

Research Outlook

Corporate Transparency and EHS

Corporate transparency refers to the level of disclosure companies have in publicizing corporate efforts or performance outcomes. Many companies tend to be very forthright in disclosing their environmental and sustainability efforts to the public, but are more guarded with their occupational safety statistics. Last year, the Occupational Safety and Health Administration (OSHA) announced a proposed new regulation to improve the reporting of workplace injuries and illnesses by increasing the level of frequency and transparency in disclosing safety performance numbers. This installment of Research Outlook highlights the growing interest in corporate transparency and its links to occupational safety and health and overall business performance.

OSHA (2013) has proposed an amended recordkeeping system to better record and track injuries and illnesses in the workplace. This amendment would not alter the kinds of companies that are currently required to report injury and illness information, nor would it change the criteria or definitions of recordable incidents. The proposed changes would require companies to report their injury and illness statistics every quarter instead of every year and would also make these statistics available to the public. One reason for this change in recordkeeping is that in a given year, OSHA inspects only about 1% of establishments that come under its jurisdiction (about 98,000 out of 7.5 million total establishments). Another reason is that the OSHA Data Initiative (ODI) collects only aggregate data, which does not identify specific hazards or problems. Also, the data are not collected and reported in a timely manner, which limits OSHA's ability to act upon those numbers.

There are several potential benefits from these proposed changes. In keeping with the adage, "Sunlight is the best disinfectant," OSHA (2013) claims that making injury and illness data public information would increase workplace safety by encouraging companies to provide more accurate data and be in better compliance with OSHA standards. Employers will be encouraged to make improvements to OSH to uphold their reputations as good companies with which to do business. Public injury and illness data will also allow current and potential employees to assess and make better decisions about who they work for. And finally, more timely data would enable OSHA to better identify trends and patterns in injuries and illnesses.

In passing this proposed regulation, OSHA would not be the first agency to require business operations to publicly report their illness and injury statistics. The Mine Safety and Health Administration (MSHA) requires all mining establishments to report these numbers, although it appears that this is done only on an annual basis and not quarterly. The Federal Railroad Administration (FRA) and the Federal Aviation Administration (FAA) also make incident information publicly available, although once again this seems only after an incident has occurred and not on a regularly timed basis.

To get an idea of how publicly accessible safety statistics can result in better safety performance, one can look at the vehicle safety ratings reported by the National Highway Traffic Safety Administration (NHTSA) and independent nonprofit groups like the Insurance Institute for Highway Safety (IIHS). These groups systemically test vehicles' crashworthiness and make their reports available to the public. The Office of Vehicle Safety Compliance (OVSC),

which is housed under the NHTSA, randomly tests vehicles annually for compliance with federal motor vehicle safety standards and maintains that its testing program “is a strong incentive for manufacturers of vehicles and/or items of motor vehicle equipment to institute and maintain a strong control/product surveillance program” (OVSC, 2013).

Gavin (2012) states that because of efforts by NHTSA, consumers are more conscious of vehicles’ safety ratings and continue to demand advanced features to improve crashworthiness and reduce emissions. According to his research, it is not just regulatory authority that prompts carmakers to engineer better products, but market forces stemming from consumer desires: “[T]he sudden public awareness provides manufacturers with incentive to fix the problem before it affects the brand and consumer behavior” (Gavin, 2012:102). In other words, it is this combination of regulation and consumer pressure that pushes car manufacturers to make vehicles safer. This is similar to what OSHA is proposing by making safety statistics more transparent – public awareness and pressure will drive employers to better performances in occupational safety and health.

While OSHA makes the case that better transparency can lead to better safety performance, other researchers take this a step farther and correlate corporate transparency with better business performance. In their study of companies in the mining sector, Gomes et al. (2013) found that continual improvement in occupational safety and health and

transparency with stakeholders were associated with better business performance. In this case, transparency refers to the disclosure to stakeholders of economic, social, and environmental performance, of which OSH is a part. In fact, transparency with stakeholders had the most correlations with improved business outcomes. The conclusion was that transparency drives the public image of companies, which leads to more contracts and bigger profits.

Similarly, the Principles for Responsible Investment by the United Nations makes the case that greater transparency regarding environmental, social, and governance issues is related to shareholder value and business performance (Lo, 2012). To test these hypotheses, more research in the area of corporate transparency, safety performance, and business outcomes needs to be conducted.

Assessing the integration of OSH into corporate governance could be measured by evaluating the extent to which leading indicators are implemented into an organization’s safety management system. Taking proactive measures to prevent incidents is a practical way to improving safety and business outcomes, and also seems a logical next step after being stipulated (or voluntarily choosing) to disclose more data to the public. Further research in this area could also assess how OSH strategies are incorporated into an organization’s overall business strategy and the ways in which an organization ensures that OSH remains a core principle of a company’s values.

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