

# Corporate

# Social Responsibility

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**T**he European idea of liberty, equality and fraternity is falling into bad ways in

Europe due to the increasing pressure being exerted by globalisation. The market will not fix it: instead of more freedom, equal opportunities and solidarity, increasing inequality arises - despite tremendous productivity on the part of our economy - between rich and poor. A market economy always requires social regulation for it to become "social". The invisible hand of the market is therefore invisible because it does not exist. As long as the markets and decisions were drawn up mainly at the national level, democratic processes were also able to adequately influence the economy. This has changed considerably during the course of globalisation. Participation in rising share prices has become more important than a long-term and sustainable corporate strategy. A sort of manager feudalism develops in which one's own salary becomes more important than the corporate interests.

With the advent of globalisation, global companies have come in for more criticism from the public and trade unions. That is why companies, along with trade associations, have become more interested in taking measures that protect their "good reputation" and silence the calls for political solutions. With this in mind, the European Commission launched the "Corporate Social Responsibility" initiative several years ago in order to motivate companies in Europe, and therefore also in Austria, to take greater corporate responsibility.

CSR is a starting point for the trade unions to establish a dialogue with executive management. However, they are not the solution to the problem as they are used by companies and trade associations mainly for marketing purposes. The content and supervision of such codes of conduct is important for trade unions. That is why the Union of Salaried Private Sector Employees (GPA) has developed indicators to be able to evaluate good corporate governance and know which criteria are applicable to a sustainable corporate strategy. These are important instruments for works councils as well as for external consultants in order to be able to recognise the responsibility of a company.

A political model of "good corporate governance" would be the most interesting goal for GPA. This is why an association made up of "workers' representatives and civil society" is attempting to get this process off the ground.

Shareholders invest and risk only money in a company, whereas people invest and risk a large part of their life. Companies are therefore not only committed to their economic objective, they are also social and moral organisations. Corporate responsibility and codetermination are indispensable in future companies.

**Wolfgang Katzian**  
Chairman, GPA

## 1. Introduction

### 1.1 Sustainable corporate governance

**CSR (Corporate Social Responsibility)**, i.e. the corporate and social responsibility of companies, is defined by the trade unions as transparent, social, economically and ecologically sustainable governance. In the process, it involves first of all the voluntary assumption of obligations, although these go beyond statutory and contractual obligations that should be complied with anyway. Interest groups affected (stakeholders) - i.e. workers' representatives, NGOs with their different definitions of problems and local and regional persons involved in the sphere of the business - need to be involved in selecting, implementing and monitoring CSR measures.

To obtain a realistic evaluation of the method and effect of CSR concepts in economic and corporate business policy, we should not view them through the eyes of the

corporate PR departments. CSR is a neoliberal response to criticism of how capitalist economic and corporate systems deal with natural and human resources, i.e. with the material bases for existence for future generations.

At the same time, ecological responsibility was and is often at the centre of discussions. On the other hand, dealing with human resources as part of this process has scarcely been picked out as a central theme and if so, then it has referred for the most part to the divide between the so-called "First" and "Third" World.

The social responsibility of companies has often been called for in connection with the catastrophic job situation in part and the exploitation of workers by multinationals in less developed countries. In the meantime, the effects of an increasingly globalised and unbridled market have also led to many companies rejecting socially embedded economic forms in the "First World" countries.

Trade unions are not opposed to companies committing themselves voluntarily to acting in a socially responsible manner over and above laws and other contractual obligations. They just do not have any illusions about which outline conditions exist for this in a society in which workers are treated as goods in the process involving utilisation of capital. This is why trade unions fight for binding, legal regulations in order to control the market. Only in this way can we ensure that the development and change in the economy improves the working and living conditions of workers. The perversion that a company giving notice to workers triggers the rise in share prices and management salaries is just the tip of the iceberg.

