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WORKPLACE SAFETY: AN OFTEN-OVERLOOKED, UNDER- UTILISED BUSINESS LEVER

How seriously would you take something that has a 20% negative impact on stock-price?

This stat is just one of the many reasons why we need to start taking workplace safety seriously.

But we often don't!

Whether it's the discomfort of the topic; a belief that such incidents are rare and isolated; or simply inertia, it is high time we change.

Addressing sexual harassment at the workplace is not just an ethical imperative but a crucial business and economic lever.

In this article, we want to convince you that preventing sexual harassment and creating a truly safe workplace is entirely under organisations' control, and when done right, can have a significant return on investment.

When employees feel unsafe, their performance suffers. This is not just a moral issue; it's a financial one. Investing in good talent is futile if the workplace environment prevents them from doing their best. The cost of sexual harassment extends beyond victims, impacting peers and overall productivity through well-being costs, lost output and turnover."

Trends to be aware of

The Cost of Ignoring Harassment

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One global study estimates this average cost to be about \$22,500 per employee¹. A Deloitte study highlighted that workplace sexual harassment costs \$2.6 billion in lost productivity and \$0.9 billion in other financial costs annually².

Market and Shareholder Impact

Shareholders are increasingly scrutinising gender diversity, pay parity, sexual

harassment, and workplace culture. Companies with the highest rates of sexual harassment underperformed in the US stock market by ~20% a year, translating to an average loss in market capitalisation of \$2 billion per firm, totalling \$212 billion annually³. This impact is even more pronounced when the CEO is involved, with companies experiencing a further 5% drop in market value following such scandals⁴.

While specific data for India is not yet available, the trend is becoming evident. As global players, we are not immune to these stats. Shareholder concerns around workplace culture are growing, as seen with TCS's annual report scrutiny.

Investors and investment firms are taking cognisance of these trends and tightening compliances around culture. Several organisations have approached us because their funding is under immense scrutiny due to inadequate safety measures and poor diversity indicators.”

Changes in socio-cultural and economic landscape

This has become even more essential in the past decade since the enactment of the POSH Act in 2013.

The social media boom means that people are now content creators and companies can no longer control what content goes out. Covid has changed the definition of workplaces with remote working, WFH, co-working now becoming common. Making it more complex to control interactions between employees and external parties. Women now account for ~51% of the available talent market. Interesting to note that many women have received education through subsidies (from taxpayer money) but their participation at work is decreasing, which is not just a cost to our economy but also a loss for organisations (as an untapped talent pool) and a waste of our tax money.

Definitions of gender are changing with the world now recognising 107 genders; the Cambridge dictionary literally changed the definition of man and woman to reflect this. Inclusion of diversity is becoming a must if one has to optimise talent and consumers to stay relevant in the market.

Regulatory and Compliance Landscape

Regulatory frameworks are adapting accordingly. Gender diversity in business and complaints under POSH (Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013) are one of the 9 core areas of the SEBI ESG framework and also an important disclosure under the Business Responsibility and Sustainability Reporting (BRSR) assessment. Since 2014, the Board of Directors' Annual Report needs to include details about the Internal Committees (ICs) under the POSH Act and failure carries heavy fines and/or imprisonment.

Investors and investment firms are taking cognisance of these trends and tightening compliances around culture. Several organisations have approached us because their funding is under immense scrutiny due to inadequate safety measures and poor diversity indicators. Considering the damaging effect on reputation, brand and market value, wealth managers globally are now setting up response committees against sexual harassment scandals, adding clauses related to sexual harassment in M&A agreements. As seen in one survey, about 11% of all fund managers directly inquire about sexual harassment risks when making investment decisions⁵.

A POSH compliant workplace is not necessarily a safe workplace

Take the recent Indian stats around sexual harassment in FY2022-23: of the 300 top listed companies, 81 of them reported 1,160 cases in total, almost half of those being from the top 8 companies⁶. It seems highly unlikely that the remaining 219 companies that did not report any cases of sexual harassment did not have any. In fact, it probably indicates that either employees do not feel safe to lodge a complaint or that the companies are not being transparent, both of which are worrisome and risky for these companies in the long run. Investors know that. Which is why some of the regulatory bodies we have been speaking with have been candid about doing extra checks for companies with zero/ low reported cases. We anticipate further tightening in the coming years.

