



Corporate social responsibility and working conditions

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Introduction

From the corporate social tradition to corporate social responsibility

It is quite natural that at a time when a certain type of economic development is called into question and there are serious questions about the way business is conducted, the subject of corporate social responsibility should be to the fore, along with the issue of sustainable development. This is far from being a new concern. Nor have the concrete specifications being laid down today for benchmarks or standards for large multinationals come out of nowhere - unquestionably they are inspired by a highly developed procedural tradition of transparency in the Anglo-Saxon business world. As an introduction to this report, it is worth reminding readers briefly of this dual relationship, to help them to identify more accurately, in time and space, a concept of corporate social responsibility (CSR) that is both the inheritor of old practices and a product of a new approach, one could even say a nascent approach.

Social concerns are not the prerogative of contemporary capitalism - in 19th century Britain, Germany or France, certain manufacturers were already conspicuous by their concern for society, housing, welfare, charity to workers and their families. Similarly, certain religious assemblies and socialist thinkers had conceived of alternative factories in which the community dimension and local involvement already had a place. With the advent of the 20th Century and the generalisation of legislation and social welfare, this spirit of charity gave way to very extensive legislative, contractual and institutional structures. It was the emergence after the Second World War of multinational companies and their growing part both in the global economy and in local employment that again raised the question of the relationship between the enterprise and society.

Our British colleagues draw attention in their report to the fact that the question of corporate social responsibility arose in the United States in the 1950s, before reaching Europe a little later posed in very 'Americanised' terms. The criteria used today to define CSR in Europe, such as the fact of going beyond the law or incorporating societal elements into corporate decisions, can be found in the academic literature from the 1960s. The idea that account needs to be taken of the various stakeholders and not just the financial interests of shareholders existed in the USA in the early 1970s, before profoundly influencing the British debate on corporate social responsibility that began in the early 1980s. At the same time, in France, for example, there was a tendency to speak of 'citizens' enterprises', while Rhenish capitalism, which was then booming, practised a kind of German-style version of social responsibility, with the social market economy.

Today, with the globalisation of economies, brands and financial markets, the situation has changed somewhat. Enterprises are evolving on a continental scale, weaving increasingly complex business and financial relationships with one another, restructuring their activities and relocating many activities to regions with 'cheap' labour. Public opinion has become increasingly concerned about the lack of social regulation of this globalisation of markets. It has told national and international public authorities what it expects of them and has very gradually begun to succeed in making itself heard. Financial markets themselves have perceived a need to standardise business practice. Ethically oriented mutual investment funds have come into being at the same time as social rating agencies designed to open the eyes of financial agents to the reality of the social practices of the enterprises in which they are investing their savings. Many large companies have also begun to think hard about their communications on this subject.

The Commission's Green Paper

It is in this context that the European authorities, wishing both to encourage a particular European social model and to promote good practice in European enterprises, have taken up the subject of social responsibility with a view to making it better known and ensuring that the way in which European enterprises understand

its content is as homogeneous as possible. The publication in July 2001 of the Green Paper, designed to promote widespread debate on this subject in Europe, was a key point in this process of seeking a definition of CSR that was shared as widely as possible.

The Green Paper puts forward a number of broad defining criteria, which we have taken as the starting point for producing this report:

- the voluntary nature (i.e. going beyond the legal obligations imposed on the enterprise) of the relevant practices;
- the sustainable nature of the relevant commitment (CSR is not the sum total of ‘media coups’ but a sustainable commitment based on a new form of corporate governance);
- partnership (in accordance with fairly non-specific modalities) between those involved within and outside the enterprise on the subjects that concern them;
- the need for transparency in this context (it is not enough simply to ‘say’ something, if it cannot actually be ‘proved’, elements of proof must at least be provided).

Of course both the spirit and the letter of these criteria lend themselves to debate, and a debate was precisely what the Green Paper set out to launch. This report also sets out to feed this debate, by comparing the concept with the actual reality on the ground. At this point, to enable readers to appreciate how complex the subject is, we shall list some of the questions raised in defining this famous CSR:

- That of ‘motivation’, for example. Strictly speaking, talk of ‘voluntary’ practices conflicts with the idea of ‘legal constraint’. Everybody knows the extent to which the functioning of an enterprise and the daily decisions taken within it are elements of dense webs of constraints that are not only legal, but also technical, financial and social. Is it accurate to describe as voluntary practices that in fact ensue from intelligent (but also constrained) adaptation in line with the expectations of the enterprise’s environment?
- That of the legal norm specifying the lower limit of social responsibility. How can practices ‘going beyond the law’ be compared if legal obligations vary from one country to another? Is it realistic to expect companies with subsidiaries in other countries to base their practices on the norms in their country of origin when the differences between norms are one of the engines driving their global-scale redeployment?
- That of the borders of the company itself at a time when they are increasingly in motion, with processes involving assets purchases and sales, mergers, outsourcing, agreements, subcontracting, etc. Is the company that is the buyer expected to maintain the socially responsible commitments of the company that is bought?

Aim of the report

This report presents the conclusions of the research which we were commissioned to carry out by the European Foundation for the Improvement of Living and Working Conditions, just at the time when many voices were heard calling for case studies to be undertaken based on the reality on the ground and facilitating documentation of good practice in European enterprises, but also discussion of its scope and, if applicable, its limits.

Covering, as it does, relationships between the enterprise and its environment, in the widest sense of the term, CSR covers all an enterprise’s ‘voluntary’ practices capable of having an impact on its physical, financial and

social environment. This means that properly speaking, no distinction would be made between ‘internal’ and ‘external’ CSR, both spheres being subject to legal obligations (compliance with standards in respect of environmental and labour law) and to voluntary commitments entered into by many enterprises wishing to be socially responsible.

However, it is common practice in the business world to distinguish between three fields of practice of CSR:

1. Consideration by the enterprise of the impact of its activities on the physical and ‘natural’ environment,
2. The enterprise’s commitment to serving local or global communities (in particular via voluntary contributions in support of cultural and humanitarian measures, etc.),
3. Consideration of what is at stake for society in financial decisions (in particular, in issues of working and employment conditions, equitable occupational conditions, etc.). Our work addresses this third arm of CSR, on the basis of an explicit instruction to develop an approach to the subject informed by the contents of 12 case studies in four European countries: Germany, the UK, France and Hungary.

We were, of course, asked to document the subject, showing how European companies of different sizes, operating in different sectors and countries, were currently implementing social practices in respect of employment and working conditions and could be regarded as socially responsible. However, we also had to look at both the modalities used to implement these practices and the reception given to them by the various stakeholders. The perspective of our work also involved contributing to the debate currently underway in Europe between the various stakeholders on the subject of CSR the field data that are always welcome when a general concept is applied in a variety of possible contexts.

Structure of the report

The report is divided into two parts:

- in the first part, we summarise the key points of our work, namely our chosen methodology, the main findings from the case studies, and the conclusions we derive and bring to the CSR debate;
- in the second part, we present the four national reports produced by the German, British, French and Hungarian teams. They describe the specific contexts of the local CSR debates, the content of the various case studies conducted in each country, and the main conclusions that can be drawn from them.

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Part 1

1

Summary of the report

Methodology

General lines of approach

We set out to research the reality on the ground to learn how European companies had developed models of best practice around the issue of working and employment conditions. In view of the fact that the field of CSR is still vast and changing, and that there are no standards or guarantees laid down in this area, we were not concerned to know whether or not the companies studied deserved a seal of CSR approval. We simply sought to establish why and how they had acted, the opinions of the in-house stakeholders and, if possible, those outside the company, on what had been achieved, what future developments were planned and, if applicable, what limits had been encountered in implementing these models of good practice. Naturally our intention was subsequently to analyse these materials, to enable us to contribute original material to the debate on CSR in Europe, describing both the general trends currently finding expression in each of the countries studied and the tools being put in place. We never lost sight of the obvious fact that in our case studies, we covered only part of the huge range of corporate situations in Europe.

To this end, we developed an approach demonstrating the following three characteristics:

An inductive approach

Based on the collection of case studies, on the basis of which we sought to discuss the question of the specific content currently derived on the ground from the concept of socially responsible practice, when applied to the areas of employment and working conditions. The cases analysed present socially responsible practices in the field of employment and working conditions, but they are not necessarily success stories or business cases worthy of being taught 'at school'. The very credibility of our method depended on our not seeking to make the situations analysed 'even more attractive'.

A transnational approach

Examining a range of situations in four European countries, Germany, the UK, France and Hungary, being careful to take account of the contextual dimension of corporate social responsibility. Each national report reviews the way in which the question of CSR is formulated in its country and in the academic literature on the subject. Despite this degree of diversity, our work makes no claim to represent the whole wealth of experience existing in the EU Member States or the candidate countries. Nevertheless, it aims to look beyond the realities of the four countries studied and to take account of wider realities.

A sociologically inspired approach

Aiming not only to describe good practice in the companies studied, but also to analyse the interplay of the actors involved in planning, implementing and evaluating the practices concerned. With this in mind, discussion forums were organised to facilitate discussion of the results of our case studies in France and Germany.

Problems with this approach

Even when reduced to matters relating to production organisation and its consequences for employment and working conditions, the field of practice covered by the research proved to be so wide that we felt it was necessary to try, if not to reduce it (we had no reason to rule out particular examples of good practice), at least to organise it by bringing out the priority areas with regard to the basic question asked about CSR, which seems to us to be that of the relationship between the enterprise (in the legal sense of its internal perimeter) and society.

In this connection, two subjects then stood out clearly, restructuring, since it obviously has an effect both within and outside the company owing to its impact on employment and the strength of the local economy, and subcontracting relationships in the widest sense, which today lead companies to develop daily links with outside businesses to meet their production needs.

In both cases, the important thing for the company is to know how to reconcile its economic interests and its competitiveness (cost control, for example) with a widespread social problem, taking account in responsible fashion of the impact of its decisions on the other stakeholders (the local area, the company's employees, the subcontractors' employees).

On the other hand, and this is important for our subject, to date the two fields have not given rise to statutory regulations of equal significance. Preventive and curative handling of the CSR aspects of restructuring tends to be organised in an increasingly formalised fashion. Models of good practice, legislation and agreements are beginning to be collected and to gain widespread acceptance (although there are still notable differences in the ways in which these principles are applied). In contrast, there has been little legal regulation of subcontracting relationships. While the social partners learned long ago to work together in areas such as work safety within the legal framework of the enterprise, the field open to socially responsible practices in the sense traditionally ascribed to CSR is only just emerging, particularly under the influence of the involvement of new parties. But this means that it is all the broader.

In accordance with our response to the call for tenders from the Foundation in Dublin, we strove to treat these two topics as a priority, although we knew that the first would be easier for us to document than the second. In particular, we were not in a position to broaden the geographical scope of our investigations on the issue currently very frequently raised by NGOs of monitoring of supplies and subcontracting outside Europe. Instead, on the advice of the steering committee, we asked our interviewees questions about this subject. We also devoted attention to the question of the transnational transfer of good practice within Europe and to the way in which European works councils, where they exist, address this issue.

Restructuring

The problems of restructuring are a topic with a rich and longstanding history, as well as a significant framework of legislation and agreements, at both European and national levels. It is clear that restructuring involves two areas, both of which we wanted to investigate:

- One aspect is anticipation of the changes to come (management of change) and strategic decision-making that makes it possible, by training men and women in house but also by taking other action in advance of reducing the workforce (information sharing, re-industrialisation, diversification), to adopt 'socially responsible' courses of action and to minimise the social costs caused by adaptation to market realities.

- Another dimension, which is a hot topic in all the countries we studied, is the handling of situations in which such anticipation did not take place or was not of sufficient scope to avoid the need for emergency action in respect of these problems of re-industrialisation, training, and regrouping of the employees affected.

Subcontracting

While we are fully aware of the increasing complexity of the subject, with regard to the multiplicity of forms currently taken by business relationships within and between companies, it seemed to us essential to incorporate these new realities which make the company's new borders so dynamic, at this time of globalisation. We have tried to take account of what CSR could have to say in an economy of decentralised production and networked enterprises. We have deliberately avoided entering into the debates in progress on issues of outsourcing, relocation, dualising of labour markets and the new international division of labour. They would have led us away from our research field. We have deliberately concentrated on the issues of the commitments entered into and the actions taken by companies in conjunction with this new dynamic of production activities. In fact they play a major part in CSR, particularly as regards the issues of the job quality and working conditions of the employees of subcontracting companies. All we have actually done is to ask again, at the micro-economic level of the enterprise, the questions occupying the national and international bodies responsible at macro-economic level. These questions relate, in particular, to the link to be established (or not) between business relationships and social or ethical criteria within a globalised economy.

The criteria for selecting enterprises

We decided to select our cases in the basis of three criteria:

Enterprises developing socially responsible practices

We wished to include in our sample enterprises with socially responsible practices for which the enterprise itself claims responsibility. We took as our reference point the definition proposed in the Commission's Green Paper, which puts forward at least three essential criteria:

- The relevant commitments taken on by the enterprise should be voluntary in nature and should go beyond the compulsory stipulations of laws or collective agreements.
- These commitments should be sustainable, representing a concern to incorporate sustainably into the enterprise's problems the views of the other parties affected by its decisions and practices.
- The commitment should have a degree of transparency, enabling the stakeholders to be informed and facilitating debate.

However, in order to take account of the variety of national contexts in which we worked, the variety of situations we observed and, above all, a pragmatic principle of adaptation to the realities encountered, we were obliged to interpret these principles broadly, for example by regarding as socially responsible the practices that showed most respect for not only the letter but also the spirit of an agreement or a regulation (with regard to which, everybody knows that they can give rise to more or less restrictive interpretations). Therefore we took account in our selections of this capacity to do the right thing which, to be validated, had to be both vouched for by our national experts and recognised at the level of local opinion as socially 'progressive' practice.

Diversifying the composition of our sample of enterprises

This criterion had to be consistent with the inductive nature of our approach. The fact that the concept of social responsibility was still developing meant that it must be matched by an investigation that was exploratory in

nature, seeking to vary the situations observed, in order to obtain ways of understanding how the same concept is put into practice differently according to context. We adopted three criteria for diversifying our sample:

- A criterion of national diversity: taking into account the human resources available to us in each of the participating countries, we agreed to carry out two case studies in the UK and Hungary and four in Germany and France. Furthermore, one of the case studies includes an area of investigation in Belgium.
- A criterion of sectoral diversity: the industrial sector, where the question of jobs (restructuring) and working conditions (with the subcontracting dimension) is particularly acute, has an important place in our sample (iron and steel, chemicals, automotive), but we also endeavoured to include at least one case study of a service enterprise in each country, in the fields of banking, marketing and telecommunications.
- A criterion of diversity of size and status: our sample includes large groups operating on a global scale (VW, CORUS, TESCO, BASF, CONTINENTAL, ROCHE), former public companies that have been restructured and are involved in large-scale mergers (DEUTSCHE TELEKOM, MATAV, MOL, ARCELOR), a medium-sized subcontractor (ACOME), and a medium-sized enterprise in the process of development (CHEQUE-DEJEUNER), the latter two enterprises belonging to the cooperative sector.

Transparency and accessibility to data

Our topic, namely in-house practices in the areas of work organisation, employment and health and safety, is of a kind to arouse a great deal of reluctance on the part of many companies to 'open their doors', including some that flaunt their socially responsible credentials as regards their practice in environmental management or the local community. We gave preference to those which agreed that we could study the 'restructuring' aspect (most commonly) or the 'subcontracting' aspect (more rarely). Given the limited time at our disposal to complete the work and the impossibility of reducing the time required simply to establish preliminary contact with management with a view to persuading them to collaborate with us, we gave preference to enterprises in which the researchers in our team had contacts enabling them to benefit from the necessary trust. In some cases we used the results of recent on-the-spot studies conducted in these enterprises by certain of our researchers. Each time we were able to do this, we visited the location to see for ourselves the actions mentioned and to meet the local players (trade unions, public authorities). One of the main problems in our work was obtaining access on the ground. We are therefore particularly grateful to the companies that agreed to play the transparency game and opened their doors to us, which can be regarded as additional evidence of their commitment to CSR.

We finally selected 12 companies in four European countries: CORUS (iron and steel) and TESCO (marketing) in the UK, BASF (chemicals), DEUTSCHE TELEKOM (telecommunications), ROCHE (pharmaceuticals) and VOLKSWAGEN (automotive) in Germany, ACOME (electric cables), ARCELOR (iron and steel), CHEQUE-DEJEUNER (financial services) and CONTINENTAL-TEVES (automotive subcontractor) on France, MATAV (telephony) and MOL (petrochemicals) in Hungary.

Our work programme and its coordination

Our work was carried out between December 2001 and July 2002, during which time we had three meetings with our steering group in December 2001, April 2002 and July 2002, at which we were able to present our work in progress and profit from advice and criticisms from our Research Group.

The transnational research team met four times, in November 2001, and in February, May and June 2002. The first meeting was to prepare the project, and the second to develop a joint questionnaire prior to conducting the case studies. The third meeting gave us an opportunity to compare our initial results and to prepare the

summary report, which was discussed at our last working meeting. Lastly, we were able to effect a useful comparison of our initial hypotheses by organising in Germany and France, as announced in our project, two discussions forums open not only to the players in the companies studied but also to other managerial, union and social players.

In view of the geographical and sectoral diversity and the variations in the sizes of the companies in our sample, we regarded it as sufficient to draw up a standard questionnaire for all our case studies, while allowing each researcher great autonomy in conducting research on the spot.

This led us to draw up an analytical grid, which took one of two forms, depending on the course the case study took:

- either a traditional questionnaire addressed to those responsible within management and the unions (particularly in large companies), which they could answer in writing or orally, particularly in the course of telephone interviews;
- or a survey grid in case studies in which we developed approaches more oriented towards field sociology (particularly on certain industrial sites and in the medium-sized enterprises in our sample).

This analytical grid (a detailed version of these questions will be found at the end of the national report for Germany) is based on five points:

- Our first concern was to find the main features of all the models of good practice in the selected companies. We therefore sought their views on a fairly large scale, both on their intentions and on their specific actions in this connection.
- A second topic involved exploring the motivation leading these companies to act in this way. Was it a deliberate policy on the company's part, independent of the economic environment, or a reaction to pressure from this environment?
- The third subject involved studying the roles of the various actors, both internal (management, unions) and external (public authorities, the other stakeholders when they exist) in implementing and evaluating this good practice. With this in mind, we ensured that we always collected a minimum number of viewpoints on the models of good practice studied.
- For our fourth topic, we set out to explore the tools used by the company sustainably to implement, monitor and evaluate the results of its actions. This question of 'how' was a direct response to one of the Foundation's strongly voiced expectations.
- The last subject involved the question of the effectiveness of the relevant practices. What were their specific consequences and what had they added to the practices seen in 'ordinary' companies?

Lessons from the case studies

An initial inventory of the examples of good practice discovered

The practices described in the 12 companies investigated in four different countries affect different aspects of the field studied, working conditions and employment. These examples of good practice do not relate to a specific sector or company size - they came from industrial sectors as varied as iron and steel, chemicals, telecommunications and marketing. They were as likely to be encountered in large companies operating on a

global scale as in medium-sized enterprises. They are found in many fields - in-house social dialogue, training preparing employees for future mobility, implementation of restructuring, and relationships with subcontractors. At this point, we propose to draw up an initial inventory, and then to elaborate further before effecting an analysis.

Socially responsible handling of restructuring

This is found in a large number of our cases. This is not surprising, since the relevant decisions, for which management is responsible, have major consequences both for the employment of wage- and salary-earners directly or indirectly employed and for the local area.

Certain of the practices described lie a long way upstream of the point at which the company has to restructure its activities. Here, we can mention the case of the two French cooperatives, ACOME and CHEQUE DEJEUNER, which by different routes, in one case diversification of activities on the industrial site, and in the other preventive realisation of a strategy of preparation for mobility, show an ongoing concern for continuity of employment for their workforce (a concern that is all the more real in that it is this workforce that explicitly gives its management this social mandate every year). Mention should also be made of VW's active policy designed to preserve employment via the now famous agreement on reducing working time.

Other socially responsible measures are taken, for example in the French case involving site closure (CONTINENTAL-TEVES), in contexts where sufficient time is allowed for the local players, management, unions, sometimes external players, to develop together the best (or the least bad) scenarios possible, seeking solutions implemented by mobilising all the resources and know-how available locally. The KTA (key task analysis) practices realised by CORUS in Wales show how, by early involvement of the various stakeholders in house, both employees and unions, a joint process can be developed despite difficulties. Other measures, also long term, have been described in former large public structures such as DT, MATAV or MOL, which have been obliged to make major cuts in their workforces in recent years. Our team regarded the social guidance in these measures as socially responsible, stressing the extent of these in-house efforts in respect of training, a unit providing vocational guidance and management of in-house mobility, outplacement, and permanent social negotiation as at DT.

Then there is the topic of encouraging local development, particularly through active training and expansion policies, also of course included in this field of socially responsible practices around restructuring. This is found in Germany in particular, for example at BASF, VW and ROCHE, always in collaboration with the regions. We also encountered new practices in Hungary, encouraging former employees to develop new businesses, as implemented by MOL and MATAV as subcontractors motivated by awareness of their responsibility vis-à-vis a local environment extremely dependent on their activities.

The slow and difficult emergence of responsible subcontracting

We encountered more problems in identifying socially responsible measures accompanying subcontracting, a relatively new topic in respect of which legal rules are much less developed than in the context of restructuring, and at the same time the companies studied are much less voluble on this subject. It is clear that the scope available in this area for the problems of social responsibility is much wider than in the area of restructuring. Some companies remain totally silent on the subject, while others are beginning to take an interest in it.

TESCO displays a willingness to establish forms of equitable business with its suppliers (avoiding the accusations of suppressing suppliers that are often made with respect to mass marketing). The social charter

recently adopted (06.06.2002) by VW states that it supports and advocates application of the principles set out by its suppliers and subcontractors throughout the world. The ARCELOR business unit studied in France relies on a large amount of subcontracting at its Fos site - drawing inspiration from the USINOR charter, which gives 'unconditional priority to the safety and health of our collaborators and all those who play a part on our sites', it has developed monitoring and coordination of the initiatives taken by its subcontractors in respect of occupational safety (having been driven to take this action by the increase in the industrial accident rate). On the other hand, concern of this type is much more recent in the Liège plant, which is governed by the same charter but not for as long. In the case of ACOME, a French subcontractor for several large companies, we established that the pressure exerted by the latter essentially relates to the adoption of standards on compliance with manufacturing and environmental quality. The companies employing it pay regular visits to the site to check the general quality of the plant's operations. However, certain tender procedures are introducing, purely on the basis of a declaration, new questions relating in particular to training policy, social dialogue and preventive health care.

Other examples of good practice

These relate to working conditions and employment, involving, for example, the policies adopted by several of the companies in our sample that are designed to contribute to training of future employees they know they will need in the future (this is the case with BASF and with ACOME on a more modest scale), but which also set out to maintain and update existing know-how (while other companies that are less careful have sometimes been too quick to deprive themselves of the skills of employees deemed to be redundant). For example, this is the case in the acquisition by ROCHE of Boehringer, with no reduction in workforce numbers, in order better to preserve skills they believed would be useful in the future.

The two cooperative enterprises in our French sample (which are not in a position to represent all cooperatives and which are even somewhat atypical owing to their size and their volume of activity) also showed us another kind of socially responsible practice, emanating from a management board elected by cooperative members who are both employees and shareholders in their own enterprise and, as such, are attached to anything capable of sustainably consolidating its operations, this dimension being integrated into the corporate strategy.

Lastly, the examples of socially responsible practice observed in Hungary have led MOL in particular to develop initiatives in the area of social protection that now extend beyond the enterprise.

Timid transnational expansion

The social charter recently adopted by VW states that it supports and advocates application of the principles set out by its suppliers and subcontractors throughout the world. The German company DT supplied us with an example of transnational support provided by a parent company to its Hungarian subsidiary MATAV, where at the same time the local officers encountered by our Hungarian colleagues proclaim their independence and state that their practices are in no way influenced by DT). This support takes many forms, ranging from secondment of experienced managers to shared training activities, and including inviting the Hungarian social partners to the Group works council and developing coordinated human resources management programmes. The other case, that of Arcelor/Usinor, also has transnational elements, including in particular drafting of a joint purchasing policy at Group level, taking account of certain social criteria such as industrial safety.

Common characteristics in good practices

Responsible commitment by the company's management at the outset

Although employee representatives are closely involved, as will be seen in the next section, and this makes a substantial contribution to the quality of the realisation ultimately achieved, in the cases observed, the initiatives are primarily, if not exclusively, a matter for management, however much their motivation and the tools, whether or not formalised, they use may vary (cf. section C.3). The motivation includes a wish to share more information with employees or their representatives at an early stage, to enable them both to prepare themselves for the coming changes (which are now an everyday occurrence in company life) and to participate in developing the relevant systems. The Hungarian, French and British cases are examples of this.

As a player, the union accompanies the move rather than leading it. It is true that it lacks the necessary information and networks to enter into this emerging problem, which it tends to observe from outside and with a degree of suspicion. There is something paradoxical about this distance, or even absence, at a time when the social stakes of corporate functioning are increased tenfold by the dynamic of globalisation, if one remembers that social responsibility was traditionally a substantial element of the birth and development of trade unionism.

The 'in-house' dimension of CSR: a 'private' matter?

Our various case studies are also stories played out among the local players directly involved. Not only are the external players rarely seen (except when they are providing or financing some of the measures taken), but it is also the case that little or no information on what has been decided among the stakeholders reaches them. This is to say that they are largely out of the picture as the system stands at present. We are forced to acknowledge that this is widely applicable to the employees of subcontractors. Officers of large companies admit privately that in the event of problems, the socially responsible spirit (very evident in managing of restructuring) ends at the company's borders (the first action they take may even be to bring the responsibility back into the company).

In this context, there is a real difference between the 'external' dimension of CSR (action directed to the local community and for the environment), where the practices engaged in are visible and measurable and generally involve external parties, and this 'in-house' dimension of CSR, which appears to be based on a 'private' domain in which 'sensitised' management involves employee representatives. The fact that monitoring of good in-house practices can be conceived of is currently regarded by the players involved in such practices as a very abstract prospect. Nor did we find (except for the now traditional monitoring of industrial accidents) any 'voluntary' in-house systems, applied for example to the issue of employment quality or to the progress of employee employability, laying down qualitative or quantitative objectives and regularly measuring collective progress. When we did find such systems, for example for monitoring precarious employment or for equal opportunities for men and women, they were implementing compulsory measures provided for by law (e.g. social reporting in France).

Boundaries remain close to the immediate perimeter of the company

Nor did we find any examples of good practice exported from one country to another within a transnational group. The adage 'Think global, act local' still seems to be the watchword for the managers of these global players. We were even struck by the absence of shared information within transnational groups, on the situation prevailing at the same time in establishments in neighbouring countries. Union players always have local roots, and information on what is happening elsewhere (sometimes even in the same country) is very limited. To this day, European works councils still have only a limited role, possibly with the exception of VW.

Little reference to the term 'corporate social responsibility'

The researchers found that in each of the four countries studied, the concept of CSR is still relatively unfamiliar, particularly in Germany and Hungary. However, a certain dynamic appears to be taking shape. Perhaps the companies that claim to be socially responsible have not hitherto made the same effort in house to convince their own employees of the reality and sustainability of their commitment as they have to communicating this to their external environment (are the relevant activities not generally assigned to their communications department?). Of course the task is more difficult, since naturally their employees are well placed to see the gaps that may exist between the intentions expressed and effective realisation.

In any case, we have to concede that at local level, where our work was deliberately located via the case study method, references to the concept are rare. Few of these practices are situated explicitly under the banner of CSR - many company officers, and this is even more true of the unions and the public authorities, have not heard of the concept of CSR and say that they did not wait for it before developing good practices. When the concept is identified, there is a certain confusion in people's minds (including those of the people responsible for these areas in large international groups) concerning the relevant content to assign to the concepts of ethical, citizens' or socially responsible enterprise, or enterprise committed to sustainable development, etc. This is even truer of the unions and works councils. The concept of CSR appears to be remote from them or even unknown to them. They tend to see it as something to be feared - reduction in entitlements, weakening of social dialogue, competition with other stakeholders - rather than grounds for potential social progress.

Differences between the good practices

Multiple sources of motivation for CSR

The word 'voluntary', which characterises the commitment of enterprises to CSR practices, covers a large number of possible situations that bear witness to the variety of motives leading enterprises and their officers to commit themselves to the path of socially responsible practices.

The Anglo-Saxon literature cited by the British team puts forward three dimensions strengthening the link between sustainable commitment to CSR and corporate profitability. Firstly, CSR may have a positive effect in distinguishing the enterprise's products, which may give it an advantage on its market. It also represents a way of preventing environmental or social risks that may seriously undermine a brand's reputation. CSR can also be a positive factor in attracting and retaining a workforce sensitive to this ethical dimension and more willing to put a lot into an enterprise whose socially responsible commitments it shares.

In our own case, we identified a wide range of situations from our case studies:

- We noted that managerial commitment could be accompanied by 'individual' and 'ethical' performance on the part of officers acting at local level, guided by their conviction or driven by the invisible force of the need to find a form of agreement between the parties in order to escape from a critical situation, without necessarily being in a position to guarantee the dynamic they are starting up (CONTINENTAL, CORUS, TESCO, MOL, MATAV). At the same time, however, in the two French cooperatives in particular (ACOME, CHEQUE-DEJEUNER), we found situations in which employees give management an explicit social mandate, in accordance with the sustainable statutory form of governance of these enterprises.
- We also identified the weight of public and social history in certain companies engaged in privatisation processes. These companies continue to maintain their social, and sometimes local, commitment (DT, ARCELOR, MOL, MATAV, CORUS, VW up to a point), in order not to compromise their corporate image vis-à-vis both their employees and public opinion. However, we found other legacies in private enterprises

which have had a social tradition for a long time (TESCO, BASF), a tradition that may also represent a wish continuously expressed by their top managers to join in the social tradition of local employers (ROCHE).

