



Promoting health and safety as a key goal of the Corporate Social Responsibility agenda

Prepared by **Technopolis Ltd** and
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Promoting health and safety as a key goal of the Corporate Social Responsibility agenda

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The Health and Safety Commission/Executive (HSC/E) is looking to business to move beyond compliance with health and safety regulations to continuously improve all aspects of the working environment that result in a workforce that is 'happy, healthy and here'. It recognises that, as a result of progress in improving occupational safety, the major challenge for the UK in improving Occupational Health and Safety (OHS) lies in improving occupational health. Issues of occupational health are less amenable to regulation than occupational safety. CSR is therefore a potential valuable trend for the HSC/E to promote OHS.

This study was commissioned in order to consider the current thinking within CSR with respect to OHS, the views of the key CSR players on OHS in the CSR agenda and the actions that the HSC/E could take to raise the profile of OHS in the CSR agenda.

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PROMOTING HEALTH AND SAFETY AS A KEY GOAL OF THE CORPORATE SOCIAL RESPONSIBILITY AGENDA

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EXECUTIVE SUMMARY

Corporate Social Responsibility (CSR) has many definitions but, in essence, it is based on the integration of economic, social, ethical and environmental concerns in business operations. The major social concerns include the welfare of the key stakeholders in the business, especially employees. Thus, occupational safety and health (OHS) forms an integral part of CSR and this is confirmed by its inclusion in all the major measurement and reporting guidelines and tools developed for CSR. An important aspect of CSR is that it requires business, alongside its profit maximising function, to maximise its positive impact on society. It therefore requires that business goes beyond compliance.

The Health and Safety Commission/Executive (HSC/E) is looking to business to move beyond compliance with health and safety regulations to continuously improve all aspects of the working environment that result in a workforce that is 'happy, healthy and here'. It recognises that, as a result of progress in improving occupational safety, the major challenge for the UK in improving OHS lies in improving occupational health. Issues of occupational health are less amenable to regulation than occupational safety. CSR is therefore a potential valuable trend for the HSC/E to promote OHS.

This study was commissioned in order to consider the current thinking within CSR with respect to OHS, the views of the key CSR players on OHS in the CSR agenda and the actions that the HSC/E could take to raise the profile of OHS in the CSR agenda.

Study Findings

The study established that CSR is gaining in influence and, as the CSR movement comes of age, it is becoming mainstreamed in the measurement and reporting of business performance on which the financial services industry bases its investment decisions. This places a burden on organisations such as HSC/E to demonstrate why and how OHS is a material issue for the reputation of companies and for their business performance.

- Surveys carried out by the Association of British Insurers (ABI) and Business in the Community (BITC) confirm that there is strong awareness of CSR issues, especially environmental concerns, amongst large businesses and widespread disclosure of performance on CSR issues, including OHS. However, disclosure tails off rapidly as the size of business decreases. Disclosure is greatest amongst businesses operating in industries where occupational safety is an issue, particularly those whose activities affect the safety of the public. This reflects the potential effect of OHS on the reputation of these businesses.
- Amongst large businesses, disclosure is lowest amongst industries such as IT, financial services and distribution where occupational safety is less of an issue than occupational health. Occupational health is yet to become a significant issue

for the reputation of these businesses. It is these industries in which employment is growing in the UK. The case for establishing OHS a material factor in business performance is yet to be established for most types of large business, even for industries that rely on human resources to drive performance and claim that their employees are their 'biggest asset'.

The Institute of Directors (IoD) has carried out an authoritative survey of the attitudes of SMEs to CSR. Unlike their larger counterparts, it is social rather than environmental concerns to which they give the greatest attention focussing on their impacts on local communities. The biggest influence on these businesses is their employees and customers. These businesses are influenced far less by CSR organisations and the Socially Responsible Investment (SRI) movement as they are less exposed to reputational risk and are less likely to be quoted companies. These businesses are driven to adopt good practices for CSR by the material impact on business performance. It is easier to see the material impact of the welfare of employees on business performance in the 'extended family' culture of these businesses

- In promoting OHS in the CSR agenda, the organisations with which the HSC/E needs to work most closely are CSR organisations such as BITC, organisations concerned with SRI such as the ABI, National Association of Pension Funds (NAPF) and the UK Social Investment Forum (UKSIF), the safety organisations such as the Royal Society for the Prevention of Accidents (RoSPA) and Institution of Occupational Safety and Health (IOHS) and the business organisations such as the Confederation of British Industry, the Federation of Small Businesses and the IoD. The latter two are particularly important for influencing small businesses. The trade unions, who not only represent the interests of one of the main stakeholders in the business but also influence the SRI industry as trustees of pension funds, are especially important partners for HSC/E.

The Proposed Strategy

In support of HSC's 'Strategy for workplace health and safety in Great Britain to 2010 and beyond' (published in 2004) HSE has developed a coherent and cohesive programme of work comprising six strands. This study forms part of one of those strands. What this study shows that CSR should not be regarded by HSC/E as a separate vehicle for promoting OHS but as integral to its overall strategy. CSR is one of many external and internal influences on a business and in providing the business case for OHS it must show how it affects the range of factors. It must work also with other influencers of business including the Department of Trade and Industry (DTI), Department for Works and Pensions (DWP) and the London Stock Exchange.

For the CSR movement to give OHS greater prominence it must be viewed as a material issue of reputational risk and business performance and/or an important element in the interaction of the business with employees. Ideally three conditions need to be fulfilled to enable this to happen:

- HSC/E must demonstrate that OHS is a reputational risk issue for all types of business. For the reputational risk to be material, it needs to be shown that companies that fail to adequately address occupational safety and health are in danger of losing public trust with a consequent loss of profit and shareholder value. Public awareness is key to making OHS a material issue for reputational risk. The focus here should be that whilst HSC/E raises public awareness,

especially of occupational health issues, HSE's Business Involvement Unit translates the message into CSR language to engage with the CSR movement.

- HSC/E must demonstrate to the CSR movement that the business case for OHS is sufficient to be material to business performance overall. This is likely to include the influence it has on customers as well as on costs. The aim should be to bring together the diverse impacts that OHS has on business performance as a whole so that OHS is seen to have a material impact on profits. Currently, OHS's diverse impacts are considered individually and so the issue is not considered material.
- OHS must be given greater prominence by employees - and those who represent them - in their interaction with employers. The trade union movement must be persuaded to broaden its vision for OHS beyond compliance to embrace the potential that engagement with employers on the CSR agenda holds for promoting OHS. As trustees of pension funds the trades unions also have an important and influential role to play in making SRI fund managers pay greater attention to OHS as a criteria for their investment decisions. The unions representing employees in industries where occupational health is the main threat to OHS have a special role to play in this respect.

Once these conditions are in place, then the HSC/E can assist the CSR movement in its role of influencing business effectively by extending the tools that it provides, such as a framework for evaluating OHS in relation to CSR, tools to measure performance and benchmark management practices, providing guidance on key risks and what constitutes good practice and recognising innovation. HSE's Business Involvement Unit needs to engage more closely with the rest of HSE to extend existing tools so that they are better suited to influencing the CSR agenda.

1. OBJECTIVES & METHODOLOGY

1.1 STUDY OBJECTIVES

In its strategy document *Revitalising Health & Safety*, the Health & Safety Commission (HSC) set out action points aimed at promoting greater corporate responsibility and accountability for health and safety. In 2001, in support of its strategy, the HSC issued guidance on company directors' responsibility for health and safety. Since then, the Health and Safety Executive (HSE) has undertaken a programme of work to develop the business case for occupational safety and health (OHS) and to permit investors to measure the OHS practices and performance of businesses. This approach has been strengthened with the HSC/E "*Strategy for Workplace Health and Safety in Great Britain to 2010 and beyond*"¹ published in 2004.

HSC/E' have undertaken a number of measures and initiatives in support of Revitalising Health and Safety, particularly action point 2 which deals with public reporting of OHS performance and action point 11 on director's responsibilities. The main focus of these measures and initiatives is to raise recognition among CEOs and directors on the role that health and safety has to play in enhancing the reputation of their business and in achieving a 'high performance team'.²

In recognition of the potential offered by the trend towards greater corporate social responsibility (CSR) for promoting greater responsibility at corporate level for OHS, the Health and Safety Commission/Executive (HSC/E) also established contact with the main organisations promoting CSR. The organisations cover socially responsible investors (SRI), leading business representative organisations and trade unions that were also 'CSR, aware'. This document refers to these organisations collectively as the 'CSR movement'. Whilst dialogue with these organisations has helped ensure that the CSR movement did not neglect OHS in its overall coverage, the HSC/E took the view that more could be done to help move OHS up the CSR agenda within companies.

HSE commissioned this study in order to strengthen the organisation's knowledge of how to engage with the CSR movement to promote health and safety as a key goal of the CSR agenda. Specific objectives are:

- Identify 10 key CSR players in the United Kingdom (UK) and explain their position and influence;
- Assess the receptiveness of these players to working with the HSC/E in achieving its goal of greater corporate responsibility and accountability for OHS;
- Identify the evidence that the HSC/E needs to provide to raise the profile of OHS in the CSR agenda, drawing also on experience in other countries;
- Develop the evidence and arguments into a coherent strategy for further engagement with the CSR movement, and;
- Assist in the development of guidance and publicity to take forward the proposed strategy

¹ www.hse.gov.uk/aboutus/hsc/strategy.htm

² The aims of the block of work and the details of measures and activities are summarized in *Corporate Responsibility and Accountability for Occupational Health and Safety: A Progress Report on Initiatives and Measures*' see HSC paper 03/105 - www.hse.gov.uk/aboutus/hsc/meetings/2003/141003/c105.pdf.

To address these objectives, the report on this study is organised as follows:

Section 2 – examines the relevance of CSR in promoting responsibility and accountability for OHS.

Section 3 - examines current attitudes amongst businesses and the CSR movement towards CSR and OHS.

Section 4 - sets out the key channels of influence and the evidence that will be most compelling in engaging with them to raise the profile of OHS. A proposed strategy for HSC/E to raise the profile of OHS in the CSR agenda is then developed.

1.2 **METHODOLOGY**

This report is based on a combination of literature reviews, interviews with the staff of HSE, interviews with organisations engaged in the CSR movement and with a small number of businesses. We are grateful for the helpful support we have received from the HSC/E and everyone we interviewed from the CSR movement. Whilst we hope that the views expressed us are reflected in this report, particularly in Section 3, the conclusion and recommendations reached are those of the team alone and may not reflect those of the HSC/E.

2. THE RELEVANCE OF CSR FOR PROMOTING OHS

This section addresses the further contribution that CSR could make to promoting responsibility and accountability for OHS. It considers the nature of CSR and the trends that are driving it, the extent to which CSR is making a difference to the way businesses behave and considers the trends in CSR that could be harnessed by HSC/E to promote OHS. It starts with considering the challenges facing HSC/E in improving OHS before considering the relevance of CSR to promoting OHS.

2.1 THE OHS CHALLENGE

The UK is recognised internationally as a leader in the field of OHS. It has in place a set of comprehensive laws encompassed in the Health and Safety at Work etc Act 1974³, an effective regulatory regime enforced by the HSC/E and local authorities and a generally supportive workforce and employers. The HSC/E recognises that further progress in improving OHS, to ensure the desired outcome of a work force that is '*happy, healthy and here*',⁴ requires focusing beyond regulation for two reasons:

- 1 In line with Government policy and a wish to minimise the regulatory burden upon businesses, it wishes to use further legislation and regulation only if a voluntary approach is found inadequate.
- 2 The challenges faced in further improving the UK's OHS performance are less amenable to regulation.

As a result of progress in improving occupational safety, the focus for improving OHS has shifted from occupational safety to occupational health⁵. Currently, of the approximately 42 million working days lost through injury and ill health in the UK, 9 million are due to injury and 33 million through ill health. The issues involved in improving occupational health are less amenable to regulation than those aimed at improving safety at work. Of the 33 million days lost to ill health, 13 million are estimated to be due to stress. The generation of stress, and the ability to cope with it, are influenced not only by conditions at work but also the personal circumstances of individuals. Given that personal stress is largely beyond the control of employers, stress due to work should however be controlled in order to minimise any *additional* stress burden on the employee.

Employers are already required to carry out risk assessments to identify and address the potential causes of ill health and injury in the work place. This includes all aspects of a business's operational and management practices which may lead to unnecessary stress. Any additional regulation may turn out to be difficult to enforce given the fact that almost all occupations generate some level of competitive stress and individuals are varied in their abilities to cope with it.

