

MEASURING CORPORATE HEALTH AND SAFETY PERFORMANCE – THE VALUE OF A UNIVERSAL INDICATOR

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The Corporate Health and Safety Performance Index (CHaSPI) was developed by the UK Health and Safety Executive to promote greater corporate responsibility and accountability for occupational health and safety. This paper describes an evaluation of the index by testing its completion by large and very large organisations: and establishing its value to stakeholders. Overall there were few issues concerning the practical use of CHaSPI, most users found it face valid and several potential benefits were identified. However a number of difficulties were highlighted. The findings are discussed in relation to other health and safety performance indicators.

INTRODUCTION

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an instrument of positive change taking place in organisations. It reflects increasing interest in issues such as globalisation and large-scale industrial change, environmental damage from economic activity and social criteria affecting investment decisions of individuals and institutions (Fidderman, 2004). It sets the framework and defines the method with which organisations must operate to be able to meet the ethical, legal, commercial and public expectations that a society has of any enterprise. The European Commission define CSR as:

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (European Agency for Safety and Health at Work, 2004; p7)

CSR can be seen, therefore, as an approach to ‘good business’, which takes into account the social impact an organisation has on the community both locally and globally (HSC, 2003). It encourages organisations to go beyond minimum legal requirements by publicising their investment in human capital and the environment and it could be argued that a link exists between those organisations that pay attention to, and report CSR issues and improved overall performance (Zairi and Peters, 2002). At a practical level CSR involves an organisation’s operational values, policies and practices, management of environmental, social and softer issues and voluntary contributions to community development whilst Idowu and Towler (2004) suggest that UK CSR reports encompass four main perspectives, which are environment, community, marketplace and workplace. This includes scope for the reporting of how employees are treated, and in particular for the coverage of occupational health and safety standards.

CSR AND HEALTH AND SAFETY

The Health and Safety Commission (HSC) set out a number of actions in *Revitalising Health and Safety* (DETR, 2000) that were aimed at promoting and encouraging greater corporate responsibility and accountability for health and safety across private, public and voluntary sectors. Research carried out for the HSE in 2002 on corporate social responsibility highlighted the potential influence that investors, particularly larger institutions, can have on health and safety (Mansley 2002). The research found an interest among investors in health and safety with some investors actively engaging organisations on health and safety management issues. But the findings also revealed the need for an indicator that enabled benchmarking of health and safety performance to aid investment decisions. At the same time it seemed likely that other stakeholders including insurers, trade unions, the regulator and employees would find a health and safety performance indicator useful. One key group would be the organisations themselves as a measure would enable organisations to monitor their own progress and to set themselves specific objectives for improvement (Marsden et al, 2004). As a result of these findings the HSC commissioned the development of a universal indicator, the Corporate Health and Safety Performance Index (CHaSPI).

OTHER HEALTH AND SAFETY PERFORMANCE INDICATORS

The value of measuring performance as part of the management cycle has been recognized for some time and the framework set out in *Successful Health and Safety Management* (HSE, 2000) includes measuring performance as a key element of the process. However it is recognized that many organisations find health and safety performance a difficult subject and they struggle to develop measures which are not solely based on injury and ill health statistics (HSE, 2001). The requirements of the Turnbull Report on Corporate Governance (ICAEW, 1999) in addition to the HSC strategy of promoting health and safety through the CSR agenda provided a renewed focus on measuring health and safety performance and public reporting on health and safety issues. A number of benchmarking tools already exist, some of which focus specifically on environment health and safety, for example CBI Contour and Responsible Care which is specific to the chemical industry, whilst others address health and safety as part of the wider CSR agenda, for example the Corporate Responsibility Index (CRI) offered by Business in the Community (BITC), FSTE4GOOD and the Global Reporting Initiative (GRI).

Responsible Care is a voluntary initiative undertaken by members of the Chemical Industry Association (CIA). It demonstrates commitment to continual improvement in all aspects of health and safety and environmental performance and to openness in communication about its activities and achievements (CIA, 2005). The Corporate Responsibility Index (CRI) is described as a business benchmarking tool that provides meaningful feedback to organisations and highlights strengths and weaknesses and provides a focus on action priority (BITC, 2005). CRI provides public reporting under a number of headings including corporate strategy and integration, management and social and environmental impact. Product safety and occupational health and safety are optional categories within

social impact. The Global Reporting Initiative (GRI) is a reporting framework that provides globally applicable guidelines for reporting on sustainable development in company reports. The guidelines stress stakeholder engagement in both development and content. Performance indicators in GRI encompass four areas: economic, environmental and social and stakeholder (Bryant, 2005).

