Recent cost benefit analysis studies from the European Union demonstrate a 220% return per employee per year when investing in work health and safety. In the United States a study in the construction sector found that 43% of businesses achieved faster project scheduling through improvements to work health and safety. Fifty-one percent achieved a higher project return on investment. Two thirds of companies found that work health and safety improvements gave them a competitive advantage like an increased ability to contract new work and improve project quality.

Furthermore businesses that measurably and visibly treat their workers well, build their public reputation by leveraging the potential of corporate social responsibility - an idea that's becoming more and more important in the eyes of consumers.

So this kind of attention to work health and safety has a knock-on effect to a business's public reputation and an improved public reputation draws in new customers ultimately improving the company's value. As investors begin to take more account of these elements of a business's performance companies are finding their work health and safety performance does matter on the stock exchange. If the market has concerns that poor health and safety performance may reflect poor management more generally this can harm share prices.

So the main value in investing in better work health and safety lies in the broader strategic and longer term benefits it can bring. The important question now is "How?" How can business do this?

Well there's strong evidence that business outcomes are improved when organisations address work health and safety risks along with other business risks. To achieve good safety outcomes that measurably contribute to productivity and the bottom line work health and safety must be treated as an integral part of the overall management of the organisation not seen as separate from the main business function.

Now this is all well and good for big business which can afford to plan for a long term return on investment. For small business the timeframe for investment payoff needs to be fairly short. Investing in something that will pay off in say five years may not be particularly compelling for small business owners and it's here that the role of supply chains becomes evident. Within the supply chains that support small business are big players that can be a major influence on the small ones to improve their work health and safety. Not from an enforced compliance perspective, instead big players can expose small to medium enterprise owners to innovative processes, capability and expertise.

And risk management is also a key part of how businesses can improve. Small, medium and large businesses can all benefit for managing risk well. There's evidence that companies which manage their risks well including their health and safety risks perform better financially than those that do not. Work health and safety must be treated as an integral part of overall management not seen as separate from the main business function. It must be included in all business planning and decision making. Work health and safety and quality systems must also be well integrated with the broader business management of planning systems and must feed back into those with suitable metrics to allow business leaders to judge their performance.

Now let's come back to the Australian Work Health and Safety Strategy's vision of healthy, safe and productive working lives. Clearly this vision is not just an aspirational declaration. It's a necessity because long term profitability and sustainability rely heavily on good work health and safety practice. Business not only can build healthy and safe environments for their workers and be productive, they must do so or risk failure.

So to sum up there are three take-home messages that I want to share with you. Good work health and safety brings benefits that outweigh the costs to productivity, quality and innovation. Poor work health and

safety can compromise a business's reputation and damage its share value or profitability and the path to good health and safety is through risk management. When we manage all risks including work health and safety risks as a normal part of doing business businesses will be more sustainable and profitable.

If we can take those messages back to your management teams at all levels and the board room we can drive safer and more productive work places in Australia. Stay tuned to the Safe Work Australia Virtual Seminar Series where you'll hear a lot more on the topics I've discussed today.

Thanks for listening.

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