Other issues for further consideration in the future include musculo-skeletal disorders, prolonged sickness absence after injury or ill health, binge drinking and general absenteeism. The HSC/E has, therefore, been promoting awareness of

³ The Health and Safety at Work etc Act, 1974. www.hmso.gov.uk

⁴ *Revitalising Health & Safety*, HSC, 2000. www.hse.gov.uk

⁵ *Supra* at 1.

these health issues, providing guidance on best practice for prevention and mitigation⁶ and support for the return to work.

HSC/E's agenda of promoting responsibility and accountability for OHS, beyond regulation, has much in common with the CSR movement. As discussed in the following section, CSR focuses on the social and environmental impacts of business beyond regulation.

2.2 CSR: BEYOND REGULATION

The essence of the term 'Corporate Social Responsibility' is the integration of economic, social, ethical and environmental concerns in business operations, including dealings with stakeholders⁷. CSR is based on the understanding that the impact of business on society is far wider than the established, more limited view that it is simply about the creation of wealth for shareholders. The definition also encompasses impacts on a wider group of stakeholders in the business - especially employees and local communities - as well as economic, social and environmental outcomes in society as a whole. Dealing with the concerns and interests of all stakeholders is therefore a cornerstone of CSR.

Perhaps because of its wide-ranging coverage, there is no universally accepted definition of CSR. For some, the term is essentially about sustainable development with respect to the environment - the careful use of resources by the current generation so as not to prejudice the rights and quality of life of future generations. For others, the term has become synonymous with attempts to reduce the exploitation by major multinationals of the poor in the developing countries through globalisation. In the United States of America (USA), the term used is 'Corporate Responsibility' and, after recent major corporate collapses such as Enron, the focus is turning to 'Corporate Governance'.

The CSR movement recognises that, in modern polities, it is the tri-partite relationship between government, business and civil society that is responsible for economic, social and environmental outcomes. In this relationship, business has become more powerful with respect to its command over resources⁸ and equally, more responsible and accountable for societal outcomes. Because it is responsible and accountable for societal outcomes, business is vulnerable to a loss of trust amongst its wider stakeholders. A loss of trust may result in consumer boycotts, as happened with Shell in Germany over the Brent Spar, in a loss of shareholder value as happened with Railtrack or the ultimate sanction - the end of the business - as happened with Union Carbide after the Bhopal disaster.

The underpinning of the CSR concept is however that the interests of business and those of society are not irreconcilable and can be pursued together. As the UK Chancellor of the Exchequer recently said " Corporate responsibility is a belief that the economic, social and environmental objectives can be pursued together and in harmony, and in particular that corporate self interest and corporate responsibility are not irreconcilable opposites but can move forward in unison. It is a recognition that when business loses trust it is at its most vulnerable"⁹.

⁶ *Securing Health Together*, HSC. www.hse.gov.uk/press/2003/e03232.htm

⁷ For a discussion of the definition of CSR see, for instance, Corporate Social Responsibility, IoD Member Opinion Survey, Ruth Lea, especially Annex 3. IoD 2003.

⁸ As frequently pointed out, the 50 most powerful economic entities in the world include ten corporations.

⁹ *Counting on Responsibility*, Louise Armitstead, Sunday Times, March 14, 2004.

For responsible businesses and the CSR movement, CSR starts beyond regulation: adherence to the law and regulatory regime is considered mandatory for all businesses, irrespective of whether they have embraced the principles of CSR. This is why the leading CSR organisation in the UK, Business in the Community (BITC), defines CSR as “ a company’s positive impact on society and the environment, through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, suppliers and communities”.¹⁰

The CSR movement is not without its critics. Reputable Non Governmental Organisations (NGOs)¹¹ have recently argued that much of the CSR activities of the business community are no more than the interests of those business and their periodic philanthropy, dressed up by their public affairs advisors in glossy CSR reports as ‘new concepts’. As Richard Breeden observed in his report on corporate governance failures at WorldCom “ It is worth noting that persons engaged in wrongdoing may indulge in frequent prayer and expressions of dedication to integrity, all without meaning”.¹² Trust in business has fallen as a result of corporate major collapses such as Enron and Ahold. Almost two thirds of British adults do not trust business leaders¹³ and 80% do not trust directors of large companies to tell the truth. Over 60% of the British public believe that big business does not care about its social and environmental impacts.

In recognition of these developments and the growing sophistication of the movement itself, the following trends have emerged in CSR:

- Led by initiatives such as the United Nations (UN)-backed Global Reporting Initiative (GRI), new guidelines are being developed on measuring and reporting wider societal impacts of business. A recent book¹⁴ describes over 30 new international codes of conduct that form the basis of initiatives on measuring and reporting CSR impacts. BITC and other national organisations have also introduced measurement and reporting guidelines. By better specifying what should be measured and reported, it is hoped that the selective nature of what business chooses to report may be replaced by comparable indicators that reflect their actual impact on society and the environment;
- An emphasis on integrating CSR within the operations of a business rather than as a stand alone ‘add-on’. As George Cox, then Director General of the Institute of Directors (IoD), stated in 2003 “CSR is something that needs to permeate every decision, whether this concerns the workforce, products, markets, quality or operations. It is a way of thinking and behaving, not a separate programme or campaign...” ‘Good’ business is ‘good business’ ”.¹⁵ More recently in 2003, the Government Minister with responsibility at that time for CSR, Stephen Timms said¹⁶ “ What we are talking about is beyond philanthropy. CSR is not an ‘add-on’. It must be the way we do business at home and overseas. CSR evaluation is therefore concerned with the extent that CSR is integrated into business policies and management systems”;

¹⁰ See, *The What, Why, How of CSR: A beginner's guide to corporate social responsibility*
<http://www.bitc.org.uk/resources/toolkit/index.html> www.bitc.org.uk

¹¹ See for instance Action Aid – www.actionaid.org.uk

¹² Restoring Trust, Richard Breeden Available on:
<http://news.findlaw.com/hdocs/docs/worldcom/corpgov82603rpt.pdf>

¹³ MORI Trust Monitor 2003. www.mori.com

¹⁴ *The Corporate Responsibility Code Book*, Deborah Leipziger, 2003.
<http://www.duurzaam-ondernemen.nl/greenleaf/codebook.htm>

¹⁵ Foreword to IoD Member Opinion Survey, IoD 2003.

¹⁶ Speech at Commonwealth Business Council Conference, 2 July 2003.

- New tools for measuring the CSR performance of businesses such as BITC's Corporate Responsibility Index¹⁷ that aim to address all aspects of the impact of business on society and allow comparison of performance across sectors. There are also numerous sector specific indices of performance. These tools focus on measuring policies, practices and performance and allow comparisons over time. They are concerned with policy and processes as well as actual performance;
- In SRI, a trend away from the practice of excluding businesses on the basis of the sector in which they operate (defence, alcohol, tobacco) and grading them through dark green or light green 'environmental filters', towards their policies and impacts. This has been accompanied by a move away from reliance on indices such as Financial Times Stock Exchange series for socially responsible investment (FTSE 4 Good)¹⁸ or the Dow Jones Sustainability Index (DJSI)¹⁹ towards engagement between analysts and companies, with the analyst relying for information on the business and independent sources of information such as the Ethical Investment Research and Information Service (EIRIS)²⁰. The indices are still referred to, but as a source of information and evaluation rather than the principal basis for the investment decision, and;
- SRI is being mainstreamed. As a result of an amendment to the Pensions Act that came into force in 2000, trustees of pension funds are required, in their Annual Statement of Investment Principles, to state the extent to which social, ethical and environmental (SEE) issues are taken account of in investment decisions. Research shows that over £90 billion - representing a quarter of the sector's holding - is now subject to some form of socially responsible investment policy²¹. Whilst the sum held in dedicated ethical funds remains small, the main SRI houses are incorporating engagement on governance and SEE issues into their mainstream funds. It is estimated that some £200 billion worth of assets is subject to such engagement²².

The net result of all these trends is that the CSR movement increasingly considers responsible businesses to be those who strive to improve practices and performance on economic, social, ethical and environmental issues on a continuous basis. This they do by integrating their approach to these concerns with their quest for creating value for shareholders. In fact, the effective management of these issues is considered an essential part of the process of creating shareholder value. If a business loses society's trust - irrespective of whether the result directly impacts the bottom line - the result will be lower shareholder value in the longer term. This stance is given concrete expression in the Combined Code that specifies that it is a duty of care on boards of directors to identify and manage sources of reputational risk.

The spotlighting of reputational risk by the Turnbull Committee that produced the Combined Code has helped to mainstream CSR. The UK Government is introducing a mandatory requirement for an expanded operating and financial review (OFR) in the annual reports of the UK's 1000 largest companies. In the words of the Secretary of State for Trade and Industry, Patricia Hewitt, the intention of the expanded review

¹⁷ www.bitc.org.uk

¹⁸ www.ftse.com

¹⁹ www.sustainability-indexes.com

²⁰ www.eiris.org

²¹ *Socially Responsible Investment Amongst European Institutional Investors*, EuroSif, 2003.

²² *SRI: A Global Revolution*, Russell Sparkes, 2002.

is “so our largest businesses report fairly and transparently on the factors which affect them, including their impact on the environment and society where relevant”. The OFR is intended to allow readers of company reports to assess the company’s strategy and performance prospects on conventional financial measures as well as on CSR issues.

It is left to directors of businesses to judge which issues are sufficiently material to be included in the OFR. The White Paper advises that directors consider whether to include anything that might affect the company’s reputation, as well as policies and performance on issues such as employment, the environment, social and community issues. Guidance on what is material is provided by the Working Group on Materiality²³ which states, “The key question in deciding whether or not an item is material should be: ‘Does this item matter to the members (shareholders) either directly or indirectly as a result of its significance to other stakeholders, and thus to the company? ”. From this, it may be concluded that any issue that may have a significant direct impact on a company’s financial performance, on its reputation and its interaction with other stakeholders should be considered material.

What the above review of CSR shows is that it is concerned with issues beyond regulation. CSR is being driven by the public increasingly holding business responsible and accountable for societal outcomes. This is manifested in new tools to measure and rank CSR performance and the growing importance given to social, ethical and environmental issues by the financial sector, SRI and mainstream. A loss of public trust in a company may have dire consequences. Furthermore, as the movement matures and becomes more of a mainstream issue, it will increasingly focus on objective measurement and reporting of CSR issues, focusing on material risks to its reputation and its relationship with a wider group of stakeholders.

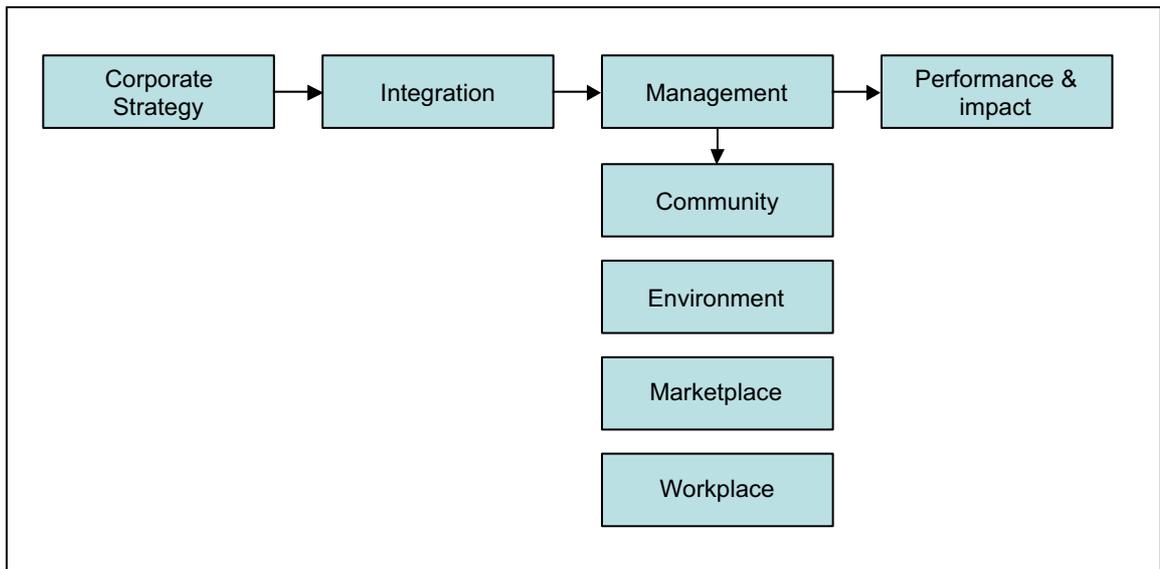
2.3 WAYS IN WHICH CSR CAN HELP PROMOTE OHS

In considering the impact of business on wider stakeholders, employees are amongst the first stakeholders considered by the CSR movement. This is the main reason why all of the major reporting guidelines and declarations of CSR principles include employee relations. International codes of conduct such as the UN Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinationals include the treatment of employees, and the GRI has a section covering the treatment of employees under ‘social impacts’. The major UK CSR organisations such as BITC include aspects such as treating employees fairly, equitably and with respect as a leading principle of CSR.