From the trade union's perspective, the social responsibility of companies lies not only in the ad hoc solution to any individual problem that workers might have. Social responsibility means the development and institutionalisation of structures that ensure sustainable protection and an improvement in the working and living conditions of workers (and other interest groups such as consumers) as well as social justice. The social responsibility of companies needs to be measured by the extent to which corporate governance and a corporate policy that is economically driven is ethically sound. The social responsibility of companies must be viewed in its entirety. Exemplary ecological behaviour does not warrant dealing with the rights of workers in a relaxed manner and vice versa. The entire output chain should be taken into consideration.

These very general objectives need to be linked to specific indicators in order to facilitate the transparent monitoring and evaluation of codes of conduct and enable companies to portray themselves in terms of CSR measures, particularly with regard to sustainability reporting.

## **1.2 Use of indicators**

Indicators constitute as it were highly determinable clues that can be used to see and gauge whether certain facts - in our case the social responsibility of companies - are true. This circumstance also lends the indicators an aura of objectivity, although it should be analysed critically. On the one hand, the choice of indicators alone constitutes an evaluation and therefore paves the way towards a certain direction. On the other, the question is of special importance particularly for social statements of affairs. Given that social elements are often of an immaterial nature, these often cannot be measured by "hard", definite, objective indicators. In this respect, "soft" indicators that comprise the subjective aspects - such as opinions, individual satisfaction etc. - must also be used. The concept of a "social audit" combines both approaches and also allows a sensible mix of internal and external evaluation with the help of several interest groups (stakeholders).

The difficulty in using general indicators lies in the fact that there are extremely objective indicators in the form of figures for certain aspects (e.g. income, working conditions), whilst this is not the case for others and these need to be viewed in a complex and more precise manner. Some indicators should not be used selectively for just one area of activity.

In addition, companies differ from each other in terms of industries, fields of activity, size and other features. Health protection will thus have different focal points depending on the load type. A small business will likewise scarcely be able to offer its own kindergarten to enable better compatibility between gainful employment and child care. In this respect, the applicability of indicators to different situations must take into account. Benchmarking within the industry should in any case be a standard feature in the evaluation of CSR measures.

## **2. Areas of activity for the social responsibility of companies**

### **2.1 Corporate governance**

Social responsibility in corporate governance means analysing each development made by the company for possible social effects, searching for socially acceptable solutions with those affected and establishing complete transparency for this process. All of the company's standards and practices are geared to increasing the quality of the corporate policy in an economic, ecological and social way.

#### **Examples of indicators:**

- Quality of information
- Disclosure of salaries and incentive schemes for managers
- Partnerships with local and regional interest groups
- Projects for the integral assessment of the consequences of corporate activities

### **2.2 Employment and social security**

Most people in our society must sell their capacity for work in order to secure a living. The principal uncertainty of whether it is possible to avoid becoming unemployed and how long this will last makes people anxious, and rightly so. The rising number of precarious employment relationships increases uncertainty. This is why employment opportunities that are protected in the long term and by social security law as part of so-called typical employment relationships are a key aspect in the social sustainability of work. In Austria, protection against dismissal in a typical employment relationship is also not as fully developed and the substitute wage during unemployment is very low compared with other countries.

Against this background, part of the social responsibility of companies is to offer and develop employment opportunities - particularly for young people without professional experience, for people from minority groups or other disadvantaged groups, for people with disabilities, for people with family obligations and for older workers.

#### **Examples of indicators:**

- Trend in number of jobs
- % of employed persons in typical employment relationships
- % of those in desired and undesired part-time work
- % of employed persons in fixed-term employment relationships
- % of temporary workers
- Consideration is shown for the interests of workers in the event of changes in operations (organisation, technology)
- Support programmes for unavoidable dismissal

### **2.3 Income**

Income plays a key role in achieving and securing an acceptable standard of living. A minimum basic condition is therefore an income that secures a livelihood - no longer a

given in view of the increasing number of so-called "working poor". In addition, the question of voluntary social security benefits should be included. Social responsibility can also be seen in the security and predictability offered by income.

