



Observatoire sur la Responsabilité Sociétale des Entreprises

# International Social Reporting The Practices of French Companies

Report by the Working Group

October 2004

# SUMMARY

## Introduction

### Topics Covered in Reporting

- Chapter I: Workforce, Status, Employee Turnover
- Chapter II: Working Hours
- Chapter III: Compensation and Social Protection Benefits
- Chapter IV: Health and Safety
- Chapter V: Training and Professional Development
- Chapter VI: Diversity
- Chapter VII: Industrial Relations
- Chapter VIII: Restructuring and Reorganisation

## Annexes

- List of Speakers
- Comparison of GRI and NRE indicators

## Introduction

This document was produced by the ORSE social indicators working group, which met for two years and was composed of business, labour unions, asset/investment managers, NGOs and professional organisations.

The workgroup's goal was not to create just another reference document, but to:

- provide an idea of good French practice on social reporting (the topics on which companies typically report, how they conduct their reporting, the problems they confront and the expectations of stakeholders present in this working group);

## The Social Indicators Group Workplan

The workgroup proceeded as follows:

1. The broad field of social issues was divided into topics based on several international legal and institutional reference documents: ILO, OECD, GRI, and legal requirements issued under France's NRE law (New Economic Regulations).
2. One or more work sessions were organised to address each topic.  
Each meeting produced:
  - a comparative study of various reference materials to determine how each addressed the particular social issue;
  - one or more sessions with business experts and practitioners;
  - exchanges among participants on indicators and practices;
  - a proposed set of international indicators that the work group found to be relevant.

## Introduction to the Document

The workgroup addressed the full range of social issues related to company human resources policies:

- Total workforce, employment status, employee reassignment
- Working hours

- show what a social reporting tool might look like, based on the practices of French companies.

Establishing a reporting process takes time, modest goals and sensitivity. Indeed, it would be pointless to ask a company to respond exhaustively on each of the issues selected.

Given its business model and its stakeholder expectations, every company must decide for itself which international social issues are relevant and design its reporting process on that basis.

The following materials were analysed:

- reference documents referred to above;
- questionnaires from sustainability analysis organisations;
- business reports: annual reports and other information on sustainable development to identify the indicators and best practices of French companies abroad.

Our primary limitation was that this investigation was restricted to public documents and those provided by the companies themselves. Internet-based documentation was thus not included.

Comment: no company uses all the indicators or implements all the best practices mentioned here. That would be unrealistic since company reporting must address relevant issues based on geographic and sector specifics and on stakeholder expectations.

- Compensation and social protection benefits
- Health and safety
- Training and professional development
- Diversity
- Industrial relations
- Restructuring and re-organisation

## Data-Gathering Problems

The quality of international social reporting depends, to a large extent, on the data-gathering methods used by companies.

In this respect, companies will have to overcome certain problems involving both substantive issues (for example, the relevance of the indicators) and practical, data-gathering constraints (for example, resources). Neither category can be ignored.

As they move forward, companies will discover that instituting an international social reporting system is a long-term process, raising problems and requiring patience.

### **1. International social reporting as an on-going process of continuous improvement**

Companies have implemented social reporting processes without waiting to be required to do so by law. Because indicators are intended primarily to pilot companies, data collection systems have existed for many years. What is new is that in recent years, the process has been formalised and often computerised, thereby rendering systematic a practice underway for more than 10 years.

Businesses are concerned about adding and gradually extending:

- the number of internationally consolidated indicators;
- the scope of reporting; and,
- the quality of the indicators.

According to companies, the best way to avoid daunting those local managers who will be responsible for information feedback is to begin with a few simple indicators.

### **2. Consolidating Reporting on Local Issues**

If international social reporting is to be material, it must meet two, sometimes contradictory, requirements: consolidating reporting on social issues while recognising they are principally local in nature. This dilemma is particularly pertinent for companies organised on a decentralised model.

An international social reporting method that ignores this dual requirement will provide only a compilation of specific situations, not a coherent overall assessment that makes sense in terms of management and strategy. Company management must therefore be involved if international social reporting operations are to be successful.