Mardsen et al (2004) suggest that indicators can be split into several categories:

- Performance indicators or outcomes such as injury rates, work-related ill health
- Process indicators including assessment of a management system
- Financial indicators e.g.cost of injury claims; and
- Compliance indicators such as fines

It may also be important to consider the risk posed to the organisation by adverse health and safety events and the risk posed to employees, members of the public, contractors, etc. Mixtures of the categories are used in publicly available indicators, although there may be a focus on performance and process indicators.

Many indicators are based on self- assessment, this can create concerns in relation to the validity of the data and a number of indicators are externally verified. This will increase the credibility of the data, but at the same time large costs may be incurred.

CORPORATE HEALTH AND SAFETY PERFORMANCE INDEX

To encourage reporting of health and safety performance, the Health and Safety Executive (HSE) commissioned the production of the web-based Corporate Health and Safety Performance Index (CHaSPI) www.chaspi.info-exchange.com. The index covered five compulsory indicators which were combined (in a weighted form) to provide an overall index score. These indicators are outlined in Table 1.

Table 1. Description of the core indicators

Indicator	Weighting %	Data type	Description
Health & safety management	50	Qualitative	80 questions yes/no/some
Occupational health risk management	12.5	Qualitative	14 questions yes/no/some
Injury rates	12.5	Quantitative	Injuries that lead to more than 3 days off work for employees and contractors
Major incident rates	12.5	Quantitative	Events which have catastrophic potential
Sickness absence rates	12.5	Quantitative	Total absences amongst all employees

In addition to these five compulsory indicators the index also sought information on:

- whether or not the organisation engages in highly regulated activities;
- if there is a director's declaration that all health and safety risks are adequately managed;
- if the organisation is 'under watch' following an event that has the potential to cause a major loss; and
- an indication that completion of CHaSPI has been internally or externally verified and who has carried out the verification.

As a result of an organisation completing the index a limited amount of information becomes publicly available about the health and safety performance of that organisation, including an overall score out of 10 and scores out of 10 for the individual indicators. During the trial period, organisational entries were anonymous.

METHOD

During May-November 2004 Loughborough University carried out an evaluation of CHaSPI (Walker and Cheyne, 2005). This was based on two studies run in parallel.

Study 1 tested the completion and use of the index by a number of large and very organisations. The study was based on asking a range of organisations from both the private and public sectors to complete the index and then to participate in a feedback interview that covered several topics including.

- practical aspects of competing the index;
- validity of the index in reflecting health and safety performance;
- potential benefits of completing the index;
- views on the need for verification of the index data;
- views on who should host the index
- who should pay for CHaSPI
- other reporting frameworks used to assess health and safety performance.

A number of sectors were targeted for inclusion. In the case of profit organisations these reflected sectors likely to be driven by Corporate Social Responsibility and included construction/civil engineering, chemical manufacture, utilities, insurance and banking, food processing, general manufacture and retail. To encourage participation letters were sent from the Health and Safety Executive to the Chief Executive and to the Health and Safety Director/Manager.

Study 2 investigated the value of the index to key stakeholders. The study focussed on demonstrating the index to a number of stakeholder organisations particularly investors and other financial players who may be users of CHaSPI data and then interviewing these organisations. The interview protocol included topics similar to those used in study one, but also asked how investors would use the information made available by CHaSPI.

RESULTS

DETAILS OF PARTICIPANTS

Study 1 resulted in feedback interviews with 57 organisations that had completed or attempted to complete the CHaSPI. This included 38 profit organisations. The breakdown by sector is presented in Table 2.

The results of study 2 were based on 25 stakeholder organisations, the majority being institutional investors, fund managers and investment research organisations (19) but also included insurance companies, trade associations and employer/employee bodies.