- We measured the influence of a kind of ‘necessity’ imposed by the advent of problems (restructuring, industrial safety) of such a kind that only socially innovative and exemplary practices enabled the company to respond to the challenge (CORUS, VW, DT, ARCELOR, CONTINENTAL). Media promotion, and sometimes the bringing of certain events within the jurisdiction of the courts, events associated with either employment or occupational safety, brings the company to the attention of public opinion or even the courts and obliges it to do more than it had originally intended (DT, ARCELOR, VW, BASF, MOL, MATAV). Such events lead many of these companies to practise implicit or explicit risk management in social matters.
- With regard to the viewpoint of medium-sized enterprises in a structural position of subcontracting, we have mentioned the role of the request transmitted by certain large companies to their subcontractors, identical or smaller in size, to certify that they are meeting socially responsible minimum standards. Here, we are in the presence of CSR initially imposed from outside, which is seen ‘at the bottom’ as a possible factor in exclusion from the market (ACOME, ARCELOR, TESCO). Certain reservations expressed by associations of SMEs on the subject of proposals for codifying and characterising socially responsible practices refer to these realities.
- Lastly, we were struck by the influence of national contexts and the variety of institutional and/or legal pressures that have to date driven companies in certain countries, particularly Germany and France, to adopt high social standards, whereas in other countries, in Hungary or the UK, the relevant pressure is much less strong.

Different perceptions of socially responsible practices

What is (or is not) regarded as a socially responsible practice varies substantially from one country to another in our sample. We looked at how good practices, regarded locally as socially responsible corporate performance, may be seen in other European countries as ordinary or even surprising.

In Hungary, a country on the threshold of transition to a post-Socialist economy, the two enterprises studied were regarded as socially responsible firstly, and above all, because they retained a substantial element of elementary social protection. Under the former regime, this was translated into large state companies which, since their dismantling and privatisation, have continued to play this role only voluntarily, concerned as they are about the state of their immediate environment but also guided by their managers’ social and ethical concerns. MOL and MATAV are continuing to play this role, while at the same time being obliged to modernise it.

In the United Kingdom, where the norms governing dialogue between management and employees are much less formalised and less a matter of standard practice than in Germany, the voluntary establishment of a sincere dialogue with employee representatives is based on what is regarded locally as socially responsible corporate performance. TESCO and CORUS are developing practices that are original in their environment and from which they seem to have been able to derive an advantage in their general operations.

On the other hand, ‘socially exemplary’ practices in France, the UK or Hungary of early sharing of socially relevant information with the social partners are not regarded as ‘extraordinary’ in Germany. It is a special feature of the German cases that the relevant practices are seen there as ‘natural’ in the context of co-determination [Mitbestimmung], which is regarded there as a form of CSR applied to in-house issues such as local management of employment and working conditions. It is a question of social organisation of the company’s functioning rather than a responsible management commitment. Thus CSR is seen there only as a

less solidly constructed by-product of the same principles. As seen by the traditional players in German social dialogue, there would be little room for CSR, it could play a part only in its external dimension, and it would make no fundamental contribution to the country's social dynamic.

Unequal development of tools

We identified wide variations in the level of the instruments in the practices we studied, whether it was a matter of beginning to satisfy the need for the transparency expected of socially responsible practices or of enabling the various stakeholders to monitor and check implementation of the commitments entered into by the company, for example in the context of a negotiated agreement.

Some of our companies have the size, skills and resources necessary to report on practices they declare to be socially responsible, even if few of them have made much progress with monitoring of the actions undertaken in this context in the field of employment and working conditions. Several of the global players in our sample (DT, BASF, VW) devote significant resources to communicating their socially responsible commitments (often more externally than in house). Other companies in our sample have never dreamed of doing this, no doubt feeling much less exposed to questions from outside than the large companies that have a brand image to develop and defend, and know that they are likely to be questioned about the first environmental, social or business incident. However, the example of ACOME shows that an enterprise can be medium-sized (1000 employees) and still work on formalising its practices.

Some monitoring procedures for past agreements are based on the informal agreement reached between the parties. Others are more formalised, involving, for example, monitoring of commitments entered into in the context of negotiation of a social plan and/or restructuring. The fact that the local players are not equally familiar with these monitoring tools, the greater or lesser stability of the monitoring structures, and the quantity of material and human resources scheduled to perform the relevant tasks explain the size of the differences identified between one situation and another, particularly in the context of restructuring (CONTINENTAL, CORUS, ARCELOR).

Conclusions

From all the elements collected firstly in the field, in the context of our case studies, then in the discussion forums on our work, which we ourselves organised, and lastly from the fruitful discussions with our steering group (Research Group and Research Managers), we have derived a set of conclusions which we propose to structure around four topics:

1. CSR, employment and working conditions - what does CSR contribute?
2. CSR and corporate structure - how far are good practices disseminated?
3. The players in CSR and the issue of social dialogue.
4. CSR, product or process? What impact on its evaluation?

CSR, employment and working conditions

Restructuring and CSR

We have reported both on practices positioned in advance of restructuring, in order to anticipate the effects on employees and to prepare them for the coming changes, and on practices subsequent to a decision to

restructure, for which the employees directly involved are not, in this case, prepared, and in which they are not involved. In order to be considered genuinely socially responsible, companies must, in our view and in the opinion of all those with whom we have discussed our results, come into the first category, in which the company incorporates into its strategy, in a sustainable fashion, a willingness to anticipate change and to prepare its employees responsibly for this prospect.

In the course of our case studies, we have noted that CSR has the merit of being able to enrich existing practices relating to handling of restructuring situations in two ways in particular:

- Firstly, by intensifying social dialogue in countries that do not have recourse to it systematically. This intensification involves the concept of sufficient time for a solid social ‘partnership’ extending, for example, to analysis of the processes, of work organisation and of jobs. It may also involve combining traditional forms of information/consultation or collective bargaining with innovative, large-scale forms of consultation with a company’s employees.
- Secondly, by increasing corporate responsibility over time and space - by monitoring employees made redundant over time, and by taking action to support employment in local areas.

However, we have noted that the relevant instruments, for example the development of indicators enabling the process to be monitored and the real scope to be evaluated, are currently generally lacking:

- It is difficult to know the situation of employees 12 to 18 months after restructuring and their departure from the company.
- Measurement of actions taken in and with local areas remains very vague and measurement of the balance between job losses/job creation and the effect on the local economy (subcontracting, for example) is rarely performed.

Subcontracting and CSR

The question of corporate ‘social’ performance vis-à-vis suppliers has been asked only relatively recently. The extent and complexity of this cannot be concealed. The question of a company’s responsibility as a link in a supply chain or a member of a production network is often not taken into account, particularly in all its ramifications. In this context, companies make choices that are primarily strategic, with regard to the resources they are prepared to invest here. Some companies, exposed to the risk of being called into question by NGOs or consumers, undertake to monitor the social practices of their suppliers in southern countries. Others give priority to the link with their most strategic suppliers or their local subcontractors, who often work with and alongside their own employees on a daily basis.

The question also arises of the tools used by the companies employing subcontractors to check the latter’s practices. Here, many of these companies exert a dominating influence on their suppliers, compelling them to standardise and label their practices, for example in the fields of quality, safety and the environment. Is it enough to send questionnaires or to undertake regular audits, or should they go further by providing specific assistance? How does social responsibility travel down the supply chain, and does its content not change at each stage? Can we continue to talk of ‘voluntary’ practices on the part of suppliers when they are absolutely essential to them if they want to stay in the market?

A three-part question therefore arises today: firstly, that of the (co-)responsibility a company acknowledges in respect of its subcontractors and suppliers; secondly, that of the scope and consistency (which subcontractors

and suppliers?) of this responsibility vis-à-vis the whole supply chain or the network; thirdly, that of the actions large companies are prepared to undertake in partnership with their smaller subcontractors, to ensure that CSR is not an additional stipulation but an opportunity to improve existing practices substantially.

Corporate structures and dissemination of CSR

The question of company size

Today, large transnational companies are developing tools for reporting on their practices more and more often, and are publishing ever fuller reports on this subject, without always being able to measure the real impact of these initiatives (what readers, what use, what feedback?). These reports currently give priority to the most 'visible' dimensions, which may be environmental action and commitments to serving civil society and local communities. With regard to the specific questions we have raised in this study, in particular those of restructuring and subcontracting, there appears to be a broad field available for the development of both quantitative and qualitative evaluation of these subjects. DANONE, one of the most advanced companies in terms of reporting on these 'in-house' practices, devoted a chapter in its last report on social responsibility to the issue of restructuring (which had been a hot social topic in France). The viewpoint adopted was deliberately factual, reporting, involving for example in its Hungarian factories the number of jobs lost or relocated, with reference also being made to the social negotiations held on the subject and to the compromise finally reached with the unions.

The question of CSR tools becomes more complicated when one addresses smaller companies, which do not possess the human and financial resources required to produce this formalisation. Today such a proposal comes up against strong reservations on the part of SMEs, which regard this prospect as an additional bureaucratic expense, which does not really interest them. It is significant that organisations representing SMEs have argued for a change of name, suggesting that the concept of CSR be replaced by the term 'responsible entrepreneurship', based on the extent of voluntary contributions by SMEs to their local communities. However, CSR cannot simply be boiled down to the voluntary contributions that many European companies, including SMEs, have long been undertaking to make to civil society. The 'in-house' dimension of CSR and its minimum threshold, which constitutes compliance with standards on jobs and working conditions, deserve the same attention, even if this vigilance would sometimes be perceived as undermining the 'freedom' of entrepreneurs who state that they are socially responsible.

The issue of disseminating good practice to SMEs

So is there a need to help these SMEs to report on their practices (which is in itself an aim of social interest) by establishing typical procedures? Both for large companies and for SMEs, the question arises of the role of employers' organisations in CSR. Nowadays few of them constitute a resource in this area, and companies desirous of becoming more involved in CSR often have to manage on their own. The public authorities and European networks are beginning to concern themselves with this situation and to develop solutions, for example by developing databases accessible online. However, these initiatives are not necessarily known of on the ground.

The issue of international dissemination of good practice

Our case studies show that despite the existence of transnational groups which claim to be socially responsible, there has been very little dissemination of CSR practices beyond national borders. The 'think global, act local' theory clearly applies to the area we are studying. We encountered no examples of voluntary transfer of good practice from one country to another. Moreover, European works councils (in which the main thing that national unions are currently doing is learning the differences in their working methods and, often,

in the interests of their constituents) play virtually no part here, or at most a secondary role. Yet CSR and the ensuing practices could constitute an agenda of choice for European works councils, strengthening the substantive character of both their procedures and their content.

When they diversify on an international scale, companies laying claim to social values face serious problems, far from base, in 'transmitting' their original values (not to mention the sensitive issue of combining 'global cohesion' of action principles with another imperative, that of respecting social and cultural diversity). Since the question of disseminating CSR practices already arises even within transnational groups that claim to implement them, it is conceivable that it is of particular concern to the countries where these global players operate. The codes of conduct and similar tools with which these companies equip themselves today give rise to exactly the same questions that we raised with regard to CSR, namely how they are produced (who writes them, who gives the undertaking), how the content of the commitments entered into evolves as one moves further away in geographical and contractual terms from the parent company, and what monitoring and checking methods are adopted to give credibility to the commitments entered into.

The players in CSR

What does one mean when one speaks of the socially responsible 'company'? Can this meaning of responsibility be limited to the structure, releasing the players from their responsibilities? On the other hand, do we not often attribute to the company merits that are originally those of the in-house players who have committed themselves to socially responsible actions? So how can we express what relates to one or the other? On the one hand, to corporate governance, which is responsible for ensuring that the relevant commitments continue, by displaying their strategic and sustainable nature, and, on the other, to the players involved in CSR and, particularly in the case of employment and working conditions, to the social partners, who are the main stakeholders in these in-house issues? Is the sustainable nature of a company's commitment, often linked to that of its senior managers (PDG, DRH), not at risk of being weakened by the current context of mergers/acquisitions and the 'managerial musical chairs' accompanying fluctuations in stock market prices?

Corporate governance and CSR

If CSR is to be the fruit of a strategic and sustainable corporate commitment and not the temporary fruit of a fashion, the question arises of how this commitment can be consolidated to protect it from the many hazards capable of affecting its realisation in concrete form. There are also a number of questions arising out of corporate governance, in particular those of the social mandate given to top managers by shareholders, the nature of the interests represented in the 'governance', or the fate of earlier corporate commitments when the company enters into mergers or alliances substantially modifying its legal boundaries, but also its previous identity and the historic link established with an area.

Is the top manager who is the driving force behind the good practices in his company motivated solely by his conscience, his values and his personality, or does he hold a 'social mandate' from his shareholders? How can he establish continuity in the company's socially responsible performance in the absence of such an explicit mandate?

The question acquired particular importance when the company's boundaries are modified as the result of mergers or acquisitions. The clash of cultures, the result of which many observers see as one of the major factors in the success or failure of mergers, also involves a social responsibility aspect. In the context of such operations, how can existing good practices in the field of CSR, where they are already in place, be preserved on the one hand and, on the other, how can forms of 'positive infection' of new subsidiaries be promoted?

Could a company where CSR issues remained the concern of top management alone and/or the resources committed were, to a greater or lesser extent, limited to a communications or coordination unit be seriously regarded as socially responsible? Without a doubt, the political will of the top managers is essential to transmit the logic of CSR down to the operating level, but training for middle managers, who implement the policies every day, is almost equally important. How can operational management be trained in CSR issues and tools? What parts can be played by companies and initial or continuing training bodies respectively?

CSR and the trade union movement

There is a certain paradox in union attitudes to CSR. Although this is a field within the company which is traditionally acknowledged to be the preferred field for union action, initiatives, to date the relevant projects have been primarily implemented by management. Our case studies have produced the following findings in particular:

- CSR is not a major topic of concern to or, in particular, of claims by the unions. The union representatives interviewed tend, rather, to express a fear that CSR will lead to the disintegration of traditional social dialogue, and to a reduction in entitlements and in the ability of employees and unions to make themselves heard.
- That said, there is something of a distinction between works council members, particularly in Germany and France, who are more willing to become involved in CSR processes, and trade union organisations as such, which remain more remote.
- The union element also lacks training in this field, networks to coordinate its actions on an international scale, and also a means of putting pressure on the image of those available to NGOs, which seem to be better prepared on all these points.

This gives rise to questions to trade unionism about the response it can make to the dilemma with which CSR confronts it - should it commit itself wholeheartedly to CSR, which could lead it into a form of co-management of CSR with management, but would, of course, risk cutting it off from its members? On the other hand, should it stay out of the picture, at the risk of becoming marginalised and consequently absent from the dialogue which could develop with the other stakeholders in the near future? In order to answer these questions and to act in this sphere with full knowledge of the facts, trade unionists and works council members need to acquire new skills, different from those forged and transmitted through the long history of traditional trade unionism.

Social dialogue and CSR

All our case studies describe experiences based on in-depth in-house social dialogue. In doing so, they suggest that successful CSR, at least in the field of employment and working conditions, can only exist in conjunction with strong social dialogue. However, our case studies also show us that it is not necessarily easy for the traditional players in social dialogue to practise CSR.

- Incorporation of CSR into the agenda of in-house social dialogue is still minimal - many information/consultation or negotiating procedures ignore it wholly or in part, or deal with it only in the margins, while at the same time the company is developing at management level a significant quantity of CSR activities. How can access for all to information on CSR be promoted, so that the existing social dialogue can expand to include these new dimensions?

- As a result of decentralised production networks, recurrent restructuring, mergers and acquisitions, it is increasingly difficult for company boundaries to coincide with the boundaries of social dialogue, whether the latter takes place at company or sectoral level. CSR, the effects of which drive the company to extend the boundaries of its information and consultation, could actually encourage this trend, while the content and boundaries of traditional social dialogue are already having difficulty keeping up with new forms of production organisation, for example as regards monitoring working conditions at subcontractors or monitoring the fate of employees in the context of restructuring.

Social dialogue appears to be facing a dilemma: either it remains based on a binary model with two opposing logics, and appears to exclude any other parties, or it opens up to multiple logics, but then runs the risk of reducing employees and their representatives to one stakeholder among many, while workers see themselves as the parties most directly involved. Finding players prepared to put in the effort, the means to prepare them and places to bring them together, in such a way as to promote an expanded dialogue but without weakening the traditional social dialogue, is, from this viewpoint, one of the major challenges in the development of CSR. The platforms proposed in the recent communication from the European Commission on CSR will doubtless look into this issue.

CSR as product or process?

CSR as a learning process

CSR has a history, and one should not be misled by the recent emergence of a new designation (CSR). Sometimes CSR goes back to old practices which continue to be preserved. Examples of this are certain forms of sponsorship and social benefits that are only modernised versions of a traditional form of paternalism that is far from having disappeared, particularly within the large web of SMEs in Europe. The same is true of a type of CSR which, like it or not, goes back in the countries of Central and Eastern Europe to a form of generalised social guardianship, some aspects of which evoke that practised before the 1990s. Thus CSR did not come into being in a vacuum. At the same time, recent history teaches us that the process representing this concern by companies to incorporate into their decisions consideration of the interests of the stakeholders within and outside the company is not irreversible. It can just as easily extend to new subjects or shrink away.

Considering CSR not as a product or a state (being or not being socially responsible) but rather as a process (gradually learning what is involved in sustainable orientation of a company's management towards CSR) enables us to take a more realistic view of the subject, incorporating the time factor into the analysis and guarding against the excesses of enthusiasm or pessimism of which traces are still apparent in the current debate on CSR.

The history of social relations from the beginning of the industrial era to the present day reminds us how lengthy, contradictory and interspersed with episodes of violence in the majority of countries was the process of constitution and then recognition of trade unionism as a player. A look at the forms social dialogue takes today in the various countries of the world also shows us the progress made to date and what remains to be done. The development of new players will not fail to raise similar questions of recognition and representativeness, not to mention the essential (but often so difficult) creation of cooperation and trust between the various stakeholders, without which CSR would be deprived of its substance and its capacity to impact on reality.

It will be in the interests of the criteria for evaluating CSR to take account of this ‘process’ dimension of CSR in at least two ways:

- On the one hand, it seems reasonable to take account of the contexts in which companies are evolving, whether it is the national context (for example, not measuring the progress of the commitment to CSR in the candidate countries against the same yardstick as in the Member States) or company size (not expecting the same from SMEs as from large companies).
- On the other hand, there is a need to devote particular attention to tools capable of monitoring over time the progress of the efforts made by the company in the area of CSR and to promote the dissemination of good practice already put in place by the companies most advanced in this area.

Lower and upper limits

Is it possible to specify common lower and upper limits for CSR practices? For example, a dynamic leading SMEs to position themselves within the spirit of the laws and collective agreements would already represent considerable progress. An increase in the efforts of companies to monitor their ‘restructured’ employees, opening up to the working conditions of their subcontractors, intensification of social dialogue or even its extension to other stakeholders would be seen in the same way.

In analysing the good practices we have found, we have sometimes found it difficult to distinguish what in these practices went beyond the law from that which was ‘wholly in the spirit of the law’. This is particularly true in the case of restructuring, a field in which national legislation is increasingly exacting (in respect of information and consultation of employees) and increasingly precise. The methods we describe in our case studies, whether they involve conducting a social dialogue or reassigning personnel and re-industrialising sites, are some of the best we found in each of the countries studied. Going beyond compliance with the letter of the law, which would be satisfied with less, they are wholly faithful to the intentions of the legislator.

The lower limit set by the definition in the Green paper (CSR is voluntary in nature and not obligatory, and thus begins by going beyond compliance with the laws) thus opens up a genuine question, that of recognising the quality of application of the law, particularly in areas where minimalist application of the letter of the law is a long way from full application of its spirit. Some companies may, for example, claim to be socially responsible, emphasising certain of their practices that obviously go beyond the law or collective agreements, while implementing only the minimum requirements of the law in other spheres where it is more exacting. At the same time, other companies may apply the law in full, consistently and exactly, without seeking to increase, under the banner of CSR, the standing of initiatives profoundly in agreement with its philosophy.

The absence of an upper limit may be regarded as an incentive factor (*citius, altius, fortius*), but also as a factor deliberately designed to maintain a degree of vagueness in people’s minds. Is there a threshold above which the company could be discharged from its CSR commitment? SMEs would like to know, for example, how far beyond the law they have to go to show that they are socially responsible when in their eyes, fulfilment of existing standards already constitutes a not insignificant form of civic commitment. Large companies would also like to know to what level of the supply chain their responsibility as the company employing subcontractors extends, knowing that their capacity to monitor and check the practices of their subcontractors decreases at every stage.

Tools for the future

Most of the practices we have described are not currently subject to evaluation procedures *ex post facto*. And when it exists, this evaluation is rarely on more than one level, which is all the more contradictory. With the

exception of the Belgian social label and some Danish initiatives, there is no body outside the companies designed to objectivise in-house certification by compiling the viewpoints of all the stakeholders. The current ethical rating agencies, whose attention is focused on a small area of the subject and the companies, cannot claim to be such bodies. We ourselves became aware in the context of our work of how difficult it is to organise such cross-sectional evaluation, particularly given the lack of sensitisation of the other stakeholders in advance. Of course the company produces speeches on the subject and displays the methods and objectives, but it does not possess a means of measuring the results (positive or negative) achieved. It is particularly unusual for formalised reporting procedures to exist, and even more unusual to find facts and figures on the time or money devoted to CSR, at least in its 'in-house' dimension touching on employment and working conditions.

One can see how it may currently be difficult to envisage long-term evaluations of CSR practices, although that is the timescale where its evaluation really has meaning. Only with the benefit of hindsight is it possible to be aware of the durable nature of the practices invoked and to confirm the strategic value of the relevant commitment, including in periods in which the economic climate is less favourable. If everyone agrees to accept the need to produce such indicators, the question remains of who will be the recipients of the relevant information. Do the various stakeholders need to have the same indicators? Is there not a risk that to trim a system that SMEs will inevitably perceive as (too heavy) a burden, 'financial' targets (shareholders) will be given priority over 'salary' targets (employees) and 'citizen' targets (local communities)?

The question remains of future homogenisation of tools for evaluating CSR, given that we are currently witnessing the constitution of a new audit and social rating market, while there are at present no real reference systems or established professional code of ethics. In considering the questions raised around the current trials of financial auditors, beginning with that of their independence, particularly their financial independence, one is assessing at what point the future of CSR will very broadly depend on its capacity to develop credible evaluations of the corporate practices implemented 'in its name'. We have deliberately spoken of 'future evaluation', which is not to say that we fail to recognise the topicality of the subject and the large quantity of work and reflection already in progress. Our analysis of CSR as a corporate learning process, shows that it is still largely embryonic today, since the indications in the case studies of the extent of the ground that still needs to be covered make us cautious about any early prospect of harmonisation or homogenisation. This having been said, we should like to end this work on a positive and constructive note by championing an idea that is simple but for us, fundamental - care must be taken to maintain, from the perspective of a framework of European tools, a degree of balance between 'substantive' logics measuring the specific effects of CSR on the various stakeholders and 'procedural' logics of compliance with good practice in both development and reporting.

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Legal framework of CSR

The various case studies we have conducted fall within the scope of national contexts impregnated with the culture of labour relations and the legal framework in the four countries. In order better to evaluate the socially responsible practices we have found, it therefore seems important to provide in advance some information on these national contexts and, more particularly, on the legal framework:

- of social responsibility
- of restructuring
- of subcontracting.

Legal framework of social responsibility

An analysis of law in the Member States of the European Union shows that social responsibility is exercised within an increasingly precise legal framework, which gives companies incentives to behave in a socially responsible fashion and to report on this in a transparent manner. These incentives may be addressed either to investment funds, which subsequently exert financial pressure on companies, or directly to companies.

An indirect incentive: the transparency obligation hanging over investment funds

Several national laws in the European Union Member States oblige investment funds to specify whether they take account, in selecting their investments, of social and environmental criteria. Given the increasing interest of savers in socially responsible management of their money, one would expect this transparency obligation to lead a number of funds to modify their investment policy. Indirectly, therefore, there is increasing financial pressure on companies seeking investors to acknowledge their social responsibility.

While there is no specific legislation in this area in Hungary, the situation is different in the other three countries involved in our report. It is worth mentioning first the British legislation applicable to pension funds, which obliges these funds, as from 3 July 2000, to make public ‘the extent to which social, environmental or ethical criteria are taken into consideration in the selection, retention and liquidation of investments’¹.

In its recent reform of retirement pensions, the German legislature was largely inspired by the British example and in its turn obliged pension funds to specify to savers whether they take into consideration ethical, social and environmental criteria². Moreover, this reform led the social partners to discuss the establishment by collective agreement of ethical pension funds, in particular in the metallurgical sector, whose management would be entrusted to financial professionals, imposing on them social criteria for the selection of investments³.

In France, where the legislature has for the present refused to introduce pension funds, a similar trend is believed to have been noted in the Law on savings from pay, with the possibility for the bodies for collective investment in transferable securities to report annually on the extent to which they take account of social,

¹ The Occupational Pension Schemes, Amendment Regulations 1999, Statutory Instrument 1999 No. 1849

² Article 7, Altersvermögensgesetz of 26 June 2001: §1 (9) Altersvorsorgeverträge-zertifizierungsgesetz

³ ‘La métallurgie allemande s’empare de la loi sur les fonds de pension’, Le Monde, 11 May 2001

environmental or ethical considerations⁴, or the Law on reserve funds for retirement⁵ (cf. details in the French report). However, the final version of these two texts ultimately still lags behind the legislation in the other European union Member States.

A direct incentive: the transparency obligation hanging over companies

The public authorities may decide to promote corporate social responsibility by imposing greater transparency on corporate social and environmental practices. Without obliging companies to adopt rules on social responsibility, this transparency undoubtedly constitutes a very powerful incentive for companies to formalise their social and environmental policies, in particular by adopting codes of conduct. At EU level, the obligation to publish such a social report is proposed by the European Parliament in its response to the Commission's Green Paper on social responsibility⁶.

In France, a similar obligation already exists. The Law on new economic regulations of May 2001 introduces an obligation for the administrative board or board of directors of companies quoted on the stock exchange to submit an annual report to shareholders on⁷ the way in which the company takes account of the social and environmental consequences of its activities (cf. details in the French report).

The other three European countries do not currently have legislation obliging companies to publish annual reports on their social and environmental impact. Nevertheless, there are transparency obligations such as information and consultation of employee representatives, particularly in the field of restructuring.

Legal framework of restructuring

Restructuring is the subject of a significant legal framework in the various EU Member States⁸. For example, if the employer intends to undertake restructuring, he must respect certain rules, particularly procedural rules, which have been laid down by labour law both at Community level and at the various national levels, to protect the interests of workers in collective redundancies or the transfer of undertakings, but it must be borne in mind that all these rules are designed only to mitigate the social consequences of financial decisions, which remain in the hands of the employer alone. Hence this shows clearly that even in this field, which has been the subject of detailed regulation, scope remains for social responsibility.

⁴ Law 2001-152 of 19 February 2001

⁵ Article 6 of Law 2001-624 of 17 July 2001

⁶ Draft Report on the Commission Green Paper on Promoting a European Framework for Corporate Social Responsibility, Committee on Employment and Social Affairs, European Parliament, 5 March 2002

⁷ Article 116 of Law 2001-420 of 15 May 2001 on new economic regulations

⁸ G. GUÉRY, *Restructuration d'entreprises en Europe. Dimension sociale*, De Boeck, Paris, 1999

Information and consultation

Both the Community Directive on collective redundancies⁹ and the Directive on transfers of undertakings¹⁰ oblige the employer to inform and consult employee representatives. Moreover, the Directive establishing the European Works Council¹¹ lays down in its subsidiary requirements that the management of the undertaking must inform and consult the members of this council in the event of exceptional circumstances ‘affecting the employees’ interests to a considerable extent, particularly in the event of relocations, the closure of establishments or undertakings or collective redundancies’¹². The emphasis on procedural rights, confirmed by the Directive on the general framework for informing and consulting employees in the European Community¹³ represents a more general trend in Community labour law and is also found in national laws.

In France and Germany, even before these Directives entered into force, labour law had already accorded major rights of information and consultation to employee representatives. In the UK, on the other hand, while information and consultation were certainly not unknown, until the transposition of the Community Directives these practices were purely voluntary in nature¹⁴. Lastly, in Hungary labour law amendments entered into force in July 2001 to bring it into line with the body of Community law, particularly in the field of collective redundancies.

To be worthwhile, information and consultation of employee representatives must take place before the termination or transfer of employment contracts, for even if it is a delusion to imagine that the employer will abandon the project, nevertheless the aim of these obligations is to plan its social consequences. However, labour law in the EU Member States provides for perceptibly different periods between the time of information of employee representatives and implementation of the redundancy project. Since its amendment in 1992, the Directive on collective redundancies stipulates that consultations with workers’ representatives must take place ‘in good time’¹⁵.

Our case studies show that the way in which the head of the company interprets this concept of ‘good time’ may be a very important element in assessing the socially responsible conduct of restructuring.

