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Speech given by Dr.-Ing. Axel Stepken:

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on

"Occupational Safety and Health as Core Elements of Sustainable

Corporate Action"

at the opening of the ILO Conference "Implementing Occupational Health and Safety Standards Globally" on 4 November 2009 in Duesseldorf

Ladies and Gentlemen,

On behalf of the International Labour Organisation and TÜV SÜD, I would like to welcome you to this Conference.

I would like, in my opening address, to discuss how occupational health and safety support sustainable corporate action.

First, however, allow me to explain briefly how TÜV SÜD is connected with this subject.

On 6 January 1866, 21 owners of steam boilers joined forces to establish a company providing for the inspection and insurance of steam boilers. The business purpose of this private-sector regulatory body was to protect people and property against the risks emanating from a new, largely unknown form of technology – in other words, the prevention of accidents and illness at work. And this takes us straight to the core of the subject because, looking back on a long tradition, TÜV SÜD has evolved from this private-sector regulatory body established by steam-boiler owners in the 19th century. Today, TÜV SÜD and its roughly 14,000 staff operate at global level, still striving to ensure safety and economic value-added for their clients. It goes without saying that promoting the health and safety of people at work is one of our top priorities in this context.

We are firmly convinced that investments in the physical and mental health of our employees and in safe workplaces are crucial contributions to a company's economic success. Sustainable, socially accountable and efficient corporate actions are not mutually exclusive. Quite the contrary, in fact: they are mutually

dependent. Given this, companies should pay special attention to the health and safety of their workforce.

As a tripartite UN agency, the ILO has been promoting "decent work" for decades. "Decent work" is the ILO's goal and determines its agenda. In this context, the term "decent work" covers far more than occupational health and safety in companies. "Decent work" means that people can work under conditions of freedom, equality, security and dignity.

In other words, an employee provides "decent work" and, by way of compensation, also expects to be treated "decently". This expectation refers to various factors, including adequate pay, employee rights, recognition of the work, personal development and gender equality. Countless companies in many regions all over the world already respect and implement the right to "decent work".

The globalization of the world's economy, however, also adversely affects this area in particular: increasing economic pressure not only causes the situation in the industrialized world to deteriorate, but also transfers the risk to less developed countries. In some economic areas and regions of the world, health and safety at work are often reminiscent of the conditions prevailing during Central Europe's Industrial Revolution – when occupational health and safety were non-existent. Working days of up to sixteen hours were the norm, machinery was unsafe and serious injuries or even fatalities occurred on a daily basis. At that time there was no such thing as accident or health insurance, so that injured workers became disabled and were dependent on the charity and

hand-outs of others. Social awareness developed gradually, bringing in its wake demands for minimum standards in safety at work and in fair treatment of staff.

Where do these demands for "fair" working conditions come from? The ethical obligation to ensure occupational health and safety can be attributed to the categorical imperative of the philosopher Immanuel Kant: "Always act in such a way that you can also will that the maxim of your action should become a universal law."

In other words, dear employers, treat your employees in the way that you would like to be treated if you were in their place.

While we fulfil some of our moral obligations out of genuine conviction, many others do not become socially effective until they have been standardized and codified in a certain way.

Around 1900, for example, merchants in the city of Hamburg used to conclude contracts verbally, sealing them with a "handshake". This only worked, however, because the merchants knew that these contracts could be enforced in court, which generated the social awareness that contracts had to be fulfilled.

As another example, the prices of "decent" companies which ensure safety and human dignity at work would be undercut by "indecent" companies. In this case, decent companies would be the losers. However, equal conditions for all competitors is only one of the reasons why it is a good idea for "decent workplaces" to be required by law – in Germany, for example, by the Occupational Health and Safety Act.

Above all, however, designing safe and healthy workplaces is in the best interests of the companies themselves. The commitment shown by many companies far exceeds the legal requirements, as they benefit from a lower level of absenteeism due to illness and injury, a motivated workforce and – a factor not to be underestimated – from the fact that they can present themselves as good employers in their efforts to attract skilled staff. After all, candidates looking for the right job regard these factors as increasingly important, and many companies are rising to the challenge. Only yesterday evening, in fact, we joined with the German business magazine Handelsblatt and research institute EuPD to present the Corporate Health Award to ten German companies which showed outstanding commitment to health at work.

The subject of "fair working conditions" is also a growing focus at international level: While many European countries report new all-time lows in the number of occupational accidents almost annually, the low-wage countries in particular have considerable catching up to do.

To cut costs, many companies from industrialized countries have relocated their production facilities to countries where wage costs are low and legislation is more employer-friendly. The problems associated with such relocation, such as child labour and toxic ingredients in products, have increasingly been highlighted as subjects of discussion by the media and society. If the worst comes to the worst, such scandals may destroy a company's reputation and force it into insolvency.

Today, many companies are aware of this risk. By now, every major company operating globally has signed compliance guidelines, a voluntary commitment or

ethic codes and carries out on-site inspections. Nobody should have to work under inhuman, unhealthy conditions any more, Ladies and Gentlemen. All of us here in this hall share this conviction. Companies moving into these countries to benefit from economic advantages also have the responsibility to export our conviction that occupational health and safety is a must and that human and humane workplaces involve indisputable advantages. Luckily, there are many examples where this has been implemented excellently.

Ladies and Gentlemen,

serious or fatal accidents at work are becoming less and less frequent in industrialized countries. On the one hand, this can of course be attributed to the fact that there are fewer and fewer jobs in production. However, another not insignificant cause of this development is the continuous improvement undergone by occupational health and safety measures.