OHS is mentioned explicitly by most codes of conduct, statements of principles and associated measurement and reporting guidelines. The UN Global Compact, OECD Guidelines and the GRI mention OHS explicitly. In the UK, the BITC Corporate Responsibility Index and the Forge Guidelines developed by the financial sector to help companies report on their industry specific environmental and social issues include OHS under ‘the workplace’ - one of four key impact areas. Increasing recognition is also being given to the work - life balance, an issue linked closely to stress. The place of OHS in the BITC’s Corporate Responsibility Index - the most widely recognised tool for measuring a company’s CSR performance - is shown in figure 1 below. Under the Workplace management area, the two major sub - categories are ‘working environment’, including OHS and ‘employee rights’ which covers issues of workplace diversity and equality.

²³ The Operating and Financial Review Working Group on Materiality, DTI consultation document

Figure 1: Business in the Community Corporate Responsibility Index



The fact that companies are being guided to measure and report on OHS issues provides an obvious and important entry point for the HSC/E to use the CSR movement to promote OHS. This move is further strengthened by the HSE's actions to improve the public reporting of OHS records and recording systems by all businesses. Evidence suggests that if companies start to measure and report on an issue it becomes easier to hold them to account for performance, provided that measurement and reporting are accurate and transparent. In addition, measurement and reporting tend to lead to a process whereby companies strive to improve performance as part of the normal process of setting stretch targets for operational and financial performance indicators.

Of course, what matters for the HSC/E is that companies measure and report against the right indicators. This is explored in the next section as part of 'Attitudes Towards CSR and OHS'. What is important to note at this point is that the guidance available on what should be measured and reported against is currently not specific to sectors. For instance, the GRI is only now considering providing sector specific guidelines. Moreover, it is not based on a sound understanding of what matters for OHS. In the UK for example, only a few businesses and CSR organisations are aware that the major cause of time off work is occupational health and not safety. The HSC/E can do much to improve the understanding of OHS issues – health issues in particular - and thus promote measurement and reporting that will lead to improved OHS.

For companies to have an incentive to measure, report and ultimately improve performance, what counts most is that this issue is considered important (material) enough to affect a company's reputation, interaction with wider stakeholders and financial performance. In turn, this means that OHS issues should receive prominence in codes of conduct and a stronger presence in tools that are designed to assess CSR performance.

There is however evidence to suggest that OHS may not receive the importance it deserves in codes of conduct and sufficient weight in CSR assessments. For companies in higher risk industries, particularly those that are likely to threaten public safety or cause large - scale loss of life amongst employees, such as the chemical processing sector, the CSR organisations and SRI industry do pay particular attention to OHS issues. But for some other companies, OHS is considered a

relatively unimportant attribute for a socially responsible business – necessary, but not an indicator of commitment. Furthermore, there is a lack of appreciation that issues such as stress may blight lives just as much as physical injury and that employers may be as culpable in failing to address stress in the working environment as they would be in failing to address injury.

There is an opportunity for the HSC/E to raise the status of OHS in what is measured and reported as CSR impacts. This will entail raising awareness of occupational health issues, showing how they apply to particular sectors. It will also involve demonstrating that a failure to address such issues is likely to have a material impact on the company's reputation, interaction with stakeholders and financial performance.

2.4 FORCES FOR CHANGE

The review of CSR trends shows that CSR issues such as OHS cannot be viewed in isolation. They are affected by - and in turn affect - other forces for change that drive business attitudes and behaviour. For businesses to take such issues more seriously they must be seen to be material either to their financial performance, reputation or interaction with wider stakeholders. The issues are more likely to be seen as material if they reinforce other forces for change. It is important therefore to set OHS in the context of the other factors that may affect a company's behaviour with respect to working conditions and the management of its workforce. Figure 2 shows the main external and internal forces that need to be considered alongside OHS.

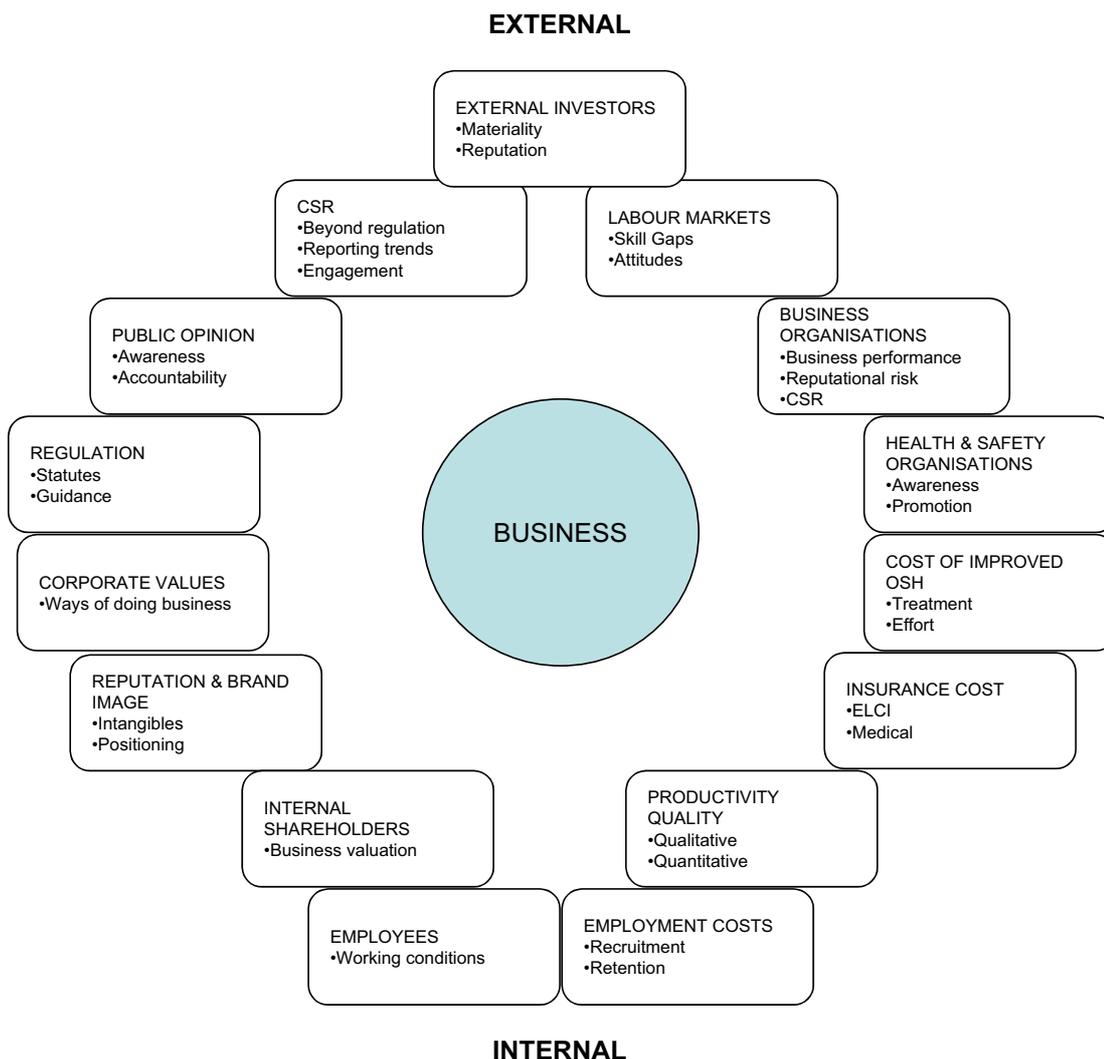


Figure 2: Occupational Safety & Health – The Forces for Change

2.4.1 External Factors

Regulatory pressures that help improve OHS need not come entirely from the HSC/E. An amendment of the Pensions Act that required trustees to disclose the extent to which SEE issues influence investment decisions is an example of how other regulations influence CSR, including OHS. It is therefore important for the HSC/E to influence the institutions that are responsible for formulating such regulations. The OFR is an obvious candidate. The clearer the guidance that the Department of Trade and Industry (DTI) provides in terms of what the OFR should contain with respect to OHS issues, the greater will be its impact in promoting OHS. The Department of Work and Pensions (DWP) and the DTI are clearly important institutions for the HSC/E to engage with. Other candidates include the Stock Exchange that issues guidance to directors - such as the Combined Code - and sets disclosure requirements.

Pressure to improve CSR and OHS performance may arise also from the market place, through consumers and their representative groups demanding better performance and competitors setting higher standards. It may be useful, therefore, for the HSC/E to ensure that there is sufficient consumer awareness of OHS. This

will ensure that the proportion of consumers for whom OHS is an important issue - and who are sufficiently motivated to use their purchasing power in support of it - are informed of the issue and know what to look for in 'good' and 'bad' performers. Greater consumer awareness could also promote greater dissemination of good practice so that companies become aware of what the leaders in the field are doing and so respond more quickly to competition. As discussed further in Section 4, the HSC/E need not 'name or shame'. But it should continue to 'inform and educate'. Any suggestion that a company may be disadvantaged in the market place as a result of its OHS performance will serve to make it a material issue²⁴.

The external forces arising from the CSR movement and SRI concerns of investors are the subject of the next section. At this point, what is important to note is the distinctions between the various organisations that comprise the CSR movement on the ways in which they exert influence on businesses. CSR organisations, whether concerned with measurement and reporting or assessing performance, essentially target the corporate values of businesses, backing the business case for CSR with the implied threat to their reputations. The role of CSR organisations is primarily advocacy, though most also provide direct advice to their members. If convinced further of the importance of OHS, they are likely to have more freedom than the HSC/E in advocating that addressing the issue should be incorporated in codes of conduct and regulations - and to 'name and shame' the worst offenders. They can therefore supplement the HSC/E's own capability which is restricted by its regulatory functions and by its own policy of resorting to regulation as a final resort.

The CSR units of business organisations such as the Confederation of British Industry (CBI), IoD, Engineering Employers Federation (EEF), Federation of Small Businesses (FSB) etc. play a different role. Although they are concerned with CSR issues and performance their primary role is to assist their members. They focus on providing the business case for CSR, guidance on CSR issues, in minimising 'red tape' and in ensuring that the CSR movement remains pro business. They are therefore good channels for raising awareness of issues and conveying guidance to businesses. In many cases these organisations cover components of CSR (such as employee relations, legal issues, etc.) separately and have yet to fully engage with the combination of these factors that are represented in CSR.

The SRI industry essentially influences business through engagement. As noted earlier, despite their strong growth, the sums invested in socially responsible funds do not represent a sufficiently high proportion of total portfolio investment to affect share prices. The bigger impact is through the integration of CSR concerns in the investment decisions of mainstream pension funds and the portfolio's of the SRI houses. Even so, it is difficult to attribute movements in share price to CSR performance or SRI ratings as the main determinants of share price movements remains the ability to create shareholder value. Further, the trend in SRI is to move away from negative screening on the basis of sectors of activity towards an assessment of how far businesses have identified the main reputational risks and taken steps to manage them. This requires access to information, especially direct engagement with the business by an SRI analyst. This finding is confirmed by discussions with the UK Social Investment Forum (UKSIF), the main member organisation of the SRI industry. It is important to place on record that the help and advice that UKSIF has given HSC/E to open a dialogue and engage effectively with those active in SRI has been invaluable.

²⁴ In their analysis of ethical purchasing the New Economics Foundation and the Co-operative Bank found that 52% of consumers had boycotted a product or service for ethical reasons.

The HSC/E can help the SRI industry to ask pertinent questions during their engagement process with businesses and thus affect their behaviour. It is the case that the SRI industry's reach in theory extends only as far as companies quoted on the Stock Exchange. In practice the industry focuses only on the Financial Times Stock Exchange index of the top 100 companies – the FTSE100. However, as these businesses are the largest traders, the influence of the large on the medium and smaller companies through their supply chains means that the influence of the SRI industry spreads well beyond their target group and the Stock Exchange.

Labour markets also influence companies' behaviour towards their employees. In a recent survey²⁵, approximately 20% of employees were reported to find employers with a positive, socially responsible image more attractive. Whilst remuneration always plays a major role in the choice of an employer, the study found a good fit between the preferred choice of company to work for and the employee's view on whether the business took social responsibility seriously. With the numbers of young people (25-35) in the UK's workforce likely to decrease by 1.3 million by 2010, trends in the labour market are likely to favour companies with a good CSR reputation. HSC/E can help to ensure that the image of companies as both employers and the extent to which they take CSR seriously takes account of OHS performance. Targeting entrants to the workforce and making them aware of what to look for in an employer would help to increase pressure on companies to perform well on OHS indicators.