The number of variable income parts must remain as small as possible, and the entrepreneurial risk must not be shifted onto employed persons.

**Examples of indicators:**

- Compliance with labour law, in particular the collective agreement
- Income that secures a livelihood during normal working hours
- Share of variable income
- Higher income than the industrial average
- Voluntary social security benefits
- Facilities for future provision
- Same wage for equal work
- Transparency in job evaluation and grading
- All work is paid, including all overtime, "practical training" etc.

**2.4 Working conditions and health promotion**

An elementary basic human need is to preserve and protect their physical and emotional health. In this respect, a benchmark exists for socially responsible behaviour by companies in terms of the measures that they take in order to minimise health risks for employees that arise from work.

Depending on the industry and field of work, this requirement differs from company to company. The act of guaranteeing working conditions that promote health therefore contains several starting points whose importance can vary a great deal: meaningful job tasks, ergonomic layout of workstations, reduction of one-sided loads through change in load, health prevention, career development within the company, moderate performance targets.

**Examples of indicators:**

- Number of sick days per employee (average)
- Effects of the situation on the labour market must be taken into consideration during any assessment
- Physical and emotional loads, impairments to health
- Number of job-related illnesses/early retirement for health reasons
- Number of accidents at work
- Remuneration that takes into account the performance limits
- Standardised evaluation programmes (e.g. Human Work Index)
- Company programmes for health prevention, industrial psychological support with special protection of confidence
- Existence of appropriate management systems (employee protection management)

**2.5 Vocational (further) development / further training / employability**

The professional qualification level is increasingly an important criterion of integration in the labour market, whereby the level achieved through initial training is nowhere near enough to ensure long-term employability. Social responsibility in this area can therefore be seen in the extent to which a company invests in the training and further education of its employees. Companies must ensure fair and just participation by all employee groups (qualification level, gender, age) as well as the industry-wide applicability of the knowledge acquired. Company benefits exist in the range of traineeships over and above their own needs (apprentices).

**Examples of indicators:**

Number of traineeships (apprenticeship...)  
Internal and external further training measures as days per employee  
(costs borne by company)  
Employees informed if any changes made to functions, technology or organisation  
Fair participation of all employment groups (based on qualification level, gender, age) - details on costs based on this key  
In-house development opportunities: existence of measures for career planning  
Working conditions beneficial to learning (scope, communication possibilities, social hours etc.)

## **2.6 Recognition / social consideration**

Social responsibility in terms of shaping the social relations in a company means recognising employees as persons whose social role goes above and beyond their immediate function of worker.

Social consideration always resonates, yet much more basic attitudes are expressed when management deals with its employees. It is to do with how the compromise between profit-driven economics and the dignity of those working in a company is calculated.

### **Examples of indicators:**

Considerate dealings with / integration of employees with lesser capabilities (percentage of disabled workers, workers with health problems, older people)  
Common-sense needs of workers taken into account  
Offer of qualified part-time work with right to return to full-time employment  
How conflicts are dealt with in the company  
How mistakes made at work are dealt with  
Right to free expression of opinion, possibility of "counter publicity" in the business.

## **2.7 Compatibility between work and family life**

Social sustainability of work is also revealed above all in the extent to which it allows enough scope for interests, needs or obligations above and beyond gainful employment. Compatibility is therefore not reduced to a "female problem", but is a fundamental question about the social division of labour and comprehensive personality development.

Gainful employment must allow other socially necessary work (own work, care work, community work) and enable participation in social and corporate processes, e.g. those of a political or cultural nature.

### **Examples of indicators:**

Length of working hours and location  
Extent of unpaid overtime, home working  
Right to switch to part-time work and from part-time to full-time work (in particular also with highly qualified workers or managers)  
Employees able to plan and influence working hours  
Possibilities of sabbaticals, longer time out  
Company support for child care facilities  
Release for care and nursing work above and beyond legal obligations

## **2.8 Equal rights for men and women**

The social responsibility of companies is also revealed by whether they use structural social discrimination against women to their advantage or conversely do something to

help reduce gender-specific inequality. This concerns the HR policy, the compatibility between work and family life, the corporate culture, shaping the work organisation as well as measures against sexual harassment.

