

Bill Callaghan's keynote speech to the Electricity Industry SHE Management Conference

**“A progress report and exploration and of future
challenges”**

27 April 2007

Guernsey

Thank you Peter for the warm welcome and to the electricity industry and the organisers ENA for the invitation to deliver the closing speech.

As many of you know I will be stepping down as Chair of the Health and Safety Commission at the end of September. I thought it would be useful :

- first to look back and review health and safety performance in Great Britain and in your industry;
- secondly, to highlight the key role of sound governance, and;
- I then want to look forward and explore some of the key health and safety challenges.

I would like to take this opportunity to place on record my appreciation of the support of the electricity industry for key HSC/E initiatives during my time as HSC Chair. HSC/E's relationship with the electricity industry stakeholders, including electricity supply businesses and trade unions, has genuinely been

one of partnership that has made a significant contribution to driving improvements in health and safety not only in your industry but more widely.

We must not lose sight of the fact that HSE, first and foremost, has a regulatory responsibility for ensuring duty holders in your industry comply with health and safety law. But the responsibility you have demonstrated in promoting good health and safety goes much wider than compliance. Your industry must be applauded for the role that you have played above all in building wide ranging support for industry targets to implement the nationwide Revitalising Health and Safety Strategy.

Health and safety : the state of the nation (performance)

So how far have we come since 2000 and what do the 2005/6 health and safety statistics show about our progress towards Revitalising Health and Safety targets ?

The most recent two years show good news :

- Fatalities have fallen from 223 in 2004/5 to 212 in 2005/6. Indeed the number of fatalities has fallen progressively since 2000/2001 when there were 292
- Major injuries have also fallen - in 2005/6 major injuries for all workers stood at 29,856 down from 31,702 the previous year;
- However the poor performance in 2003/4 means that we are not yet on track to meet the target for reducing the rate of fatal and major injuries by 10% by 2010.
- But there is much better news when we look at ill health and days lost.
- A quarter fewer days were lost because of health and safety failures comparing 2005/6 with the start of this decade: from 39.8 million in 200/2 down to 30.5 million days in 2005/6.

That is a success by any means.

I continue to follow with great interest the progress that has been made by ENA member companies towards the SAFELEC 2010 targets. Your report for 2005 show that the trend for the number of working days lost due to work-related injuries continues downwards, as does the incidence rate for fatal and major injuries which in 2005 stood at 63 per 100,000 workers. More specifically on slips, trips and falls and falls from heights the downward trend continues.

Moving on to occupational health I am sure that some of the trend data must give cause to concern to member companies, to your employees and indeed to HSC/E. In contrast to the national picture the trend in days lost through work related ill health in your industry is heading upwards as is the incidence of ill health cases. In 2005 days lost averaged 7.8 days per worker an increase of 12% on 2004.

On average 1.1 days per worker were lost due to work-related stress in 2005 and 1.6 days per worker due to work-related musculoskeletal disorders. I would be interested to get a sense of the underlying causes for the remaining average 5.1 days per worker lost due to ill health.

The Commission views the publication of health and safety performance information as an important driver for improvement. We believe that the publication of performance information can act as a powerful catalyst for improvement.

Many of the ENA's member companies have long established track records of regularly reporting, publicly, on their goals and targets and reporting progress towards those. Member companies, such as Scottish Power and United Utilities, have scored well against the eleven health and safety reporting criteria set down in guidance HSC published in 2001.

More broadly I understand that member companies attach considerable importance not only to SHE indices but to Corporate Social Responsibility indices too. Seven of the top thirty organisations in the BITC's Top 100

Companies that Count Survey were drawn from ENA membership and the electricity industry. The Commission and its partners have had some success in raising the profile of h&s on the CSR agenda. You know that some of your investors, including Henderson, Insight, Jupiter and Standard Life, look closely at your h&s performance and probe deeply. This is a course of action we have encouraged and will continue to do so.

HSE's development of the Chaspi tool (the corporate health and safety performance index) was encouraged and spurred on by investors and those active on CSR issues. Validation and use have confirmed its robustness and reliability. Verification of the data and information by trade unions and employees is a vital part of the process.

But we are competing in a crowded market place with FTSE4Good, GRI and BITC among others. The Commission applaud Scottish & Southern Energy and RWE Npower for completing Chaspi and going public. For us Chaspi has the potential to drive up performance – but to do that we must build a critical mass of users. For those organisations who have not registered as a Chaspi user I would urge you to do so. Only by registering will you get the chance to measure your performance and benchmark against your peers.

The Governance of health and safety

Information is a core element of corporate governance and this leads to my second main theme. The Commission has done much over the last seven years to promote board and director leadership and responsibility for health and safety. I am grateful for the support from your industry. Whilst the evidence shows an increasing number of directors, across all sectors, providing leadership and taking responsibility for ensuring that the risks to their workers' health and safety are properly controlled, there are those directors who remain resistant to assuming this vital role.