⁹ Council Directive 75/129/EEC of 17 February 1975 on the approximation of the laws of the Member States relating to collective redundancies, as amended by Council Directive 92/56/EC of 24 June 1992 and Council Directive 98/59/EC of 20 July 1998; F. FAVENNEC-HÉRY, ‘La directive 92/56 du 24 juin 1992 ou les espoirs déçus’, *Dr. soc.*, 1993, p. 29

¹⁰ Council Directive 77/87/EEC of 14 February 1977 on the approximation of the laws of the Member States relating to the safeguarding of employees’ rights in the event of transfers of undertakings, businesses or parts of businesses, as amended by Council Directive 98/50/EC of 29 June 1998; M. FRANZEN, ‘Die Richtlinie 98/50/EG zur Änderung der Betriebsübergangsrichtlinie 77/187/EWG und ihre Auswirkungen auf das deutsche Arbeitsrecht’, *RdA*, 1999, p. 361; S. LAULOM, ‘Les dialogues entre juge communautaire et juges nationaux en matière de transferts d’entreprise’, *Dr. soc.*, 1999, p. 821; M. L. BELLINI, ‘Trasferimento di azienda nella fusione di società: comunicazione e consultazione sindacale’, *Diritto del lavoro*, 1997, p. 197

¹¹ Council Directive 94/45/EC of 22 September 1994 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees

¹² Annex 3(1) of Council Directive 94/45/EC

¹³ Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community

¹⁴ S. DEAKIN and G. S. MORRIS, *Labour Law*, 3rd edition, Butterworths, London, 2001, p. 792

¹⁵ Article 2(1) of Council Directive 98/59/EC

Reassignment

The value of the obligations to inform and consult employee representatives in the context of redundancy for economic reasons or transfer of undertaking lies in reducing the social consequences of these operations decided on by the employer. Consequently, in the hypothesis of a redundancy, employers must organise in-house or external reassignment of their employees. Globally speaking, the trend in the law on economic redundancies is characterised by strengthening of the obligation on the employer to reassign. While the 1975 Community Directive restricts itself to specifying the obligation to inform and consult employee representatives about possibilities of avoiding or reducing collective redundancies, and about the possibilities of mitigating their social consequences¹⁶, the 1992 and 1998 Directives stipulate that the employer must also inform and consult them about accompanying social measures aimed, inter alia, at aid for redeployment or retraining of workers made redundant¹⁷. The employer cannot limit himself to paying compensation to his redundant workers, but must draw up a genuine social plan, at least in France¹⁸ and Germany¹⁹.

Apart from the social plan, redundancy for economic reasons must be regarded as the solution of last resort, and consequently may take place only if it proves impossible to reassign employees. German and French labour law even tends to subordinate the validity of economic redundancy to the employer's efforts to reassign the employee. For example, German law allows the works council to oppose economic redundancy when the employee can be reassigned to another job in the same establishment or in another of the enterprise's establishments²⁰. Similarly, in France the judges of the Court of Cassation assert that redundancy for economic reasons may take place only if it is not possible to reassign the person concerned in the enterprise²¹. The French judge has even decided that if the company is part of a group, the context for assessing the possibilities of reassignment must be extended to companies in the group permitting some or all of their staff to be moved²².

Despite this rule, efforts to reassign employees vary greatly from one company to another. Beyond application of the letter of the law, scope therefore remains for corporate social responsibility, even if it represents application of the spirit of the law.

Rules preserving the employer's freedom of management

Both the rules on redundancy for economic reasons and those on transfers of undertaking are designed only to mitigate the social consequences of the decision taken by the employer to reorganise the company. On the other hand, neither Community labour law nor national laws modify the powers of the employer as regards economic decisions. It is true that the employer must inform and consult employee representatives before reorganising the company, but it would be an illusion to expect these procedures substantially to modify the

¹⁶ Article 2(1) of Council Directive 75/129/EC

¹⁷ Article 2(2) of Council Directive 98/59/EC

¹⁸ Article L. 321-4-1 c. trav.; DROIT SOCIAL, Les plans sociaux, special issue, May 1994

¹⁹ § 112 BetrVG

²⁰ § 1 (2), para 1 KSchG

²¹ Soc., 8 April 1992, Dr. soc., 1992, p. 626; Soc., 6 July 1999, RJS, 1999, p. 767; J. SAVATIER, 'La disponibilité d'un emploi en vue d'une réintégration, d'un reclassement ou d'une priorité d'embauchage', Dr. soc., 1999, p. 146

²² Soc., 25 June 1992, Dr. soc., 1992, p. 826; Soc., 6 July 1999, op. cit.

employer's projects, their aim being solely to mitigate the effects. This lack of influence on the part of employee representatives on the employer's economic decisions is increased by the limited legal monitoring in the EU Member States,²³ where a principle prevails which makes the employer the only judge of his company's management .

Thus much depends on the attitude of company managers and their social responsibility.

Legal framework of subcontracting relationships

While subcontractors are subjected to a degree of financial monitoring, the law in the EU Member States affirms the principle of their legal independence. This principle means, firstly, that the employees of an enterprise integrated into a subcontracting network may not assume legal responsibility for another enterprise in the network, even if the latter is taking financial decisions that affect them, and, secondly, that employees may not recognise the unit of the network, which leads to the break-up of the enterprise and hence the loss of protection by labour law provisions dependent on workforce thresholds or even dismissal to self-employment.

The principle of independence explains that in the field of occupational health, it is in principle the subcontractor that is legally responsible, even if many financial decisions are taken by the company employing it. In response to this problem, the Community Directive on temporary or mobile work sites²⁴ formalises coordination between undertakings which are legally independent, but which cooperate in the context of the same economic activity on the same site. This Directive stipulates the appointment of a coordinator²⁵ responsible for organising '*cooperation and coordination of activities with a view to protecting workers and preventing accidents and occupational health hazards*'²⁶ . Consequently it disregards the legal autonomy of the subcontractors and the companies employing them and takes account of the close economic ties between them.

Apart from this Directive, however, a broad field remains open to companies in the four countries that can manage relationships with their subcontractors without taking account of social considerations or, on the other hand, while acknowledging a degree of social responsibility for the entire supply chain.

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²³ EUROPEAN COMMISSION, Cessation de la relation de travail. Situation juridique dans les États membres de l'Union européenne, EUR-OP, Luxembourg, 1997; J. C. JAVILLIER, 'Le patronat et les transformations du droit du travail', in Les transformations du droit du travail. Études offertes à Gérard Lyon-Caen, Dalloz, Paris, 1989, p. 193

²⁴ Council Directive 92/57/EC of 24 June 1992 on the implementation of minimum safety and health requirements at temporary or mobile work sites

²⁵ Article 3(1) of Council Directive 92/57/EC

²⁶ Article 6(d) of Council Directive 92/57/EC

CSR in Germany

Introduction

Corporate Social Responsibility (CSR) has a longstanding tradition in Germany following the national and economic and social frame. It is of course a fundamental part of highly regulated and institutionalised industrial relations.

The core idea of this relations is that the state sets the general conditions by legislation, but does not regulate any specific working conditions. This is left to negotiations between the so called „social partners“, that means the trade unions and the employers association.

There are two basic types of collective agreements between employers and employees, wage/salary and working condition agreements (working hours, holidays, labour conditions). Therefore CSR and the question of restructuring must be seen in the context of the second type of agreements.

Labour and management can negotiate freely CSR but must abide the constitution and the statutes. The Works Constitution Act of 1972 defines the regulations for industrial relations at the place of work. In particular it defines the right of participation and co-determination of the employees' representative bodies like the works council and the trade unions. Co-determination at the managerial level enables employees to influence company policy with regard to all company activities through their members of the supervisory board. The supervisory board is made up of equal members of shareholders and employees (see for further details the following overview):

The established system of industrial relations in Germany²⁷

Of the 36 million gainfully employed persons in the Federal Republic of Germany, 89.3 percent are wage and salary earners, i.e. employees, civil servants, and trainees or apprentices. In addition, there are 3.5 million self-employed, most of whom also have others on the payroll, apart from 311,000 helping family members.

²⁷ Deutscher Gewerkschaftsbund (German Trade Union Federation)
Internet: <http://www.dgb.de>
E-mail: info@bundesvorstand.dgb.de

Deutscher Beamtenbund (German Civil Servants' Federation)
Internet: <http://www.dbb.de>
E-mail: <http://www.dbb.de/email>

Christlicher Gewerkschaftsbund Deutschlands (Christian Trade Union Federation of Germany)
Internet: <http://www.dhv-cgb.de/cgb>
E-mail: CGBBonn@t?online.de

Bundesvereinigung der Deutschen Arbeitgeberverbände (Confederation of German Employers' Associations)
Internet: <http://www.bda-online.de>
E-mail: info@bda-online.de

Employers include private companies, federal, state and local government authorities, and other public institutions.

Employers and employees co-operate with each other, as they must, but their interests sometimes clash. They then have the right to negotiate collective agreements without interference from the government. The state sets the general conditions by legislation, but it does not lay down how much workers should be paid. This, and many other matters - for example holidays - are left to the 'social partners', i.e. the trade unions and employers' associations, to negotiate themselves.

Trade unions

The largest labour organisation in the Federal Republic is the 'Deutscher Gewerkschaftsbund' (DGB; German Trade Union Federation, the parent organisation of almost every German trade union) with about 7,9 million members in 8 unions (at the end of 2001). DGB unions are based on the industrial association principle: This means that they enrol workers and employees of an entire industrial, commercial or other economic sector (or even several sectors), regardless of the kind of work they do. The biggest union is Ver.di (Vereinigte Dienstleistungsgewerkschaft - www.verdi.de) with about 2.8 million and IG Metall (Industriegewerkschaft Metall - www.igmetall.de) with about 2.7 million members.

Apart from the DGB there are a number of other union organisations. Its members are salaried staff from practically all sectors of the economy. The Deutscher Beamtenbund (DBB, German Civil Servants' Federation), with about 1.2 million members, is the main organisation of permanent civil servants which, on account of civil service law, is not involved in collective bargaining and cannot call members out on strike. Otherwise it has all the characteristics of a trade union and has considerable influence. There is also the Christlicher Gewerkschaftsbund Deutschlands (CGB; Christian Trade Union Federation of Germany), which with its affiliated unions, numbers about 305,000 members.

The German trade unions are not connected with any particular party or church. No one can be forced to join a union. The closed shop system (which, according to agreements between employers and unions, allows only union members to be employed) is alien to Germany. The degree of unionisation, i.e. the proportion of workers who are members of unions in certain industries, varies greatly but averages less than 50 percent. The unions maintain many colleges and training centres for their members.

Employers' associations

The employers have joined to form regional associations which - like the DGB unions - are based on the principle of 'one industry, one association'. The central organisation of the employers' associations is the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA, Confederation of German Employers' Associations). Like the DGB, it does not itself conclude collective agreements but instead functions as a co-ordinating body, and represents the basic interests of its members. The BDA covers all branches of business - from industry, crafts and trades, commerce, banking and insurance to agriculture and transport.

About 80 percent of entrepreneurs are members of an employers' association - a much larger proportion than in the case of employees. The BDA represents them only in their role as employers, i.e. as negotiating partners of the trade unions. All other interests - taxation or economic policy, for instance - are taken care of by other business organisations such as the Bundesverband der Deutschen Industrie (BDI, Federation of German Industries), the Zentralverband des Deutschen Handwerks (ZDH; National Federation of German Skilled Crafts and Trades) and the Bundesverband des Deutschen Groß- und Aussenhandels (Federation of German Wholesale and Foreign Trade).

Collective agreements

There are two basic types of collective agreements which the unions negotiate with the employers' associations or with individual employers. Wage and salary agreements regulate pay and in most cases are agreed for a short period of time. Framework or general agreements, which as a rule run for several years, regulate conditions of employment such as working hours, holidays, minimum notice, overtime rates, etc. There are also special collective agreements governing specific issues (such as vocational training, supplementary retirement benefits and protection against rationalisation measures).

In principle, labour and management can negotiate freely; they must, however, abide by the constitution and the statutes. The average, statutory maximum number of working hours per week is 48, for example, but practically all Germans work fewer than 40 hours a week, and some only 35. Similarly, the law prescribes a minimum Paid holiday of 24 working days, but collective agreements generally provide for a holiday of 30 working days (six weeks). Nearly all workers receive additional holiday money and a Christmas bonus on the basis of collective agreements. In many cases, actual wages, salaries and other payments are considerably above collectively agreed rates.

Industrial action

In Germany, industrial action may only be taken in connection with collective wage agreements. It is therefore restricted to those agreements. During the life of a collective agreement, the parties thereto are obligated to maintain industrial peace. This means that industrial action cannot be called on matters covered by agreements still in force. In order to prevent industrial action, in many cases provision has been made for arbitration if the two sides cannot agree. Under the unions' rules, moreover, the members have to be balloted. Only if a qualified majority are in favour may a strike be called.

The workers' right to strike is counterbalanced by the employers' right to lock them out. Within certain limits, lockouts have been upheld by the Federal Labour Court and the Federal Constitutional Court as permissible means of industrial action, but the issue is still controversial. As the state remains neutral in labor disputes, neither strikers nor locked-out workers receive unemployment benefits. Union members receive strike pay from the unions' strike funds for loss of earnings, but non-members get nothing. During a strike, they must either live on their savings or apply for social assistance.

Co-operation

Workers and entrepreneurs are not in opposition to one another all the time, however. They also co-operate in many ways. This is most apparent on the shop floor, but the representatives of both sides' organisations also meet on many other occasions, for example on apprentice examination committees. In the labour courts, which rule on employment disputes, there are lay judges at all levels from both sides. Within the framework of so-called self-government, the management boards and representative assemblies of the social insurance schemes (unemployment insurance, health insurance, accident insurance and pension insurance) are comprised half of employers' representatives and half of employees' representatives ('representatives of the insured'). Politicians also frequently seek the views of the leaders of the two sides' organisations. These, and other forms of co-operation help to foster mutual understanding without blurring the differences between their respective interests.

Works constitution and co-determination

The Works Constitution Act of 1972 defines the regulations for industrial relations at the place of work. It lays down in particular the right of participation and codetermination of the employees' representative bodies, the right of the individual employee to be informed and be heard, as well as the rights of the unions within the framework of the works constitution.

The works council

The works council represents the interests of employees towards their employers, assesses suggestions put forward by employees, and passes them on to the employer. The works council shall monitor, among other things, that the laws, decrees, accident prevention regulations, collective wage agreements concluded, and works-wide agreements are all observed.

Important co-determination rights cover such areas as matters relating to the proper running of the establishment; working hours (including the introduction of short time or overtime); holidays, introduction and use of technical devices designed to monitor the behaviour or performance of the employees; provisions for the prevention of accidents at work, occupational diseases, and for the protection of health on the basis of legislation or safety regulations. The works council also has a considerable say in job descriptions, work processes, the working environment, personnel planning and vocational training. The employer must also consult the works council before any dismissal. Failure to do so will result in the dismissal being declared null and void.

Co-determination at the managerial level enables employees to influence company policy through their members on the supervisory board. This co-determination by employees in factories and corporations is a key pillar of the social order in the Federal Republic of Germany. It rests on the conviction that democratic legitimation cannot be limited only to government, but must also be effective in all areas of society. Co-determination in the supervisory board extends to all company activities. Thus the supervisory board, for instance, appoints the members of the management board. It may also revoke their appointment, demand information on all company matters, and render important business decisions, e.g. with regard to major investments or rationalisation measures, subject to its approval.

The supervisory boards of companies where co-determination is practised have to be made up of equal numbers of shareholder and employee representatives. All the employees' members of the supervisory board, i.e. those working in the company and the trade union representatives, are elected by direct ballot or by delegates.

In companies with more than 8,000 employees, the law prescribes elections through delegates a ballot, but employees may, by a majority vote, opt to be represented by delegates. The employees may, however, reverse this procedure; in other words, they can choose by a majority vote to have a direct ballot.

The shareholders' members of the supervisory board are elected at the firm's respective shareholders' meeting (the 'Hauptversammlung' or AGM in the case of stock corporations, the 'Gesellschafterversammlung' or partner's meeting in the case of limited liability companies). At the inaugural meeting of the supervisory board, the members elect the chairman and the vice-chairman.

Cultural background

CSR in Germany vs. in the US vs. in the EU

The German concept of social partnership between the internal stakeholders (management and workforce) is well established and based on a long tradition in regard to social as well as to legal aspects. The German economy is based on the concept of the 'Soziale Marktwirtschaft' (social market economy) which allows the government quite expansive interventions into the business-world vs. a more 'laissez-faire' approach of other governments. This is regarded as being 'right' and Germany is thus used to the government setting guidelines, but also expects the government to take care of the workforce (see health-care, unemployment rules,

Kündigungsschutz (dismissal laws) etc.) The German system is already established as a well organised relationship-netting between the named stakeholders and is connected with a deep moral concept in the German society.

Taking this into account one could argue, that in Germany there is no need for any further establishment of a more developed social concept such as CSR since the workers-participation ('Mitbestimmung') is already better defined than CSR is today. Keeping up this argument there would be no need for companies to develop further social responsibilities, but if really more care-taking of the workforce is deemed necessary, it is the job of the government to fulfill those needs ('Why else do we pay taxes?')

The situation in the U.S. where there is no such social and legal definition of the roles of the internal stakeholders a widely accepted self-regulation is already in place. Further involvement of the government to establish new social rules would be seen as unnecessary. Thus pressure to pay more attention to social values would be seen as a duty of the companies.

Within the EU the differences in the balance between the 'accepted and right' amount of State regulation and company practice (Set guidelines vs. Self Regulation) between each and every country seem to be enormous and thus relevant to be pointed out. Still the EU-Greenbook tries to define CSR as one concept for all countries:

'Corporate Social Responsibility is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

By expressing their Social Responsibility, companies are affirming their role in social and territorial cohesion, quality and environment. Through production, employment relations, and their investments, companies are able to influence employment, the quality of jobs and the quality of industrial relations, including respecting fundamental rights, equal opportunities, non-discrimination, the quality of goods and services, health and the environment.

Ultimately CSR can only be taken on by the firms themselves. However, it can also pose challenges to policy makers to develop or adapt policies and legislation, in order that they may support and promote the awareness of the business case for CSR.

Social partners also play a crucial part in the wider implementation of CSR. Any company strategy towards CSR based on an integrated and balanced approach to economic, social and environmental factors requires innovative thinking and thus new skills and closer involvement of the social partners.'
(http://europa.eu.int/comm/employment_social/social/csr/csr_whatiscsr.htm)

Such a common definition for the Concept of CSR seems to be necessary for the study, but seems to disregard the status-quo in the relationship that social partners in the different countries with different cultures have already established in the past. Also the changes in this relationship over time need to be taken into account.

The challenge of change

Globalisation and a new attitude to ethics and values are rapidly questioning the traditional cultural background of industrial relations and the system based upon it.

Globalisation

Globalisation suddenly shows that the own country is not the center of the world, that the rest of the world can seriously impact the life of everyone, for example by making migrate one's own working place to a country so far unknown to the former owner of the job. Globalisation confronts workers with new production schemes, unknown and unfamiliar and therefore regarded as dangerous.

In connection with horror stories of money roving around the world in dark, uncontrollable channels globalisation creates a feeling of uncertainty.

Communications

The new possibilities of worldwide communications shows the unfair disparity of wealth and poverty around the world.

Revival of values

Especially in a highly developed country with all basic needs provided, people realise that money itself does not make happy and can not replace security, justice and humanity.

New answers

Due to this challenges a new system has to be created, overcoming the old system of profit optimising and the restriction to the traditional three stakeholders (government, unions and employers)

Case studies

Deutsche Telekom AG

Deutsche Telekom is Europe's largest communications company and one of the largest communications carriers worldwide based on 2001 revenues of 48.3 billion euros. The company is active in four key growth segments of the global telecommunications market: mobile communications, network access services, consumer Internet services and integrated IT and telecommunications solutions. Through T-Mobile, Deutsche Telekom's mobile telephony subsidiary, and through other majority and minority shareholdings, Deutsche Telekom today serves more than 69 million mobile telephony customers worldwide. In 2001, Deutsche Telekom completed the acquisition of U.S. mobile telephony companies VoiceStream Wireless and Powertel Inc., forming the first transatlantic wireless communications operator utilising the GSM digital wireless technology standard. Deutsche Telekom offers its customers a complete range of fixed-line voice telephony products and services through almost 57 million access lines. The company is a leading provider of high-speed digital access lines, with about 2.4 million new asymmetric digital subscriber line (T-DSL) services currently sold and about 21 million channels using the information transfer standard ISDN (Integrated Services Digital Network) as of year end 2001. T-Online is one of Europe's largest Internet service providers, with approximately 11 million subscribers. T-Systems is Europe's second-largest provider of comprehensive IT and telecommunication solution and services to business customers in more than 20 countries.

Restructuring, downsizing and outsourcing = reengineering

Reengineering within Deutsche Telekom follows a well balanced process:

- Regardless whether reengineering measures are planned or not, a permanent board informs on a monthly base representatives of the works council on the economic situation of the company when specific reengineering measures are planned

- Information of works council on the intended organizational changes and its impact on the number of working places
 - Negotiations with works council on a ‘balance-of-interests plan’ concerning the reengineering issue
 - should it be done
 - who will be involved
 - at what time
 - how many and what steps
 - job security for workforce and training
- Negotiations with works council on a ‘social plan’, i.e. how much money will be spend for which social measure only when negotiations have come to a mutual agreement
 - Start of reengineering measure
- During the reengineering measure each individual change in personnel issues of each employee is double-checked by the works council

Dismissal protection

Deutsche Telekom and the respective union have agreed upon a collective treaty that there will be no lay-offs as a consequence of reengineering until the end of the year 2004.

Incorporation of CSR

Deutsche Telekom has just launched a project group to install an all over all management system regarding CSR in all fields of business. CSR thus will become an integrated part of corporate strategy.

DT's Support to Matáv's Restructuring Process in Hungary

DT started its engagement in Hungary in 1994, together with an American Partner (Ameritech International). Since many years DT strongly supports Matáv's restructuring process, e.g. by providing experts (advisors and line managers) in all business areas of the company, e.g. strategy, technology, marketing, etc. These experts are an integrated part of Matáv's change management process. Among other they perform the following key tasks:

- initiating and coordinating projects
- elaborating systems and tools
- developing technical solutions, products and services
- promoting process and quality management
- designing and conducting training
- reinforcing customer orientation (internally and externally)

On the peak 1997 and 1998, appr. 50 experts (30 DT, 20 Ameritech) worked in Hungary at Matáv, meanwhile the number has been decreased to appr. 30 in 2002 (DT exclusively, since the American partner left the joint venture in 2000). Apart from continuous long-term experts assignments, DT provided Matáv with a variety of short-term advisory services. (within a range from a few weeks to several months).

In the context of Matáv's change management process, the following „highlights’ - with substantial involvement of DT - shall be mentioned as examples:

- Culture Change Projekt

In 1996, Matáv started a comprehensive Culture Change Projekt focussing on management development, training, organisational development and business process management.

- Management Exchange and Training Programme

Since 1998, DT and Matáv avail a bilateral Management Exchange Programme that has meanwhile been extended to specialists. In addition, a series of training activities take place for participants from both companies, based on annual agreements.

- DT-Group Workers Council

An intensive exchange of experience has been initiated between the interrupt representations of the companies. Since 1998, representatives from Matáv's Central Workers Council regularly participate as guests in the meetings of DT's Group Workers Council

- Reorganisation

Starting on January 1 st, 1999 and 2002, respectively, Matáv implemented fundamental organisational changes taking into consideration the principles of DT's organisational concepts. That, the 2002 reorganisation has been designed in line with the 4-pillar-concept (four business lines: mobile communication, fixed line communication, international business solutions and on-line services).

- EUROTEAM

In 1999, Matáv's joins with DT's support EUROTEAM, an international organisation in the training area.

- Holiday Exchange Programme

Since 1999 DT and Matáv operate a Holiday Exchange Programme that offers the possibility for employers to use the holiday resorts of the partner company at attractive prices.

- Matáv's Investment in Macedonia

At the beginning of 2001, Matáv took over a majority share in Maktal, Macedonian's incumbent. A couple of DT experts from different areas were involved in the acquisition process.

- Social Dialogue Committee

Initiated by DT, Matáv participates since 2001 in the activities of the EU's Social Dialogue Committee, mainly as member of the working group „Enlargement’. In September 2001, a conference on Social Dialogue, in the context of privatisation and liberalisation, took place in Balatonkenese (Hungary).

- Human Resources Synergy Projekt

In 2001, DT started an international Human Resources Synergy Projekt that includes Matáv (+ Maktel), Slovak Telekom and Croatia Telekom. The utilisation of synergies focuses on three main areas:

- planing and controlling, training and development, compensation and performance management.

In summary, Matáv obviously is a good example for DT's active role in the restructuring process and its commitment to social responsibility.

DT's measuring tools of CSR projects

The following tools are being applied to measure the company's all-over- all progress in CSR:

■ **Defining indicators**

concerning people:

- product and workforce safety
- labour standards and conditions
- human rights
- equal opportunity and access

concerning environment:

- local and global environmental quality
- cleaner production processes
- eco-efficiency
- environmental technology

concerning economics:

- sustainable enterprise development
- community investment
- education and training
- Health

■ **Implementing a reporting system** according GRI standards delivering Triple Bottom Line Reports

■ **Social Responsibility Investing,**

■ *Management Transfer*

Individual managers' success on specific goals based on the company's CSR vision are measured as any other individual business objective:

- agree on the target
- define the measuring scale
- link it to the individual performance driven part of the remuneration
- measure the goal achievement

■ One other tool could be to measure employee-satisfaction.

DT, CSR measuring tools and NGOs

The degree of attention on CSR issues is a lot higher since more external driving forces are putting pressure onto DT. CSR could be thus seen as the communications answer to globalisation. The decision to set up internal CSR indicators is based on the experiences made with the ecological audits in the past, but with the knowledge that those really are only 'best guesses'.

There are no real bad practice examples. The idea to look at CSR more closely is born from the fear to be doing something wrong and risking the market value as an international company. Thus the social aspects are actually valued higher because of the potential economical risk that they pose to the company.

The financial interest in CSR is the interest in keeping the human capital up-to-date, which in its turn is of course of strong economic value. CSR can be used in recruiting as a marketing argument, but not much more. But it could become more interesting, since more and more 'outsiders' seem to consider CSR as an important value, even rating firms. The changing environment and the globalisation of DT have led to more engagement in CSR issues. The social partnership is established and as such a good tool in times of restructuring as well. At time administration do put special CSR issues in their tenders, so that DT has a chance to show suppliers that this is a serious issue for them. DT has set up Codes of conduct that are being followed. (see annex 5 attached).

The established social partners are experiencing troubles with the globalisation and fear that this could endanger the established German social partnership model as a whole, which would not be good for DT either. But on the other hand the new partners are not 'insiders' yet and thus do not know, how the social dialogue works.

Seen as a whole, CSR is obviously executed for economical reasons, but set up together with the other social partners. Based on this social dialogue the CSR developments and ideas are implemented. If the indicators show that things are going wrong, adjustments are made. The reports are available to the public at all times. For the works council the indicator of sufficient support of CSR issues would probably be the votes of the employees during election times.

The efficiency of CSR is measured in the quality of the human capital. Only if the human capital is constantly developed, can the organisation fit into its constant moving environment.

BASF AG

BASF is the world's leading chemical company. It aims to increase and sustain its corporate value through growth and innovation. BASF offers its customers a range of high-performance products, including chemicals, plastics, coatings systems, dispersions, agricultural products, fine chemicals as well as crude oil and natural gas. BASF's distinctive approach to integration, known in German as 'Verbund,' is its strength. It enables the company to achieve cost leadership and gives it a decisive competitive advantage in the long term. BASF acts in accordance with the principles of Sustainable Development. In 2001, BASF had sales of EUR32.5 billion (circa \$29 billion) and over 90,000 employees worldwide. BASF shares are traded on the stock exchanges in Frankfurt (BAS), London (BFA), New York (BF), Paris (BA) and Zurich (BAS).

CSR practices in BASF

Additional apprentices

Offer for young people to carry out their apprentices not only within the company but within the region. ('Ausbildungsinitiative Pfalz', see in detail)

Outsourcing with job guarantee

Selling of part of the medical production (Knoll AG, to Abott, USA). This was part of the restructuring of BASF and the consolidation process. BASF decided to sell of the medical production (Knoll AG). They sold Knoll AG to Abott, in the US with the restriction that jobs be saved in the region. The management initiated this, but of course the works council supported this idea.

Investment fund for new jobs

BASF has set up a venture capital fund (BASF Innovationsfonds GmbH). This fund was at first established to help people set up their own jobs, so that less people would be working for BASF and at the same time establish more jobs in the region. But when set up the fund was also open to people that have not worked for BASF before. For more details see Appendix 1, page 2.

Training for other companies

BASF trains more people than they could employ within the company. The company thus helps other companies that do not have the facilities or possibilities to train people in getting better personnel development. Since there are some potential problems involved (competition), BASF only trains people in 'common' jobs, not too specialised, so that they will be able to find new employers.

BASF, the traditional model of corporatism and the new stakeholder model?

Good practice examples for BASF are the offer for young people to carry out their apprentices not only within the company but within the region (<http://www.initiative-fuer-beschaefigung.de>), called 'Ausbildungsinitiative Pfalz', founded in 1998 by chamber of commerce and BASF with 18 Mio. DM for new apprentices in the region as a start up financing. Additionally a Venture Capital foundation for new companies (for example Biotech) in the region and Start up capital for those that leave the company to found something on their own have been set up.)

The internal communication is based on the vision of sustainability, which stands for the conservation of social, economical, ecological resources. The employees are informed about the system of sustainability. The standard tool of CSR are reports on a descriptive level. Sustainability is a try to handle risk to make the company communications more stable. Thus it is an issue of internal and external communications.

The traditional relationship between the unions and the employers is good. BASF has an interest to invest in the human capital, since the technology develops so fast. An European Works Council has been established following Art. 13 of the EU EWC-directive 97/74/EG already in 1995 (24 May 1995).

CSR is not important as a term, but as part of the vision. It is important for the company to have a strong region to be attractive for employees (the best). BASF is doing more than is necessary, but only for economical reasons, because everything else would not be a lasting investment.

Even though there has been no real external pressure for change, BASF has decided that it is better to be along up front and put their own mark on the definition rather than getting marked by outsiders. The external pressure which definitely exists are the investors. 'Capital is demanding', and that can be met by using indicators. So far no real concern has come up, that major decisions or influence from CSR will steer BASF in the near future. Worst case scenario for BASF (from the Greenbook and the rest of the CSR discussion) seems to be, that more reporting (see Howitt Report) will be needed. More laws are no real danger, because that would be a national decision, which is already very 'heavy'. But in any case BASF sees itself well equipped. It has installed a corporate staff which is in charge of editing regularly triple bottom line reports, organising and harmonising CSR issues, training management, doing internal Human Relations and external Public Relations. But other companies, especially smaller ones, would have trouble fulfilling new needs for more reporting.

