

Safe workplaces needed for sustainable growth

The safety and welfare of workers is rarely prioritized by boards or senior management, whose focus remains predominantly on financial performance. In the context of the worrying data – more than one death a day for just the NSE-500 companies, boards need to rethink their priorities.



India's rise as a manufacturing hub has been significantly influenced by geopolitical shifts, with businesses around the world seeking to diversify their supply chains. However, the foundation for this transformation was laid well before these global changes, notably with the launch of the "Make in India" initiative in 2014. This program was designed to rejuvenate the manufacturing sector by promoting innovation and positioning India as a global leader in production. Central to this initiative are several supportive government policies, including the Production Linked Incentive (PLI) schemes, simplified regulatory processes, a focus on infrastructure development, and an emphasis on skill development. These measures are all aimed at stimulating business growth and making India an attractive destination for manufacturing investments.

India's demographic dividend, which provides a large and youthful workforce, complements these policies. This combination of a growing market and a steady supply of labour creates an environment ripe for business expansion, making India a preferred location for companies looking to establish or expand their manufacturing operations. As a result, India is poised to become a critical player in global supply chains, potentially serving as a cornerstone in the global manufacturing landscape.



However, the economic vibrancy that comes with this growth is not without its challenges. Workplace accidents and occupational hazards are significant threats to the health and well-being of workers. Unfortunately, workplace safety in India remains a critical concern. BRSR (Business Responsibility and Sustainability Reporting) data for the NSE-500 companies is worrying: the total workplace injuries increased to 10,726 in FY23 from 9,880 in FY22, while the high consequence injuries increased by a third to 904 (- from 676 in the earlier period). Although the total fatalities are lower at 463 in FY23 from 586 in FY22, it is more than a death a day. Data can be accessed by clicking on the image of the India Workplace Safety Report FY23 or clicking this link: <https://tinyurl.com/34s8htnf>

There are two disturbing features as one looks at this data. First is that this relates to the top 500 companies, which represents just a small fraction of India's workforce; approximately 90% of workers in India are employed in the informal sector, where conditions are often more hazardous. This stark reality underscores the urgency of prioritizing workplace safety across all sectors.

Moreover, being better capitalized and with access to more resources and material, the injuries in this cohort of companies should be much lower, suggesting that the number in the informal sector will be higher, in percentage terms at least.

The second is that this data relates to direct employees and does not give data regarding contract employees. Capturing and reporting this data can only mean that the actual numbers are higher. This is because increasingly work is no longer undertaken by direct employees but is farmed to temporary workers or contracted out. An example is the death of six-workers while discharging hazardous chemicals. These were not reported by the company, which argued that the task was contracted out. Such data has to be reported and calling for it, is an easy fix.

The BRSR mandates that companies disclose data relating to safety related incidents, for both employees and workers. Under four heads. These are total recordable work injuries, fatalities, high consequence work-related injuries and lost time. Companies report data for direct hires. Asking for this data to include contract employees, will give a more complete picture.

Aaten Thijs of APG, the largest pension fund in Netherlands (disclosure, APG encouraged us to look at workplace injury, as did HDFC Ergo General Insurance) noted that "Shareholders are rarely apprised of the gaps which led to the injuries/fatalities, nor the countermeasures taken to prevent recurrence. Very little commentary is provided on KPIs, incident reporting mechanisms, and distribution of compensation in case of adverse events. Insurance coverage is weak and often does not cover contract workers. Similarly, for a majority of companies (more than 70%) health and safety policies do not cover value chain partners."

This situation is largely attributed to weak oversight and leadership apathy. The safety and welfare of workers are rarely prioritized by boards or senior management, whose focus remains predominantly on financial performance. Safety audits are often reduced to mere formalities, rather than tools for instilling a safety-first mindset throughout organizations. Boards need to rethink their priorities.

Accidents are more than just statistical numbers - they lead to human suffering and impact individuals, families and at times, entire communities. Beyond the ethical imperative to protect workers, the economic impact of workplace accidents is substantial as businesses incur significant costs, including medical expenses, lost productivity, and potential legal liabilities. These costs can hinder economic growth and erode the financial health of businesses.

Ensuring safe working conditions is more than a moral obligation as it also promotes sustainable economic growth. Safe workplaces attract and retain skilled workers, enhance the reputation of businesses, and build trust among stakeholders all of which contribute to long-term success and competitiveness in the market.



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The full document “India Workplace Safety Report FY23” can be accessed through this [link](https://tinyurl.com/34s8htnf) or through typing the following url: <https://tinyurl.com/34s8htnf>



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