The labour movement – primarily through trades unions - is a major influence on CSR and OHS. As trustees of pension funds it influences a major flow of investment to companies. The movement also directly influences the labour market and brings pressure to bear externally on employers to improve working conditions and employee rights and benefits. It is also an internal source of pressure for change. As a result, the labour movement must be viewed by HSC/E as an important partner in moving OHS further up the CSR agenda in businesses.

The focus of the press and communications media on public opinion means that they affect the views of consumers as well as the whole CSR movement. Engagement with the press and other communications media is therefore an important tool for moving OHS up the CSR and business agendas. It is particularly important for the HSC/E to raise awareness of OHS issues amongst civil society organisations. There is a strong possibility that civil society organisations such as health charities and religious groups – often themselves major investors - would identify with the need for greater control of social and health issues such as binge drinking after work and violence in the family. It is likely that they would strongly support campaigns for a better work - life balance and reducing stress in the work place.

2.4.2 Internal Factors

Internal factors tend to focus on costs and benefits but there is sufficient evidence to suggest that for many businesses, corporate values take precedence over 'bottom line' impacts. Evidence for this was provided²⁶, along with other studies, by the 19 case studies that were recently prepared for the HSC/E to provide the business case for OHS. When the consultants preparing the case studies asked for information to carry out cost/benefit analyses, many companies responded by asking why it was necessary to demonstrate in financial terms something they considered to be so

²⁵ *The Ethical Employee*. Work Foundation and Future Foundation, www.theworkfoundation.com

²⁶ HSE, *The business benefits of health and safety* (2004), www.hse.gov.uk/businessbenefits/casestudy.htm

obviously worthwhile. Appealing beyond financial returns to the corporate values of companies should therefore not be ignored. After all, it is corporate values that the CSR movement most strongly aims to influence.

There have been some notable attempts to measure the benefit of improved health and safety on the operational and financial performance of businesses. For example, the HSC/E case studies concentrated on returns to the investment in improving OHS. The European Agency for Safety and Health at Work carried out a more extensive study of ways in which improved OHS practices impact the cost of employment and productivity. Whilst some impacts such as the benefits of reduced time off work are relatively easy to quantify, there are problems of attribution and quantification of other impacts such as employee quality and success rates for employee recruitment and retention,²⁷ higher productivity and quality of outputs.

The study did however show a positive relationship between OHS and reduced costs of employment, higher productivity and quality. From first principles it should be easy to argue that a safe and healthy work place should lead to easier recruitment and retention of employees, lower absenteeism, and a more productive work force committed to higher quality. What is difficult to prove is that the sole cause of differences in performance are due to OHS and not wider employment policies and practices carried out under a CSR exercise. This should not however detract from the strong argument that OHS has a material impact on business performance. In fact, the case should be made that good employment practices, including OHS, lead to better overall business performance.

Difficult though the area is, there is mounting evidence in support of this argument. The study *People to Profits*²⁸ showed that at the United States (US) retailing group Sears, the attitude of line management and company culture (values), translated into employee commitment, led to lower staff absence and higher customer satisfaction and sales. That study also found that retaining customers is less expensive than finding new ones, making employee commitment the most cost-effective way of generating sales. Additional evidence is provided by the Work Foundation which, on the basis of interviews with 1000 Chief Executive Officers (CEOs), developed a high performance index to explain differences in productivity. It found that the main determinants of high performance were five overlapping areas:

- Customers and markets
- Shareholders and governance
- Stakeholders
- Human Resources (HR) Practices
- Creativity and innovation

OHS issues are covered by HR practices and stakeholders. British Telecom (BT) found recently that reputation and image - 25% of which is derived from CSR activities - influences customer satisfaction alongside conventional attributes such as the experience and value for money derived from products and services²⁹.

Lastly, there is evidence to suggest that companies which embrace CSR and make it part of their business strategy outperform those that do not. The study 'Does

²⁷ *Workers Safety and Health, Productivity and Quality*. European Agency for Safety and Health at Work.

²⁸ *People to Profits*, Institute of Employment Studies, 1999.

²⁹ *Enlightened Values*, BT 2002. www.btplc.com

Business Ethics Pay³⁰ found a correlation between shareholder value and adopting a code of ethics. The forthcoming Workplace Trends Survey 2004, carried out by the Work Foundation, is going to report strong correlation between CSR activity and stronger growth in sales and market share, particularly in business services and the service sector as a whole³¹. The HSC/E can add to this evidence, by using the argument that no business can be seriously considered as engaging in CSR activities if it has not seriously addressed OHS.

Evidence which shows that good employment practices and CSR activities lead to better bottom line performance may be useful for raising awareness of the potential impacts of OHS amongst businesses. It helps to show the materiality of the issue and to create a drive for higher performance amongst business through the promotion and adoption of better OHS practices.

2.5 KEY TRENDS AND THEIR RELEVANCE

The review of the relevance of CSR to the promotion of OHS shows that in many ways CSR is potentially a very useful vehicle for the promotion of OHS. Its focus on social outcomes - particularly impacts on employees who form an important category of stakeholder - should place OHS at the centre of CSR. This is reflected in the fact that most reporting guidelines, codes of conduct and tools for measuring CSR performance take note of OHS issues. The fact that CSR is essentially concerned with performance beyond regulation makes it particularly appropriate for delivering improved OHS in line with HSC/E's policy of using regulation only when voluntary measures do not succeed.

The CSR movement is coming of age and increasingly CSR is being mainstreamed to form part of business performance measurement and reporting. More crucially for the financial success of businesses, it is becoming an important basis on which investment decisions are being taken by the financial services industry. The mainstreaming of CSR, however, means that there is a need to show the materiality of issues if they are to be taken seriously by businesses and their investors.

There is some evidence to suggest that, except in some industries that threaten large loss of life or public safety, OHS and in particular health - may not be given the prominence it deserves. To raise the profile of OHS in the CSR agenda it will therefore be important to demonstrate links with other forces of change that drive businesses to improve working conditions and employment practices. This will help make OHS material to business and set out the case for integrating the issue in pursuit of higher business performance. There is a growing body of evidence that the HSC/E may utilise to show how CSR and OHS impact on business performance. It should be possible for the HSC/E to argue strongly that good OHS performance and practices are at the heart of any corporate CSR agenda.

³⁰ *Does Business Ethics Pay – Ethics and Financial Performance*. Institute of Business Ethics, 2003.
www.ibe.org.uk

³¹ *Reported in Achieving Higher Performance- CSR at the heart of business*, the Virtuous Circle and the Work Foundation, March 2004. Stephen Bevan, Nick Isles, Peter Emery & Tony Hoskins,
www.theworkfoundation.com

3. ATTITUDES TOWARDS CSR AND OHS

The previous section concluded that CSR has the potential to serve as a useful vehicle for promoting OHS. This section considers the attitudes towards CSR and OHS on the part of business, the CSR movement and other stakeholders, notably the trades unions. Its aim is to identify the importance that these players place on OHS as an element of CSR and as material to business performance. The section analyses the types of evidence that would persuade the organisations to give greater attention to OHS within the CSR agenda and their willingness to engage with the HSC/E in promoting OHS.

3.1 THE HSC/E'S KNOWLEDGE BASE

The HSC/E has carried out research on the extent to which its Guidance on Director's Responsibilities for Health and Safety³² has been implemented, comparing the situation in 2001 and 2003. The research report³³ showed a marked improvement, with 66% of those surveyed reporting that health and safety had board level direction - up from 58% in 2001. Among the top 350 companies, 70% had such arrangements with 90% having a board level person responsible for health and safety. The figures were lower for public bodies and the voluntary sector.

The HSC/E has also carried out research on the extent to which its Guidance on Health and Safety in Annual Reports has been taken up. HSE research report 134 shows that over 78% of those surveyed (companies and public bodies) now report on health and safety, up substantially from 47% in 2000³⁴. However, the incidence of reporting varied considerably between sectors. In sectors such as chemicals, petroleum, construction, pharmaceuticals and utilities - where safety is a major concern - reporting incidence is high and the quality of reporting is good. In others, where safety is not a major concern - notably finance and Information Technology (IT) - both incidence and quality of reporting is low. These service industries, where safety is not a major concern, dominate employment and employment growth in the UK. According to the Office for National Statistics, the financial and business service industries, for instance, employed 20% of the male and 19% of the female work force of the UK in 2003.³⁵

The HSC/E has an on-going dialogue on health and safety issues with directors of the UK's top companies. A general willingness of the companies to engage in an extended dialogue and their receptivity to increasing the importance given to OHS issues has been noted from the feedback from meetings.

³² *Directors' responsibilities for health and safety.* HSC guidance (INDG343) – published in 2001. See www.hse.gov.uk/pubns/indg343faq.htm

³³ *Health and safety responsibilities of company directors and management board members.* HSE Research Report 135 – published in 2003. See www.hse.gov.uk/research/rrhtm/rr135.htm

³⁴ *The provision of health and safety information in the annual reports, websites and other publicly available documents produced by the UK's top companies and a sample of government departments, agencies, local authorities and NHS trusts.* HSE Research Report 134 – published in 2003.

³⁵ See [www.http://hse.gov.uk/research/rrpdf/rr134.pdf](http://www.hse.gov.uk/research/rrpdf/rr134.pdf)
Social Trends: Short term Turnover and Employment Survey, ONS, 2003.

3.2 THE ATTITUDES OF BUSINESSES

3.2.1 Attitudes to CSR

HSC/E's findings with respect to reporting on health and safety issues reflect trends in reporting on CSR issues as a whole. The Association of British Insurers (ABI) recently surveyed the extent to which companies listed on the stock exchange were reporting on SEE risks, following the release of its disclosure guidelines in 2001. The results were as follows:

SEE Disclosure for Year-Ends During 2003	% of companies		
	FTSE 100	FTSE 250	FTSE All-share
Full Disclosure	23	2	6
Moderate Disclosure	57	46	35
Limited Disclosure	20	41	41
No Disclosure	0	11	18

Source: ABI, *Risks, Returns and Responsibility*, Feb 2004

Among the largest companies, disclosure is universal and - based on the ABI guidelines - 80% achieved moderate or full disclosure. But the extent of reporting tails off rapidly after that. More than half the FTSE 250 did not achieve moderate disclosure and amongst the All-share one in six failed to disclose any information on SEE issues.

The ABI also noted sectoral variances in disclosure with the extractive industries and the utilities achieving the highest levels. Only 8% and 9% of distributors and IT companies respectively made modest levels of disclosure. Failure to achieve even moderate levels of disclosure stem primarily from a view that SEE risks are not considered material for the business. Businesses do not sufficiently believe that the reputation of the company depends upon its wider social and environmental impacts. Some may also fail to recognise that issues such as working conditions and employee management are in fact CSR issues, part of the process of the interaction with stakeholders and, as such, convey information of value to investors. The main cause of failure to report adequately is the considered lack of relevance rather than lack of knowledge.

According to the ABI the overall level of disclosure is increasing. This reflects the growing acceptance amongst CEOs that such disclosure is part of the process of restoring or maintaining trust in business. Apart from the largest, there is still however some way to go for even quoted companies let alone the vast majority businesses in the UK. It must be borne in mind that 95% of UK businesses are micro enterprises employing less than 10 employees, although companies employing over 250 employees account for over 40% of employment in the UK. Progress amongst the FTSE All-share is therefore likely to mean increased sensitivity to CSR issues amongst the employers of the majority of the UK's workforce.

The majority of IoD members are directors of smaller businesses. The Institute carried out a survey of its members in 2002 to assess the extent to which their companies discuss and report on CSR issues, which CSR issues are highest on their corporate agenda and which bodies influence them most on CSR issues.³⁶

The results follow a pattern that large and medium sized companies are more likely to discuss within the board and report on CSR issues than small and micro firms do.

³⁶ *Corporate Social Responsibility: IoD Member Opinion Survey*, Ruth Lea, IoD, 2002.

Interestingly, the survey also showed that over 40% of companies employing up to 20 discussed social issues 'occasionally' or 'regularly' within their board. This figure shows that CSR is on the agenda, perhaps in a component form, of a significant proportion of SMEs. The survey also confirms the pattern that industrial companies are more likely to be concerned with CSR than service sector ones. It also provides evidence to support the view held by many in the CSR movement that environmental concerns tend to be discussed and reported amongst a higher proportion of businesses than are social issues.