Practical Steps for Organisations

Here are some ways that organisations can ensure their workplaces are safe and not just compliant:

- 1. Leverage the POSH Act:** The POSH Act can easily become the foundation for safety. Craft your policies keeping your business context in mind. Several global companies include harassment in their Code of Conduct to give it its due importance and to ensure there are clear boundaries of behaviour at work. Since the POSH Act covers not just employees but anyone we interact with for work, ensure workplace safety

policies are accessible to all and include it in your contracts with vendors and clients.

2. **Promote Gender Inclusivity:** Organisations must make their policies gender-inclusive, which only makes sense in the changing norms of gender. This not only protects the organisation from future risks but ensures a comprehensive buy-in from all employees.
3. **Build Trustworthy Internal Committees (ICs):** Ensure ICs are built keeping compliance regulations in mind, and they are trained to tackle these matters with the sensitivity and maturity needed, restoring safety and accountability, and building trust among employees.
4. **Foster a Culture of Awareness:** Treat awareness creation not as a formality but as an opportunity to build better culture. Include relevant topics and disseminate it in a way that ensures 100% people coverage and management commitment to creating and sustaining a zero-tolerance culture.

E-courses that appeal to employees and

- inspire them to do the right thing rather than instilling shame and fears,
- tests people for red flags allowing management to intervene

can be very effective.

Remember, complying for the heck of compliance is a cost; compliance with an intent to create safety becomes an investment yielding high returns.

5. **Ensure Transparency in Disclosures:** Take mandatory POSH disclosures seriously. Management should scrutinise these disclosures and look for genuine measures taken/required to ensure safety.

Interestingly, cases where firms faced the brunt of CEO involvement in sexual harassment scandals, self-disclosure of misconduct and prompt action mitigated the negative impacts by rebuilding trust⁷.

Conclusion

The market has a powerful role in shaping economic priorities. Companies that treat their talent like they treat clients/consumers will thrive. Give “people-centricity” the same importance you give to “customer-centricity”.

Ensuring workplace safety is the first step towards this goal, and as stakeholders in the market, you have the power to drive this change. The financial and ethical imperatives align here: preventing sexual harassment is not just the right thing to do; it’s the smart thing to do.

The authors are co-founders of Inclusional, Jetsynthesys: a tech-enabled boutique consultancy that helps India Inc leverage diversity + inclusion + belonging for business + people + economic growth. They provide tech offerings, L&D interventions, and consulting services including end-to-end workplace safety/POSH compliance. They are also POSH knowledge partners, National Commission for Women - India, and trusted POSH partners: Retailers Association of India (RAI), Indian Drug Manufacturers' Association, and EEMA: Event & Entertainment Management Association.

Priyanka Chaturvedi Agrawal comes with +25 years of corporate experience as a CA, ex-Director at KPMG, and having worked with BNP Paribas and various start-ups. She is also a certified psychotherapist, REBT practitioner and an inclusion specialist certified by TISS, ESSEC and UPENN. Priyanka stands out in the inclusion space and talks about inclusion from her experience of having run businesses. She distances herself from inclusion being seen as benevolence, tokenism and social service and takes a very tangible, P&L approach to inclusion.

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1. <https://thewire.in/women/workplace-sexual-harassment-is-also-bad-for-business>
2. <https://www.deloitte.com/au/en/services/economics/perspectives/economic-costs-sexual-harassment-workplace.html>
3. <https://thewire.in/women/workplace-sexual-harassment-is-also-bad-for-business>
4. <https://www.sciencedirect.com/science/article/abs/pii/S0929119920303199>
5. <https://www.sciencedirect.com/science/article/abs/pii/S0929119920303199>
6. <https://economictimes.indiatimes.com/jobs/hr-policies-trends/posh-case-reporting-confined-to-a-fraction-of-india-inc-cos-study/articleshow/110186393.cms>
7. <https://www.sciencedirect.com/science/article/abs/pii/S0929119920303199>