For those who remain unconvinced about the need for board leadership I only need to mention these initials – BP.

I am sure that many of you are familiar with the findings and recommendations of the Baker panel and the US Chemical Safety Board's reports concerning the Texas City catastrophe.

In its opening statement the Baker panel noted,

“We are under no illusion that deficiencies in process safety culture, management, or corporate oversight are limited to BP. Other companies and their stakeholders can benefit from our work. We urge these companies to regularly and thoroughly evaluate their safety culture, the performance of their process safety management systems, and their corporate safety oversight for possible improvements.”

The CSB published its report at the end of last month. The CSB hoped that their report together with that of the Baker panel would establish a new standard of care for corporate boards of directors and CEOs throughout the world,

“Process safety programmes to protect the lives of workers and the public deserve the same level of attention, investment and scrutiny as companies now dedicate to maintaining their financial controls.”

The CSB report made specific reference to BP's improvement plans,

“BP managers and executives attempted to make improvements from 2002 to 2005 but they were largely focused on personal safety – such as slips, trips, falls and vehicle accidents – rather than on improving process safety performance which continued to deteriorate..... There was still not an adequate focus on preventative maintenance before accidents occurred.”

The key finding was that organisational and safety deficiencies at all levels of the BP Corporation caused the 2005 explosion.

The report of the Baker panel paid tribute to the work of HSC/E in developing advice and guidance about the role of boards of directors in overseeing organisation's health and safety performance. This included the Commission's guidance of 2001 on director responsibility, our series of director leadership case studies and the report of 2006 sponsored by the Commission and Insight Investment, "Defining best practice in corporate occupational health and safety.

But our efforts to promote leadership and encourage directors to take responsibility continue. Some stakeholders, including some among trade unions, are adamant that only through the enactment of new legal duties will stubborn and recalcitrant directors be persuaded to comply with the law.

The Commission, having carefully considered the mass of available evidence concerning board and director responsibility for health and safety, have concluded that the case has not been made that such a legislative change would result in the desired improvement. However the Commission recognises that the existing guidance needs to be re-invigorated and is currently working with the IoD and other stakeholders to this end. Consultation concerning the new guidance will commence shortly with the goal of securing Commission agreement in July with publication following in October.

The pressure on boards of directors to take responsibility and exercise leadership on health and safety is not going to go away. The consequences of the Texas City explosion for the company, its reputation, the employees and other stakeholders are immense. The seismic shock will continue to be felt for many years.

Can I offer one other insight. Much of the pressure for legal duties, for corporate manslaughter legislation, for public inquiries and for retribution rather than restoration, stem from a perception that business doesn't care when a serious incident occurs.

You will be aware that in February of this year shortly following the West Coast Main Line accident in Cumbria John Armitt, Network Rail's Chief Executive, offered an unreserved apology after bolts were found to be missing on points in Cumbria. As you are aware I no longer have responsibility for rail safety, but John Armitt's statement is very welcome and stands in stark contrast to previous approaches.

Present and future health and safety challenges

And so to the future. I would like to pick out a number of the major challenges that we have to meet if we are to achieve our health and safety goals :

- Employee involvement
- HSE's regulatory role
- Health, work and Well-being
- Migrant workers

Employee involvement

I have seen at first hand the constructive role that safety reps play in companies such as Airbus and the well-developed social partnership arrangements in your industry where the joint industry safety committee is alternately chaired by an employer and a trade union official.

The 1977 Regulations give substantial rights to safety reps and these followed many years of pressure from trade unions and the TUC. But thirty years on the picture looks very different; the trigger for safety reps is trade union recognition and given the trends in trade union membership and recognition fewer and fewer workers are covered.

It is with some regret that I say that I have not been able to persuade Commission colleagues on an agreed way forward. Trade unions press strongly for an extension of the rights of safety reps and these are resisted by

employers. A recent consultation exercise showed no consensus on limited legislative change.

The decline in trade union recognition will lead to a decline in trade union appointed safety reps and, barring any change in policy and practice, a decline in worker involvement. I have seen no evidence that employee representatives of safety have filled the gap. The challenge we face is to build on the valuable work performed by safety reps in workplaces where trade unions are recognised whilst acknowledging that a vast swathe of workers, some 67% of the workforce, do not have access to the protection and benefits that safety reps provide.

Our regulatory role

The report of the Robens Committee on health and safety of the early 1970's proposed that the statutory arrangements should be revised and reorganised to increase the efficiency of the state's contribution to safety and health at work. But his second main proposal was that the new statutory arrangements should be designed to provide a framework for better self-regulation.