There have been bad practice examples in related issues, which have helped develop a very open attitude ('we cannot hide anything anyways'). Thus it is important to act 'straight' and be reliable at all times, because

otherwise the investment in 'soft issues' will be ruined quickly, which could mean financial problems as a result.

CSR is not a marketing instrument, but necessary to be ready for change which again is promoted by globalisation.

BASF asks their suppliers to be consistent as well and sometimes for audits and that in turn is likely to lead to more stakeholders being interested in the CSR activities in the companies. Today this still seems to be 'only' a communications issue, which is only related to the management, trying to sort out which issues are of actual importance to the company itself not 'just' an overall issue, which cannot be handled by the company itself.

The vision of CSR activities was set up in the company by the management in the first place, but then implemented with the involvement of the works council. But economical factors drive the vision. The works council does seem to have a problem with this development, since they do not have any networking around Europe, nor around the world. They see the danger of new stakeholders coming, but have no possibilities to do anything against it, since they do not seem to have the necessary network. The works council today is responsible for its region only.

New NGOs that are specialised are more attractive to the companies to deal with. The companies 'use' this dilemma of the unions at times, but with the knowledge of the works council

There is no security in measuring such 'weak' issues as CSR. No standard between different companies or sectors is yet established. But in a way it is reconsidered what other newly established audits did before and there are reports on social responsibility already available. The works council tries to measure the success of CSR with the appraisal of its members. The best overall measurement is the public, since lying is not possible without detection. This is probably the most important new stakeholder: Full information at any time. CSR as a tool is a tool to handle risk management. Just as an insurance it can hardly be measured (only in worst cases), but not if everything goes well.

CSR seems to be a term which is 'in'. CSR thus is a new name for a tradition of 'Mitbestimmung' which has already set up an established relationship between the employees and employers (social dialogue).

Volkswagen AG

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest car producer in Europe. In 2001, the Volkswagen Group achieved record sales totalling 88.5 billion euro. Net profits were 2.9 billion euro. With 5.084 million vehicles delivered to customers in 2001, the company attained a global market share of 12.4 percent (2000: 5.062 million). In Western Europe, the largest car market in the world, nearly every fifth new car came from the Volkswagen Group.

Since the start of this year, the Group's passenger car business has been divided into two Brand Groups with a total of seven independent brands. Under the leadership of the Volkswagen AG Board, Audi and Volkswagen are responsible for the results of their respective Brand Group worldwide. Audi's Brand Group is made up of the Audi, Seat and Lamborghini brands and places an emphasis on sporty values. The Volkswagen, Brand Group is made up of the Volkswagen, Škoda Auto, Bentley and Bugatti brands and stands for more classic values. Each brand retains its differentiated brand-image and operates as an independent entity on the market.

Together, the product ranges extend from the low-consumption 3 litre vehicle to luxury class vehicles. Commercial vehicle products in the Group are the responsibility of the Volkswagen Commercial Vehicles brand. The 'Financial Services' and 'Europcar' business entities were put under joint management with effect from the beginning of this year.

The regional management of world markets comprises of four areas of responsibility: Region European Union, Region North America, Region South America/South Africa and Region Asia-Pacific.

The Group operates 44 production plants in eleven European countries and seven countries in the Americas, Asia and Africa. More than 320,000 employees around the world produce more than 21,000 vehicles on every work day. The Volkswagen Group sells its vehicles in more than 150 countries.

It is the goal of the Group to offer attractive, safe and environmentally friendly vehicles which are competitive on an increasingly tough market and which set world standards in their respective classes. The Volkswagen Group meets the challenges of the global market with a business strategy where the core elements are the modular components strategy and the multi-brand strategy. This combination simultaneously satisfies the customer's desire for a high quality car, the employee's interest in a future-orientated workplace and the shareholder's concern for a lasting increase in the company's worth.

Good practices by VW

Company credo: no dismissals

Volkswagen created the motto 'for a big company like Volkswagen dismissals are indecent. Solve the problem with energy and good ideas.'

Keep people in times of economic decline

Instead of dismissals VW agreed - after long and difficult negotiations - with the works council to save jobs by cutting working hours (30.000 and 30h) during a crisis in the car industry.

Creating new jobs

VW is creating low-paid jobs (5000x5000 program) that otherwise could not have been created

Declaration on Social Rights

Volkswagen recently launched in accordance with its World works council and the International Metal Workers' Federation a 'Declaration on social rights and Industrial Relationships at Volkswagen'²⁸. The declaration is a commitment of the world-wide Volkswagen Group to the vital items of CSR, such as freedom of association, anti-discrimination and respect of health and security norms. According to the declaration, Volkswagen also 'supports and expressly encourages its suppliers and contractors to take this declaration into account in their own respective corporate policy (and) views this as an advantageous basis for mutual relationships'.

²⁸ See <http://www.eiro.eurofound.ie/2002/07/Feature/EU0207203F.html>

Discussion of VW good practices

Saving jobs as part of a CSR policy?

Volkswagen in 1993 has set up a program to save 30.000 jobs by cutting the working hours from 40 to 30 per week. This is the most important move for the company to move to become a 'breathing company' able to adapt to its environment and to the customer and to the economical situation. The economical pressure could be sensed in the automobile sector overall, but Volkswagen tried to be more socially engaged than the other companies. This also means that both management (the 'Arbeitsdirektor') and the union (IG Metall) in corporate bargaining ('Haustarifvertrag') did successfully negotiate collective agreements which contained flexible regulations in order to meet the company's economic needs. This has not been able in the automotive industry over all.

One reason certainly is a certain inflexibility in negotiating branch oriented regional collective agreements ('Flächentarifvertrag'). Another explanation why Volkswagen followed other corporate solutions is the company's philosophy 'dismissals are indecent'

The vision was to manage the change of the labor intensive industry without shattering the region and the future of the production of Volkswagen overall and actually the whole automobile industry.

In the retro perspective view it cannot be said, if compared to the other companies in the same sector, Volkswagen has done a better job, but it can be shown that since 1993 the development of Volkswagen was one story of success.

It seems to be important to note that a joint venture between the region and VW was established to demonstrate that the region and the biggest company are connected to each other in many ways, so that one cannot live without the other.

Since then quite a few other programs with the same goals have been started, so that a whole system of activities could be identified, making sure, that

- change is well managed
- the Region develops accordingly to the needs of the company and is able to provide whatever the company needs
- the job-market is able to develop the necessary human capital, again not only for the company itself, but also for the region.

The established system of state regulation and the new kind of self-regulation in VW

Good practices by VW are not necessarily called CSR activities, but are part of the long traditional system of social dialogue within the company. It needs to be noted, that most of these activities have a high ranking supporter in the management, who, with a high amount of personal involvement, started these activities, to then develop them on in the context of the social dialogue.

According to VW tools need to be measured, to see if they are successful or rightly implemented. For CSR that proves to be rather complicated, since benchmarking is not really a possibility, since every project is different. And because not enough scientific research is available in that field.

According to VW reporting could be a tool within the EU to start benchmarking of such projects, so that one could learn from the experience of the other. But establishing a system of checks and balances to make optional programs a part of the law (or the like) does not seem to be able to help programs flourish. The own driving forces seem to help develop more creativity than a must-do program.

According to VW it cannot be denied, that there is a political driving-force to be active as a company to help develop the labor-market in the region, but really only because it is in the pure interest of the company, at least in the long run.

So far VW does not use CSR activities as a source of social marketing, as is for example possible with the ecological issues.

According to VW the established system of regulation is endangered in that the works council does have a problem with the open approach and the multiple stakeholders. Works councils still are only available for 'insider', but not so much for external stakeholders.

According to VW as a result one could summarise that the new system of self-regulation sets free creativity, which in its turn seems to do good for the company, the employees and the region. One way to use these good examples could be to make them more visible through a benchmarking and thus help others to follow. More regulation would probably endanger this creative approach, but would lead to less voluntary involvement of the company instead of more. Self-regulation as such could thus be a successful way to more social responsibility.

Roche

Headquartered in Basel, Roche is one of the world's leading research-oriented healthcare groups in the fields of pharmaceuticals, diagnostics and vitamins. The products and services of Roche include the prevention, the diagnosis and the therapy of illnesses. The Roche division of Diagnostics, market leader worldwide in the in vitro diagnostics market, has a unique spectrum of innovative test products and services for researchers, doctors, clinics and laboratories worldwide.

The Roche Diagnostics GmbH with its two locations in Mannheim and in Penzberg belongs to the Swiss healthcare group Roche and its diagnostics branch. Mannheim is the turntable of a large part of the diagnostic business for Roche. Out of Mannheim the national and a lot of the international activities are co-ordinated, products and services are developed, produced and distributed as well as marketing strategies are worked out. The central service of the diagnostic field is mainly applied in Europe and partly also in others of the more than 50 countries in total, where the diagnostic branch of Roche is represented. The activities of the Mannheim location practically serve all business areas of the diagnostics division.

In the main focus stands the business area Diabetes Care, which produces self-tests for people with diabetes. Diabetes Care co-ordinates its activities from the Mannheim base. It addresses the consumer directly and takes the laboratory to the patient, the person with diabetes. The aim is to help him relieve his daily routine with tools, tests and lancing devices by making the measurement of blood sugar a discreet minor matter. Under Accu-Chek, a worldwide introduced brand, the company develops and distributes technologies and services for relieving the lives of people with diabetes. Roche Diagnostics is leading on the sector of Diabetes Care and with Accu-Chek it presents the bestselling brand in the Roche group. Another important field is the 'Centralized Diagnostics'. Within the bounds of the laboratory network 'Lab Network' it offers products,

which include a variety of tools for routine tests in the doctor's office up to the latest genetic tests for professional health care.

The branch office in Mannheim, which is located in one of the three awarded biotech regions in Germany like its sister company in the Upper Bavarian Penzberg, is moreover the location of further functions as well. Two-digit growth rates confirm the course of the company as a precursor in the development of innovative systems, which provide an early diagnosis of illnesses or health risks.

The Roche location in Mannheim is specialised in the diagnostic business with all its facets and is at the same time one of the most multifunctional plants worldwide. The Mannheim employees also have an enormous know-how in the fields of chemical production of therapeutic effective substances as well as of production and packing of medicine.

Good practices by Roche

Save jobs by changing them

Save jobs by transforming job contents. As part of the changing production, Roche keeps an eye on a very intensive training for their employees. This is to make sure that the very innovative fluid part of the production can be done by workers that have done a different job before.

Support the region

The management of Roche is part of the 'Förderkreis Rhein-Nekar', supporting the area Mannheim and Ludwigshafen. This is a management initiated project to make sure that the region is strong enough to be able to support Roche and its employees and to keep the region attractive.

The Mannheim project

With the takeover of Boehringer through Roche, a Swiss company with 'not even a EU background' but a very international minded background, the economical need for change was obvious. At first some personnel reductions were unavoidable. The established social dialogue with the social partners was made aware through this exogenous shock, that other ways of making sure that the region Mannheim stays within the Roche-world would be necessary. The works council, together with the site managers (since this are needed to be worked out in the region) saw the economical necessity and knowing, that the supply-side of the human-resources for Roche would be endangered for the future, the company has decided to invest into the following project (until July 2003, in a successive manner) even more since the solid medical ingredients production is not an innovative production any longer, but for the fluid ingredients it is:

1. The production of solid medical ingredients will be moved away from Mannheim. This includes 150 employees (40 of which are on a management level)
2. But instead the production of fluid ingredients will be enforced in Mannheim.

The workers council set up, together with the management the following 5 issue plan.

1. Job guarantee
2. Salary guarantee

3. Qualification

4. Bonus Plan

5. Transparency

The implementation of the issues 3 and 5 were actively supported by the works council. The works council is aware that there are no written promises, but still they are kept.

This makes it necessary to re-train a large part of the work force. First to show the need for change and then offer the new jobs within the company and make those available willing to be re-trained. None of the decisions was made without using the established social partnership, but the first move was made by the management. There was no external pressure to do as Roche has chosen to do. But the good and cooperative (and established) style has helped to proceed together on this issue.

Roche does not describe this process as CSR, since this term is not used as such. The tools that are being used are to define the exact qualifications of the employees today and to define on the other hand the exact needs of the company for the new positions. This project is not being used as a social marketing issue, but is used when recruiting new personnel, to demonstrate the long term interest of Roche in their people.

Benchmarking with other companies has not been done, since this seems to be an internal issue, where no external involvement is needed, nor helpful. That does not mean, that there is no external communication about the project. Would there be a need to do more reporting on social issues, that would not pose a problem for a large company such as Roche, but would not be helpful for smaller companies.

According to Roche with a 'prescribed' CSR through legislation the companies would not do more than today, but only report more. The Unions do not seem to be ready to open up for more global involvement of other stakeholders.

According to Roche incentives for a company to be more pro active in CSR issues seem to be economical reasons for the company itself only. More regulation would lead to more reporting, but not more action. Thus social issues are already being cared for by the companies on their own incentive, but not necessarily under the name of CSR, but on the basis of the established social dialogue.

According to Roche the efficiency of the whole project will be hard to measure, but could be one way to use this example positively for future actions. The works council measures the project in terms of jobs saved or established with good overall working conditions on a long term basis.

Conclusions

1. Managers, works council representatives and unionists are deeply involved in CSR issues without associating it with the term CSR. Good Corporate Citizenship is more common as a term.
2. Especially in the Service Industry there is not yet a common understanding between companies, works councils and trade unions on the issues related to CSR and how CSR may impact the respective organisations.

3. As a consequence, there is no common understanding of co-operation between management and labour. Management and labour will have to decide whether each side will just react to the initiatives of the others or whether there will be a kind of co-management in CSR issues. At present, this process is currently 'management-' and not 'co-management' driven. CSR is a 'management concept' and not a 'co-determination concept'. These differentiations are essential for the understanding of the European CSR movement against the background of highly advanced regulative orders of taking on social responsibility.
4. The management is more globally minded and part of a better network (formal and informal), whereas the works council today is focuses on regional issues (where the voters are).
5. At present, German work counsels and trade unions play only a marginal role in the CSR movement. This means nothing else but companies and management succeeded to gain dominance in a field that so far was assigned to the trade unions. The competence for 'social responsibility', 'justice' and 'fairness' is a traditional domain of the trade union movement. Today companies rule the communication of this topic. For trade unions, this is a fundamental challenge which, however, does not seem to be realised. Furthermore, on a level of everyday practice, there is emerging an area of social responsibility beyond co-determination by work counsel and trade unions. This is a considerable strategic challenge, too.
6. The difficulties of work counsels and trade unions to find their share in the CSR movement seem to be based on the following structural parameters:
 - a) There core competence that is expected by employees and members lies in the field of wages and working conditions. So work counsels and trade unions would have to do educational and mobilisation work in order to actually get a mandate for their CSR activities.
 - b) This would presuppose work counsels' and trade unions' ability for campaigns which they do not have at the moment. More and more, problems of CSR are located beyond the inherited forms of action, and demand a high communicative competence, both individual and organisational.
 - c) It is striking that from the management side fundamental CSR activities are the result of informal networks. On the part of work counsels and trade unions, this element seems to be missing almost completely.
 - d) If labour decides to be part of a co-management style, they need to adapt to the new situation, namely use more than the known tools such as strike etc., but campaigns, co operations with the new stakeholders etc.
7. At first sight, there does not seem to be any important CSR practice that was not already enabled by the German model of co-determination. In fact, the 'German model' of taking on social responsibility by companies is developed on a high level. In the context of a regulatory policy and co-determination, trade unions and work counsels are partner in these activities. It should be noticed, however, that this system is challenged by the character of the new questions and the relevance of new „stakeholders'. Here a process is developing, at the end of which a new constellation could be found.
8. There is not yet a strong tendency to incorporate other stakeholders like NGOs into the traditional system of industrial relations. If there is a dialogue with other stakeholders it is predominantly part of risk management.
9. This addresses a central point. CSR is not a finished status or a product but a process of learning for all involved persons and organisations. In all European countries, this process of learning starts against a different historical background and on a different level. In each of the countries, new questions and new constellations of actors are the drivers of this learning process. Therefore it does not make much sense to make propaganda for more and more new examples of 'best practices' and 'evaluation' and 'audits' because this does not take into account the developmental and process character of CSR.

10. It seems therefore, that CSR cannot be implemented with a big bang but has to initiate a learning process moving forward step by step. Management and labour need to find out for themselves, for their company, for their sector, for their region who the important stakeholders are and what ways of co-operation exist for mutual benefit.

11. Due to the lack of an agreed definition of CSR and due to the specific conditions in each European country organisations like the European Foundation for the Improvement of Working and Living Conditions should play a leading role in fostering CSR, launching initiatives, triggering processes, supporting the learning curve. etc.

Annex

Questionnaire (guideline for discussion with the different stakeholders)

a) What?

1. What are the activities of the company in the fields of restructuring and working conditions in the context of outsourcing?
2. It is important to take into account not only activities explicitly called CSR, but also those, which can be considered as particularly good practices.
3. Do you have an internal definition of CSR? Wherefrom? Do all employees know about this definition?
4. What kind of CSR tools are being applied? Are there any set tools, how could they be described?
5. Describe the (quality of) social dialogue covering all aspects of working conditions and employment.
6. Describe the promotion of employability and lifelong learning of employees at all times?
7. Describe how the workforce has been prepared and equipped for managing change?
8. Describe policies to achieve equality and equal treatment.
9. What do the expressions 'employability', 'entrepreneurship', 'adaptability' and 'equal opportunities' mean to you?
10. Which importance does the term CSR have in your company?

b) Why?

1. Is there a pressure (which driving forces?) from outside? Is it a unilateral decision from the employer?
2. Have there been bad practices before? Or was there a tradition of CSR (but under a different name?)
3. Is there a financial interest? In this case, will CSR continue in periods of economic crisis?
4. Is CSR part of a 'social-marketing' approach of the company?
5. Which factors have caused your engagement and which have made it easier to do so?
6. Which effect has CSR in times of restructuring?
7. Does this engagement have any effect on the relationship with your suppliers?

c) Who?

1. Is it a decision from the employer? Are the social partners involved? What is the role of NGOs? What is the role of public authorities at the national and European level?

d) How?

1. Elaboration: Is it a unilateral decision? Is it collective bargaining?
2. Implementation: How are the ideas becoming reality ?
3. Did you set indicators to measure CSR?
4. Control: How to be sure they are reality?
5. Are there annual reports on working conditions and employment? Which kind of documentation exists on the measures that have been implemented? Are there any secondary sources (not just marketing material from the company, but newspaper reports, other background information?)
6. How is CSR used: As a Conflict management or mediation device?

e) So what?

1. What is the effectiveness of these practices?

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CSR in the United Kingdom

Introduction

In this report, we initially provide an overview of the state of corporate social responsibility (CSR) development at company level in the UK, in order to establish a context in which to view the cases analysed (Corus and Tesco). The overall picture is one of restricted development of CSR to date, but with signs of increased activity recently. We also comment on the development of how CSR is defined (though no single common definition of CSR prevails in the UK) and evaluate the question of the relationship (if any) between CSR and company performance/profitability.

In the UK, the notion of CSR has only begun to gain purchase comparatively recently. A degree of government activity (the organisation of conferences, establishment of working parties, appointment of a government minister with responsibility for CSR issues) has become apparent (see Aaronson and Reeves, 2002); so has the growth of organisations promoting CSR, along with the expansion of business school courses on issues such as corporate ethics, sustainability, etc. However, the infancy of the subject is one of the factors explaining the still low level of reporting of CSR initiatives by individual UK firms, as identified in a large-scale company survey conducted for the present project (and reported in more detail below). This survey also reveals that even among those companies already known for having a social/community agenda, specifically CSR-defined activities have not yet come to be widely reported. Further, where CSR initiatives are reported, these are largely focused on the firm's external relations (such as with the environment, local communities or overseas suppliers) rather than initiatives relating to internal issues such as working conditions of employees. However, a minority of cases can be identified which exhibit significant interest in both internal as well as external CSR initiatives. Examples of these are discussed in more detail below.

Before examining the overall CSR picture across the UK, and then highlighting the activities occurring in certain company cases, it is useful to review briefly the origins and development concept of CSR within the English language literature, together with the important question of the relationship (if any) between level of CSR activity and company profitability.

Towards a definition of CSR

As in countries such as the US, there is as yet no single, commonly-accepted definition of CSR operating in the UK. Overall in Europe, the concept appears to have developed from a largely US debate on firms' social responsibility, the discussion of which goes back at least as far as the 1950s and 60s. In 1960, for example, Davis was referring to a company's social responsibility in terms of 'decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest' (1960: 70). At a similar time, McGuire identified a company's social responsibilities as 'certain responsibilities to society which extend beyond...[its] economic and legal obligations' (1963: 144), whilst Davis and Blomstrom (1966: 12) discussed a firm's social responsibility in terms of 'consider[ing] the effects of ... decisions and actions on the whole social system'. The influence of these early definitions can be seen in current definitions of CSR such as 'CSR [comprises] actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (McWilliams and Siegel, 2001: 117).

Given the way that the debate has developed in the UK, it is significant that as early as the 1970s, Johnson and others in the United States were discussing the importance of recognising the legitimacy of different interests within and beyond the company: 'A socially responsible firm is one whose managerial staff balances a multiplicity of interests' (Johnson, 1971: 50; see also, Carroll, 1999). This notion of multiple interests re-emerged strongly in the UK in the mid-1990s with the notion of a 'stakeholder economy' - a notion championed by a former newspaper editor and government adviser Will Hutton in his book *The State We're*

In. The central theme of this book was the need to balance the interests of different stakeholders within contemporary capitalism.

Yet, despite this attracting much interest and comment within the post-1997 Labour government, the notion of a stakeholder society can be seen to have diminished somewhat in the UK in the years since 1997. This is partly, argue Roberts and Kynaston (2001) because those European economies where a social agenda has been more explicit than in the UK, have in recent years performed somewhat less well than the more deregulated (and more nakedly capitalist) Anglo-Saxon economies of the USA and UK. As a result, say these and other commentators, the significance attaching to claims of different stakeholders has diminished compared to the importance given to markets and the primacy of shareholders. This is exemplified in the growing prominence that has been given to the notion of 'shareholder value' in recent years, which has replaced 'stakeholders' in discussions regarding the central purposes of organisations and the primary interest that companies serve. As Hutton himself has subsequently written (quoted in Roberts and Kynaston, 2001) 'Chief executive officers know that, while they talk the language of corporate social responsibility, the real game is keeping up their share price'.

Thus, if one of the reasons why the debate on CSR has been muted in the UK is because of the infancy of the topic, another is that it may be associated more with the concept of stakeholders, and fit less comfortably with the increasingly prominent notion of shareholder value. Yet, the implied (negative) relationship between CSR and profitability that is assumed in this is not necessarily the case, as a growing number of UK firms appear to recognise. Before examining these firms, in the next section we briefly review the debate (or that part occurring in the English language literature) on whether CSR contributes positively or negatively to profits and shareholder value.

CSR and company performance

This is clearly an issue that is critical to the future development of CSR beyond the tokenism evident in many individual examples of CSR initiatives. In order to gather support for CSR, considerable claims have been made by its advocates regarding its (positive) effects on long-term profitability. Certain studies have identified such a positive relationship (for example, Waddock and Graves, 1997). Yet, other studies have identified either no relationship between CSR and financial performance (for example, McWilliams and Siegel, 2000) or a negative relationship (Wright and Ferris, 1997; see also Griffin and Mahon, 1997 for a review of studies). One apparent reason for these contrasting results is that no simple relationship exists between CSR and profitability. Variables affecting the relationship include (i) the nature and scale of the CSR activity; (ii) the financial outlay on the CSR activity; (iii) the economic sector of activity under consideration; (iv) the firm's underlying profitability/position within its market; and (v) the timescale against which profit-related effects are measured.

Seeking to reflect the different variables affecting the relationship between CSR and financial performance, McWilliams and Siegel (2001) found recently that overall, CSR has a neutral effect on profitability: costs are generally higher in CSR-oriented companies but this is offset by higher profits, resulting in a broadly similar relationship of profitability to costs compared to firms not engaging in CSR.

However, three further points are relevant here which may strengthen the long term positive effect of CSR on profitability, and which have tended to be overlooked in many general discussions. First, CSR can create significant product (or service) differentiation - an important factor in profitability in crowded market segments. The reputation gained by organisations following CSR activities may help their products and services acquire a distinctiveness over the competing products and services within their market. Second, CSR

may help to maintain brand reputation and insure against brand disasters that can befall a product or service of a firm that becomes linked to socially unacceptable practices (pollution, exploitation or whatever) (Lake, 2001). Third, following the argument of Herman and Gioia (1998), firms extolling strong CSR principles may be able to attract and retain higher quality and more committed staff who prefer to work for companies with high social approval and a broader agenda than narrowly-defined economic returns.

The overall status of CSR activity at company level in the UK

To obtain a broad picture of the status of CSR in UK companies three surveys of company documentation were conducted.

1. An examination of the latest company reports from all the companies quoted on the UK stock exchange (approximately 1,100 companies).
2. A more detailed examination of the reports of the UK's largest companies - those listed in the FTSE 100 index.
3. An examination of the reports of those companies (both quoted and non-quoted companies) that are associated with organisations or listings that have been established specifically to highlight those companies with wider social agenda (such as community involvement or ethical investment practices). Specifically, this involves the 280 companies listed in the FTSE4Good index (see Skorecki, 2001; Taylor, and www.ftse4good.com) and the over 300 companies belonging to the Business in the Community network (www.bitc.org.uk).

Summary of search findings

Overall, 42 quoted plcs made direct reference to CSR activity in their latest annual report. This represents 3.7% of the total number of quoted plcs in the UK. This proportion increases if the search is broadened to include any use of the term 'social responsibility', though does not change the picture fundamentally.

Among the FTSE100 largest companies, 20 companies made reference to CSR in their latest annual report.

Among the 280 companies listed in the FTSE4Good index, 30 companies (10.7%) made direct reference to CSR in their latest annual report.

Among the companies on the Business in the Community list, 23 (7.6%) made direct reference to CSR in their latest annual report.

Corporate social responsibility and working conditions

The individual companies are listed in the table below:

Companies with CSR in their Annual Report	Business in the Community	FTSE4Good	FTSE100
3I Group			Yes
Airtours	Yes		
AMEC	Yes		
Astrazeneca	Yes	Yes	Yes
BG Group	Yes	Yes	Yes
Body Shop International			
Boots	Yes	Yes	Yes
British Airways	Yes	Yes	Yes
British American Tobacco	Yes		Yes
CadburySchweppes	Yes	Yes	Yes
Carillion	Yes	Yes	
Friends Ivory and Sime		Yes	
GlaxoSmithKline	Yes	Yes	Yes
Great Universal Stores	Yes	Yes	Yes
Imperial Tobacco			Yes
Innogy Holdings	Yes	Yes	Yes
J Sainsburys	Yes	Yes	Yes
JD Wetherspoon		Yes	
JJB Sports		Yes	
John Laing	Yes	Yes	
Kelda Group		Yes	
Kidde		Yes	
Lasmo	Yes		
Marks and Spencer	Yes	Yes	Yes
Mears Group			
Pace Micro Technology		Yes	
Pennon Group		Yes	
Premier Oil			
Peterhouse		Yes	
Phytopharm		Yes	
Powergen	Yes		Yes
Prudential Corporation	Yes	Yes	Yes
RM		Yes	
Shaftsbury		Yes	
South African Breweries		Yes	
Tandem			
Tesco	Yes	Yes	Yes
Unilever	Yes	Yes	Yes
United Utilities	Yes	Yes	Yes
Vodafone		Yes	Yes
WPP	Yes	Yes	Yes
Yorkshire Water	Yes		
42 companies	23	30	20

Many of the companies reporting on CSR have established a CSR Committee or Team (see for example, annual reports of Marks and Spencer, J. Sainsbury, Innogy Holdings, GlaxoSmithKilne, BG and Tesco). A number have also produced some form of CSR or social performance report (for example, Vodafone, Premier Oil, Sainsbury's and Tesco) or an environmental report (for example, Great Universal Stores).

In the main, the emphasis in the reporting of CSR activities is on 'good citizenship' issues rather than internal working conditions and employee issues. Good citizenship includes greater respect for the environment (e.g. recycling issues, sustainability, reductions in water and energy consumption, packaging reductions, pollution, etc), community-based projects (relating for example to local economic regeneration, charity support, educational initiatives), ethical behaviour on investment, and issues relating to supplier relations/ 'fair trading', etc.

This overall emphasis on external rather than internal issues notwithstanding, a number of companies with a CSR policy also make reference to internal relations with employees. In some cases these references are limited to rather general statements. In others, more detailed comment is given. In the latter the main emphasis falls on two areas: diversity/equal opportunities issues, and health and safety matters (see for example annual reports of 3i and Peterhouse Group). Following these two areas, the next most referred to areas are: training/skill development issues, and communication/involvement practices (see for example reports of AstaZeneca, Boots, Pace Micro Technology, Pennon Group, Body Shop International, BG and Great Universal Stores).

One of the issues in the above list relating to CSR and working conditions is the extent to which on certain topics (equal opportunities and health and safety), the companies are doing more than complying with legislation. On the issue of social dialogue or employee involvement, however, the UK does not give employees statutory rights to involvement other than over certain issues (see below).

In terms of the focus of the present study, there is very little direct reference to CSR and either restructuring issues or sub-contracting decisions. These issues would presumably fall within the general framework of consultation and involvement practices in several of the above companies. In these, however, the reporting of involvement mechanisms are largely not discussed in terms of the substantive issues that are consulted over, but rather in processual terms of the mechanism being in place to consult on a wide range of topics.

Review

This overview of CSR among UK companies indicates an overall restricted development of CSR activities to date, particularly in relation to internal working conditions issues. Less than one in twenty five companies included comment on CSR in their latest reports to shareholders, and most of these concentrated on external rather than internal CSR issues. Where internal issues have been addressed, these have primarily focussed on equal opportunity and health and safety issues, along with training and employee involvement. The substantive issues of corporate restructuring and subcontracting figure little in accounts of corporate CSR activity in the UK. However, there are signs of growing interest in CSR activities and the two cases reported below provide good examples of recent developments in employee and trade union involvement.