**Examples of indicators:**

- Income equality between the sexes (same wage for work of the same value)
- Girls/women trained in non-traditional professions
- Preference given to women for external and internal job vacancies as well as for filling management positions (with same qualifications)
- Promises of reemployment following (extended) family break combined with measures to preserve qualifications
- Forms of institutionalisation with regard to policy of equal opportunities: women's representatives, works agreement, target figures and obligation to report, written letters of intent
- Measures against sexual harassment
- Annual preparation of a statistical 'looking glass' for women based on occupational groups and job function levels
- Support measures for men with family obligations

**2.9 Work structure suitable for older people / equal rights for older people**

In a corporate policy characterised by short-term usability interests and geared to an increase in performance, age has become a risk factor of the highest order in the working world.

Socially sustainable work also needs to be measured above all by the extent to which the recognition of specific qualities among older workers facilitates healthy ageing at work and therefore in the company.

**Examples of indicators:**

- Balanced HR policy that integrates older people (adequate number of older workers)
- Importance of experience in the corporate culture
- Work structure suitable for older people (flexitime models, reduction in working hours or part-time work for employees approaching retirement age)
- Career structure suitable for older people and new job roles for older workers
- Promotion of mixed-age groups or teams (knowledge shift between generations)

**2.10 Equal opportunities and anti-discrimination policy**

Economic globalisation and unequal economic and social development opportunities have significantly increased migration streams.

Equal rights, equal treatment and support must be in operation irrespective of ethnicity, origin, religion, ideology, sexual persuasion for all groups discriminated against or socially disadvantaged within the company's work force. This also applies in particular to career planning.

**Examples of indicators:**

- Existence of a works agreement to protect against discrimination and to promote equal treatment
- Company promotes language courses for employees whose mother tongue is not German
- Employees encouraged to develop intercultural competences at work
- Comparable qualifications not acquired in Austria as well as professional experience taken into account for all personnel measures that require certain qualifications to be met
- Existence/formation of work groups made up of several languages

Equal access to all company services and offers (further training, social security benefits...)

Development plans / support services for the complete integration of disadvantaged groups by companies

## **2.11 Internationalisation/compliance with minimum international standards**

In the case of transnational companies or when setting up operations in third-world countries, compliance with minimum international standards and occupational health and safety must be ensured in accordance with the standards of the International Labour Organisation (ILO).

### **Examples of indicators:**

Reporting on compliance with international standards

Right of the in-house representation of interests to be heard and monitor activities abroad

External evaluation having regard to local workers' representatives and other interest groups

## **2.12 Participation / codetermination**

The contract of employment concluded on an individual basis entitles the worker to personal dependency on the employer, who therefore submits to a unilateral authority to give instructions. The inclusion of employees therefore constitutes an important factor in the social responsibility of companies. In this respect, social responsibility should - besides the recognition and strengthening of collective protection rights and status rights - also appear in worker participation rights geared more towards the individual. A 'citizen status' for workers in the company was developed through discourse rights of workers as well as the obligation to substantiate instructions of a fundamental nature.

### **Examples of indicators:**

Existence of a works council

Enhanced rights of the works council vis-à-vis organisational and/or technological changes

Effectiveness of the works council to represent staff, representation of all employed persons and their interests (including "fringe personnel" such as contractors, temporary workers etc.)

Works council's contribution to reporting on CSR measures

Participation of employed persons in in-house performance assessment and career planning

Decentralisation of decision-making structures and transfer of responsibility to lower levels with simultaneous influence on resource provision

Rights of appeal in order to discuss instructions that appear improper at a level higher.

**There is a lot**  
that's worth being  
organised for.