Nevertheless, "work" is still a frequent cause of illness even in "developed" countries like Germany. While ill staff can no longer contribute to the income of their companies, they continue to receive wage payments. According to Germany's Federal Institute for Occupational Safety and Health, 437.7 million days were lost due to illness and injury in Germany in 2007! This equals a loss in production of approx. 40 billion euros and a loss in gross value-added of 73 billion euros. Every day lost through absence costs a company an average of over 400 euros.

Loss, however, is not limited to absenteeism due to illness and injuries. Another form of loss is incurred by "presentism", a term used to describe the phenomenon of ill employees who show up for work but cannot perform

effectively owing to their illness. Fearing for their jobs, many employees no longer dare to take sick leave. Estimates assume that the costs incurred by presentism are three times higher than those caused by actual absenteeism due to illness and injuries. These totals and figures give pause for thought!

Where sickness-based absenteeism is concerned, we notice that mental ill-health in particular is on the rise. An increasing number of people are experiencing psychological stress at work. In Germany, for example, one in three early retirements today is on the grounds of mental ill-health. Sooner or later, these problems will make an impact throughout all regions of the world.

The increase in mental ill-health can be attributed, at least to some extent, to the development of our economies from agricultural to industrial and knowledge-based, which has caused physical strain to decrease but mental strain to become more severe. Growing mental strain is caused by worries over job security, time pressure, high demands for mobility and flexibility, being constantly "on call" due to mobile phones, BlackBerries and other devices, and last but not least the intensification of work – which means that an increasing amount of work must be completed in the same time. Of course, all of the above are phenomena which will be observed throughout the world sooner rather than later.

In the long term, investments in the physical and mental health of staff will always pay off: companies will save more from reducing the need for continued wage payments during illness than they spend on OH&S measures. According to a study by PriceWaterhouseCooper (PWC), companies gain three dollars or euros for every dollar or euro they spend on preventive measures.

Investments, however, are hardly a favourite topic in times of economic crisis. Many companies are recording losses or decreasing revenue and are forced to economize. Large corporations must lay off staff or introduce short-time working, or are even forced into insolvency. Isn't it high time, in view of these developments, to economize on the "luxury" of "comfortable working conditions"?

I am firmly convinced, Ladies and Gentlemen, that such an approach of "belt-tightening" is wrong and far too short-sighted. This is exactly where sustainability must be factored into the equation. Generally, "sustainability" means meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is always about thinking in the long term.

Ladies and Gentlemen,

the crisis will soon be overcome. If companies now cut back on occupational health and safety, they will pay the price for this in the not-too-distant future. If the worst comes to the worst, we will no longer have a sufficient number of healthy staff to shoulder the future upturn, the motivation of remaining staff may be poor or non-existent, and only top employers will still be able to recruit specialized experts. In addition, we would face significantly higher health and pension costs caused by illness or early retirement among staff.

In Western countries, we naturally also need to consider demographic change and its consequences. Here, the population pyramid is no longer a pyramid, but has already acquired a prominent bulge in its middle. The middle age groups

have already sharply increased in numbers. In 2030, the population pyramid will once again be in the shape of a pyramid, but this time inverted! The number of older people will have risen dramatically, while there will be fewer and fewer young people. Consequently, we must all continue working for longer and ensure that the health of our workforce permits them to do so as well – or suffer a drastic skills shortage. The shortage in teachers and engineers, for example, is making itself felt already! If we fail to invest in a healthy workforce now, we will not have a sufficient number of healthy staff in the future.

But is sustainability also significant for the less developed countries? Even in view of the fact that they still record major population growth? If an employee falls ill in such a country, the employer may simply say, "You're fired – there are plenty of others waiting to take your job". And the employer then hires a healthy worker. In times of worldwide economic crisis such as we are now experiencing, there is indeed the risk that the crisis will have an adverse effect on working conditions. The ILO pointed out that child labour may rise and that international corporations exert high pressure on workers and force them to labour under inhuman working conditions even in "backward" agriculturally based regions which seem to be completely unconnected to the global economic crisis. How can humane working conditions be implemented in these countries if it is not in the employers' interests to do so? This is where the ILO enters the scene, the international labour organization which works with the relevant countries to define human and humane or "decent" working conditions. Its efforts are bearing fruit: for example, the ILO sees a realistic chance that child labour may be abolished in the near future.

In terms of the economic crisis, the ILO and its member states passed a global jobs pact in June this year entitled "Recovering from the crisis". The pact includes the following statement: "We recognize the need to give much greater priority to the generation of decent work opportunities."

When reading through this document, two sentences, which I like very much, caught my attention:

"The world should look different after the crisis."

And – very succinct: "The world must do better."

These sentences, while almost poetic, are also very all-embracing, but I also believe they hold a lot of truth as well as concrete starting-points: I share the hope that this crisis may be regarded as a challenge and that the world might be a slightly better place, once we have recovered from it. Similar to people who mature and "grow up" when they experience illness or personal suffering, the world should improve and become more "mature" after the crisis. The crisis also shows us that, when it comes to sustainability, even the "industrialized world" still has a lot of catching up to do. After all, we must not forget that the current crisis started as a financial crisis triggered by American banks that engaged in lending without sufficient collateral. Short-term thinking was at the root of the crisis, and we should now avoid short-sighted reactions. We too need to become more sustainable, and bring long-term perspectives into our thinking and actions!

"The world should look different after the crisis." "The world must do better."

Ladies and Gentlemen,

Thank you for your attention!