My view is that informal regulation via unions and employers will be more efficient and less onerous than regulation imposed externally, either by HSE or through the courts. However, the Robens vision of self regulation is seen as a threat by some unions and some of the pressure groups that are influential in TUC circles. Much of the rhetoric is about enforcement and prosecution.

Of course, HSE cannot desert the field, especially in industries that impose a major hazard, and no company can be free from prosecution, but the more we can be assured that certain companies are self-regulating the more we can focus on those failing to protect their employees and members of the public.

Despite the massive media attention on public safety, our core business is health and safety in the workplace. This is a function of many different factors:

management effort and commitment, employee and trade union involvement, regulation by HSC/E and local authorities, pressures via the civil compensation system, and a host of other factors ranging from investors and the supply chain, pressure groups and the media.

There is scope for more joined up work on labour market regulation, whether it be through inspection, enforcement or advice. Some employers complain about the regulatory burden, red tape and the activities of the various inspectorates. During the Hampton review of regulation there was a fierce debate around the concept of earned autonomy, though this is another area where the rhetoric does not quite match the reality. I've never met an employer who would boast that they have been free from inspection and regulatory oversight. Indeed some positively crave the comfort blanket of having had an HSE inspection.

Nevertheless, it must be to the benefit of both the regulator and the regulated that we spend less of our scarce resources on the relatively good performers and more on the poor performers.

Health, Work and Well-being

I would like to turn now to the major challenge we face preventing ill health in the workplace and improving occupational health more broadly.

A quick re-cap of the key themes of the Government's Health, Work and Well-being Strategy :

- Improving the health and well being of the working age population - striking the right balance between prevention, treatment and rehabilitation will not be easy
- Influencing people, changing cultures and behaviours – this will not happen overnight
- Encouraging breadth of debate and interest in this work

- Support of the major stakeholders is essential including employer groups, the trade unions and professional bodies
- Our vision is to gain recognition of work as important and beneficial, and to remove institutional barriers to starting, returning to or remaining in work.

The strategy is about improving people's health, and supporting them and rehabilitating them back to employment if they are ill. It is about building a workforce that is fit for life, fit for work and fit for the future.

We know that good work is good for our health. There is strong evidence that being out of work is linked with various adverse health issues, including increased obesity and reduced activity, increased risk of heart disease and increased psychological distress.

And we now have the recently published report, "Is work good for your health and well-being?" by Gordon Waddell and A. Kim Burton, which evaluated the scientific evidence on the relationship between work, health and well-being. This shows that good work is beneficial for health and well-being and that being in work can help people recover from both physical and mental health problems. Work is good for individuals and their families and by lifting people out of poverty, it also benefits communities by increasing prosperity while reducing health and wealth inequalities.

Given the impact on our productivity and competitiveness in an increasing global economy, it should therefore come as no surprise that the Government has placed the health and well-being of working age people high on its agenda. Keeping people healthy and in employment is crucial if we are to achieve more motivated, healthy workforces and more stable, economically viable communities.

The Health, Work and Well-being Strategy recognises that if we are to meet the challenges we face and help people with health conditions and disabilities to remain in or return to work, we need to pay more attention to the health and well-being of people of working age. I know that your industry is making positive strides to deliver on occupational health – your contribution and influence are vital.

Migrant workers

There is one other major challenge I would like to address, that is, ensuring the health and safety of migrant workers. Your industry, like many, has employed migrant workers to meet your labour force needs at a time of skills shortages.

As with other parts of Government, HSC/E's response to these concerns, particularly over the past 2/3 years has been to seek better intelligence on the nature and extent of migrants working in British industry. The reality is that we have little if any objective data on which to base such an evidence-led, risk based regulatory approach when it comes to multi-ethnic workforces or migrant workers. I do note though that of the 19 fatalities reports that have crossed my desk in the last month three were of migrant workers.

Our current work includes communication with workers and employers needing advice, and targeted inspection/enforcement against 'rogue' employers; as well as building on effective cross-Government working on the Joint Workplace Enforcement Pilot (JWEP) with other Government departments, in particular DTI on vulnerable workers and the Home Office, on JWEP and other initiatives. This area of work remains a top priority.

Conclusion

So in conclusion I would like to commend the efforts of the industry, both management and workers, to ensure that the risks to workplace health and safety are properly controlled. I also wish to pay tribute to the role played by

the industry and trade unions in raising the profile of health and safety on the business agenda and indeed acting as an exemplar of good practice.

I recognise that there are other pressing challenges that the energy industry is having to face up to – changing ownership, pressure for greater competition and energy supply to name but three. I can offer little directly on these issues. But what I can say is this.

Good health and safety and sound corporate governance go together. A well managed organisation will be managing health and safety risks more effectively. It will also be more likely to meet the challenges that lie ahead.