Before examining the cases in more detail, however, a brief description is given of the legal context for the handling of restructuring decisions (and particularly relating to potential redundancies and sub-contracting) within UK companies.

The legal context

It is widely acknowledged that the labour market in the UK has a lower level of statutory regulation than most of its EU member state counterparts, in terms of the legal requirements on employers in their dealings with employees. This has historically been the case, was intensified during the Thatcher governments of the 1980s and has only been very modestly reversed by New Labour since 1997. As a result, the UK has developed a system of labour regulation more akin to the USA than continental Europe, with much of this lack of regulation in the Anglo-American contexts being championed in recent years as labour market 'flexibility'. Thus, employers' decisions to hire or fire and the type of employment contract offered to employees (temporary or indefinite) are only loosely circumscribed by a minimum of statutory requirement. This contrasts sharply with systems such as those operating in the Netherlands or Germany where the Social Plan and requirements to consult works councils, together with other regulations significantly circumscribe employers' discretion over for example redundancy decisions.

The restricted nature of the legal obligation on UK employers is evidenced in both areas at the centre of the present CSR investigation: sub-contracting and restructuring. On the former, the issue of sub-contracting only really becomes subject to employment law if it either involves redundancies (see below) or involves employees being transferred from one employer to another. If this latter is the case, employees are covered by the terms of the Transfer of Undertakings (Protection of Employment) Regulations 1981 (known as TUPE) which preserves employees' terms and conditions of employment when a business, or part of a business, is transferred to another employer (which represents one means by which an activity may be contracted out). The Regulations require not only protection of employees' terms and conditions (though certain occupational pension rights are not covered) but also a right of employee representatives to be informed and consulted over any measure that the old or new employer envisages concerning affected employees. These regulations do not apply, however, where the sub-contracting decision involves work formerly undertaken in-house being transferred to an outside contractor using different employees.

Where restructuring (or sub-contracting) involves the threat of redundancies, the employer is required to follow certain procedures (and failure to do so leaves the employer liable to claims of unfair dismissal). These procedures were originally established by the Redundancy Payments Act (1965) and updated by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 1995. This legally obliges employers to consult whenever they are proposing to make redundant 20 or more employees at one establishment. Where 100 or more employees are to be made redundant, consultation must commence at least 90 days prior to the redundancies occurring; if more than 20 but less than 100 employees are affected, then the minimum consultation period is 30 days. Employers are required to consult on means of avoiding the redundancies; reducing the number of planned redundancies; and mitigating the consequences of the redundancies.

Thus, in the area of restructuring where over twenty redundancies are one likely consequence, the employer is required to consult with representatives of employees. Other than this requirement, however, the law provides little obligation on the employer over restructuring. As a result, beyond this (fairly minimal) legal compliance, there is much scope for variation in how restructuring/redundancy issues are handled: that is, the extent to which firms exercise (or not) social responsibility in the process and outcomes of restructuring

The case studies

Corus

Background

The bulk of the UK iron and steel production is undertaken by Corus plc which was formed in October 1999 by a merger between British Steel plc and Dutch steelmaker Koninklijke Hoogovens, with British Steel paying \$2.4bn for the Dutch company. British Steel had been the privatised company born out of the de-nationalisation of the former British Steel Corporation in 1988. The merged company is one of the world's largest steel manufacturers, particularly of carbon steel. Major customers include the automotive, aerospace, rail, packaging and construction industries, including construction machinery.

Internationally, the steel market has continued to suffer from over-capacity and over-production. This has substantially depressed the steel industry in the UK and many other countries in recent years. Total turnover for Corus for 2001 was £7,699m, compared to £9,509m in 2000. If the effect of the deconsolidation of its stainless steel operations (Avesta Sheffield) during this period is taken out, this represents a 5% decrease. The operating loss for 2001 was £385m, compared to £1033m in 2000. Losses are largely put down to exceptional costs including provisions for redundancy, decreasing steel prices, increasing costs of raw materials and consumables and the continuing strength of sterling. Trading conditions have been further hit in recent months with the proposed increases of US tariffs on imported steel, and the future remains difficult for the company.

In 2001 the workforce was 55,600, compared to 64,700 in 2000, a decrease of approximately 14%. About 50% of the workforce are employed in the UK, 23% in the Netherlands, and the rest mostly in other Western European countries, the US and Canada. The level of losses has put substantial pressure on Corus management to cut expenditure and undertake major restructuring.

Corus maintains a Social Responsibility policy, which is mainly concerned with environmental issues (such as issues surrounding decommissioning of Corus sites affected by restructuring) and to a lesser extent educational projects, such as producing curriculum support materials in schools, and employee issues, with the focus being on health and safety of its workforce.

The difficult market conditions facing the UK steel industry have led both to full and partial plant closures (such as at Ebbw Vale and Llanwern in South Wales), and substantial restructuring elsewhere. In the part of Corus dealing with construction and industrial steels (centred at the two large works of Scunthorpe and Teesside both located in the north of England and in combination employing over 8,000 personnel), this restructuring has entailed a 15% reduction in manpower, together with a major reorganisation of work and the introduction of teamworking.

The restructuring process at the Scunthorpe and Teesside sites

The management of these two works agreed, however, that the reduction in manpower would be sought by means of voluntary redundancies if at all possible, rather than resorting to compulsory redundancies. The management also pursued a policy of devolving the task of identifying areas for employment reduction down to departmental levels, rather than seeking to identify areas for cutbacks centrally.

It is this aspect of the restructuring process - the ways in which work patterns were analysed and conclusions drawn on where job cuts might be achieved and how work might be reorganised to accommodate the reduced employment, that is the focus of attention here. Whilst this practice was fairly new in the UK steel context, it

bears some comparison with the process that would be required in the Dutch context where the employer is legally obliged to consult over restructuring and potential redundancies, to a much greater extent than in the UK.

This process was undertaken separately in each department at the two UK works (covering 28 departments in all), and in each case was handled by a joint union-management team. This process, known as Key Task Analysis (KTA) involved

- A detailed study of all tasks within a specified area, including plant operations, unplanned work arising, breakdown-related tasks, routines (e.g. inspection) and maintenance
- How these tasks were currently configured, who currently held responsibility for them, how long the different tasks normally took and what skills were required for the different tasks.
- This research by the joint management-union team then formed the basis of an analysis to identify
- How tasks might be more effectively organised and distributed within a new team structure
- How many personnel would be needed to accomplish the work
- What training requirements (and any capital expenditure) would be needed to achieve the new work organisation

Typical departmental KTA Reports ran to over fifty pages of analysis and conclusions, with the whole process taking several months to complete. In the course of this activity all, or a substantial majority, of departmental employees, were consulted by the KTA team to establish the precise nature of activities and the time and skills required to undertake them. The resulting reports were produced to a high quality, with separate sections on objectives, methods, analysis of core and ancillary activities (including utilisation of available personnel, configuration of tasks, extant skills and training) together with proposed reconfiguration of jobs and plant, team composition, skill and training requirements, and work rotas.

Subsequently these documents formed the basis of negotiations between management and unions for the negotiation of teamworking structures (negotiations over teamworking at both works were conducted at two levels -separate works-wide enabling agreements were signed by management and unions at the Scunthorpe and Teesside sites, followed after the KTA process by departmental negotiations and agreements on teamworking, concentrating specifically on teamworking structures and the earnings levels for team leaders and team members. The KTA process also formed the basis for matching identified areas for manpower reductions with volunteers for redundancy, and identifying any training requirements where this matching involved retained employees being transferred into new work areas.

The KTA process was not viewed or discussed in the terminology of corporate social responsibility (CSR) (within the company this expression, if used at all, is largely confined to external responsibility, such as to the environment). However, what nevertheless makes this example of social dialogue particularly useful for the present CSR discussion is:

1. How the recommendations for restructuring were the result of a detailed and joint analysis by a team of management and unions at local level, these groups in turn consulting widely within the different departments on ways of restructuring jobs.

2. This enabled a joint identification of areas for job reduction rather than cutbacks being identified more centrally by management, as had occurred elsewhere in the past.
3. The KTA activity in turn facilitated subsequent negotiations over work restructuring without compromising these negotiations, particularly important from a union point of view (as evidenced by the lengthy negotiations which occurred over earnings levels).

Internal views of the process

From a series of interviews and discussions held with departmental managers and union representatives involved in the KTA teams at the two sites, the majority reaction to the process was positive.

- Most viewed the process to have been a cooperative and open one
- Having both managers and union representatives in the KTA teams was widely seen to have encouraged a higher level of employee participation in the process than would have been the case if it had been organised more as a 'work study' exercise conducted by management
- Managers in particular commented on the extent to which the KTA analyses facilitated subsequent negotiations over teamworking - in particular that the KTA broadly identified the team structures, leaving the negotiations to concentrate primarily on earnings issues arising from the changes in the grading structure
- The extent to which both managers and employees gained a greater knowledge of the taken-for-granted activities of the department
- The process generated a large number of ideas about reconfiguring the tasks

As several of those interviewed commented, the key factor making for a positive atmosphere during the KTA analysis was the knowledge that adequate numbers of volunteers existed to prevent employees being made compulsorily redundant as a result of any work restructuring recommendations by the KTA teams.

Not all reactions were positive in each department, however. The two main areas of criticism (both expressed by union representatives) were

- That in a small number of cases not enough emphasis was given to communicating the purposes of the KTA, leading to suspicion on the shop-floor and employees seeking to protect their positions by not cooperating fully with the KTA research
- A minority of cases where the report did not form the basis of subsequent teamworking negotiations, but instead further personnel reductions were sought by management than had been identified by the KTA analysis.

Overall, however, both managers and union representatives viewed the process as a successful joint activity for accommodating the need for workplace restructuring with the involvement of union representatives and employees in identifying ways of effecting the restructuring.

External views of the process

In addition to the interviews and discussion with those involved in the KTA analyses, comments were also sought from managers and union representatives elsewhere in the company where restructuring had not been

undertaken via the use of KTA teams. These comments expressed a number of both positive and more critical views of the KTA activity at Scunthorpe and Teesside.

Summarising the positive comments first:

- Both union representatives and managers saw how the KTA activity eased the negotiations over teamworking - negotiations which at other plants had spread over a much longer period than was the general norm within the Scunthorpe and Teesside departments.
- In addition, union representatives commented on the role that KTA gave the unions in drawing up proposals for work reorganisation, rather than having these imposed by management.

This union role was also seen as a potentially negative aspect of the process, however, with the threat of unions losing their independence if they had been part of the activity from the outset. Other criticism of the KTA centred on:

- That it could be a lengthy activity to identify what was already known (i.e. The nature of current work activities).
- That it was often the case that not enough time was available for the KTA activity prior to job restructuring decisions being taken.
- That the KTA at Scunthorpe and Teesside worked well only because there were sufficient volunteers for redundancy. In the absence of this, cooperation from employees would have been much less and any union involvement in the whole process made much more problematic.

Conclusions from the Corus case

Reflecting on both the comments made by those involved in the process at the two sites and those comments from other plants where KTA had not been used, a series of concluding points can be made.

1. KTA appears a good practice on industrial restructuring via joint activity, seeking optimum ways of restructuring work and matching work reorganisation and job reduction with skill and training requirements.
2. The absence of the threat of compulsory redundancy was critical to the success of the activity.
3. Having sufficient time to undertake the process fully was critical to its success.
4. Communicating what the process' objectives were, and what was entailed in terms of the research activity, was also critical. In those instances where this was not communicated fully, suspicions were evident, resulting in a partial and less accurate analysis.
5. The willingness of management to act on the results of the joint activity was critical. In those minority of instances where management sought to impose a different structure than that recommended in the KTA report created considerable disillusionment on the value of the joint process.

Tesco

Background

Tesco is the UK's, and one of the world's, largest food retailers. The company operates more than 900 stores worldwide, with the majority, over 750, in the UK. It employs over 240,000 people worldwide, over 190,000 of these in the UK. It was founded in 1932 by Sir Jack Cohen, and grew rapidly, largely through the acquisition of other grocery chains. During the 1990s the company grew rapidly and expanded into other European and Asian markets, opening over 200 stores since 1993. Sales continue to expand: in 2001, group sales grew by 12.7% to £25,654m, and 55 new stores were opened in the UK alone. Group profits increased in 2001 by 14.1% to £1,221m.

CSR in Tesco

The Tesco supermarket case is an interesting one for a discussion of CSR because the company shows a CSR awareness across a range of external and internal activities. External activities include local regeneration and employment projects (for details see Retail Week, 7/12/2001), a long-running initiative to link sales to donating computers for schools, and establishing ethical trading practices with different suppliers. In part this external CSR activity can be seen as a counter to past criticism of the supermarket sector in the UK that it was forcing suppliers (particularly farmers) to accept very low prices for produce, and then making unreasonably high profits from the sale of that produce in the supermarkets. Whilst subsequent reports have not supported these continuing allegations, supermarkets have taken a variety of steps to gain greater public support.

Tesco recently produced a Corporate Social Responsibility Review for 2001/02, which extends the comments made on CSR in its 2001.02 Annual Report. Within the CSR Review, a strong emphasis is placed on external CSR activities - 'its environmental and social performance' as its chief executive terms it. These activities relate particularly to environmental issues (such as energy efficiency measures and recycling efforts) and community activities (most notably Tesco's 'computers for schools' initiative, and working with local authorities in 'regeneration' areas to train long term unemployed people for jobs in new stores). Internal CSR activities are noted in such areas as employment diversity, health and safety and the increased availability of an occupational pension scheme.

In terms of handling any issues relating to restructuring, a central mechanism for this is the partnership agreement that Tesco signed in 1998 with its recognised trade union USDAW (Union of Shop, Distributive and Allied Workers). At the time, Bill Connor, USDAW's General Secretary, called this agreement 'the start of a partnership which will offer them the opportunity for more involvement and more consultation than ever before' [The Northern Echo, March 14th 1998]. Likewise, the General Secretary of the TUC, John Monks, declared that poor employers should 'come to Tesco and learn that good partnership relations between a union and employer can add value' [The Times, March 14th 1998]. Examples of this partnership approach have been evident in relation both to health and safety and assistance for the unemployed. In 1999, Tesco was praised by the TUC for a health and safety partnership with USDAW which cut staff accidents and sickness. It was the first retailer to sign up to the TUC's safety initiative. More recently, the focus has been on providing jobs and regeneration through partnerships between local authorities, USDAW and Tesco to guarantee jobs in new stores to local unemployed people who completed specially run training courses.

Under this partnership agreement, staff forums have been created in each of its over seven hundred stores, the forums comprising store management (the Store Manager and Personnel Manager), union representatives and elected employee representatives (elected on the basis of one employee representative per fifty employees with a minimum of five representatives per store).

Elected representatives receive training in for example, holding effective meetings and giving briefings. The forums meet four times a year and discuss local store issues but not terms and conditions. The individual store forums in turn send representatives to one of three regional forums, who in turn elect a national forum. The Tesco UK workforce includes over 100,000 USDAW members (up from 80,000 at the time the Partnership Agreement was signed in 1998). This represents the largest unionised workforce of any UK company.

Management thinking behind the agreement was to create greater staff cooperation, resolve local problems, and create a more open style of communication. The five key aspirations it had for the agreement were:

- to secure high quality representation for staff;
- to allow USDAW to understand and promote Tesco's business goals;
- to guarantee co-operation;
- to enable USDAW to challenge management; and
- to allow Tesco to remain flexible enough to retain its leading market position (Allen, 1998).

The union presence is seen by management to give greater legitimacy to the process and the union has been highly supportive of the agreement.

Whilst the partnership relations have not been without criticism, particularly criticism of union incorporation (see for example comments in *People Management*, 27/4/2000), other commentators have seen advantages in replacing traditional union-management relations with the multi-level forums, particularly in terms of allowing a broadening of the union-management agenda to take more account of issues such as job security, training, and career prospects (Allen, 1998). For Allen and others, the result has been an overall increase in trade union and employee input into business decision-making.

The company do not communicate extensively on the nature and activities of the workplace forums. Their existence is noted on their website (in the section on staff, see www.tesco.com) but is not communicated in the company's Annual Reviews or CSR report.

Views on the workplace forums

The functioning of the workplace forums was discussed with managers and employee representatives at two stores, and in addition with a sample of employees not directly involved in the forum activity.

Among those involved there was general satisfaction expressed that the partnership model, based on the staff forums, was a good idea and fitted well with the company's overall policy towards employee relations (though an even more tangible aspect of the partnership model was seen to be the significant bonuses paid to staff reflecting the annual profits made by the company). Among the trade union representatives a feeling was evident that the consultative style of employee relations was the only relationship the company was prepared to countenance with USDAW, and that the consequence for the union of not accepting a partnership approach would probably have been de-recognition by Tesco. However, all parties expressed the view that the forums worked reasonably well as an open exchange of views on store-level matters.

At the same time, a number of problems were identified with maintaining the level of forum activity. Two were most evident:

1. Maintaining an adequate agenda. The forum meetings are typically quarterly in frequency and this was widely seen to be too infrequent for day to day issues to be adequately covered. These shorter term issues are more likely to be covered in regular five minute briefings by managers - referred to as Team 5 within Tesco. These briefings have been introduced on a weekly basis and aim to cover all staff. According to the company, currently around two-thirds (65%) of staff say that they are getting a Team 5 briefing each week, and the company's target is to extend this to cover all staff (Tesco CSR Review, p. 25). Further, there are certain subjects - notably issues relating to employees' terms and conditions of employment - that cannot be discussed in the forums. This again appeared to concentrate forum discussion on a store management rather than employee agenda.
2. The agenda of the workplace forums appeared also to have been restricted to a degree by the company's success and continued expansion. Thus, since their introduction in 1998, there had been very little in the area of restructuring for the forums to be concerned with. As a result, emphasis in the forums had been on work arrangements, store organisation, training, customer relations and so on, rather than employees' internal working conditions. Only if at a future date the company undergoes significant restructuring will the forum system, along with the broader partnership relationship with the union, be tested as to its robustness in dealing with the consequences of restructuring. If this arises, however, both company and union representatives will have enjoyed a significant period of building relations under relatively conducive conditions.

Among the employees not directly involved in the forum process, there was some feeling that the forum activity was not a prominent source of information or consultation for them. The feeling appeared to be that these employees learnt more about what developments were occurring from the management briefings, or informally from their union representative, than from the forums.

Conclusions from the Tesco case

The partnership agreement was welcomed by both the company and the union as a means of developing employee relations within Tesco. During a period which has seen considerable decline in union membership and the coverage of union recognition in the UK, this agreement with USDAW has proved symbolic in illustrating how companies and unions can develop collective relations. At the time, Tesco's retail manager, Michael Wemms, maintained that this partnership agreement showed 'that a unionised company should always be able to do better than non -unionised set-up given a sensible structure' [The Glasgow Herald, March 14th, 1998]. Since the late 1990s, a series of other companies in the UK have likewise forged partnership relations with their main union(s). The fostering of relations with unions rather than seeking to minimise their presence in the company represents an area of CSR that has not to date been adequately considered.

The discussions with those involved in the workplace forums indicated a generally supportive response to this method of social dialogue. Currently in the UK there is no legal requirement to consult with employees at workplace level, other than to deal with specific issues (such as collective redundancies and transfer of undertakings). This will change in the coming period as the European Directive on works councils takes effect. What the Tesco case indicates, however, is that such forums can play a useful consultative role within organisations. However, what the case has also shown is the problem (also evident in other studies of consultative mechanisms) of maintaining an adequate agenda for such consultative bodies, particularly where the meetings are held relatively infrequently, where certain issues (such as terms and conditions) are deemed not suitable for discussion, and where other management briefing systems exist which allow more regular

communication of locally-relevant issues. As the discussions with those not directly involved in the forums also highlighted, a persistent problem with such representative mechanisms is to how to keep the constituency informed and involved with the consultative process, rather than this becoming an activity more or less separate from the workforce.

Overall, however, while the company appears to make little of this activity as a form of CSR - indeed, primarily showcases its external, much more than any internal, CSR activity in its communications to its various stakeholders - the forum structure, and more broadly its partnership relationship with its trade union, represents an example of good practice CSR in the field of social dialogue.

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Social and economic context of corporate social responsibility in Hungary

A new approach to CSR in Hungary

In the context of the so called 'transition countries' like Hungary several interesting developments of corporate social responsibility can be observed since the beginning of the 90-ies. The former 'socialist companies', the almost exclusively public employers were part of the centrally planned paternalistic system of social provisions. Independently from their market positions and revenues they had a social and cultural infrastructure (consisting of nurseries and holiday-resort places, libraries and sport sites, health services, etc.) and provisions (from canteens to transport support, special credits to housing, etc.) that were granted by mandatory 'social funds' independent from the profits. The social and cultural infrastructure of large firms had important role in supplying social and cultural services in their localities (towns or districts).

With the social and economic transformation in CEE transition countries company welfare systems were thought to disappear because of increasing labour cost sensitivity of the new market economies and among the circumstances of decreasing labour demand. Indeed during the early 90-ies 'transformation crisis' many employers (transformed into market actors) have sold off buildings and sites of their social infrastructure and did away with financing firm level social services.

At the same time such new engagements of social responsibility emerged on the field of employment. The former socialist firms who assured the full employment of the centralised plan economies have transformed into market actors and together with the new private employers they became interested in restructuring and rationalisation of labour under the market pressure of the economic transformation. Employers (private, public or mixed) were liberated from their employment obligations for the interest of modernisation, restructuring and competitiveness. At the same time regulated procedures of lay-off, labour market institutions and programs (following EU models) were set up by the 1991 Employment Act. Employers have the obligation to give notice of lay-off to unions and to the local labour market organisations. They have to assure compensation (fixed in collective agreements where unions exist) and negotiate with unions and with the work's council (where these actors of labour relations exist) all possible solutions how to reduce their personnel. Negotiations how to assure re-training and new jobs to the superfluous employees within the firm or on the local labour market are also part of the employers responsibility in larger firms with regular and institutional labour relations. Since 1993 tripartite institutions - involving employer and union representatives - decide about the distribution of a special employment fund on national as well as on regional level in order to solve local labour market tensions and to assure reintegration to work of the unemployed.

Before the economic transformation one of the main objectives of the market transformation was to separate the economic and social role of the firms and to make a clear division between public welfare responsibilities and human resource policies of employers. Beside this political context there were heavy economic constraints as well. During the mid-90-ies the following developments limited the Hungarian companies to invest financial as well as human resources in such fields as community and environmental development, as social infrastructure or as human development plans:

- The serious economic crisis that accompanied the transformation in the CEE countries during the early 90-ies was not favorable to social, community or human investments on company level,
- The transformation from a centrally planned 'socialist' economy to a market economy offered the possibilities to the firms' management to get rid of excessive social spending obligatory in the former planning system of the so called 'socialist firms',

- At the same time the governments responsible for the social and economic transformation set up central funds and programs to handle the social and labour market consequences of the economic transformation,
- The privatisation and the decentralisation of companies have also reduced in the 90-ies the financial means and the social infrastructure of the firms,
- At the same time those foreign investors (and privatising actors) who were seeking low cost economies were also less committed to the corporate social responsibility approach.

Since the mid-90-ies, the move from an all-inclusive social responsibility to a profit-oriented voluntary social responsibility could have been observed. At the same time the Employment Act and Labour Law regulates procedures of social dialogue on employment conditions. Following the stabilisation of the economy, the attention of the new market actors has gradually turned towards the importance of social and human investments:

- Foreign investors who made important long-term investments (contrary to those seeking only low cost labour or 'buying only markets') imported their models of corporate social responsibility and adopted their human resource patterns in their Hungarian firms,
- Local Hungarian firms in stabilised market positions have also transformed their former 'welfare model' compatible with the new market conditions or introduced gradually certain elements of corporate social responsibility.

Since the mid-1990-ies spending on vocational training, on adult education and on re-qualification increased especially in the competitive sectors. In a recent research in Hungary, together with vocational training, the setting up of company pension and health funds proved to be good strategies to stabilise and obtain stronger commitment of their employees.²⁹

Firm based social policy is a challenging field of CSR where employment and social protection strategies meet directly. The long-term security and stability of the workforce is complementary in competitive firms with the objectives of higher internal flexibility, higher commitment of employees to their firms. This stimulates employers mainly in larger firms with strong positions on competitive markets to introduce social provisions to increase engagement of their employees.

The issue is delicate for several reasons. First, former public or socially owned enterprises might still have the burden of social provisions that diminish their resources for technical modernisation, make them less attractive for privatisation and may hinder the mobility of their labour force to eventually more competitive spheres. Second, most business entities in Hungary are actually micro firms and small enterprises at the early phase of their start up. Their expected gains are to be reinvested in technical equipment and business infrastructure as preconditions of their stability and further job creation. Investments in upgrading their labour force and in increasing the quality of human resources should be realised by education, training and employment policy means as basic support for small firm development. In the long run of course - especially if qualified and committed labour remains scarce - profitable firms might start to build up their internal labour markets by the means of social provisions.

²⁹ A. Simonyi: Labour and Social Welfare in Competitive Firms, in: Cs. Makó - C. Warhurst eds.: The Management and Organization of Firm in the Global Context, University of Gödöllo - Budapest University of Economic Sciences, Budapest, 1999 pp.101-110.

At the same time, social and cultural services, wider than the workplace and offered to the localities of the firms might contribute to the attractiveness of the employer on the local labour market. Large companies, representing the most important employers of their towns and regions - if they succeeded to stabilise their market positions - continue to show social and cultural engagement in their closer or wider environment. Such firms, like the steel holding DUNAFERR, like the chemical works TVK maintain sport infrastructure for the local population and contribute to the cultural spending in their localities. Other national companies, like the telecommunication firm MATAV and the petrochemical concern MOL sponsor important cultural events and institutions (like orchestras, concerts, publications, expositions, etc.).

Firm level social provisions and human resource strategies of employers

Workplace benefits in Hungary belong to different types. There are statutory benefits, such as the payment of contribution to the public pension and health fund, and meal subsidy. Another type of benefit was if not statutory, at least very wide spread in the former system. Some of them - for instance work cloths for managers and uniform for blue-collar workers - are still widely used. The transport support or the subsidised holidays have dwindled. Public transport has become very expensive, and under conditions of high unemployment the employers in the early 90-ies did not feel the need to subsidise commuters. In developing regions and in the capital however firms are supporting the transportation of their employees most often through their own vehicles. A third type of social provisions, especially in large firms is represented by the support of continuous adult learning and professional training.

In a recent survey (ILO-PSS 2002) the highest entitlement was found in connection with health contribution (83 %), with pension contribution (78 %) and with meals subsidy (77 %). Still large groups of 68 % are entitled for working clothes contributions and for special health services (61 %). 37-37 % of the respondents said to have received contributions to transport costs and had the right to severance payment in case of dismissal. Only 29 % said to be eligible for holiday allowance and very few were entitled to contributions to the schooling of their children (12 %) and to housing subsidy (7 %).

In case of pension and health fund contributions, meal subsidies and transport alliances as well as special medical services were paid to more than 90 % of those eligible. The payments of clothing contributions and contributions to children's schooling were covered also for the majority of the eligible (between 80 and 90 %). Holiday allowances, housing contributions were paid already to a minority between 30 and 40 %. Severance payments are paid only to those dismissed, so that only 12 % of the eligible had received it.

Work safety and health

Work safety and health at workplace are important fields where the social responsibility of firms can be observed in frame of their human resource strategies. Health conditions of a population have consequences in employment chances. Disabilities and frequent illnesses hinder labour market participation. In Hungary the high disability retirement rate in the 90-ies in part was a consequence of former bad and unhealthy working conditions, but it was a solution to reduce labour on the labour market. Wide scale absence from work because of sickness cause problems in work organisations and endangers efficiency. Prevention and the improving of the health status of the people, as part of the social protection system should be considered as major contributions in the long run to raise the level of human resources for economic activities. On the other hand working conditions have direct impact on the health risks of people. National level occupational health and safety regulation and firm level human resource strategies may intervene to assure more healthy working conditions, safer work environment through labour regulations and through the institutions of intensive social dialogue. Reducing the risks of occupational illnesses and work related injuries, employment policy can favourably influence health conditions and spending. The interest of employers in prevention and in health provisions is expressed well by firm based health insurance schemes.

According to the mentioned ILO-PSS survey the overwhelming majority (92 %) of the respondents said to have work-safety regulation at their workplaces. Two third of the respondents were employed at workplaces where separate safety departments exist. Work related injuries occurred in the year preceding the survey in 2,3 % and work related sicknesses in 4,7 % of the respondents. (Despite the universal health insurance system 6 % of them said however not receiving sickness allowance during the time of these absences.) These figures of the ILO-PSS survey can be compared to relatively high perception of health risks at workplaces that were found by the survey of the European Foundation for Improvement of Living and Working Conditions³⁰. In their 2001 survey 35 % of the respondents said to have his/her health at risk in work. 33% said experience backache and 31 % overall fatigue in work. Muscular pains in neck and shoulder were declared by a quarter of the respondents. Due to actual and foreseen health problems half of them declared to be unable or willing to do the same job at the age of 60.

In the stabilised pole of the employment system, most of the large employers established in the past few years their health insurance systems that offer access to regular preventive health services as well as some forms of additional support for the time of illnesses. The Hungarian telecommunication company, MATAV, the petrochemical concern, MOL, the Hungarian Railway Company, MAV, the steel works of DUNAFERR show best practices in this respect. These and other companies have at the same time created their firm based special -additional - pension fund schemes also as part of their human resource and welfare strategies.

Social dialogue in Hungary - labour relations in transformation

Since 1989 the pluralist and democratic political system and the market economy based on private ownership opened the way to set up the autonomous system of labour relations. This general tendency in Hungary, like in the whole of the Central East European region, followed such universal norms and standards as the ILO Conventions and Recommendations and created mechanisms of collective bargaining corresponding to the social dimension of the European Union too.