The IoD survey is also noteworthy in that it directly asked directors whether they were concerned with the CSR performance of companies that were either their suppliers or customers. The results show that CSR performance of suppliers and customers were of concern, with the treatment of employees and environmental impacts the most important aspects. This is of relevance to the HSC/E, as providing guidance on how to evaluate the OHS performance of other companies could form a useful way of raising the profile of OHS in the CSR agenda.

3.2.2 Attitudes towards OHS

Whilst separate surveys exist on company attitudes towards CSR and OHS, few link the two together. It is therefore interesting to note that the results of a survey undertaken by BITC for the Sunday Times' published in March 2004³⁷ showed some useful data on the subject. The survey covers the top 100 highest scoring companies that have voluntarily used the BITC self-assessment index, from 139 respondents. The assessment invites respondents to detail the impact areas that they have selected to improve their CSR; these range from community investment to human rights in the supply chain and reducing water consumption. Of the 100 companies detailed, 70 show occupational safety and health as one of their (on average) 4 key areas. It is interesting to note such a high level of recognition given to OHS among the more social and community based priorities.

For larger businesses, the overriding driver of what is considered material in CSR activities are issues that are a threat to reputational risk. These are therefore given the highest priority. OHS is usually only considered an important CSR issue in industries where injury to employees may be sufficiently serious to threaten the reputation of the business as an employer or product/service provider. Reporting focuses on reporting under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1985 (RIDDOR). BITC and the SRI industry confirm that reporting is focused on safety returns.

Almost all CSR reports and the majority of annual reports that address CSR issues contain a statement to the effect that employees are the company's biggest asset. The issues surrounding these statements, such as what motivates and enables employees to raise productivity and follow better OHS practices are in general not discussed further in order to substantiate these claims. In service businesses where customer interface is crucial there is little analysis of occupational health issues, rates of absenteeism or appropriate work - life balance of employees. Only a few service companies have given employee welfare the importance it deserves as a CSR and business performance issue.

This is not to say that larger businesses, including those in the service sector, do not in general undertake activities that improve employee welfare. As the business

³⁷ *Companies that Count* – BITC/DTI/Sunday Times survey, published 14 March 2004, www.bitc.org.uk/programme/keyinitiatives/corporateresponsibility-index

benefit case studies produced on behalf of HSC/E prove, there are numerous examples of companies that invest in OHS. What appears to be missing is a recognition that such investment is a material issue that contributes to business performance and lessens reputational risk and needs to be seen as a strategic, rather than an operational issue. This is a challenge to which the HSC/E needs to respond.

The evidence that offers the greatest potential to do so is:

- Identifying further the types of work conditions and employment practices that lead to poor OHS adoption and recognition. This should help to raise awareness that businesses may, wittingly or unwittingly, contribute to poor health and safety of their employees with the potential of it becoming a reputational risk issue. Study material would also enable larger businesses to better evaluate the OHS practices of their SME suppliers and customers and so bring to bear pressure on smaller companies to improve their OHS performance;
- Publishing industry specific benchmarks for time off work caused through stress and muscular-skeletal disorders and related causes so that businesses and their stakeholders can assess how far they vary from the average and the leaders. This information should allow stakeholders and potential investors to assess in material terms how poor or how good the business performance is by quantifying variations in recruitment and retention costs, comparative productivity and quality performance and the effect of being a less preferred employer;
- Providing industry specific examples that identify major OHS issues and good practice in dealing with them, and;
- Communicating to businesses the growing body of case law that shows that the courts are increasingly holding employers to account for causing unnecessary stress to their employees by failing to assess OHS risks. This will help to ensure that businesses are aware of the risks to their reputation posed by such litigation and that the cost of such litigation, including possible fines and lost market share, may become material even to larger businesses.

The IoD Member Opinion survey of 2002³⁸ is one of the most informative sources on which CSR issues matter to SMEs. Some of the results are encouraging for the HSC/E in their task:

- In the IoD survey, social issues - including charitable giving - were addressed in corporate policies by a greater proportion of businesses surveyed than were environmental issues;
- Environmental concerns were greater among manufacturing and other industrial businesses than in the service sector. It appears however that the environment is much less of a concern for SMEs than it is for larger businesses, presumably because the small size of the business makes their perceived impact smaller, and;
- A high proportion of respondents (46%) kept records of employee satisfaction with the work - life balance, had policies on this issue (48%) and agreed with the

³⁸ IoD Survey, www.iod.com

statement that implementing policies on this issue brought business benefits (96%). In fact, a higher proportion of businesses agreed with the statement that 'improving the work - life balance of employees would deliver business benefit' than any other CSR measure listed, including increasing the qualifications of employees.

SMEs appear to pay particular attention to their employees. In the IoD survey, a high proportion of businesses (over 75%) believed that following equal opportunity and ethnic diversity, improving the work life - balance, and employee training policies would bring business benefits. These findings suggest that although SMEs may be further behind than their larger counterparts in measuring, reporting and adopting policies for OHS, they are more sensitive to employee concerns. If the issue is of importance to employees in an SME, it is likely to be addressed by the board of directors. Respondents from SMEs appear to view addressing issues that matter to employees as likely to deliver business benefits. In these smaller businesses, employees do seem to be regarded more as the biggest asset. The possible causes for this difference with larger firms include the business case being far easier to identify in a smaller organisation or simply better communication between management and employees – more of an 'extended family' approach.

In our interviews, the FSB highlighted the business case as being an important, if not the most important determinant of SME behaviour when making policy decisions. For OHS, the issue to which SMEs were most likely to respond was reported to be the cost of insurance – which in many cases is compulsory in order for them to trade. The cost of insurance has recently increased rapidly and has become a much more important material issue for small businesses. HSC/E is already working with the ABI and the Department of Work and Pensions (DWP) to provide incentives for businesses to improve OHS through Employers Liability Compulsory Insurance (ELCI). Based on the IoD survey, this activity could be best reinforced through further informing employees in SMEs about good practice on OHS issues and demonstrating the business case for improving OHS to directors.

It should be noted that the pioneers in the development of new OHS policies and practices include a very high proportion of SMEs. The European Agency for Health and Safety (EAHS) has documented³⁹ a number of case studies of companies that have introduced innovative approaches to OHS in their industrial sectors. These case studies show that for some SMEs the occupational safety and health of employees is an integral part of the corporate values of the company, expressed in the market positioning of products and services. For example, the UK company Happy Computers sells its services on the basis that customers should be assured their employees are well motivated because they as an employer have built the welfare of workers into the way they conduct their business⁴⁰. This contrasts with the many large IT businesses that do not measure and report OHS issues because these aspects are not considered to pose reputational risks.

This example shows that in addition to informing employees on good practice and providing a business case for employers, there is a need also to publicise - through awards and case studies - companies that may provide inspiration to others. The award or case study should ideally contain evidence of a business case for OHS. In the case of Happy Computers it was possible to demonstrate that its innovative

³⁹ Issue 210, *Social Responsibility and Safety and Health at Work*. European Agency for Health and Safety at Work. See <http://agency.OHSa.eu.int/publications>

⁴⁰ See. www.happy.co.uk

policies did result in lower employee turnover, leading to lower recruitment and training costs and lower levels of absenteeism than the industry norm.

3.2.3 Influences on Businesses

The IoD member survey also provides a useful insight into the main influences on business with respect to CSR. The largest influences in making businesses think about their social and environmental impacts were found to be employees, with 82% stating they were 'important'. The next groups identified in descending order were 'customers' at 81%, 'business organisations' - such as the IoD - (68%), 'shareholders' (65%) and 'government' (63%). The lowest groupings were 'other investors', 'suppliers' and 'the media', all scoring over 50%. Perhaps surprisingly, NGOs and interest groups (39%) were not considered to be major influences. Government and business organisations were considered the most appropriate for monitoring impacts.

BITC was reported to be the CSR organisation that businesses were most aware of (73%). The European Union (EU) Green Paper on CSR⁴¹, the Association of Chartered Certified Accountants (ACCA) awards on social and environmental reporting⁴², the Department for Food and Rural Affairs (DEFRA) and DTI guidelines on environmental reporting and the Minister for CSR followed with awareness levels of over 30%. In terms of standards and guidelines, the highest awareness and participation levels were reported to be Investors in People, International Standards Organisation (ISO) 14001 and the ABI Guidelines. International CSR standards and guidelines such as the GRI scored poorly. It should be noted though that these CSR organisations, standards and guidelines were considered to exert limited influence when compared with employees and customers – a view expressed more by Small and Medium Enterprises (SMEs) than larger businesses.

3.3 CSR ORGANISATIONS

As noted in Section 2, the major organisation in the UK promoting CSR is the BITC. It has 400 employees working from 10 regional offices. The organisation serves 700 members, the majority of which are businesses. Though the majority of the members are large businesses, a significant proportion of regional members are SMEs. Other noteworthy CSR organisations include Forum for the Future, Accountability, the Centre for Corporate Accountability, the International Business Leaders Forum and the Institute of Business Ethics. There is considerable duplication of membership amongst these organisations. Most cover the full range of CSR issues, combining campaigning and lobbying, publishing research on CSR impacts and providing guidance and advice to their members.

The BITC confirmed the findings set out earlier on the attitudes of businesses. In summary, they felt that most of them are concerned with safety rather than health, that OHS is considered to be material chiefly by industrial businesses and that issues such as stress and musculo-skeletal disorders, return to work and the work - life balance are not regarded as major OHS issues. In general, the fact that the major challenge facing the UK was to improve occupational health was not widely known amongst their members.

As an organisation, BITC recognises the importance of OHS to CSR. In developing its corporate responsibility index, it had considered making OHS a separate

⁴¹ *The European Union (EU) Green Paper on CSR*, see. www.bsdglobal.com/issues/eugreenpaper.asp

⁴² The Association of Chartered Certified Accountants (ACCA) awards on social and environmental reporting, see. www.accaglobal.com

management area alongside community, environment, marketplace and workplace but chose eventually to include it under workplace. The focus of the management section of the index is on processes for managing interaction with stakeholders and it recognises the importance of OHS as part of a business' interaction with employees.

BITC is potentially willing to work with HSC/E in a number of ways:

- It is revising and improving its Corporate Responsibility Index (CRI) and would welcome suggestions from the HSC/E on how the current evaluation criteria could be improved. It should however be noted that the index is already long and that the focus of the management section is process rather than benchmarking performance. It would not therefore be possible for the BITC to use the HSC/E's index as it stands;
- Revise/develop its reporting guidelines on OHS, and;
- BITC would be willing to run campaigns and/or award schemes jointly with the HSC/E. Campaigns could take the form of highlighting practices that contribute to poor OHS, coverage of key OHS issues by industrial sector, benchmarking OHS performance by sector and providing industry specific guidance.

3.4 SRI ORGANISATIONS

Three types of organisation are influential for socially responsible investment:

- 1 Organisations such as the ABI and the National Association of Pension Funds (NAPF) that represent the interests of mainstream investors and fund managers. Insurance companies and the pension funds are the major institutional investors in the stock market and the fund management industry is their means to invest in it. These organisations provide advice and guidance on the types of reputational risk that their members should be concerned with and on mainstreaming CSR/OHS concerns in the investment industry.
- 2 Membership organisations of the SRI industry, such as the UK Social Investment Forum (UKSIF) and networks of SRI analysts that work for SRI fund managers help to raise awareness of issues and provide guidance and advice on issues that matter for reputational risk.
- 3 Organisations providing information and evaluation services on CSR issues for the SRI industry. It is the information that they provide that is used by the SRI analysts and fund managers to evaluate the reputational risk that possible investee companies are exposed to and the extent to which they have taken measures to mitigate these risks. This is crucial for determining whether an SRI fund manager will invest in a company. Notable examples are the Ethical Investment Research Service (EIRIS), FTSE4 Good and DJSI/SAM (SAM Indexes GmbH).

The ABI is probably the more influential of the mainstream investment organisations. Not only has it influenced the thinking of its members - who comprise a sizeable part of the fund management industry - its disclosure guidelines have been adopted by large and medium businesses as the basis of reporting⁴³. The ABI provides a monitoring service that reports on compliance with the Combined Code and progress

⁴³ This section refers only to the ABI's role as a member organization for fund managers. The organization plays an important role in promoting OHS through ELCI and other insurance products.

on non-financial risks and opportunities generally. In practice, the focus is on risk rather than opportunity because risk may destroy the value of the business. It also advises companies on reporting.