DESIGN AND USE OF CHASPI

There was, in general, a consistent view between the organisations completing CHaSPI and the investors concerning its design and use. Overall there were few issues related to the practical use of the index, and most users found it face valid i.e. that it made common sense and seemed right to the user (Lacity and Jansen, 1994). It was felt by the majority of completing organisations and investors that the index should be provided as a free service by the HSE, rather than an external service provider. The reputation and independence of the HSE would enhance the credibility of the index and therefore encourage more organisations to participate. A high proportion of respondents (again both organisations and investors) also felt that there was some need for verification of the CHaSPI data as this added weight to the score. Independent verification was considered preferable, although many were aware that this could be burdensome in terms of cost. A number of suggestions were made to reduce costs such as carrying out a partial verification and utilising other certification protocols. Two particularly important points were that the verification should be voluntary which would encourage less well resourced organisations to participate in CHaSPI and that more formal verification systems could be introduced once CHaSPI is well established with a good reputation.

Table 2. No. of participants by sector

Sector	No. of participants
Construction/civil engineering	10
Chemical manufacture	2
Utilities	4
Insurance and banking	9
Food processing	3
General manufacture	5
Retail	2
Property/facilities management	2
Transport	1

SPECIFIC INDICATORS

Most completing organisations and some stakeholder participants felt the CHaSPI was a fair reflection of health and safety performance, although many identified a number of difficulties. For example, there is a view that the content of the index is not always proportionate to the risk profile of an organisation, particularly those in low risk sectors, for example in the banking sector. The main difficulties centred on specific indicators, in particular the major incident indicator, accident data and sickness absence data. The major incident indicator (which may have been based on indicators from the high hazard industries) was viewed by many participants as being limited in use, especially for low risk organisations. Potential solutions to this ranged from removal to restructuring. Some concern was expressed about the ability to gather injury data. Difficulties were identified where an organisation uses non-UK criteria for data collection and where an organisation uses large numbers of contractors. Concerns were raised about sickness absence data and there was a range of views on the value of sickness absence in reflecting health and safety performance. It was also noted that the index may be difficult to complete at group level, especially for multi-sited organisations that operate a federal structure.

In terms of the calculation of the overall CHaSPI score, a relatively consistent message came across that management issues should make the highest contribution. However some participants felt that occupational health management is part of wider health and safety management and should, therefore, have a greater weighting, or be incorporated into the management system indicator. On average, both groups of participants felt that the weightings of the other indicators should be amended slightly. When asked if they would complete the CHaSPI for real, responses from participants were mixed, with most positive responses coming from smaller organisations in both the private and public sectors, with little or no overseas activities. There were indications that participation would increase if a number of the concerns raised were addressed.

BENEFITS OF CHASPI

A number of benefits from completing the index were identified by the organisations. The most common were using the index as a benchmarking tool and demonstrating commitment to stakeholders including customers, investors, enforcers, insurers and members of the public. Other benefits included bringing about health and safety improvement and a number of organisations outlined practical actions that they had taken following completion of CHaSPI e.g. addressing supply chain issues, raising awareness of the senior managers. A limited number of organisations felt that there were no benefits in completing CHaSPI.

The majority of investment organisations interviewed saw the benefit of having a uniform score for health and safety performance and how this could assist their work especially through benchmarking and engagement. However, this information would probably be supplementary to a portfolio of other tools and information sources that the investment community have access to and in many cases would lead to further research. Particularly important to potential users of the index information is the level at which

CHaSPI is completed for an organisation. Most felt that the index scores need to reflect the global operations of UK listed companies.

DISCUSSION

CHaSPI was considered by most participants in the evaluation to be a fair reflection of health and safety performance, however as a universal indicator, the philosophy of 'one fits all' inevitably leads to a number of difficulties and several of these were highlighted in the results. Following a number of modifications which were based on the findings of this research, the HSE re-launched CHaSPI in July 2005. These modifications included reducing the number of compulsory indicators so that sickness absence data is optional. In addition the weighting calculation has been modified slightly. The revised weightings are presented in Table 3. The weightings are applied to the calculation of the CHaSPI score only if the user has provided the numerical data. The user may complete the optional indicator also by providing a statement, but will not impact on the on the CHaSPI score. For example, for the employee sickness absence the company can indicate that they have started to collect this information but it is too early to report, or they do not collect the data and have no plans to do so etc. This information will appear in the publicly available data.