In all countries of the region the very first laws of 1989 and of the early 90-ies assure the rights to employees` free association in independent unions, the right of unions to collective actions, among them to strikes and the right to collective bargaining. On the other hand these rights mean obligations for employers to negotiate on different levels with unions. The new labour relations systems in the CEE countries have brought about the pluralisation of unions and of employer organisations also. At the same time the membership of unions has radically diminished (to 20-50 %) though remained still at high levels compared to Western Europe. The different sectors of the economy according to branches, ownership and size however show great variety as to the functioning of collective bargaining and as to the coverage of collective agreements. The coverage is larger in those branches where only a few employers of mostly big firms are dominating the sectors and where unions maintained or recreated after the transformation and privatisation their positions (like in energetics, in the chemical industry, in siderurgy or in public administration).

The legislation is promoting collective bargaining, however it is more precise in the description of its content and of the representativity of the actors than laying down the means how to stimulate the partners, first of all

³⁰ 'First Survey on Working Conditions in the Candidate Countries and the European Union 2001. The first findings of the Hungarian survey were presented in February 2002 at Budapest. In several respects of working conditions - like for example the nature of work, work organisation, in working time arrangements - the Hungarian results were more favorable for employees than the EU averages, in others - like in the above cited health problems, physical risk factors were more unfavorable than in the EU. (www.eurofound.eu.int) Other findings in: Trade Union Experiences in Safety and Health at the Workplace in Hungary, Report of an ILO survey, Budapest, 2000.'

the employers to sign and respect the collective agreements. Sanctions are very weak or inexistent as to the non-respect of labour legislation or collective agreements by the employer side, especially in the new private sector (Casale, 1997, Mouranche, 1998) Employment security, wage minimums, health and safety regulation are fields where the standards agreed are not always and completely respected.

National level institutions of collective bargaining were also set up in the form of tripartite councils between the social partners and the governments to discuss and coordinate their stands concerning economic and social issues and to make joint proposals in the new democratic parliaments on wages, inflation or on a wide range of social welfare issues (from pension and health funds to vocational training, from family support to taxation). On this level the social partners, the unions and the employers are embodied by those considered to be representative. The principle of representativity and its measurement were and remained very much discussed by the social actors. In Hungary actually union representativity is measured by the results of the works' councils firm based elections. Employers' representativity through different organisations has also raised problems.

Certain views hold that the centralised tripartite negotiations are not favourable to the development of branch level actions and agreements. The centralised agreements integrate mechanically the branches and leave open some margins of actions on firm level. This has two consequences as to the labour relations systems: 1. the government remains a main actor on national level bargaining and 2. the importance of firm level agreements (either through the 'classical' bargaining between unions and employers or through the participative models of works' councils) have a more and more important role giving this way a heterogenous and fragmented character to these new, still transforming labour relations systems.

In this sense the reluctance of the new private sector and its employers to be engaged in higher level collective bargaining cannot be simplified as a negativistic or negationist approach, but must be interpreted as a sign that the actual structure of bargaining is often ill matched with the economic and human resource strategy of the firms. In many cases individual or even collective informal bargaining might be more promising for important employee groups too and not only more flexible, but even more stable for their firms.

The different issues of labour relations in the radical transformation period cannot be easily identified with those in the already well functioning market economies as the dynamics of the processes are rather different: not the 'routine' functioning of business, but the creation of business itself, the creation of the partners is on the agenda of social and economic legislation. The partners of the unions cannot be unambiguously defined in the very wide and complex problems that lie well beyond the responsibility of employers. In the intensive codification process of the early 90-ies, in the social dialogue concerning the social and economic consequences of setting up the new market economies, dealing with welfare issues, the main partner of unions were and remained the governments. This fact is reflected in the creation and functioning of the national level tripartite organs. In Hungary, like in other countries of the region, there was the clear political intention behind to integrate unions in the transformation process and neutralising them in the conflictous issues of economic austerity, mass lay offs, etc. for the sake of social peace. (Héthy, 1994, 1995) It should be mentioned that agreements between employers and the government on business contributions, payroll taxes, health contributions, taxes, etc. were also negotiated and agreed upon in these tripartite councils. Meanwhile the same tripartite forum was offered to unions and employers as 'classical' collective bargaining institution in such business related issues as wage or working time arrangements between these two partners.

At the same time there is a distance between national and local level where the lack of branch level bargaining is noticeable. As a general tendency in Hungary, like in the CEE countries, similar to the international trend,

enterprise level collective bargaining has been growing in importance. At first glance this trend seems to be the result of similar processes rather than the transformation of labour relations. In the mature capitalist countries of the EU that development is attributed to the effects of globalisation that requires more flexibility and higher performance from the individual enterprise or from the network of firms. The newly shaped labour relations system and business world of the CEE countries was even more sensible to the same factors. The tendency towards the declining influence of the national and branch level collective bargaining at the same time is also due to several particular features that were strongly interrelated in this region at the end of the 90-ies:

- low organisational capacity of trade unions due to rivalry that results the lack of organisational comprehensiveness among their confederations,
- overemphasis on the external (national level political) legitimacy and less attention paid to the continuous search for internal legitimacy by members, both of unions and employer organisations,
- difficulties in indentifying the partners of collective bargaining, especially on employers` side on national and on branch level,
- mistrust or 'jealousy' of new political forces (the political parties) in the emerging democracies in the region (with the exception of Poland) to control all segments of the political arena, thus labour relations too,
- heterogenous business structure in the make, with diversified market and human ressource strategies: small and micro firms becoming dominant employers in the CEE region where face-to-face relations favour informal bargaining instead of insitutionalised collective negotiations, multinational firms carrying out direct investments representing 'union-unfriendly attitude' while combining organisational and labour market flexibility based on individualised contracts,
- 'dual structure' of firm level labour relations, like in Hungary and in Croatia may also challenge in short run the role of unions and collective bargaining through them. In Hungary locally elected works` councils³¹, as organs of employee participation are often used, especially in foreign owned firms as a substitute to trade unions and partners in bargaining.

In Hungary the qualitative analysis of firm level labour relations showed different particular features in the 90-ies.³² Relationship between unions and management can be characterised by 'mutual understanding and cooperation' according to Martin and others (1998). Aro-Repo (1997) found partnership as the most important feature of management-union relations in Hungary. The significant role of 'informality' in the social relations of the firms and the pluralistic structure of communication channels were showed also by the above study (Martin and others, 1998) These features are considered as facilitators of new human resource practices favouring individualised instead of collective employment relations in the Hungarian firms in comparison to other post-socialist firms in the CEE region.

³¹ Works' councils were established since the early 90-ies in Hungary according to the German pattern to assure participation in firm level decisions concerning working conditions. Originally they were intended to be separate from unions responsible for interest representation and for bargaining. However the representativity of unions were measured since 1995 according to the votes received for their candidates during works' council elections. Thus unions at most places have 'occupied' the works' councils. At the same time the former government even authorised them to conclude collective agreements at workplaces where unions were not functioning.

³² See: Martin, R. - Ishikawa, A. - Makó, Cs. - Consoli, F. (1998), Aro, P. - Repo, P. (1997)

At the same time most of the authors³³ dealing with labour relations in the CEE region underline that social and economic conditions are not favourable to collective actions of unions. The insiders-outsiders polarisation is strong. The circumstances of mass unemployment and inactivity are creating a divergence of interests between employee groups. Employee groups in relatively stable jobs have strong interests to defend and improve their firms' market positions in dramatic economic situations. Others, in less privileged situations or in weak labour market positions are afraid of losing their jobs. The phenomenon of 'double loyalty' (Makó-Simonyi, 1997) can be explained not only by the strong cultural patterns of former dependence and 'inertia' (Mouranche 1998), but also by the considerable engagement of employees in keeping their firms alive and support their transformation and/or privatisation. On the other hand certain employer groups, especially in the new private firms are setting obstacles to union presence to hinder the organisation of collective actions too.

Since the mid-90-ies the issues of firm level bargaining in Hungary are widening in those sectors of employment (mostly in public and mixed, big firms) where collective agreements are concluded. Professional training, firm based social benefits and the development of the firms' social infrastructure have gained importance in micro level negotiations of Hungarian unions. Not only local unions, but the elected works councils are paying more attention during negotiations not only to wages, but to all aspects of the human resource and social policies of their employers. This seems to be an important change respect to the 'wage concentrated' interest and 'distributive strategies' of the unions and reflects their growing awareness of the importance of such public goods like vocational training, social and health infrastructure, environmental investments and their lasting effects on labour market and public welfare.

Manifestations of CSR

In Hungary there are certain experiences already about how firms' management think of corporate social responsibility even if the term itself cannot be discovered in discourses. Neither our interviews, nor articles on human resource strategies could not found mentioning it.³⁴ The following fields can be considered as manifestations of it:

- The firm based social welfare policies,
- The health and safety conditions and regulations at the work places,
- The state of labour relations and of social dialogue at the work places,
- The engagement of the management and the financial means mobilised to handle the social costs of technological and organisational restructuring,
- The training activities of the companies and their investments in life long learning,
- The investments in career planning within the firms
- The investments in community development and on cultural fields.

³⁴ op. Cit and Casale (1997), Mouranche (1998), Mako-Simonyi (1998)

³⁴ During the preparation of this study the articles of 2 special reviews (Munkaugyi szemle /Labour Review and Humanpolitikai Szemle/Human Policy Review) between 1992-2002 were collected to find cases and best practices of CSR.

In Hungary some cases of 'good practices' could have been observed. The companies selected for our field research MATAV (Hungarian Telecommunication Company) MOL (Hungarian Petrochemical Company) have undergone privatisation and transformation and faced the tensions of reducing their level of employment and restructuring their workforce. At the same time they introduced new institutions of social dialogue and of human resource management. They are also known about their engagement in community development activities and about their spending on cultural as well as on sport activities. The case studies were prepared during March-June 2002.

The case studies

Two of the largest Hungarian firms were selected for case studies to analyze the components and the social, economic and labour market conditions of the best practices of corporate social responsibility in Hungary. MOL is a petrochemical, MATAV is a telecommunication company. Both of them have undergone radical structural and technical transformations in the early 90-ies and have successfully stabilised their market positions after privatisation. They were selected for the study being well known about their support to cultural, health, sport and to other public institutions. Having high level internal welfare infrastructure and social benefits was also a reason to be considered as best practices of CRS. Though the personnel of these two companies have been considerably reduced no sharp social conflicts arose in and around these firms and this fact also merits to be investigated. Both firms have established labour relations and intensive social dialogue on company issues

Following the guidelines of the CSR project the following areas of corporate activities were investigated in the above two cases as signs and reflections of social responsibility:

- the firm based social welfare policy as social commitment of the management towards the firms' employees,
- the employment policy of the firms showing the human resource strategies of the management and their means to deal with employment and employability,
- the investments of the firms in community development and on cultural fields
- and the institutions and intensity of social dialogue within the firms and with other stakeholders.

MOL

About the firm

MOL is the leading petrochemical group in Central Europe and according to its turnover the largest firm in Hungary. With some 9 thousand employees of the company and with some 5 thousand employees in the subsidiaries the group was among the largest employers of the country³⁶. MOL Rt. (where Rt. means share company or joint stock company) has been formed in 1991 from the national petrochemical public trust (OKGT). The shares of the Hungarian state were sold on the stock market in three waves and the actual part of the state is only 25 %. Foreign institutional investors own 52,8 % of the shares, 16,4 % is belonging to different funds. 4,9 % is in the hands of Hungarian institutional while 0,5 % of Hungarian private investors. The company itself has 0,3 % of the shares.

³⁵ Closing data of the year 2001.

The company started a dynamic regional strategy when it bought a share in the Slovakian petrochemical company (Slovnaft) whose majority is to be bought in 2003. There are intensive negotiations about the participation of MOL in the privatisation of the Polish PKN and the Croatian INA petrochemical companies too. In Rumania in frame of green field investments MOL started to build up its own fuel station network. The company has cooperation agreements in research and in production with Russian partners too.

Actually the company has three main units that cover the whole country and the foreign units: the 'upstream unit' contain all mining activities, while manufacturing, supply and trade is concentrated in the 'downstream unit'. The third unit is composed of the functional divisions of the company.

The employment strategy of the firm

The employment strategy of the firm had two basic targets in the 90-ies: the rationalisation of labour utilisation and stabilising as well as grading up the remaining personnel. The reduction of the personnel as well as the development of its internal social provisions was negotiated with the unions and in frame of the works' council.

MOL started its internal restructuring in the early 90-ies when several activities - not related directly to its technological process and certain internal services (travelling, housing, resort houses for example) were decentralised in subsidiary companies later sold partly or entirely. This move has to be distinguished from the company's outsourcing strategy that means contracting with already existing firms taking over former internally realised activities. This happened in the case of its book keeping system that has been 'outsourced' to the Accenture Company well known on the international market.

The radical rationalisation of employment has been started in 1996 at the company. At the same time the build up of human resource strategy and of an internal labour market has been also started with a new and flexible system of firm based social benefits since 1997. Actually the employees may choose from different benefits for 360 thousand forints for a year. (This sum is somewhat more than 5 times the monthly national minimum wage was in 2001.)

Table 1: *The number of employees in the company and in the group*

Date (end of the years)	MOL Rt.	Subsidiaries	MOL group
1991	22,067		
1997	14,059	5,685	19,744
2000	10,796	5,761	16,557
2001	9,390	4,863	14,253
2001 (planned)	7,195	4,213	11,408

Table 2: *The spending of the company on its main social benefits and services (individually chosen by employees) in frame of a 'cafeteria' system (in million Hft)*

Main items	1997	1999	2001
Meals	569 (17.70 %)	599 (16.53 %)	220 (5.95 %)
Voluntary pension contribution	908 (28.24 %)	932 (25.72 %)	793 (21.46 %)
Voluntary health fund contribution	136 (4.23 %)	396 (10.93 %)	962 (26.03 %)
Support of mass sport	0 (0 %)	70 (1.93 %)	571 (15.45 %)
Fuel discount	1003 (31.20 %)	872 (24.07 %)	527 (14.26 %)
All spending	3,215	3,623	3,561

It can be immediately seen from the above two tables that while the number of employees has been halved between 1997 and 2001, the level of social spending of the company has even increased in the same period. Calculating with the level of inflation around 10 % in these years, the real value of social spending per capita is actually higher than before. The structure of social benefits shows also a considerable change that is due in the new 'cafeteria system' to the individual calculations and preferences of the employees. The more popular and thus increasing contribution of the firm to a voluntary health fund and to additional health services is due to the worsening level of public health services and growing insecurities of the public health insurance system.

The creation of an internal labour market requires the production of skills and competencies necessary for the functioning of the firm. MOL has a developed training system as well that contains the possibilities of life-long learning to its employees. It is partly based on agreements and cooperation with institutions on all levels of professional education and training, and partly on the internal training units. The knowledge base and the professional 'space' are extremely important for such a company (with the level of technological development in its branch, with the ambitions of a leading regional role and among fierce competition on its world market). The outstanding spending on professional and scientific aims (see: table 3) is expressing well this need and objective too.

The interviewed managers emphasised that the employment aim is not a 'guaranteed life time carrier', but the 'life time employability'. The development of training programs is considered as the means to upgrade the labour force of the company.

Responsibility towards its social environment

MOL is very visibly sponsoring several educational, professional, cultural and environmental activities.

Table 3: *Social and cultural spending in 2001 (in million Hfts)*

Fields	Spending
Scientific-Professional activities (Museums, Associations)	53.69 million
Health (Hospitals, Clinics, Foundations)	25.85 million
Social care (Foundations and Help Actions)	25.35 million
Public Security	11.35 million
Environments (Associations, National Parks, Actions)	9.5 million
Culture (Opera House, Orchestras, Concerts, Festivals, Publications, Museums, etc)	2 million
Education (Schools, Foundations, Courses)	2.7 million

Social dialogue within the firm

The company has an articulated system of bargaining and participation. Two of the larger traditional federations and a smaller one has units at the MOL group. One of the big ones belongs to the Miners' Union Federation, the other is a Union of the Chemical Sector. The third, smaller union (with 10 % of the votes during the works' council elections in 2001) is a new one especially established in the petrochemical industry. According to the Hungarian labour and employment laws (following the German model of the double structure of labour relations) the Works' Councils are also functioning as institutions of employee participation. The main divisions of the company have their works' councils (altogether: 7) that are coordinated on firm level by the Central Works' Council. The unions are negotiating and signing the collective agreements with the management, while the works' councils are informed about and participate in discussions of different issues of company decisions. The 2002 Collective Agreement at the MOL Rt is assuring in all areas higher levels of benefits than the national standards. The employees are electing according to the Hungarian Labour Law 'work and safety representatives' also. These representatives are forming 'work and safety commissions' on division level and on company level the Central Work and Safety Commission is established of their delegates. These commissions control working conditions and examine accidents at the workplaces.

The employer voluntary handles all employment rationalisation steps at the company as 'mass-layoffs' regulated by more severe norms (higher severance pays, re-training obligations, obligatory job-offers, etc.). Severance pays are assured even when the employment relation is continued at a subsidiary or at an outsourcing form. An early retirement scheme for the elder generation of employees is also stimulating withdrawal from work. Former employees of the company are favored as subcontractors. This attitude - considered 'socially responsible' by the firm's management - was favorable all along the 90-ies to reduce the personnel without conflicts.

Special commissions of placement and of employment rationalisation are set up at MOL according to the Employment Act to take decisions about employment reduction and carry them out. Unions' and works' council representatives as well as management representatives are forming these committees not only on the level of the divisions to handle the rationalisation process, but on lower level work groups communicate directly with the employees and to deal with all individual cases.

The cases of employment rationalisation might require the transfer of the employee to the subsidiary company or to the subcontractor with severance pay, or, it might need the mobility within the firm. MOL has an internal placement system that may offer re-training and financial support (to housing and to restart at another

locality). In localities where MOL is the only employer, the company cooperates closely with the public labour market services to support the reintegration of the laid-off personnel.

In the beginning of 2000 the management and the unions concluded an employment policy agreement that is controlled quarterly since then. Our interviewees from among the managers and from among the employee representatives agreed that the severance pays and the early retirement schemes are more attractive for many people than to accept of internal and/or regional mobility within the firm. The support offered by the management to such changes cannot balance the - supposed or real - insecurities generated by such changes for many employees who prefer the definitive solutions of severance pays and early retirement.

The perception of CSR activities as such

The high level management of the firm is familiar with the expression of CSR, though up till now they prefer to deal with the issue under the terminology of 'value system of the company' or 'philosophy of the firm'. These values and this philosophy is laid down in different documents, like in a publication on the 'Ethical Engagement of the MOL - 2002' or in a publication entitled 'The MOL Rt. and the Society 2001'. The Director General of the company mentioned 4 dimensions of corporate responsibility.

'The company has a responsibility towards:

- the shareholders, to ensure profits,
- its clients and customers to offer valuable goods and services,
- its employees to assure employment conditions for their career plans as well as for their financial aims,
- the outside community, the society.'³⁶

Similar statements can be found in the different company documents, but defined as values and philosophy and not as CSR. The documents presenting the above value were diffused all over the firm through its home page and in printed version, however the management is very critical about the results. According to them at lower levels of the company the employees are less acquainted with the 'messages of the new company culture'.

The above philosophy and the responsibilities formulated by the Director General showed the double engagement of the firm, not only towards the direct shareholders but towards the stakeholders as well. Mentioning the customers and the community reflects a management strategy based on the involvement of stakeholders whose attitude towards the firm may assure not only positive market acceptance of its goods and services, but labour, knowledge, investment possibilities, favorable social and professional relations. This might be labeled as 'social marketing', but in the period of a series of radical social and economic changes - like in Central Eastern Europe - such a CSR is probably a strategy to assure a certain level of security in certain segments of the company's social environment. The CSR as an approach to rationalise, to build up and develop its internal labour market is a rational human resource strategy. At the same time CSR of the MOL towards external stakeholders expresses not only the direct interest to cultivate good community and professional relations. Different civil organisations exercise intensive public pressure on such affluent economic actors, like MOL, to find financial support for social-care, for health, for cultural and for other public needs that have become endangered by the CEE transformations.

³⁶ Interview with the D.G. for the case study

MATAV

About the firm

MATAV is the leading telecommunication firm in Hungary. Its birth goes back to 1990, to the separation of the telecommunication branch from its mother firm, the Hungarian Post. The separated though still public firm was first transformed in 1993 into a joint stock company owned exclusively by the state. Very soon, at the end of 1993 Deutsche Telekom and the American Ameritech International obtained - through their joint firm, MagyarCom - a 30 % share in MATAV. In 1995 the German-American owners increased their share to 67 %, that later, in 1997 diminished to 59,50 %. The state in 1999 sold its part with the exception of the decisive 'golden share'. In 2000 the Americans withdrew from MagyarCom, that is, since then the 59,49 % of MATAV is belonging only to the exclusive owner of MagyarCom, that is to Deutsche Telekom.

MATAV has a monopolistic position in traditional telephone services after having obtained concession rights from the state. Through this type of service MATAV covers 72 % of the population. One third of its turnover however is deriving already from the competitive markets of mobile phones and other telecommunication services.

Following the privatisation and considerable capital investments the firm went through a dynamic technological development. Not only the shortage of telephone lines has disappeared in a few years, but the telecommunication system went through automation and almost 80 % of the centers is digital already.

Employment and human resource strategy

Since the transformation and establishment of MATAV employment has been reduced and at the same time rationalised. In 1995 the firm had more than 17 thousand employees. This number has been reduced by some 30 % to 12 thousand in 2000. Since then the personnel has been further diminished by another 20 % to the actual 9.200. At the same time the number of employees in the subsidiary companies remained unchanged, around 4.500 between 1996 and 2002.

In frame of this process the number of unskilled and semi-skilled employees was diminished not only numerically, even their share within the firms' labour force has been reduced. Actually the majority of the employees have high or middle level education. At the same time the average age of the MATAV employees is rather low, only 37 years. However the average time spent by employees in MATAV's employment is 11 years, that shows a rather high stability of the employment relations after the radical restructuring. In frame of restructuring employment at the firm especially operative tasks and internal services were reduced. At the same time the share of marketing is increasing.

Table 4: *Change in the number and structure of employees at MATAV*

	1996	2001
Fields of activity		
Marketing	429	936
Main technological units	8,041	5,000
Operators	2,100	861
Supportive services	5,300	2,500
	15,879	9,298

While reducing drastically though without sharp and public conflicts employment, MATAV assures wages above the national average. In 1995 half of the employees had lower wages than the national average. In 1999 those earning under this level represented only 10 % of the MATAV employees. The share of those who were under the company average has also decreased from the 70 % in 1995 to 66 % in 1999. The upward move of wages is based on an individual evaluation system that permits to go beyond the job categories.

The firm has a developed system of internal training and retraining offered to the employees concerned by organisational and technological changes. The Collective Agreement laid down the rule that new jobs opened within the firm should be offered to former or actual employees of the firm.

Outsourcing strategy at MATAV

Outsourcing is the main instrument of reducing and rationalising employment at the firm. Their aim is to transfer supportive services to subcontractors and the guard the main technological. The main steps of outsourcing were the following:

Transfer of activities to subcontractors:

- 1996 - construction of the telephone network
- 1997 - central maintenance of building and equipment
- 1998 - car drivers
- 1999 - real estate of the firm
- 2000 - PC maintenance
- 2001 - call centers and maintenance of old centers.

The contracts between MATAV and the subcontracting company taking over the personnel assure for 1 year the validity of the MATAV collective agreement. In some cases the subcontractors accept even for 3 years the employment conditions according to this agreement. The employees have the right in their new firms to the same wage increase than at MATAV. The subcontracting firms and the subsidiaries may use the social infrastructure of MATAV as well, but they (together with employees) often prefer to pay in cash social provisions.

Even beside these favorable conditions employees are not enthusiastic about outsourcing. According to our interviewees small firms are considered less stable than big ones. However even the firm's management is reviewing its outsourcing strategy. 'Cost efficiency is sensible to outsourcing and in certain activities subcontracting is becoming more expensive.'³⁷

A special outsourcing program is preparing the employees who receive training and consultative services through a subsidiary company (STAV Rt) of the firm. In three major cities this company assures individual labour market services to employees who are to transferred or out-placed.

³⁷ Interview with the human resource manager

Social dialogue at MATAV

At firm level bargaining the employees are represented by MATAV section of the Hungarian Telecommunication Branch Union (that integrated in 1995 two unions belonging to two different federations). This unified union at the beginning was opposing the firms' privatisation by foreign capital, but the dynamic development financed by external resources convinced them. Employment security and wage increases are continuously kept on their agenda. To assure employee participation according to the law, MATAV has set up works' councils as well at all levels. Its Central Works' Council is closely cooperating with the trade union. Unions membership is decreasing with the level of employment: it was 10 thousand when the number of employees was 17 thousand in 1995, and it fall to 7 thousand in 2000 at the employment level of 12 thousand. Actually union membership is still around 50 %.

Keeping the actual employment level has become one of the main demands of the unions at the firm in 2002. An agreement was concluded with the management that the personnel would not be reduced with more than 3 % this year. The management would offer outsourcing possibilities to its employees if restructuring would endanger employment. Both unions and management are regarding distance work as a possibility to keep employment level stable however at lower costs. In perspective the unions consider the 35-hours working week as a solution against further lay-off. To avoid sharp conflicts in case of employment reductions, the Collective Agreement of MATAV assures high-level severance payment and good conditions to early retirement.

Unions and the Works' Council had a leading role and a cooperative contribution in employment rationalisation. They were participating in the working commissions dealing with the outsourcing of the different activities. They supported solutions with the lowest level of layoffs. (In the cases of the call centers for example the unions rejected the centralisation. Instead of one Budapest center three service centers were established keeping more jobs even in the 'outsourced' form.)

The union is playing an active part in introducing and widening distance work (or: telework) at the company. At MATAV distance work is considered as a means to maintain and even to create jobs while reducing their costs. In this field the MATAV union had consultations with the German DPG. This support was said to be useful offering several practical proposals how to organise and integrate distance work in frameworks of the company.

The concept of CSR at MATAV

The term 'Corporate Social Responsibility' is not used at the firm. Managers associate it with the firm level welfare policy. In this field MATAV has a wide and complex social network.

The firm assures a higher level of several social benefits (meals, travelling and housing support, resort possibilities, social aid, children's education support, etc.) than regulated by the law. But the most considerable part of social spending was put on an insurance- based system in MATAV. A very interesting initiative of the firm was the creation of two Insurance Funds, the firm based Pension Fund and a similar Health Fund since the early 90-ies. These funds, called the Dimension Group, have grown to become important insurance institutions on national level too. It offers different insurance possibilities and services not only to the employees of MATAV, but to external partners too. Actually the Dimension Group has more than 80 thousand partnership contracts and some 60 employers are supporting through them their employees. The pension and health insurance services obtained through this institution - collecting employee and employer contributions - become popular among the employees. The employees have set up their Voluntary Aid and Insurance Association to attract additional employee and employer resources. According to union

representatives this Association has contributed to a 7-10 % decrease of union membership. The insurance system composed of Funds, and Associations are considered responsible for vanishing solidarity and security through union activities and for emphasising individual and market based solutions of security instead of collective forms.

The development of this social network is a long-term strategy of the firm's management. They reject the 'cafeteria system of provisions' based on the choice of employees and the in-cash provisions too. The social infrastructure and the provisions should be established on a stable basis in their view. Individual choices of provisions - according to the management - hinder planning on this field and would destroy the regular functioning of a complex social infrastructure composed of canteens, resort houses, training centers. Provisions in cash might seem to be advantageous for the employees in given moments, but the social and cultural infrastructure of the firm cannot function if it is dependent on short-term considerations.

External social responsibilities of MATAV

Community support and financial aid to different cultural, health, sport, etc. organisations reflect very visibly MATAV's wider social responsibility. On charity programs the firm spent some 60 millions Hfts in 2000. In the same year MATAV supported by 50 million Hfts the Hungarian olympic team. It financed also mass sport activities and handicapped young people's sports. The firm has several foundations to support the education of telecommunication experts. Beside outstanding concerts, theaters and expositions also sponsored by MATAV, cultural activities in small localities can also count on the firm.

The wider SR of the firm might have an impact on the customers of such a competitive market than that of the telecommunications. In this sense the sponsoring activities of MATAV can be considered as 'social marketing', that leads to similar 'social marketing' by the side of the other participants of 'telephonia'.

Conclusions

1. According to the Hungarian experiences of the CSR research, the term of Corporate Social Responsibility is not present in managerial discourses and in firm documents. However concepts concerning wider social responsibilities of the firms with a different terminology are known among Hungarian managers.
2. In the case studies (MOL and MATAV) and analyzing other research experiences in other Hungarian firms mainly three fields of action can be identified as practices of CSR: 1. the enterprise welfare policies, 2. the engagement of management in firm level social dialogue on working conditions and on re-structuring and 3. the financial engagement of firms in social, cultural, environmental or other local development activities.
3. Cases of 'good practices' show that firm based social welfare is closely connected to Human Resource Management of the firms. In competitive and stable large companies (like MOL and MATAV in our study) the development of their social infrastructure and their social provisions is part of their policy to build up their internal labour markets to assure the required quality, engagement and responsibility of their employees. Their training infrastructure and spending on training is also part of their socially responsible engagement to assure the employability of their work force. In these cases management acts in cooperation with trade unions and works' councils and collective agreements are concluded according to labour and employment laws.