The ABI's disclosure guidelines leave it to companies to determine what is material for reputational risk. This means that for an issue to be given prominence in measurement and reporting it must be perceived as being material. The ABI would not wish to impose a view upon businesses. In discussions it was noted that for many businesses OHS was not considered as material to their reputations. Moreover, there was a view that there were doubts in the minds of some fund managers as to whether OHS should be considered an SRI issue or simply a component cost of doing business. As with issues such as cost savings on energy, OHS was considered material for business performance but its effect on profits was considered too diffuse for the issue to be seen as a priority.

The challenge for HCS/E is to work with the ABI to ensure that fund managers recognise that OHS is a potential contributor to reputational risk for *all* industries, rather than a select group of industrial companies for whom safety is a major factor. Apart from ensuring that the OHS issue is raised in the public domain and by stakeholders such as employees and their representatives, this may involve HSC/E in greater dialogue with the investment industry. This is because of the need to show why OHS is a CSR, and hence an SRI issue, not simply an on - cost of doing business. Investment organisations will need to be shown ways in which occupational health can be impaired and the improvements that may be achieved. The investment sector is in itself prone to stress and other abuses of occupational health. They may need to be shown that, even in industries such as their own, the difference between good and bad practices can mean the difference between an appropriate work - life balance and considerable human resource problems that reflect badly on them as employers.

Fund managers will need to be shown persuasive evidence that OHS policy and its implementation does reflect on the profitability of a business. As well as providing aggregate costs to the economy of poor OHS and case studies that focus on the returns on investment in OHS, the evidence needs to show bottom line impacts of good and bad practices of businesses in similar industrial sectors. This will help fund management to look to businesses to report meaningful indicators of OHS performance and ask appropriate questions of the processes they use to manage OHS through engagement. It may even empower them to ask pertinent questions of their own employers and help them to become good examples themselves. This is recognised in Revitalising Health and Strategy which provides under Action 1 the provision of a Ready Reckoner to help management understand the business case for OHS.⁴⁴

As already discussed, the ABI is willing to cooperate with the HSC/E in raising the profile of OHS in the SRI agenda. ABI organises seminars and workshops on important issues and would be willing to facilitate dialogue between the fund management industry and the HSC/E.

UKSIF is a member organisation made up of investors, fund managers and CSR organisations. It runs programmes such as 'Just Pensions' that help to ensure SRI practices are mainstreamed and provides information, guidance and campaigns on specific issues. The organisation has a close working relationship with the HSC/E, passing on advice and guidance to its members. UKSIF believes that OHS – in terms

⁴⁴ Revitalising Health and Safety. www.hse.gov.uk

of occupational safety - is regarded as a top level issue and that much of the SRI industry therefore regard it as a relatively easy issue to engage. The difficulty arises when trying to engage the SRI industry more on occupational health issues.

Despite the importance already attached to OHS, UKSIF believes that it should be possible to further raise the profile of OHS in the SRI - range of possibilities for doing so were discussed. The organisation is preparing sector profiles that set out risks and opportunities relating to social, ethical and environment impacts of industries. The HSC/E may contribute to the preparation of these profiles using their understanding of OHS risks, benchmarking for assessing performance and providing guidance on good practice. Good practice examples - well thought through and preferably endorsed by industry leaders and stakeholders such as trade unions - would be welcome. Further, the organisation would also be willing to help arrange a dialogue between the HSC/E and their own members on important OHS issues.

One of the most influential sources of information in the UK on the social, ethical and environmental performance of companies is EIRIS. Whilst fund managers do pay attention to evaluations carried out by FTSE 4 Good, the DJSI and rankings prepared by BITC, they are increasingly inclined to undertake assessments of companies themselves. To complete these assessments they need to have access to all the information available on a company's processes and systems, impacts and the views of the various key stakeholders. EIRIS is the most widely used source accessed by the UK SRI industry.

EIRIS would welcome closer co-operation with HSC/E. Benchmarks of performance by industry, evaluations of key OHS risks by sector and guidance on best practice would be valuable. HSC/E could also perhaps commission EIRIS to run its Corporate Health and Safety Performance Index (CHaSPI)⁴⁵ - the organisation has been approached by other UK Government agencies to run official measurement tools. EIRIS is a 'not for profit' body and therefore has no revenue income other than from charges for its services. This factor should be borne in mind if any working arrangements are considered.

3.5 BUSINESS ORGANISATIONS

Business organisations typically cover a wide range of subject areas, with widely differing viewpoints. For example, they may promote a subject such as trading with the new European Member States, run seminars on new labour laws and lobby the Government on taxation. In each case there can therefore be a disconnection in both time and actions between related subjects and this appears to be the case with OHS and CSR. Modern thinking on OHS has been a part of business organisation activity for over 30 years, many going much further back on safety issues. CSR is a much more recent subject that impinges on different aspects of their activities – investment, social awareness, employment, etc. In this sense, OHS has to take its place as just one of these components and does not rank high on the agenda. Neither does CSR when compared to the overall coverage of the organisations concerned.

Although not prominent in their activities, CSR was certainly recognised as important by the organisations concerned and most had some coverage of the subject, albeit broad in nature and not OHS specific.

⁴⁵ *The development of a health and safety management index for use by business, investors, employees, the regulator and other stakeholders Health and Safety Management Performance Index.* HSE Research Report 217 – published 2004. See www.hse.gov.uk/research/rrpdf/rr217.pdf and see Reeve, Paul. Committed for good, *The Safety and Health Practitioner*, August 2004.

The Confederation of British Industry (CBI) as the principal employers' organisation recognises the importance both of CSR and, to a much greater degree, OHS. The organisation has undertaken several policy studies on the constituent elements of CSR, for example absenteeism and profitability, but has yet to link OHS to CSR in any major way. The organisation is very willing to work with HSC/E on the subject but of course, as with any member-based organisation, must act broadly in the interests of its members.

The Federation of Small Businesses (FSB) represents 185,000 members across all sectors, 75% of whom are in businesses with 5 employees or less. Their general view was that small businesses have difficulty in grasping the concept of CSR and in general feel that they are already practising many of these aspects that it contains – responsibility to their employees, social awareness, activities in local communities, etc. The CSR focus seemed to be mainly on factors that are *external* rather than *internal* to businesses and therefore missed the opportunity of formally using CSR to improve labour retention, profitability and performance improvement – although as small businesses this may already be part of their informal 'family' culture.

The FSB is already working with BITC to set up a small business consortium to help smaller firms appreciate the importance of CSR in the wider context. The contact interviewed felt that a wide range of publicity on the subject covering different aspects and case studies would be better than a single CSR strand.

On OHS, the FSB offer a Health and Safety hotline that provides limited legal and technical advice and they are currently considering how this could be linked to CSR. Again, the organisation is very willing to work with HSC/E in this respect and suggested that the subject could be linked to insurance premium savings – a cost area that is currently causing concern to their members. The FSB were not keen to see regulation used as a means of achieving CSR compliance and would prefer to use small business champions to promote the subject in a more positive way.

The Institute of Directors (IoD) again represents a substantial number of members with SME backgrounds. The organisation works closely with the HSC/E on OHS issues and has been involved in several publications – notably the pamphlet 'Directors' Responsibilities for Health and Safety' (HSE, February 2002). Again, the focus of the Institute has been largely focused on OHS and CSR, although covered in their range of courses and publications, is somewhat marginal. The IoD has good working relations with the HSC/E and would be happy to continue on CSR.

3.6 OHS ORGANISATIONS

The UK's foremost OHS organisations for the promotion of occupational safety and health are the Royal Society for the Prevention of Accidents (RoSPA) and the Institution of Occupational Safety and Health (IOHS).

RoSPA is a member organisation with a current membership of 5000, consisting mainly of larger businesses. Its prime objectives are the promotion of safety at all levels - at work, in the home, on the road, water and leisure safety - and occupational safety and health education. Advice, training and consultancy services for the private sector generate approximately 90% of RoSPA's revenue – revenue that helps to subsidise the policy work of the organisation. RoSPA employs 100 staff across five area offices.

RoSPA's policy activities focus on learning how to prevent accidents/poor occupational health, raising awareness of health and safety issues, providing guidance and - where appropriate - campaigning for regulatory change. Currently the organisation has a keen interest in issues associated with managing occupational road risk. On average in the UK 20 people die each week as road casualties, 7 of whom are driving for work.

RoSPA believes that the main challenge for the HSC/E in using CSR to promote OHS is to overcome the fact that most CSR practitioners regard OHS as a compliance issue. Health and safety should be included in the curricula of HR courses and as an elective in MBA degrees and considered a key part of everyday business management, not a separate CSR issue. In RoSPA's opinion, if HSC/E is to succeed in its objective it must be able to demonstrate ways in which OHS goes beyond compliance. In RoSPA's view, HSC/E has to extend the typology of business attitudes towards OHS beyond the compliance perspective.

RoSPA already has a close working relationship with HSC/E. The Society is keen to work with HSC/E on raising the profile of OHS in CSR.

The Institution of Occupational Safety and Health (IOHS) is one of the foremost professional training and accreditation organisations in the field. The organisation obviously has a long track record on OHS and latterly has begun to focus on CSR as a means of achieving improvements in OHS. Whilst not referring directly to CSR, the Institution provides a number of courses and publications that refer to the 'corporateness' of OHS in terms of better working relationships, workplace improvement and team building. IOHS worked with BITC in developing their CSR index and would be very happy to work with HSC/E on the subject.

3.7 THE TRADE UNIONS

As noted in Section 2, the trade unions have a pivotally important role to play in using CSR to promote OHS. In the role of employee representatives they facilitate the interaction between a business and one of their main stakeholders. They can therefore help raise the profile of OHS in this interaction. Trade unions may also stand to verify the processes and quality of the interaction and to educate their members on what constitutes good practice. Trade unions have a vital role in making OHS a reputational risk issue. Any suggestion that a business is losing the trust of its employees because it does not pay sufficient attention to their welfare would be regarded by the CSR movement as a matter of reputational risk.

Many trade unions are trustees of major pension funds and hence can influence the way that fund managers regard OHS. For example, they can ask fund managers to declare the extent to which they take account of OHS and select managers who give importance to, and are knowledgeable about OHS, issues. The trade union movement has supported research on CSR issues and the way they influence SRI.

The HSC/E and the trade union movement have a long-standing mutual interest in improving safety in the workplace. The critical issue for HSC/E in working with the trade unions to jointly improve the profile of OHS in CSR is that, up to now, the trade union movement has focused on regulation rather than voluntary measures such as CSR to improve OHS. This is understandable given the importance that they place on the welfare of their members.

HSC/E needs to convince the movement that whilst it does not rule out additional regulation, it is concerned to move the practice of OHS up the scale of competence,

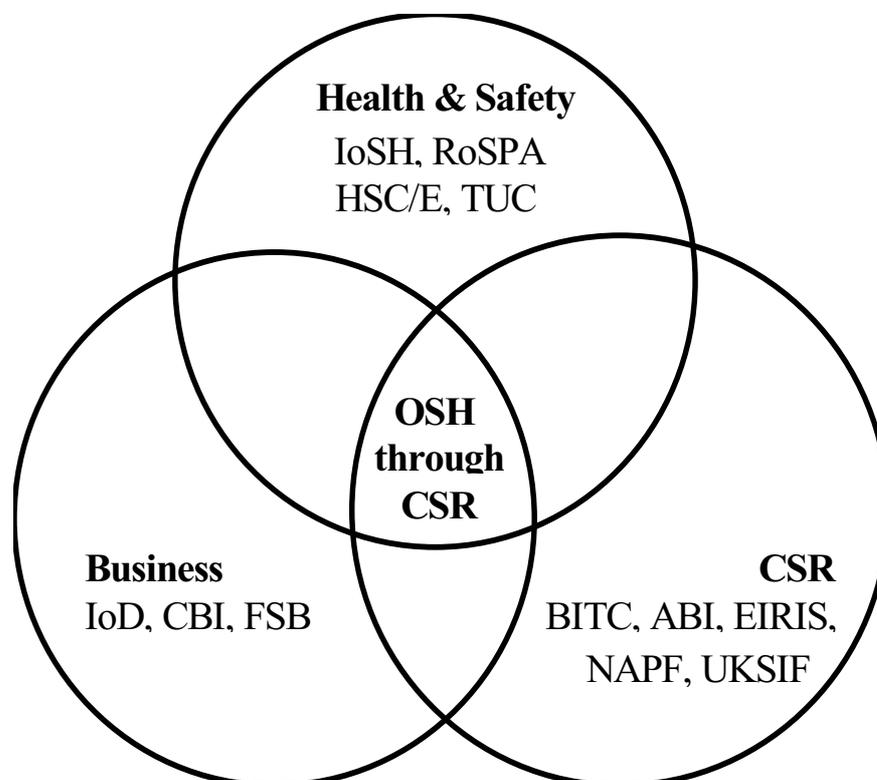
well beyond basic compliance. In support of this, the trade unions will need to see that HSC/E has a strategy for doing so that is coherent and credible. If that strategy fails, then HSC/E may need to review again the need for additional regulation.