In addressing level of completion, profit organisations may complete the index at group level and at subsidiary level. The results of the subsidiary are always presented in association with group level organisation. Implicit in the process is assumption that companies are reporting at top level and not for individual sites. CHaSPI is primarily concerned with UK based organisations, however to cater for companies not in the UK but with UK subsidiaries the number of optional indicators has been increased to also include injury rates and serious incident rates, the weightings have been adjusted accordingly.

The Major incident indicator has been re-titled the Serious incident rating and it has been redesigned so that it is now more relevant to low risk organisations. The indicator

Table 3. Revised weightings applied for all entries except for companies not in the UK, but with UK subsidiaries

Indicator	Status	Weighting if sickness absence completed	Weighting if sickness absence not completed
Health & safety management	Mandatory	0.33	0.4
Occupational health risk management	Mandatory	0.16	0.2
Injury rates	Mandatory	0.16	0.2
Serious incident rates	Mandatory	0.16	0.2
Sickness absence rates	Optional	0.16	0

requires organisations to identify events for the following categories – fire in a building where the fire service is called, dangerous occurrences, work-related transport incidents, food poisoning, exposure to asbestos and partial collapse or collapse of a structure not under construction.

The HSE continues to provide the service free of charge and verification is voluntary. These modifications were designed to encourage organisations to complete CHaSPI and the investment community to make use of free publicly available data. However to increase the rate of participation HSE needs to actively promote the benefits of CHaSPI to both groups of stakeholders. CHaSPI is now live and a number of organisations have publicly available performance data. A much larger number of organisations have registered and are listed on the site without performance data being publicly available.

In comparing CHaSPI with other indicators, perhaps the central issue is based on the observation that many organisations find it difficult to develop performance measures that go beyond incident data. The HSE published guidance to assist with this (HSE 2001), however there is no doubt that a framework developed on behalf of the HSE provides an indication of best practice and as such may be an invaluable tool for many organisations. A range of frameworks are available at present, and a selection has been described in the introduction. The design of an indicator is a reflection of its main function and this will affect their value to an organisation.

If an index is designed primarily to meet the needs of CSR then details of health and safety performance may be an optional component and may be superficial in terms of assessing performance which is typically based on a few management questions and performance data. For example in the FTSE4Good Index health and safety is one of seven indicators in the social and stakeholder criteria. The organisation must provide evidence of health and safety systems in relation to awards, details of health and safety training and published accident rate. The organisation must disclose on two of the seven indicators either globally or in their home operating country. This level of detail may be sufficient for many investment organisations where there may still be a focus on 'headline performance' and health and safety in considered in the larger context of CSR.

CHaSPI also provides useful top level information for the investment community but in addition the detailed coverage of a number of aspects of strategic management of health and safety and occupational health provides useful data for use by the organisation. For example the more detailed analysis of the health and safety management system enabled some organisations to introduce practical improvements and was used to inform senior management. It may be completed at group and or operating level thus providing an opportunity for benchmarking within an organisation. Other indicators such as CRI are described as business benchmarking tools and may provide a more detailed insight into an organisations health and safety performance.

One disincentive in participating in these indicators may be the cost involved which comes through membership fees or consultancy fees. This could restrict participation to very large organisations and be less attractive for smaller organisations and those from the public sector. The benefits of participation need to be clear. HSE provides CHaSPI

free and verification is optional– a recognition of need to make CHaSPI accessible to all organisations.

A criticism of CHaSPI is that it is not appropriate for low risk sectors and the obvious advantage of sector specific indicators is that they can be tailored to meet the needs of the sector. For example Responsible Care includes product safety in addition to workplace safety as this is particularly important for public perception of the chemical industry. It may be significant to note that response from the chemical industry in terms of participating in CHaSPI was relatively poor (2 organisations out of 38) this may indicate a degree of satisfaction with the existing frameworks. The disadvantage of sector specific indicators is the lack of uniformity which the investment organisations saw as a clear benefit and this uniformity would in addition be valuable to other stakeholders. One potential solution would be for sectors to supplement CHaSPI with features relevant to their sector.

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