4. In small firms 'good practices' - known from the sociological literature³⁸ - show a paternalistic approach of entrepreneurs towards their employees. At small firms in the lack of unions and formalised labour relations, when entrepreneurs and employees are interested in lasting cooperation, social dialogue concerning working conditions and social provisions is based on informal relations and bargaining. 'Good practices' of the engagement of small entrepreneurs in local social and cultural activities can be also found when small development is based on local networks of economic, political and cultural actors.
5. Employment rationalisation and lay-off are regulated by laws conform to EU norms in Hungary and cases of 'good practices' showed that the intensive social dialogue on firm level helped the re-structuring and the privatisation of the companies as well as finding good solutions for the redundant workers. The existence of labour representation and of the institutions of employee participation (works' councils) play an important role in formulating and realising the Social Responsibility of the firm in their employment policies. 'Good practices' of MOL and MATAV showed that in such solutions of re-structuring, like outsourcing and decentralisation intensive and institutionalised social dialogue were helpful. Socially responsible Hungarian firms in such cases influence sub-contractors to keep social norms and provisions for their former employees.
6. The existence of good labour relations and the procedures that assure the functioning of unions and works' councils conform to legislation, seemed to be fundamental indicators of CSR. This is especially the case in Hungary where radical social changes and economic re-structuring went on in the 90-ies. 'Good practices' (of MOL and MATAV) show that former ideological norms of socialist firms can be successfully replaced by the concept of 'social responsibility' of new market actors in frame of competitive economic strategies.

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³⁸ Kuczi T. - Mako Cs.: Toward industrial districts? Small firm networking in Hungary, in: Grabher g - Stark D. eds: *Legacies, Linkages, Localities: restructuring networks in post-socialist economies*, Oxford University Press, Oxford, 1996.

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The cultural and legal context of social responsibility in France

An idea at the heart of conflicting traditions

The idea of corporate social responsibility is an old one, whose origins can be traced, in particular, to the paternalism of certain employers (such as Koechlin in Mulhouse and Schneider at Le Creusot) in the late nineteenth century. Even codes of conduct, which today are one of the instruments for the advancement of social responsibility, are not a recent phenomenon: since the beginning of the twentieth century, professional organisations - and commercial undertakings as well - have been adopting texts containing social standards that employers must observe. An analysis of these first codes of conduct shows that, in most cases, they were adopted in the wake of major failures, the undertakings' objective being to 'put their house in order' rather than have the State do so with a heavier hand.

During the 1980s, one of the dominant ideas was to harmonise (or reconcile) economic and social policy. Some employers' organisations, both within the French National Employers Confederation ('CNPF') and outside it, and various leading employers - such as A. Riboud, Chairman and Managing Director of Danone, in his book *Modernisation: mode d'emploi* - were at that time promoting the concept of the 'corporate citizen'. Although that concept can be challenged on the ground that the status of citizen should be reserved to natural persons, there was evidence of greater involvement on the part of undertakings in civic life, whether it be by lobbying to exert an influence on the decisions made by the public authorities or providing sponsorship to support social, cultural and sporting activities. Apart from this external aspect, the idea of the corporate citizen was also reflected in 1982 by the legal recognition of various rights of self-expression for workers, who, according to the Auroux Report, must become citizens within the undertaking.

When the corporate social responsibility movement arrived from the United States in the early 1990s, therefore, it was able to draw upon a long-standing tradition in France, even though the social actors, more often than not, continued to refer to the term *citoyenneté d'entreprise*, 'corporate citizenship', which was more familiar to them. Even so, some aspects of the concept of CSR, as shaped by its Anglo-American background, did not readily fit into the French cultural landscape. There were at least two reasons for this, dating back to very ancient and relatively well preserved French traditions, even though various patterns of change had become apparent over the previous fifteen years or so, particularly in association with the integration of French society into Europe and, over and above that, into a globalised economy.

First, the traditional French conception of the role of the State as the embodiment of a rationality that expresses the public interest and, as such, the guarantor of a superior social responsibility (rather than a responsibility that merely complements that of the other actors) is very remote from the ideas of the free-thinking Anglo-Americans. Whereas the latter display suspicion of centralised authority and are more likely to place their trust in voluntary initiatives by civil society, the pattern of mistrust in France is reversed. The State and the Law are regarded as the guarantors of a principle of social responsibility that applies to all, while many initiatives emanating from civil society are perceived as campaigns - useful, perhaps, but nevertheless suspected of concealing vested interests. The same applies to the social dialogue, where the primacy of the legislature is regularly in conflict with the 'autonomy' of the social partners and the agreements drafted by them.

The legislator, in order to take account of this situation, did indeed come up in 1986 with the idea of the 'derogation agreement', but the very phrase says much about the principle and the primacy attaching to it. The social partners, for their part, have evolved a common position on collective negotiation which casts doubt both on the sharing of roles with the State and on the traditional regulatory hierarchy governing the

relationships between national, sectoral and corporate agreements. The fact remains that the idea that some laws might merely define minimal thresholds, above which the social responsibility of the actors comes into play, would certainly come as a great shock to many people in France. It is a much more frequent custom there to turn to the public authorities with the demand that they should 'face up to their responsibilities' and, frequently, 'lay down the law' in order both to recognise a new social problem and to begin to address it. From that standpoint, it would be the State alone that could accommodate and direct a 'multi-stakeholder forum', as it is trying to do through institutions such as the Economic and Social Council and the Commissariat au Plan (Economic Plan Commission). But is this response to the challenge of CSR an adequate one?

On the other hand, the idea - a familiar one throughout much of Europe - of an ordered and sustainable compromise between the interests of all the interested parties, all of whom deserve to be taken into consideration, over and above their specific features and their differences, has long encountered many problems in France. In many areas, including labour relations, what we actually see is a culture of confrontation between the various interested parties, which makes the settlements and arbitration awards agreed upon immediately suspect as 'compromises' rather than as embodying equitable rulings. The prospect of constructing, within the framework of CSR, new cooperative relationships with 'new actors' may therefore appear less attractive, or more hazardous, in this context. But that is not to say that it should deter many undertakings, the social partners or other groups from embarking upon that road.

A legal framework to encourage corporate social responsibility

In most cases, socially responsible practices are regarded as commitments that have only purely moral value and are incapable of producing any legal effects. An analysis of French positive law, however, shows that social responsibility is exercised within an increasingly precise legal framework, particularly because the law encourages undertakings to adopt standards of social responsibility. These promptings may be addressed either to the investment funds, which then bring economic pressure to bear on the undertakings, or directly to the undertakings themselves.

An indirect form of encouragement: a duty of transparency for the investment funds

Several national legal systems among the States of the European Union require investment funds to specify whether they take account of social and environmental criteria when deciding on the placement of their investments. Bearing in mind the fact that savers are displaying an increasing interest in seeing their money managed in a socially responsible way,³⁹ it might be thought that this duty of transparency would lead some funds to modify their investment policies. Indirectly, therefore, increased economic pressure is exerted on undertakings in search of investors to encourage them to acknowledge their social responsibility.

In France, the draft Loi sur l'épargne salariale (Payroll Savings Act), adopted at first reading by the Assemblée Nationale in October 2000, thus introduced a new Article L 444-7 into the Code du Travail (Employment Code), according to which undertakings for collective investment in transferable securities to which funds collected through corporate savings schemes, inter-enterprise savings schemes and voluntary joint payroll savings schemes are allocated were required to report annually on the extent to which they took account of social, environmental or ethical considerations both when selecting, retaining and disposing of the securities

³⁹ CSR Europe, The European Survey on Socially Responsible Investment and the Financial Community (CSR Europe, Brussels, 2001).

making up their portfolios and when exercising the rights attaching to the holding of those securities, such as voting rights. However, opposition in the Sénat caused the act as finally adopted to omit that provision, and made the annual report optional.⁴⁰

The draft Loi sur le fonds de réserve pour les retraites (Pension Funds Act) followed a similar course. The government put forward a version according to which some of the funds could be invested in shares, with the proviso that the executive board of the managing undertaking should report regularly to the supervisory board and, in particular, when doing so, should outline how the general guidelines of the investment policy had taken account of social, environmental and ethical considerations.⁴¹ However, the Sénat rejected that provision, arguing that ‘although the ideas underlying this proposal are eminently generous, the fund must have a single, clear mission: helping to provide French people with financial support in retirement’.⁴²

Although French positive law thus proves somewhat reluctant to introduce a duty of transparency for investment funds regarding the extent to which they take account of social and environmental criteria, it does nevertheless impose such a duty directly upon undertakings.

A direct form of encouragement: the duty of transparency for undertakings

The public authorities may decide to encourage corporate social responsibility by requiring undertakings to observe greater transparency in connection with their social and environmental practices. Without compelling them to adopt standards of social responsibility, this transparency is indubitably a very strong incentive for undertakings to formalise their social and environmental policies, in particular by adopting codes of conduct.

In France, the Loi sur les nouvelles régulations économiques (New Economic Regulations Act) of May 2001 added a new Article L 225-102-1 to the Commercial Code, making it mandatory for the board of directors or executive board of listed companies to present a yearly report to shareholders ‘on the manner in which the company takes account of the social and environmental consequences of its activities’.⁴³ Thus, starting with the financial year ending 31 December 2002, all listed companies in France must prepare annual reports, taking account of the three aspects of sustainable development: economics, the environment and social affairs.

The implementing regulation of 20 February 2002 specifies the content of this report, electing not to provide a detailed list of social and environmental indicators but referring more generally to the aspects which the report must address. As far as the social aspects are concerned,⁴⁴ the annual report must first of all reproduce various data from the company balance sheet,⁴⁵ such as the size of the workforce, hirings, dismissals and working hours. Next, the report must give an account of relations with subcontractors, and must in particular

⁴⁰ Article L 214-39 of the Code monétaire et financier (Monetary and Financial Code).

⁴¹ Draft Act of 10 May 2001, introducing a new Article L 135-8 into the Code de la sécurité sociale (Social Security Code).

⁴² Report No 339 of the Social Affairs Committee

⁴³ Article 116 of Act 2001-420 of 15 May 2001 on the New Economic Regulations.

⁴⁴ Article 148-2 of Regulation 67-236 of 23 March 1967, as amended.

⁴⁵ J. IGALENS and M. PERETTI, *Le bilan social de l'entreprise, Que sais-je?*, 2nd edn (PUF, Paris, 1982); Jean Gautier, *Le bilan social* (Conseil Économique et Social, Paris, 1999).

state whether the company takes steps to encourage its subcontractors to comply with the fundamental social rules of the International Labour Organisation. Finally, the report must specify the relations the undertaking maintains with society, associations and non-governmental organisations.

A labour law allowing room for corporate social responsibility

Although labour relations in France are conducted within a very comprehensive framework of legislation and agreements, there are areas in which undertakings have substantial scope to go beyond what is required of them by employment law. This is particularly the case with restructuring operations and the protection of health and safety in subcontracting relationships.

Social responsibility and restructuring

French law provides a very firm framework for labour relations and lays down a set of procedures and measures to be adopted when restructuring is decided upon. In brief, the following aspects may be recalled:

In all undertakings employing more than 50 people, the law requires the employer to set up a works council and organise elections every two years to enable the workforce to appoint their representatives to that council. These elections comprise two ballots, the first being reserved for the trade union organisations. If fewer than 50% of employees have voted, a second ballot is arranged, and is open to any list.

The works councils thus formed have to be informed of and consulted on all important decisions relating to the progress of the undertaking. The information and consultation procedure must be completed before the decision takes effect, which, in practice, means that it is impossible to implement any decision of importance to the life of the undertaking before the council has given its opinion, whether favourable or otherwise.

Restructuring operations are regarded as important events and, if they are liable to result in more than 10 dismissals in a company with more than 50 employees, French law requires that the works council be asked its opinion on the reasons for the proposed restructuring and on a mandatory redundancy programme geared 'to avoiding dismissals or reducing the number thereof and encouraging the redeployment of employees whose dismissal cannot be avoided' (Article L 321-4-1 of the Code du Travail). The works council has the right to appoint an expert - whom it has complete discretion to select - to analyse the situation of the undertaking and the proposed redundancy programme, and the information and consultation procedure takes place in the form of three meetings at which the management proposal and the expert's report are discussed.

The constraints thus imposed upon undertakings are very great, in theory, but it is not uncommon for them to be paid lip service only. It very frequently happens that the proposed measures are not designed to avoid dismissals, and it is not unusual for the redundancy programme to be designed simply to transfer staff as quickly as possible to the public employment schemes (the National Employment Agency - 'ANPE'). In these circumstances, then, corporate social responsibility must be assessed as a function of the true quality of the action taken, not merely from reading the documents.

Social and health/security responsibility in subcontracting relationships

At the present time, there are no social regulations as such governing subcontracting in France, but there are several independent sets of provisions:

- an economic regulation of 1975 which is designed to protect subcontractors from economic problems encountered by their customers and ensure them a guarantee of payment;

- a Loi sur le travail illégal (Unlawful Working Act), which requires every customer, when placing an order worth in excess of €3000 - to ensure that his subcontractor complies with a number of administrative, social and fiscal obligations;
- a number of provisions on transfers of undertakings (Article L 122-12 of the Code du Travail), reproducing the provisions of the European Directive on the same subject;
- a provision in the Loi de modernisation sociale (Social Modernisation Act) (Article L 432-1-2 of the Code du Travail), which requires the undertaking to notify its subcontractors of proposed restructuring operations.

To those provisions, which refer explicitly to subcontracting, the following may be added:

- a regulation on health and safety (1992) at the workplace dealing with work done by an 'external' undertaking on the premises of another undertaking. These provisions envisage safety intervention 'protocols', joint inspections and a number of reciprocal obligations;
- a very recent (2002) amendment to the legislation on health, safety and working conditions committees, designed to extend their jurisdiction to include subcontracting undertakings (a consequence, in particular, of the industrial accident at the TotalFinaElf factory in Toulouse which cast doubt upon the use of subcontractors for 'risk' work);
- a general principle of employer liability in relation to everything that takes place on the undertaking's 'site' (including the actions of subcontractors);
- an increasing body of case law establishing the principle of 'joint responsibility' of two or more undertakings in connection with accidents at work.

On the other hand, there are as yet no provisions in any legislation, regulation or agreement governing the use of subcontractors in other countries, especially countries outside the European Union.

The case studies

Chèque déjeuner

Presentation of the undertaking

The undertaking considered here is an SME with a workforce of 200, based in the Paris region, and the parent company of a small group of subsidiaries based in Spain, Italy, the Czech Republic, Slovakia, Hungary, Poland and Romania. It has the unusual feature of being a cooperative society, in which virtually all the employees are coopérateurs (cooperating members), it being obligatory to become a coopérateur after the first year's employment with the undertaking. The employees are therefore shareholders and are regularly informed of the company's progress, while at the same time they have an interest in its development.

The company is a growing one and manufactures a special type of voucher, the chèque déjeuner or luncheon voucher, for which it is issued with forgery-proof paper by the Imprimerie Nationale. The production process comprises printing the vouchers on this paper, cutting them up and combining them as a voucher booklet, after which they are packaged and shipped. This voucher is the group's main product, but it also manufactures and distributes chèques domiciles (household vouchers), chèques services (service vouchers) and a range of 'chèques loisirs' (book tokens, record tokens and vouchers for cultural events).

A programme of changes designed to prepare for the company's future while maintaining employment

The company is facing a major future change: the paper chèque déjeuner could be replaced by a magnetic card. There are three important facts in this context:

- There is no certainty that the switch to magnetic cards will take place, but it is essential for the company to prepare for it, or face the risk of marginalisation if the replacement occurs and the company is not ready for it.
- If this change does take place, the detailed arrangements are uncertain. In particular, there is much uncertainty about how long the changeover will take - a few months or several years?
- Finally, if the changeover does occur, 40 existing jobs (20% of the workforce) would be affected by it, while another 20 to 40 new jobs would be created, the new jobs being different from those lost.

The process under consideration here involves three severe constraints. First, it is out of the question for the company to fail to prepare for what would be a major technical change in its field of activity; secondly, the course, and especially the pace, of events following that change is uncertain; and thirdly, the change in product (from paper voucher to chip-card) would result in a change in the production process imposing severe technical constraints (the machinery that would have to be bought would be a substantial investment and its technical features would be determined by the companies that make it, which are major international groups). Finally, it should be noted that this process of preparation is still taking place.

The decision to embark upon the process designed to prepare the company for the transition to the chip-card was taken by a steering committee. The committee is not very different from the same type of structure in a conventional undertaking, except for one particularly important point: it is required to report to the general meeting of coopérateurs, which in the present case means virtually the entire staff. That decision was taken simultaneously with another, which the Chairman expressed in these terms: 'No one will be left stranded in the course of this process.'

The tools of change: an atypical information process and conventional human resources management tools

In the wake of that decision, numerous initiatives have been put in place, among which three separate information processes can be identified: the first relates to the project steering committee, which receives regular reports on the progress of work; the second relates to the employees themselves, the information being channelled through a network of correspondents appointed in each of the company's various departments; and the third relates to the works council.

1. The provision of information to the steering committee takes place in the form of regular meetings and follow-up of the various activities undertaken.
2. The correspondents receive information through the holding of regular meetings, each attended by some 20 people (or 10% of the company's workforce), appointed from the staff of each department. Their role is to provide information to their fellow workers and act as a return conduit for questions and inquiries. The correspondents are copied in on everything presented to the steering committee.
3. After being informed of the project as a whole, the works council is notified and the staff representatives are sent copies of the reports drafted by the steering committee.

All those we spoke to stressed the confidence that they have in one another and the importance of the quality and permanent nature of the information both for preserving that confidence and for ensuring that the process takes place as it should. However, it must be emphasised that this confidence existed before the present restructuring process was initiated.

At the same time, the question arose of how to ensure that the commitment not to leave anyone stranded was actually put into effect. A set of tools has been made available here, which are no different from the conventional tools of Gestion Prévisionnel des Emplois et des Compétences (Forecasting of Jobs and Skills - 'GPEC'). The use of some of these tools (comparative organigrams) is in any case commonplace in redundancy procedures, especially those used at the start of the process:

- the preparation of two mutually comparable organigrams, the first describing the current organisation and the second the future organisation, showing which jobs will be lost, which will be modified and which will be created;
- an analysis of the jobs that will be lost;
- an analysis of the jobs that will be created.

The further stages of the process are more atypical but nevertheless based on familiar human resources management tools:

- identifying employees' wishes with regard to career development;
- comparison of skills of those occupying the jobs that will be lost and the skills required for the new jobs;
- adoption of what is called a 'matching' process, designed to arrange internal careers for employees whose jobs will be lost.

This last point is important and requires some explanation. The idea of arranging career advancement by providing training for employees occupying jobs that are destined to disappear is nothing new. The difference in the current process lies in the organisation of career paths that may require three or even four redeployments in order to deal with one case. In this process, the person concerned will not necessarily be the main beneficiary of the training activities provided. Thus, if job A is to be lost, the jobholder may be offered a related job B, whereas the occupant of that job will be offered a move to a newly created job. This multilevel movement (popularly known as *jeu de taquin*, after the popular 'moving tile' puzzle) is probably the cornerstone of the ongoing process.

Discussion of the case

Although the tools used are similar or identical to those used by GPEC, there are two methodological differences to be noted:

- The use of time. The early announcement (in late 2001) of a process which will probably take effect early in 2004 allows time to arrange the changeovers.
- The lack of any authoritarian decisions on individuals' futures, apart from the identification of the jobs to be lost.

The second point is particularly worthy of attention, because it breaks what is usually an indissoluble link between two events: the loss of a job and the ending of the contract of employment.

The question of profit for the company has not been raised by the promoters of the operation (nor did they place their action in the context of corporate social responsibility, although they are trying to adopt a socially responsible attitude). It can, however, be approached from two angles: the necessary training activities will not cost more than the compensation that would be payable in the event of dismissal. But, at a deeper level, it is likely that the company will retain a know-how linked to its former activities.

Acome

Presentation of the case

ACOME is a medium-sized enterprise supplying products and systems to the telecommunications, motor and building industries. Based in a rural region of western France, it has a head office in Paris. ACOME employs about a thousand people and has an annual turnover of some €200 million, of which exports account for 37%. In recent years, ACOME has set up commercial subsidiaries elsewhere in Europe and has also created two joint ventures, in China and Brazil, to support their major motor industry customer in those countries.

ACOME is the biggest workers' production cooperative in France. Employees are required to become *sociétaires* (partners) after they have been with the company for three years. Its executives are elected each year at a general meeting. Employee turnout at the general meetings is very high, reflecting the value they attach to this prerogative. ACOME pays a substantial dividend to these shareholding employees (equivalent to several months' wages in some years), while the wages it pays are themselves higher than is customary in the local region. Apart from this financial aspect, which of course plays its part in ACOME's attractiveness to its staff, the company also tries, by means of a set of 'good practices', to ensure local sustainability of employment and a high-quality internal social dialogue.

ACOME was selected for a case study both because it is a medium-sized (as opposed to large) enterprise and because it is a workers' production cooperative (as opposed to a conventional company). ACOME greatly facilitated our work by welcoming us to Mortain, in Normandy, where we were able to visit the whole of the industrial site. We were able to meet not only representatives of the board of directors but also middle management personnel and staff representatives. Copious documentation was made available to us.

A system that has proved quite successful in preserving jobs on the Mortain site

Over many years, ACOME has developed a strategy of diversification based on the applications to various sectors of the extrusion technology that is the core of its know-how, and in which it is continuing to invest. The company devotes 10% of its turnover to investment and R & D, maintains continuous relations with institutes of technology in its field, and devotes its research efforts to finding new applications for its core technologies.

Historically linked to the telephone industry (France Télécom, as a customer, accounted for up to 80% of its turnover), ACOME has successfully diversified into other sectors: today, telecommunications account for rather less than half the turnover, with electrical equipment for cars contributing 20% and wiring for the building industry 30%.

The originality of this strategy lies in the fact that the investments made, in the form of new buildings, the establishment of new know-how, the purchasing of new machinery and the canvassing of new customers, have

deliberately been undertaken at the Mortain site in Normandy. Other strategies could clearly have been adopted, for example with a view to moving closer to the larger conurbations (benefiting both from the local job creation incentives offered there by the public authorities and from a larger labour pool) or even recruiting a less expensive workforce by delocation, as many of its competitors have done.

ACOME's logic, conversely, has been driven not only by the 'socially responsible' attitude of its executives but also by the wishes of its entire workforce: the main concern of the company's elected executives, and the mandate given them each year by their *sociétaires*, is after all to ensure that the latter's jobs are sustainable. Since the vast majority of them want to stay in Normandy, it is clearly appropriate to develop local employment and, indeed, to accept the consequences of that policy, which is based on the following lines:

- continuously improving production methods and quality in order to remain competitive: three years ago, with the aid of a consultant, ACOME introduced a new industrial organisation based on autonomous production cells, inspired by 'best practices' in the field;
- encouraging internal mobility and promotion: the technicians working in Methods, Quality and Maintenance, who previously combined to form the Technical Department, have been redeployed to workshop level, a move which for some of them brought new operational responsibilities;
- arranging for the engineers needed by the cooperative to be brought to Mortain, an area in which ACOME coordinated its efforts with the regional authorities;
- creating the necessary training courses for local recruitment of tomorrow's operatives, for example by developing a 'vocational Baccalaureate' in consultation with Education Nationale - all graduates of this training course have so far been hired by ACOME.

Strategic diversification, however, remains the central thrust of this policy. Hitherto, ACOME has experienced nothing but success in its successive diversifications, thus demonstrating that an 'aggressive' strategy in the interests of local employment can be pursued without assistance from the local authorities and within a rural area that has been little industrialised.

The latest investment, in the field of fibre optics, looked promising. In particular, it enabled ACOME, by hiring a hundred or so young and previously trained operatives, to reduce substantially the average age of its workforce, a significant proportion of whom will be retiring between now and the year 2012. As we know, this sector was hit by a catastrophic economic downturn, the major players experiencing financial problems that resulted in an abrupt freeze on investment. ACOME, too, felt the impact of this, the new factory operating at minimum levels at the time when we visited the site.

ACOME was seriously affected by this economic reversal - so violent that it resulted in large-scale redundancies and plant shutdowns by ACOME's French competitors - and still was at the time of our study. To date, the company has been able to avoid any dismissals among its permanent workforce. On the other hand, and this indicates the 'economic' limitations of a strategy of social responsibility, ACOME has not renewed the hundred or so (10% of the total) limited-term contracts (LTCs) which it had concluded a year earlier. A study of the company's social record shows that this has been an exceptional event, since its past practice was to take on LTC personnel almost automatically as part of its permanent staff. In the present crisis situation, the LTC staff therefore played their 'traditional' role as a shock absorber at ACOME, obviously to the detriment of those young people with previous training who had been recruited locally and were the children of existing personnel or young members of the local community.

The company's management is certainly far from satisfied with the 'solution' adopted, a highly symbolic illustration not only of the changes that have taken place in the world of employment within one generation but also of the extent to which a medium-sized industrial enterprise is dependent on its largest customers. They hope that business activity will pick up again, making it possible to 'recover' as many of these young people as possible. They also talk about the inflexibility of the regulations and legislative framework which, in a situation like the present one, makes it impossible to find more socially satisfactory solutions in consultation with the central and local authorities. Legally, for example, it is impossible to arrange for the oldest employees to take early retirement (some of them having had difficulty finding places in the new 'autonomous production cell' organisation adopted by ACOME), and to recruit young people who not only represent ACOME's future but also come from a surrounding area in which the working population is undergoing a worrying decline.

Energetic staff information policy

There is no trade union presence at ACOME. This is a quite exceptional situation for a French industrial undertaking employing 1 000 people. The works council elections thus automatically involve two ballots, trade unions alone having the right to put forward candidates for the first ballot in France. Where the law makes union intervention obligatory, as was the case recently with negotiations on the application of the act on the 35-hour week, the ACOME employees have had to use the services of a representative to negotiate with their management.

The works council, as the main forum for discussions on the company's economic policy, has not made use of external expert reports financed by the company, as it could legally do, because, according to its secretary, 'that would mean paying twice over'. This situation seems, a priori, far removed from the objective of those who promote the idea of corporate social responsibility and argue in favour of strengthening the social dialogue.

What is interesting about the ACOME case is that it shows how a cooperative enterprise has created mechanisms enabling it to arrange very extensive consultation of its workforce, even in the absence of a union, and to involve its staff closely in the operations of the company. It is in any case difficult to distinguish, in this concern to provide information, between what is addressed to the 'employees' and what is addressed to the 'shareholders', since the two concepts are combined in the person of the sociétaire.⁴⁶

Thus, the permanent staff information and consultation mechanism at ACOME, which is worthy of consideration as a voluntary practice going beyond what the law requires of the company, may thus be described as falling within the definition given in the Green Paper of corporate social responsibility, applied to the issues 'internal' to the undertaking:

- In accordance with the legal status of a cooperative, the annual general meeting, attended by a very large majority of the coopérateurs, offers every member of staff the opportunity to express his views and, through his vote, to give his opinion of the way in which the undertaking is being run.

⁴⁶ The situation resembles that encountered in some of our other case studies, as in the case of VW at Wolfsburg, for example, or at CORUS in Wales, where the employees are not only 'internal stakeholders' but also, as residents of the urban fabric that has grown up around the undertaking, 'external stakeholders' as well, with access to different leverage (and benefiting from different forms of solidarity) in the local environment. The management of the undertaking can only pay greater attention to these 'double stakeholders' in the future.

- Information on the company's economic situation is provided in real time and on a decentralised basis, down to the production cells. The information displayed in these cells is not concerned only, as it often is, with the results obtained locally in terms of production or quality or safety indicators. It clearly reflects the situation of the undertaking as a whole, and so enables the *coopérateurs* to receive direct information.
- The staff representatives on the Works Council, and on the Health and Safety Committee as well, represent all the various operations that take place on the Mortain site, and care is taken to ensure that every production unit is represented, so that it is the people directly affected by a problem who express their views on it.
- A staff delegates' charter (staff delegates being the second representative level envisaged by the Code du Travail) formally sets out the rights and duties of those who hold this position.
- An external audit takes place every three years within the framework of an existing legal procedure known as 'cooperative auditing' (the essential purpose of which is to identify and avert the financial risks confronting small cooperatives); its application at ACOME has been broadened to include approaches of the social audit type, providing a detailed analysis of the company's social climate. The exceptional number of replies received to the questionnaire issued on the occasion of the last cooperative audit bears witness to the ACOME employees' willingness to express their views and the attention that is paid to those views.
- At the time of our study, a local management charter was in the process of being drawn up, designed to revitalise the internal debates which (as the audits demonstrated) were in danger of dying away or becoming a matter of routine. Thus, ACOME experiences every day the problems of making an undertaking work 'differently', new generations of *coopérateurs* (some of whom travel a long way to work at Mortain) always being liable to see the undertaking as an employer 'like any other' in that, having grown to a substantial size, they feel that it loses its capacity to organise a consistent 'cooperative life'.

The inventive and well-meaning mechanism instituted at ACOME can nevertheless be questioned:

- It may be wondered whether, in the absence of a trade union, the employees are not denying themselves the benefits of the experience, influential ideas and efficiency of an external actor, outside the fabric of interdependence between the roles of shareholders and employees and the affective relationships that have become established between long-standing colleagues. The point is that this external actor has the ability to distance itself from the internal problems facing the company, to clarify the terms of complex situations, where the interests of employees and shareholders are not necessarily identical, and also to represent the 'external stakeholders' - employees who are not part of the permanent workforce or, much more remote from the Mortain site, employees of ACOME's foreign subsidiaries.
- The local philosophy, clearly, is to have confidence in the executive teams. It is a striking tribute to their stability that the cooperative has had only five chairmen/managing directors in 70 years. The very good results achieved by ACOME during that period testify to the efficiency of these executive teams and, in some respects, justify the confidence shown in them. It may be wondered, though, whether that stability is not also the effect of a classical form of 'political creation of dignitaries', as happens in this rural region with local elected representatives. More generally, the opportunity for those with specific interests to offer real opposition to internal decisions, since those decisions are given legitimacy by the overriding interest of the 'community of *coopérateurs*', seems to be significantly less than industrial establishments of a similar size where the usual situation in France is that a reorganisation as radical as that implemented by ACOME in 1998 cannot take place without giving rise to local conflicts. And so the question is whether we should praise the quality of the internal consultation procedure or question this 'complacency'.

*Discussion of the case****Is the application of 'good practices' in an SME attributable to a voluntary commitment by management or the result of external market pressures?***

Why does an undertaking like ACOME commit itself to 'good practices'? What practices does it display on the promotional brochures it distributes, and what practices does it not advertise? The answers to these questions not only cast an interesting light on the dissemination vectors for 'good practices' in the running of 'medium'-sized enterprises but also raise questions regarding the dynamics - partially internal, but partially external as well - that give rise to that dissemination.