Whilst the Trades Union Congress (TUC) is an obvious partner for such an approach, it may be additionally useful to work through them with the unions of sectors where businesses give a low priority to OHS, such as finance and IT. In fact, as and when the HSC/E is able to provide industry specific benchmarks and guidance, it should engage with the relevant trade unions to ensure that their members are enabled to use the information as part of their interaction with employers.

3.8 THE MAJOR SOURCES OF INFLUENCE

As may be seen from the text activities on both OHS and CSR are undertaken by several organisations, but rarely do they overlap. This is not helped by the fact that OHS is a multi – faceted, long - established business issue and CSR, whilst also multi – faceted, is comparatively recent. One of the major issues in furthering the cause of OHS through CSR will therefore be to raise the level of OHS as a business issue within the CSR agenda. To do this, the various organisations concerned must be able to interpret their varying member and corporate agendas in ways that will further the cause of OHS and simultaneously raise their perception of CSR as a business improvement tool. Figure 3 shows the three main groupings of the suggested top group organisations that are likely to be the major sources of influence in achieving this goal. It may be seen that the organisations fit three main groupings – OHS, Business and CSR.

Figure 3: OHS, Business and CSR organisations



4. THE PROPOSED STRATEGY

This section presents a strategy to raise the profile of OHS in CSR. It considers the role of HSC/E in raising the profile of OHS and a suggested strategy to pursue, the key levers for making occupational health a reputational risk issue and material to business performance, the ways that it can influence measurement and reporting, enable businesses and investors to benchmark performance and practices, and the types of guidance it needs to provide.

4.1 THE HSC/E'S ROLE

Before discussing the strategy that HSC/E may pursue to raise the profile of OHS in CSR, it is important to consider the types of initiative that are compatible with the HSC/E's statutory responsibilities. As the regulator of OHS, the HSC/E is the most influential OHS organisation in the country but as such the organisation cannot undertake activities that could prejudice its regulatory function.

In fulfilling its statutory responsibility for health and safety the HSC/E takes a view beyond regulation. As set out in the document, 'Revitalising Health and Safety', the organisation's broader aim is to motivate and encourage employers to take greater responsibility for OHS outcomes than simply complying with the law. This approach has been taken in order to ensure that the UK builds on its considerable achievements on health and safety. In fulfilment of this aim, the HSC/E has for some time been raising awareness of OHS issues, providing guidance and running programmes that support employers in dealing with OHS issues. This activity is being extended by the introduction of programmes to raise awareness on and mitigate stress and musculo-skeletal problems.

Activities that are more problematic for the HSC/E to undertake are those that publicly 'name and shame' or alternatively endorse the OHS practices of individual companies. Such public criticism or endorsement may be judged to impair the objectivity of the HSE in discharging its regulatory functions.

These limitations do not present major hurdles in being able to use CSR as a tool for improving OHS or on raising the profile of OHS in CSR. In reality CSR focuses on interaction with stakeholders. Organisations promoting CSR therefore tend to utilise major influences on customers, employees, investors and local communities to put pressure on businesses to improve social and environmental impacts. The HSC/E may also motivate and enable these stakeholders using a 'bottom up' approach to engage with businesses in order to raise the profile of OHS in CSR.

4.2 THE PROPOSED STRATEGY

In the Government and HSC/E's Revitalising Health and Safety Strategy document action point 2 deals with public reporting of OHS performance and action point 11 with director's responsibilities. HSE have undertaken a number of measures and initiatives in support of these action points. The aim is to raise recognition among CEOs and directors on the role that health and safety has to play in enhancing the reputation of their business and in achieving a 'high performance team'⁴⁶.

⁴⁶ *Corporate Responsibility and Accountability for Occupational safety and health: A Progress Report on Initiatives and Measures* - see HSC paper 03/105 - www.hse.gov.uk/aboutus/hsc/meetings/2003/141003/c105.pdf.

This work includes the following six strands:

- **Strand 1:** Facilitate meetings for Chair/Director General/Deputy Directors Generals with top people in top companies to promote corporate responsibility and accountability and active support for the HSC/E's Strategy for workplace health and safety in Great Britain to 2010 and beyond;
- **Strand 2:** Engage more effectively with large organisations;
- **Strand 3:** Identify, develop and review influencing tools. This includes publishing the results of research on reporting and director's responsibilities, evaluating the effectiveness of guidance and supplementing where necessary with persuasive evidence of the benefits of top level leadership and direction and good practice case studies. This strand also covers the provision of influencing tools such as case studies and the health and safety management index;
- **Strand 4:** identify and exploit opportunities through the complementary work of others to further CR&A goals. This is effectively what the Business Involvement Unit has been doing through the relationships it has built with the CSR movement. This study is intended to further that engagement;
- **Strand 5:** Encourage others to use their influence to improve health and safety. The two key instruments noted are the use of CHaSPI by investors in large companies and the use of the SME Health and Safety Performance indicator by 'Employer Liability' insurers, and;
- **Strand 6:** Assist large companies to benchmark their OHS performance through using CHaSPI

The six strands represent a coherent and comprehensive set of measures and initiatives. What our study shows is that CSR should not be viewed by the HSC/E as a separate vehicle for promoting OHS. Strand 4 will only succeed if the HSC/E is successful in other elements of its strategy to Revitalise Health and Strategy. To be effective, CSR must become a core aspect of the HSC/E's overall strategy for raising public awareness of OHS issues, persuading employers of the business case for OHS and providing guidance to them on how to measure performance and manage OHS.

As shown in figure 2, CSR is one of a number of forces that influence business. The HSC/E should use the wider range of forces to influence businesses, including other sources of regulation. These include the OFR and the disclosure requirements of the stock exchange, other external factors such as conditions in the labour market and the full range of internal factors that provide the business case for OHS.

CSR is a valuable trend that provides a new set of arguments for improving OHS. In support of this, the CSR movement provides a useful channel of influence on business. In order to raise the profile of OHS in CSR however, the CSR movement needs the HSC/E and other OHS organisations to raise the public profile of OHS and engagement with employees to make it an interactive issue with their employers. The CSR movement, though recognising the importance of OHS and including it in measurement and reporting guidelines and evaluation tools, will not raise its profile in CSR unless societal impacts and influence on business performance have been

demonstrated. As the movement matures and becomes more of a mainstream issue it is increasingly subject to the discipline of materiality and is less prone to arguments of societal impacts alone.

For the CSR movement to give OHS greater prominence it must be viewed as a material issue of reputational risk and business performance and/or an important element in the interaction of the business with employees. One or more of three conditions need to be fulfilled to enable this to happen:

- HSC/E must demonstrate that OHS is a reputational risk issue for all types of business. For the reputational risk to be material, it needs to be shown that companies that fail to adequately address occupational safety and health are in danger of losing public trust with a consequent loss of profit;
- HSC/E must demonstrate to the CSR movement that the business case for OHS is sufficient to be material to business performance overall. This is likely to include the influence it has on customers as well as on costs. The aim should be to bring together the diverse impacts so that OHS is seen to have a material impact on profits, and;
- OHS must be given greater prominence by employees - and those who represent them - in their interaction with employers. The trade union movement must broaden its focus on improving regulation to include the potential that engagement with CSR holds. As trustees of pension funds the trades unions also have an important and influential role to play. The unions representing employees in industries where occupational health is the main threat to OHS have a special role to play in this respect.

Once one or more of these conditions is in place, then the HSC/E can assist the CSR movement in its role of influencing business effectively by providing the movement with tools such as a framework for evaluating OHS in relation to CSR, tools to measure performance and benchmark management practices, provide guidance on key risks and what constitutes good practice and recognise innovation. We consider below the types of evidence that HSC/E may provide to address the three conditions before considering the tools that will enable the CSR movement to influence business behaviour more effectively.

4.3 HIGHLIGHTING REPUTATIONAL ISSUES

For large industrial businesses, occupational safety is already recognised as a material reputational risk issue. The key challenge for HSC/E will be how to make occupational health a material reputational risk issue for a wider range of business sizes and sectors, particularly larger service sector businesses such as those engaged in financial services, IT and distribution.

The critical test of whether an issue is material for corporate reputations is loss of public trust. The starting point for making these issues material for corporate reputations must therefore be public awareness. As yet, public awareness of the damage caused by stress and an inappropriate work - life balance generally, musculo-skeletal disorders and occupation related road safety is not as high as safety in the workplace.

The HSC/E is actively campaigning to raise awareness of occupational health issues. The evidence used in promoting the importance of this issue should include the loss of time from work and the human suffering caused. There is growing evidence that this latter aspect is being cited more in cases brought before the courts. This could be used to raise awareness among employers and employees of the common causes and consequences. Employers that do not take action to identify and mitigate these risks are failing in their statutory obligations and so are in danger of breaking their trust with society.

HSE needs to undertake a public awareness campaign, the Business Involvement Unit could help to translate its key messages into the language of CSR in order to engage with the CSR movement. The CSR movement has already accepted that OHS is part of CSR, though there are some doubters who view OHS purely as a compliance issue. The key levers that the IEU can use in engaging the CSR movement are:

- Promoting the 5 -10 key OHS risks for a broader range of industrial sectors, demonstrating the impact of poor practice on the lives of employees. This should help to raise the profile of OHS within the CSR movement;
- Evidence to show the difference between sector leaders and the average to demonstrate that businesses claiming to be socially responsible need to go beyond compliance if they are to improve their impact on society;
- Businesses claiming that their 'employees are their biggest asset' need to substantiate their claims. The HSC/E can point to what is good practice and challenge the CSR movement to ensure businesses are following it, and;
- Point to the public awareness campaign and suggest that as the public learns more of the issues it is bound to question whether businesses are taking the issue seriously enough to justify their trust. Businesses failing to do so run the danger of losing public trust.

The two main sources of influence on the CSR practices of businesses, as demonstrated by the IoD survey, are customers and employees. Both groups need to be enabled in order to evaluate how businesses are performing and to hold them to account if they are not following good practice. The CSR movement is more likely to regard OHS as a material issue for reputational risk if customers and employees do so as well.

The ultimate customer for all products and services is the consumer - this is why public opinion is so important. For many businesses - especially SMEs - the customer is frequently another business, often large. The CSR movement has already accepted the principle that businesses can be held to account for the negative social and environmental impacts of businesses that they trade with. It is therefore important to point out that poor OHS practices of suppliers may also impact on larger corporate reputations. Socially responsible businesses need to build OHS practices into supplier vetting. BT and other leaders in the field of CSR already do so. This should help to ensure that good practices on OHS are followed not only by large companies but also by SMEs. The enabling of employees is discussed later under Stakeholder Engagement.

Initially, the key channels of influence for highlighting reputational risk will be the CSR organisations and the SRI industry. They will help to bring pressure to bear on

large businesses and this should help to increase the demand for guidance on how to improve OHS practices and performance. The HSE's Business Involvement Unit should mobilise the help of the OHS organisations in the dialogue with the CSR organisations and the SRI industry. As guidance becomes available the Business Involvement Unit can then work with the CSR functions of business organisations to provide simple and easily to implement recommendations for their members.

4.4 MAKING OHS MATERIAL FOR BUSINESS PERFORMANCE

- As observed by the ABI, currently, the business case for OHS remains too diffuse to be considered material to business performance. There is a need to bring together all the impacts that affect profits and performance – for example, customers, recruitment costs, employee retention, higher employee satisfaction leading to better customer retention/product service quality and lower absenteeism/higher productivity. This will require the development of a robust methodology that separates out the effect of other factors such as pay and management methods from purely OHS effects. With the methodology in place, it should be possible to quantify the variance between the best and worst performers in an industry to demonstrate how material OHS is for business performance;
- The case studies⁴⁷ that the HSC/E has recently prepared are useful in demonstrating the business case for OHS. They are designed, however, to demonstrate the cost-benefit case for investing in OHS rather than the material impact that OHS practices may have on overall business performance. They need to be supplemented by additional research and case studies;
- Amongst larger businesses, the additional research and case studies should focus on industries where OHS is not perceived as a reputational risk such as IT, financial services and distribution. Providing a business case for OHS is particularly relevant for smaller businesses as they are less exposed to external pressure from investors. It is therefore important to include SMEs in the case studies to provide practical examples of how businesses can improve their performance through better OHS;
- The case studies can then be publicised to raise awareness. To influence behaviour, the HSC/E may also provide guidance on better OHS practices that lead to improved business performance. Guidance on how to achieve better performance should be simple and easy to implement. This is discussed further below, and;
- In using business performance as a tool for making OHS a material issue for CSR, the key channels of influence are the CSR units of business organisations. The IoD and the FSB will prove particularly useful in reaching smaller firms but the CBI and EEF will also have an important role. Where industry specific guidance is available the HSC/E could also work with the respective trade associations. In addition, it will be important to keep the CSR movement informed of developments and issues so that they realise OHS is material for the bottom line.

⁴⁷ *Supra* at 26.

4.5 STAKEHOLDER ENGAGEMENT

- Close interaction between businesses and their employees is fundamental to the success of a sound CSR strategy. Most businesses that have adopted CSR as integral to their way of doing business therefore have in place mechanisms to engage with their 'biggest asset', either through employee representatives (trade unions) and/or directly through the line management function. Those who have adopted better OHS practices to improve business performance will also have in place mechanisms to engage with their employees;
- Of course, what matters in practice is not just that engagement takes place but the quality of that engagement. HSC/E may help to improve the quality of stakeholder engagement amongst those committed to CSR or who have decided to adopt better OHS practices to improve business performance. Even if engagement is taking place, if employees are not aware of what constitutes good practice in OHS, then they cannot engage in meaningful dialogue;
- The key to success in improving the quality of engagement is to demonstrate good practice and why it makes sense for employers to follow it. Evidence may be based on the same case studies as above and the guidance derived from it, but to ensure buy-in, the orientation should be on employees. They should be able to see how better OHS practices can lead to improvements in their working conditions and their performance and why adopting these practices is in the interests of their employer, and;
- To reach employees, apart from the use of the media, the main channel of influence is the trade unions. They need to be convinced that a voluntary approach is worth trying and that such an approach will help to empower/benefit their members. It is especially important to work with unions in industries where occupational health issues go unrecognised, such as IT and financial services.

4.6 A POSSIBLE FRAMEWORK FOR EVALUATING OHS IN RELATION TO CSR

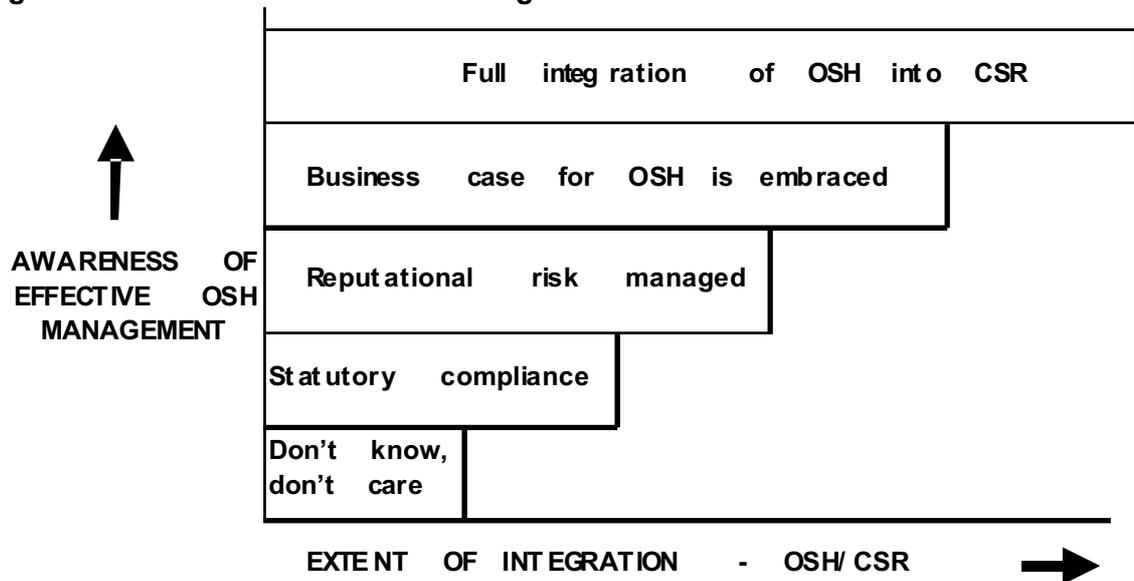
The first of the tools that the HSC/E may wish to provide to the CSR movement to influence business behaviour is a possible framework for evaluation OHS in relation to SCR. If the emphasis within OHS is to switch more toward longer - term health issues, it is important that businesses regard OHS as a continuous process that does not end with compliance. Current evaluation tools often focus on whether risks have been assessed or appropriate management systems are in place. These need to be improved in line with other aspects of CSR that are now moving away from compliance and managing risks to maximising the positive impact on society. To do so, a framework for evaluating impacts is needed.

The outline of a possible simple framework is shown in figure 4 below. The vertical axis indicates degree of awareness of effective OHS management; the horizontal indicates extent to which good practice is integrated into business strategy and operations. Companies may be graded into five categories by degree of engagement as follows. The categories could of course be further subdivided in order to provide a finer degree of comparison.

- The first, least engaged, group are 'Don't know, Don't Care' businesses;
- The next stage covers businesses that have taken the trouble and effort to meet their statutory OHS obligations;

- At the third stage are businesses that manage their reputational risk - those that are concerned with corporate reputations but have not embraced OHS as a business tool;
- Businesses that have embraced the business case for OHS are at the fourth stage, and;
- The fifth and final stage covers OHS Leaders, those that have integrated OHS into their corporate values and the way do business

Figure 4: Framework for evaluating OHS in relation to CSR



Awareness and integration clearly go hand in hand but greater awareness does not always result in greater integration in the strategy and operations of a business. Almost always, adopting better OHS will entail some cost, be it expenditure on goods or services or, at the least, management time in changing practices and procedures. The perceived difficulty of bringing about change, in terms of cost or effort, may prevent awareness becoming the basis of actual change in practice. What the framework above does is allow the CSR movement to evaluate both the extent to which businesses are aware of reputational risk/and or business benefits posed by OHS issues and the extent to which they have implemented change to integrate better OHS practices in the way they do business.

We have discussed this framework with stakeholders and found their support in principle. No doubt it will need further discussion within HSC/E and with other OHS organisations, including agreeing criteria for each stage. A framework of this type is useful for getting the CSR movement to think beyond compliance and even reputational risk. If CSR is about a company's positive impact on society and OHS is part of CSR, then companies must be aware that managing reputational risk may not maximise their impact. It should help to place the idea that for companies seeking to maximise their contribution to society, improving OHS performance is a continuous process.

4.7 MEASUREMENT & REPORTING

- At present, company reporting follows ABI and other guidelines that leave it to businesses to identify the key reputational issues and measure and report their performance against them. There is a need to work with ABI and BITC toward providing more detailed guidance on what should be measured and reported on OHS issues, particularly for industries such as IT and financial services where occupational health is an important issue. It would be useful also to open a dialogue with the GRI to ensure that international reporting guidelines follow suit;
- These organisations must be motivated to issue a supplement or an annex to their guidance that sets out details and incorporate the key indicators in the main body of their guidelines. The HSC/E should issue guidance on the key OHS risks of each sector linked to CSR, so that the CSR organisations and SRI industry start to engage more with businesses on OHS issues and so put pressure on them to disclose performance;
- SMEs do not need to respond to external investors. Measurement and reporting guidance should focus on the OHS information that they should monitor to be of value in demonstrating their performance to customers and employees, rather than framing it as disclosure requirements. The CSR units of business organisations are the best channel for developing this aspect, and;
- The overall aim should be to develop a range of sector specific guidance on measurement and disclosure requirements for larger firms and for SMEs a simpler - sector specific - tool on how to monitor and record OHS performance.

4.8 BENCHMARKING

- To reinforce the effect of measurement and reporting on providing an incentive to businesses to improve OHS performance and to enable the CSR movement to evaluate the performance of individual businesses, improved measurement and reporting needs to be accompanied by the provision of comparators to enable benchmarking of performance. In this respect, HSC/E has made a good start by developing the Corporate Health and Safety Performance Index⁴⁸ (CHaSPI). The key issue now is ensuring it is adopted and widely used.
- There are two possibilities to achieve this, the development of CHaSPI as a self - assessment tool for benchmarking and the uses of CHaSPI as a ratings tool. If it is decided to develop CHaSPI as a ratings tool, the key issues that will need to be addressed are:
 - The need for independent verification
 - How analysts may use the resulting rankings alongside other indicators of CSR performance
 - The current trend amongst analysts to move away from indices towards engagement may make it difficult to promote the use of the Index. as a ratings tool.
- Perhaps a better prospect would be to promote the Index as a self - assessment tool – thereby avoiding the need for independent CHaSPI verification. As businesses can be assured of confidentiality, they will have less incentive to feed biased information into CHaSPI. Further, including processes that involve

⁴⁸ *Supra* at 45.

stakeholder engagement may help improve the objectivity of the information used for self-assessment. Independent verification does not necessarily mean external audits in the accountancy auditing sense. Stakeholder engagement involving groups of employees and unions can also be effective, more 'engaged' and constructive.

- The collective results of self-assessment, aggregated by sector, location or size of business may then be used to provide benchmarks against which businesses may compare their self-assessments, setting up an agenda for improving performance. An independent agency could be appointed to manage data gathering and monitoring and to provide counselling on interpretation of the results. This is in fact, the way the UK Benchmarking Index, established by the DTI to help improve business performance functions.
- When established, the aggregated results, on a sector or other basis, may be used through the managing agency to brief analysts, business organisations and HSC/E on the results, so raising the profile of OHS. In time, CHaSPI can then start to take on role of ratings tool
- A simultaneous action that could be taken by HSC/E whilst CHaSPI is building data would be to compile and release data on industry (sectoral) averages of key indicators such as time off work by major cause. This type of information is what the CSR movement needs to identify and engage with poorly performing businesses.

4.9 GUIDANCE

- HSC/E is recognised as being the authoritative source of knowledge on health and safety issues. It provides valuable guidance on how to improve occupational safety and health. However, business organisations consider HSE's guidance to be too general, not specific enough to be adopted by businesses and written in a form that few businesses, especially SMEs, are likely to digest.
- If action on OHS is to be leveraged by using CSR to improve performance a number of additional actions should be taken on the form and content of guidance issued. Guidance can take the form of identifying key risks for each sector and advice on good practice in identifying and managing risk and better OHS practices that may result in improve business performance. Guidance material, as with any material targeted at businesses, needs to be as simple as possible – for example, 'the 5 key risks and how to manage them'. For SMEs, these should be written in a way that takes account of their realities – less emphasis on systems, more on what to look out for and what to do about it in simple, achievable terms.

As noted earlier under Stakeholder Engagement, guidance should aim also to improve the quality of engagement between employees and their employers. To do so, it will need to be tailored to meet the needs of employees and their representatives in articulating practices that will both improve their working environment and benefit the business in terms of reputational risk and improved business performance.

- Whenever possible, guidance should be endorsed by the CSR movement and industry leaders – perhaps by working in partnership to issue joint material. Joint working reinforces the authority of HSC/E and results in greater 'buy in' from both

businesses and the partner organisation. Examples of such joint working are the sector profiles that UKSIF are keen to produce and that SRI analysts need to engage with businesses. With the BITC, HSC/E can help shape the questions on OHS in CHaSPI and used by them for external verification.

4.10 RECOGNISING INNOVATION

- It is important to inspire businesses, especially SMEs, to improve their way of integrating OHS into their business strategy and operations. As noted earlier, many of the leading companies in the field of OHS are SMEs that have chosen to make the issue the basis of the way they do business. Awards such as the RoSPA 'GOPOP' (Going Public On Performance) have an important role to play in recognising these innovators and inspiring others to follow their example. Such awards should aim to acknowledge innovation in good practice on particular issues of importance to OHS. It is critically important, however, that the award process allows businesses to demonstrate their innovative ideas, not just reward what HSC/E thinks is good practice.
- To avoid direct endorsement of companies, the HSC/E need not give awards directly. Instead, it may sponsor the award but leave it to other organisations to administer the application, judging and actual award processes. Again, working in partnership with business organisations will be useful. Joint publicity of the award process may then be undertaken.

4.11 IMPLICATIONS FOR HSC/E

- Whilst CSR is an important and relatively new tool to help influence businesses on OHS issues, it is not an answer in itself. It must therefore be used in conjunction with the many other ways that HSC/E can influence employers, including ultimately, regulation
- The link between public opinion and CSR is clear. If the public does not care about CSR, then neither will businesses and investors. This means that co-ordinated action within BWED, other divisions and with the communications function of HSE will be needed.
- HSE recognises that it needs to engage regularly with the CSR movement to pick up on trends and initiatives that they can use. The ten key CSR players that it needs to work with have been identified in the body of this report.

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**More information on the work of HSE's
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