ACOME has clearly made continuous efforts for many years to 'modernise' its management practices, to bring new tools into the company (such as, very recently, a systematic comparison of wages with those available in the market for similar responsibilities) and to implement new methods of organisation. There is no doubt that the underlying motivation of those in charge has always been to ensure, by meticulous application, the lasting survival of an undertaking that is regarded as the common property of all the *coopérateurs*. The social aspect of the company's practices, particularly everything related to the protection of jobs, also reflects an ethical commitment which draws upon the traditions of the cooperative movement.

Other 'good practices', such as the various quality and environmental certifications with which ACOME is proud to have complied, clearly anticipate or respond to the expectations of customers, who are imposing more and more detailed specifications on their suppliers. ACOME cannot be unaware that it cannot use its cooperative values as an argument to set itself above its competitors. The English version of the promotional brochure makes no reference to its status as a cooperative, but does display the whole series of certificates obtained.

One of the surprises of our on-site study was to find that those we spoke to unexpectedly associated the CSR questionnaire (of which they had no knowledge before we introduced them to it) and the specifications for an invitation to tender to which they had recently replied. They had been somewhat surprised by the inquisitorial tone of those specifications, as applied to areas which, previously, had not been the subject of any questions in tender documentation. ACOME was questioned, for example, not only about its training policy but also about the number of days lost to strikes each year, the existence of procedures for checking alcohol and drug levels in employees' blood, and, in the latter case, the principle of voluntary submission to such tests, as required by 'human rights'.

This episode, the somewhat inquisitorial nature of which had surprised some of those to whom we spoke, is a good illustration of one of the concerns frequently raised in connection with the development of CSR in the world of small and medium-sized enterprises: the fact that customers, being content to 'transfer' the issue of social responsibility to their suppliers, in order to limit the risk of being questioned on such issues themselves, become the vectors of a 'procedural' and 'bureaucratized' development of social responsibility. This trend would be bound to represent an additional burden on small and medium-sized enterprises, without necessarily encouraging or recognising the substantial efforts routinely made by companies such as ACOME in the field of corporate social responsibility.

Can the social responsibility of a very large undertaking and a medium-large undertaking be measured in the same way?

If we were to question the local population around Mortain about the socially responsible nature of ACOME, where all families in the area hope to see their children employed, there is no doubt that the answers would be enormously positive.

Yet ACOME publishes no reports on its 'good practices' and issues hardly any communications to the media. The cooperative is not particularly active in sponsoring local activities; if it does do so, nothing was said about it during our visit. Like all production workers' cooperatives, ACOME is legally exempt from paying the business tax due to local authorities.

The international development of the group, and especially the creation of foreign subsidiaries in Brazil and China, also did nothing to prompt internal questions about the company's social responsibility, for example towards the employees of those distant affiliates. Those we questioned at Mortain seemed to be thinking essentially as shareholders, worrying about the future profitability of these investments, which had in any case been made in order to comply with the wishes of a major car industry customer to see his subcontractors transfer some of their know-how to his home country.

To summarise, then, ACOME's performance in terms of social responsibility could well be assessed as very moderate if it were measured against the criteria put forward by the 'global players', displaying their contribution to the social development of their environment and their desire for internal transparency and for dialogue with interested parties outside the undertaking (consumers, public authorities and NGOs). It may be added that ACOME is not a member of an approved CSR organisation and that the majority of its executives are still ignorant of the content of the Green Paper recently published on the subject.

And yet, as we showed earlier, ACOME does indeed seem to be a 'substantially' socially responsible undertaking, firmly established in a region within which it fights to preserve jobs, while improving the quality of its staff training and its products, and observing the rules governing health and safety at work. ACOME is indeed involved, then, in defending a social fabric that has been undermined by the rural exodus and de-industrialisation. Its presence is certainly regarded as an opportunity for the local community, even if more and more ACOME employees have come from far away to work there.

ACOME's reputation is both too well established in its local area and much too weak elsewhere, having regard to its size and the nature of its production activities, which are invisible to consumers or neighbours, for ACOME to have any concerns about the risks of being called to account by local society. In brief, the question raised by our case study is whether ACOME's social responsibility can be considered in the same terms and use the same measurement and control methods as that of the global players, such as Peugeot and France Telecom, which are its main customers.

Continental Teves

Presentation of the undertaking

The undertaking is a complex one, comprising various decision levels. The works studied is a company (Continental Teves) attached to one of the divisions of a major international group (Continental), that division having been acquired from another group (ITT) in the late 1990s. The group's key figures over the period before the restructuring operation were as follows (Continental's figures for 1998 reflect the effects of its purchase of ITT's assets):

	1996	1997	1998
Turnover (in billions of FFR)	52.4	56.3	66.3
Post-tax income	1	1.7	2.1
Workforce	67 000	67 200	93 500

Within Continental, the division is organised into three sections: the first is responsible for production of some of the subassemblies and their installation in the finished product, the second is responsible only for the production of another set of subassemblies, and the third produces those subassemblies that involve electronics. The works whose closure is examined here was one of the 13 industrial sites of the 'subassemblies and systems' section, whose turnover and workforce at the end of 1998 were, respectively, FFR 21 billion and 15 500 people. The economic situations of the various entities that make up this complex are as follows: the group is profitable; the division is profitable; within the division, two of the three sections are profitable, but the one to which the works belongs is loss-making; the works itself is profitable.

The works itself had the status of a company, and it was therefore at the level of that company (Continental-Teves) that the works council was established and the information and consultation procedure would be organised. This company is an affiliate of a French SNC (a form of limited partnership), which is itself the affiliate of a holding company representing some of the Continental Group's participating interests in France. The works is located in the eastern part of the Paris region and employs 280 people on open-ended contracts, 2 on fixed-term contracts and 5 apprentices.

The works is unionised, the only union represented being the CGT. The works council comprises 5 permanent and 5 alternate members.

A fairly successful system of staff retraining

The case under review is typical of the course followed by industrial restructuring operations as carried out in major groups, and at the same time provides an illustration of the various choices open to those involved in the course of this type of process.

The decision to shut down the site formed part of a chain of economic causes and effects, and a context, resulting from those delocation/relocation movements that are typical of the present period. For reasons of cost and choice of organisation, both industrial and logistical, the global players regularly have to make decisions to open and close production units owned by them in various countries. Thus, the restructuring operation considered here took place within the context of the continuous reorganisation of one of a group's areas of activity of in Europe. The history of this restructuring can be summarised as follows. In 1991, the group opened a works in the former East Germany, in competition with the French site which was undergoing its first restructuring at that time (relocation of some of the workload). In 1996, a site was opened in the Czech Republic, supported by the closure of the Spanish site, and the French site was restructured for the second time. This operation was followed two years later by another, which provides the context for the subject of our study: the closure of the French site (the restructuring operation examined here) and of the German site in order to concentrate and reassign production operations to the Czech site. The operation considered here thus involves a long timeframe (nearly ten years) and a broad geographical extent (Europe including the candidate States).

The site analysed here employed 720 people in the early 1990s and 280 by the end of the decade when the shutdown was announced. It is highly probable that the decision to close the French site had been taken somewhere between those two dates, very probably in 1996, during preparation of the plan that finalised the shutdown of the Spanish works and the second transfer of production from the French to the Czech works.

When Continental purchased ITT's subassemblies and systems division, the plan to shut down the French works therefore did not envisage an immediate announcement of what was already a long-standing decision. It should be noted here that situations of this type are common, especially when restructuring leads to the

closure of a site - and above all an industrial one. The decision to close therefore predates the announcement of closure, often by several years. The present case is an example of that. In a small but steady number of cases, restructuring is implemented in the form of a bankruptcy filing. Finally, in the third category of cases, the announcement is made after the decision has been taken, and a process of retraining is embarked upon. In the first two cases, the choice of procedure is based on the assumption that economic and industrial advantages may be derived from delaying the announcement: the hope is that production can continue under acceptable quality, productivity and cost conditions. This procedure, which is very socially irresponsible, sterilises the period during which the announcement is deferred, so that the other stakeholders cannot take advantage of it to anticipate future restructuring operations. It also involves substantial social risks, of which Vilvoorde provides an example.

In the third case, two difficulties arise. First, business activity has to continue under difficult conditions, the announcement of the closure being likely to create an atmosphere which all those we met agreed was a trying one. Secondly, it is necessary to embark upon a process of planning alternatives, in the absence of which no cooperation is possible between participants whose futures and interests are violently opposed.

When Continental purchased ITT's brake systems division, the management of the French affiliate took three socially responsible decisions:

- to announce the future closure as quickly as possible, thus putting an end to a falsehood that had already been in existence for over two years,
- to look for new economic activities,
- and to prepare a redundancy programme aimed at retraining the 280 people employed at the works.

We identified three factors that led to this decision, among which the first was critical:

- A joint decision by the site management and the management of the French holding company not to embark upon a restructuring process that would not take place under satisfactory social conditions.
- A risk to the group's image and international reputation, which was regarded by its management as a stimulus to embark upon redeployment measures.
- The existence of the Vilvoorde case, which both provided evidence of the risk in question and established a cost reference for operations of this type.

It was these decisions - and that taken by the local management to organise a transparent process - that would make it possible to prepare a redundancy programme whose results may be regarded as very good in view of the redeployment statistics.

Final balance sheet, one year after the start of the operation

	Absolute	%
Early retirement	22.0	8.0
Redeployment within the binding company	54.0	19.6
Redeployment within the logistics company	79.0	28.6
External redeployment	47.0	17.0
Business start-ups	4.0	1.4
Other solutions	6.0	2.2
Employees not covered	14.0	5.1
Job seekers	50.0	18.1
Total	276.0	100.00

Once the decision to announce the closure had been made, it was immediately followed by another decision to look for new activities to compensate for the closure of the works. A working group was set up, christened OPTH4 and comprising the site manager, the French Human Resources Department, two industrialisation consultants, a lawyer and the group Human Resources Department. Finally, sufficient time (two years, ending on 31 December 2000) was allowed for the operation to be conducted satisfactorily. This quest would result in the establishment - with financial support from Continental - of two activities, binding and logistics, which would offer a total of 170 sustainable jobs to those employed at the Continental Teves works.

Measures designed to establish new economic activities in the area which the Continental Group was leaving were accompanied by the establishment of a retraining mechanism for employees, the key measures of which resulted in the following organisation:

- a steering committee on retraining, involving the social partners,
- the use of professionals to organise a job-seeking system whose task was to produce a balance-sheet and skills assessment for the employees, help them to plan new careers, and help them to find job offers,
- arranging sufficient time (in this case in the form of redeployment leave) for employees to arrange their retraining,
- finalisation of a valid offer of employment under open-ended contracts, which established the objective of finding long-term solutions for the employees concerned.

The complex comprising the steering device for the retraining operations (industrial and social), the creation of economic activities in the region concerned and the introduction of a retraining mechanism for the employees are the tools used by the undertaking to exercise its social responsibility in the event of retraining.

Discussion of the case

There is no doubt about the socially responsible behaviour of the management of the French companies concerned here. Indeed, in the case under consideration, one may wonder how the undertaking would have exercised its social responsibility without their commitment. But it should be noted that, under French law, the measures adopted do not really go beyond what is legally required, since Article L 321-4-1 of the Code du Travail lays down that a redundancy programme must include 'a plan for the redeployment of employees' and that this plan must provide measures such as the 'creation of new activities, training and retraining

schemes and schemes for redeployment inside or outside the undertaking'. This fact has become even clearer since the vote on the Loi de modernisation sociale, which provides that 'schemes to promote redeployment outside the undertaking, particularly in the form of support for the reactivation of the labour pool' (new wording of Article L 321²⁴) must be initiated by undertakings that are required to prepare a job protection plan.

The staff representatives voted in favour of the retraining plan; today, they still take a positive view of what was done in this area. Certainly, the results in terms of employment are clearly superior to those disclosed by the studies and statistics published by the Division des études statistiques (Statistical Studies Division - 'DARES') of the Ministry of Labour. But the procedure as a whole has been the subject of heated debate, involving a complaint to an employment tribunal by about a hundred employees. They challenged the reality of the economic ground for the restructuring operation, and the fragility of an isolated and localised process for exercising social responsibility should be noted. Thus, although the establishment of a redeployment plan did produce results, it did not legitimise the decision to close the works, which is still the subject of widespread incomprehension and opposition among the employees and their representatives. This poses the problem of the sustained consistency of the company's exercise of its social responsibility, and also the problem of the consequences of the action taken: the management, which had committed itself to the creation of this socially responsible process, now has to justify an increase in the costs of the operation that would result from an unfavourable decision by the tribunal.

This situation emphasises the central role of information in the process of exercising social responsibility, and the case considered here makes its importance doubly apparent. The announcement of the decision to close the works, when it was confirmed by the acquiring group, and then the information and consultation of the workforce throughout the process made it possible for the retraining operation to exist. Conversely, the organising of the process of information on the economic decision and the timing of the announcement of that decision are still unresolved issues in this case.

Finally, it should be noted that, although the employees had the use of the works council as a forum for debate and appropriate exchanges of opinion, and their union organisations to represent their interests at local level, no such forum was available to the other stakeholders. The labour authority was informed (as required by French law in the latter case) of the decisions taken, and the redundancy programme was submitted to it for an opinion in the course of an iterative process. The local authority concerned and the Conseil Général of the department were also notified of the action which the company intended to take. In this latter case, however, the exchange of information did not result in a more advanced process of consultation.

Arcelor/Usinor

Preliminary remarks

When the panel of undertakings for this study was selected, Usinor was chosen under both headings - restructuring and employment on the one hand, subcontracting and working conditions on the other. Since then, the ARCELOR complex has been created by the merging of Usinor, Arbed and Aceralia, which has brought about considerable changes within the undertaking, followed by the announcement of restructuring operations, and has greatly delayed our work.

Consequently, we give here:

- the initial findings on Usinor's policy on restructuring,
- the initial findings on the question of subcontracting, which are confined to the works at Fos-sur-Mer, in the knowledge that shortage of time has made it impossible to provide more than a rough sketch of the comparative and transnational aspect deriving from a similar type of analysis of the works at Liège (Usinor/Cockerill Sambre).

USINOR and its restructuring policy

The undertaking studied here is one of the world leaders in the iron and steel industry and has long experience of restructuring operations, which it is well known to have approached in a spirit of social responsibility. In this context, it seemed to us preferable to analyse how that responsibility functions overall at group level, rather than confining ourselves to a single example as we have done elsewhere.

At present, the group is operating under multi-year agreements entitled 'A cap 2000', signed in 1990, and 'Cap 2010', signed in 2000. This latter agreement, signed by four of the five French union organisations represented within the group, is defined as 'a mechanism for implementing a global social project, participating in the cohesion of the group companies, in what is now a decentralised organisation'. Within this complex, commitments relating to restructuring operations and their effects on employment are included in a chapter entitled 'Management and guarantee of employment', which comprises five sections:

1. reducing the average age and renewal of skills;
2. recruitment policy;
3. pre-employment;
4. adaptation of the level of employment in the event of a redundancy programme;
5. special case of major restructuring operations.

Restructuring is thus seen as forming part of a broader complex - that of employment management - and the last two subsections, devoted to restructuring:

6. first specify that 'the group companies hereby undertake to use mechanisms more favourable to the workforce than those required by national law',
7. and secondly list the 'measures and rules' that the group companies are to take into account, which are: transfers to part-time working; progressive early retirement; collective reduction in working hours; the vocational support mechanism (which allows a period of paid employment during which the employee can undertake his retraining); and specific schemes for the oldest employees.

These arrangements are backed by use of the services of a professional retraining company (which was created by the group 20 years ago, but in which it now has only a minority holding), with a particular responsibility for making valid employment offers to employees undergoing retraining.

From the standpoint of the mechanism applicable in the event of restructuring, it will be noted that it is similar to that described in the 'Continental Teves' case. Similarly, and although no mention is made of it in the

agreement, the group considers that it has a responsibility, in the case of major restructuring, to help to re-create, in the relevant employment pool, a number of jobs equal to that which it is shedding, by participating in the creation of a new economic fabric.

What emerges from the French case study, then, is a consensus to the effect that, in the event of restructuring, corporate social responsibility means trying to reduce the number of dismissals and, where dismissals are inevitable, to participate in the reactivation of the employment pool and the retraining of employees, using a mechanism whose tools and overall architecture are known and easily described.

Discussion of the case in connection with the restructuring operations

A number of points are worth emphasizing:

1. The scope of application of the agreement comprises all the French affiliates. The social responsibility of the group is therefore geographically limited, which does not mean that no responsibility attaches to the implementation of decisions producing effects outside France, but that there are no formal arrangements for that area.
2. The tools for implementation are two in number: one that acts as a depository for specific retraining know-how (Sodie, Société d'aide à la reconversion des salariés et des territoires) and a group task force comprising lawyers and human resources officers. However, these two 'tools' are available to the usual chain of command, those generally responsible for the affiliates concerned being required to take responsibility for the operations. The objectives of the operation are incorporated into the current reporting of the units concerned, and the extent to which objectives are achieved is monitored. The whole operation is conducted as a project (planning of the objective, formation of a dedicated team, finalised organisation of resources).
3. The group's commitment in the field of restructuring arises from a commitment by central management, the stated philosophy of which was 'not to leave anyone stranded'. The group is thinking about incorporating the framework defined by corporate social responsibility, but has not yet decided to do so.
4. If agreements are concluded between the social partners (trade union organisations and group management), the French public authorities are notified accordingly, particularly since they are financing some of the measures. At present, the public authorities are withdrawing and the group management faces the problem of knowing where the limits of corporate social responsibility lie.
5. Finally, in the field of regional planning, the group is active but has no established consultation structure. A committee made up of local elected representatives exists for cases where facilities are shut down, but it is informal.

USINOR, subcontracting and working conditions

Presentation of the Usinor/Sollac installation at Fos-sur-Mer and the Usinor/Cockerill Sambre installation at Liège

Fos-sur-Mer

The Sollac works at Fos is, like that at Dunkerque, among the more recent (1973) ARCELOR (formerly USINOR) group sites in France, a factor common to both being their location by the sea, which has been a favoured strategy of the group for some time now. Specialising in flat products for the motor industry, among others, the Sollac-Fos works employs about 2 900 people, to which may be added 1 500 subcontractors' employees on site, in other words employed within the Sollac works itself.

A large proportion of maintenance work, and some aspects of operations, have always been subcontracted ever since the factory was commissioned. At present, the distribution of internal production costs is as follows: 30% of the total, 70% subcontracted (€149 million in 2001).

Liège

Cockerill Sambre is now a wholly owned affiliate of Arcelor and has two major sites in Belgium - Charleroi and Liège - and several important affiliates. The company produces about 1 million tonnes, especially for the motor/construction sectors and industry, and employs about 10 000 people, of whom between 5 000 and 6 000 work at Liège. It is currently experiencing economic problems, notably:

- substantial losses in 2001 (turnover of €2 000 million), and probably again in 2002
- a cost-cutting campaign, of which one third, relating to labour, is currently under preparation; this should be largely dealt with by an extensive early retirement plan and the outsourcing of some activities to affiliates.

CS subcontracts much less than Arcelor-Fos (one third as much, 15/50) and applies this policy only to 'obvious' tasks (industrial cleaning, etc.) and a few peripheral industrial jobs.

A centralised voluntary work safety policy

Safety at work is one of the essential corporate values of Usinor/Arcelor . Thus:

- in Usinor's corporate charter, adopted in June 2000 under the aegis of the former Chairman, Francis Mer, 'giving unconditional priority to the safety and health of our workforce and all those working on our sites' is stated as the first principle of management activity;
- furthermore, full control of safety is one of the criteria of the group's purchasing policy, which is broken down by 'families' of operations in the form of guidelines, known as 'OPTIMUS', which take the form of:
 - a supplier selection grid;
 - a system for evaluating services and contracts, where several social criteria are taken into account, including safety, which is assessed by indicators relating to compliance with the rules, the wearing of protective equipment, the condition of equipment and tools, and training and organisational capabilities;
 - human resources and technical management, assessed in terms of the general competencies of management, the state of equipment and tools and the long-term management of skills.

The significance of subcontracting at Fos: situation, problem, approach

The situation at Fos

Subcontracting has been on the increase since the 1980s. The relevant characteristics today are as follows:

- 80% of maintenance is subcontracted
- 60% of mechanical activities are subcontracted
- only 30% of electrical activities are subcontracted

In addition, a not insignificant proportion of internal energy supplies, maintenance and some aspects of the operating process are subcontracted.

This subcontracting, primarily in maintenance but also in operations, is organised on four levels:

- force-account working (essentially provision of labour, now greatly reduced)
- schedule (specific and repetitive task)
- level 1 contract (clearly defined operation with a known duration and advances to be achieved)
- level 2 contract (broad sector of activities devolved on one area, long-term duration and advances to be achieved)

Over the years, the undertaking has reduced the number of subcontractors and has structured its main operations around some twenty enterprises which, in both maintenance and operations, now perform nearly 80% of the total subcontracted (in euro).

Subcontracting and safety problems at Fos

Following a major strike, which related to the corporate management style, working conditions and social conditions in general, an active safety policy has been conducted since the 1980s with a view to reducing the number of on-the-job accidents, which had reached alarming levels. This policy has been notable for numerous voluntary schemes which have greatly reduced the number of on-the-job accidents (with a slight increase again from 1999). Thus, the on-the-job accident rate at Sollac has for some years been fluctuating between one and four. At the same time, the situation with regard to subcontractors' safety at work was giving serious cause for concern (numerous fatal and serious accidents at work, use of 'black' labour, etc.) which prompted the company to adopt, from 1986 onwards, an active policy with regard to the work safety of on-site subcontractors.

Thus, as a result of numerous initiatives, in relation both to its purchasing policy and to its strictly health/safety based policy, the undertaking has succeeded in reducing the rate of on-the-job accidents among subcontractors to well below its 1980s levels; it has now fluctuated between four and seven for several years. Even so, this represents a ratio of 1:3 to the accident figures for Sollac's own employees.

Sollac's instruments for subcontracting and safety at work

These comprise:

- A combined figure for on-the-job accidents involving Sollac personnel and on-site subcontractors. This figure is included in the works' overall performance figures, and the director is accountable for it to head office.
- An obligation for the company to introduce a safety action plan - referred to below as the safety/environment action plan - before taking any action, setting out:
 - its mode of operation and the risks assessed;
 - the resources to be employed;
 - the measures the company favours for achieving an optimum level of safety.
- Safety audits, relating both to the provision of subcontracted services (audit conducted on site) and safety system audits which relate to the subcontracting undertaking's safety policy as a whole and are carried out at its premises.
- An annual safety challenge and annual safety meetings involving Sollac's 130 subcontractors.
- The drafting of a safety charter covering both Sollac and its main subcontractors, laying down seven general principles relating to safety and working conditions.
- The creation of a 'Corporate Safety Club', bringing together ten of the main subcontractors, which provides a common forum for the managements of Sollac and its subcontractors to consider aspects of safety at work.

In addition to all the above, there is the role of the health, safety and working conditions committee, which at Sollac-Fos is structured around six separate committees for the various divisions of the works plus a coordinating committee and which, in addition to its general role of putting forward opinions and proposals regarding the corporate health and safety policy, undertakes:

- inspections of installations and construction sites for which Sollac and its subcontractors are responsible;
- a regular review of the prevention plans;
- a warning system, activated when employees' or subcontractors' working conditions involve a significant level of risk (a warning being given which may cause work to be suspended in cases of serious danger).

The emergence of a problem at Liège

Subcontracting at Cockerill-Sambre

It is only very recently that the issue of subcontracting/outsourcing has become a significant problem at CS. Much of it takes place in the form of force-account working (leasing of man-hours for specialised workers), and it was to be gradually replaced by more sophisticated practices.

At present, in the context of the undertaking's restructuring operations, this policy of replacement is becoming more vigorous, either through projects (already implemented or ongoing, in some cases) to outsource operations to affiliates or share control of operations - or through outsourcing or the use of subcontracting for less peripheral tasks than formerly.

In the course of the 'Delta' cost-cutting plan, for example, the social partners were informed that outsourcing would be practised for activities not forming part of the 'core business', on the basis of the following list of criteria: the outsourcing must be in the company's economic interest, the partners must have genuine know-how, they must respect workers' rights within the spirit of CS, and the relocation of operations must be socially acceptable. A document has been prepared, but has not been signed by the union delegations, which are refusing to endorse outsourcing as such.

The approach to safety issues at Cockerill-Sambre

The issue of safety at CS is one of the management's priorities. Results have been improving for three years, but are still much less good than Arcelor's highest standards. One of the problems is that the accidents that occur are very serious, hence the drawing-up of very strict action plans on this issue. In particular, there are plans to introduce information campaigns of the type already tried out at Sollac, in particular. They will prioritise the solving of internal problems at CS and the achievement of an 'exemplary' position before addressing that of co-contractors and subcontractors.

CS is already beginning to establish relations with its co-contractors based on various criteria including safety results, with the possibility of withdrawal in the event that these are unsatisfactory (making allowance for the fact that a company may be good at one site and bad at another). In addition, and in the wake of a fatal accident that occurred on the premises of an electrical subcontractor, specific schemes are to be organised with undertakings in this sector, stressing quality of management, on-site presence and audits and risk assessment studies. Finally, CS says that information will be provided on any accident occurring on its site from now on.

Discussion of subcontracting and safety at work

A great many of the measures and instruments employed by Sollac-Fos fully comply with the definition given in the Green Paper, since many of them are voluntary and go beyond - in some cases far beyond - the provisions of any legislation or agreements. That said, however, there are many questions that the company might be asked. By contrast, the issue of responsible subcontracting is just beginning to arise at Liège, against the difficult background of the restructuring of Cockerill-Sambre and the formation of the new Arcelor group.

The question of on-site contracting and purchasing

Although a purchasing policy exists for all the group's activities, it is notable that:

- the question of socially responsible practices essentially relates to on-site maintenance and operating activities, on the one hand, and almost exclusively to issues of safety at work, on the other;
- on the other hand, other aspects of the supply chain are less involved, if at all, such as the purchasing of raw materials and distribution and logistical activities;
- finally, social criteria other than those relating to security are virtually never mentioned or do not extend to the working conditions of ore suppliers in the southern hemisphere countries (Brazil, Mauritania, etc.).

The question of interference with subcontractors

CSR and subcontracting raises a fundamental issue that has arisen from the discovery of practices that go beyond the law. The principle that governs subcontracting is partly that of freedom of enterprise and partly that of contractual freedom. However, the practices developed by Sollac-Fos with its subcontractors involve some degree of 'social' interference with legally separate undertakings. Interference as such is nothing new: other forms it has taken include the numerous audit and quality certification procedures. But this form of

social interference is quite exceptional. It may even go to the lengths of applying a number of penalties, such as exclusion from contracts, exclusion from invitations to tender and even the discontinuation of ongoing services. It will be instructive to note whether this occasional practice becomes general within Arcelor, beginning with Cockerill-Sambre, and whether it develops within other groups. On the other hand, it should be noted that non-interference is also sometimes equated by the public or the courts with culpable indifference.

The question of indicators

One of the issues raised by the Usinor/Arcelor policy is that of the instruments used to quantify the issue of health and safety at work.

First, the reliability of counting accidents at work is controversial. After all, a subcontractor's accident rate is the accident rate he is willing to admit to. The staff representatives at Sollac/Fos are questioning this method and saying that a significant number of subcontractors' accidents are not reported, thus enabling the undertakings in question to appear to comply with their specifications and so continue to work for Sollac. As far as the Sollac management is concerned, if such phenomena do exist they have no evidence of them and regard them as marginal.

On the other hand, it is striking to note that only the on-the-job accident indicator is taken into account: the occupational illness indicator is disregarded. The company's management says, on this point, that the on-the-job accidents reported to it are those that have definitely taken place on the company's site, whereas an occupational illness may have been caused when providing services for other customers, since Sollac's subcontractors are not bound to it by an exclusive arrangement.

The question of the audit

Audit procedures at subcontractors' premises are conducted jointly by representatives of Usinor/Arcelor and of the service undertakings. Bearing in mind the conflict of interests that may exist here, how objective can the results of these procedures be? Not only that, but they are at present conducted without any prior or subsequent consultation or information of the representatives of the workforce, who have not succeeded in becoming involved - although they have recently claimed the right to do so.

The question of the social dialogue

Subcontractor safety policy is essentially a managerial policy, both as regards the provision of the instruments, which are almost all devised by the group, corporate or works management alone, and as regards the implementation and evaluation of that policy. At Liège, the document put forward by management has not been signed by the unions.

There is a contradiction between the determination to go much further than the law requires in inter-company relationships and a desire to restrict the social dialogue to those areas where legislation requires it. It is interesting to note that this situation is undoubtedly changing, the management imposing the implicit condition that the staff representatives abandon their mistrust and structural refusal of subcontracting. One crucial point remains: most subcontracting undertakings, because of their size or their history, have no social dialogue structure or, if they have one, it is very weak. Extending the powers of the employees' representatives at Sollac to include subcontracting would address only one aspect of the question; they have neither the authority nor the capacity to replace the representatives of the subcontractors' workers.

The question of the dissemination of good practices in the environment of Sollac-Fos

The difference between practices at Fos and Liège is significant, and cannot be explained solely by the difference in the volume of work subcontracted. The challenge of the dissemination of 'good practices', which has already arisen at Usinor, is, a fortiori, becoming even greater at Arcelor. Furthermore, the question of local dissemination of good practices has also arisen. In other words, is what Sollac is doing at Fos producing a dissemination effect and spreading among the subcontracting companies, and more particularly the SMEs of the Marseilles region? It would seem that the more significant of them have moved from a passive position to an active one on the issue of safety at work. But what about the others, for whom the constraints imposed by Sollac are primarily 'bureaucratic' ones which are doing nothing to change the way they think and act on safety issues?

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