Management defines company strategy with respect to labour issues and establishes priority areas for measuring progress. It ensures consistent company policy on these matters. Moreover, management is the only entity with the requisite legitimacy to convince those who will conduct the reporting that the approach is sound.

### **3. Boundaries for Consolidating Information**

Some indicators are meaningful only if they can be observed over time. However, consistent comparison is possible only if the spatial reference boundary remains stable. The less the variation in the reference boundary, the greater the materiality and the easier it is to compare.

This is a recurring issue in the field of reporting because economic and financial imperatives do not always correspond to the rationale that drives social reporting. To make sense of heterogeneous data, businesses strive to define the boundaries of each indicator clearly.

They can be set in relation either to:

- sales data covered by reporting,
- or the percentage of the workforce covered.

#### **a. Legal scope: the issue of subsidiaries and subcontractors**

Mergers and acquisitions of subsidiaries occur regularly in the business world. It is thus very difficult to stabilise reporting boundaries and also to merge information systems required. However, the issue of subsidiaries per se is less problematic than the issue of those that are not in majority owned by the company.

#### **b. Geographic scope**

Not all data can be internationally consolidated, either because consolidation would not make sense or because data are not available at an international level.

Should part-owned entities be included in the scope of reporting?

At what level of ownership does the business believe it is socially responsible for a subsidiary's practices? It can be difficult to determine who holds managerial control of an entity.

In addition to these preliminary questions, a company wishing to report on a jointly-held subsidiary faces a dilemma: how can a manager be persuaded to respond to multiple reporting requests from a variety of separate companies each, perhaps, asking different questions?

#### **4. The Reporting Environment**

This presents several problems.

**The first** is identifying the appropriate contact person and supporting him/her in a complex process requiring real backing from the company, particularly in terms of explaining why the process is important.

Here, some companies try to assess how well human resource management supports the local managers responsible for reporting in the company's various entities.

**The second** problem is about coordinating the different information suppliers within the company. Information gathering relies on several networks such as human resources, sustainable development and internal controls. They operate side by side and need to be organised into the same information system.

#### **5. Reconciling Diverse Legal and Institutional Reference Texts**

It is difficult for multinationals present in many countries to reconcile labour law regulating the company's activities with the various local cultures.

In some countries, labour law is virtually non-existent, while in others it may be a model of best practice. How can such varying situations be taken into account in one and the same reporting system?

The International Labour Organization's fundamental labour law conventions apply to all companies, sectors and countries but they represent only a baseline. In some countries, companies go beyond that baseline, while in others they struggle to reach it. Companies must thus reconcile both different local cultures and different degrees of regulation.

#### **6. Reconciling and Harmonising Different Sector Specifics**

A company must confront two possible pitfalls in creating its international social reporting system.

It must develop:

- on the one hand, a range of indicators that allows the company and its stakeholders to make comparisons with other companies in the same sector;
- and on the other, indicators that reflect its own specific characteristics.

If the company operates in a variety of business sectors, how can it reconcile these two requirements with the demand to provide a single social report? Efforts at harmonisation are often unsuccessful.

#### **7. Choosing Relevant Indicators**

The relevance of indicators will greatly depend on solutions to the problems identified above and on the company definition of the purpose of social reporting: comparison for defining strategy, communication, etc.

Company purpose did not change with the emergence of the concept of CSR. Profitability remains management's key objective. If a company is to establish a sophisticated international social reporting system, that system must serve primarily as a tool for strategic deliberation and must create value.

The social data gathered must provide the company with a scorecard and help it to make economic and social decisions.

To do so requires achieving a delicate balance between too many indicators, which would be counter-productive, and too few, which would prevent the company from drawing the most accurate picture possible of its own reality.

For French trade unions, several conditions must be satisfied if they are to consider international social reporting as a relevant process. The main condition resides in social dialogue between company management and employee representatives.

## Trade Union Confederations' Comments

For **CFDT** (French Democratic Confederation of Labor), "the important point is for the face value of the indicators to match the concrete reality of CSR as practiced by a given company...."

From that perspective, the Confederation considers social dialogue on these questions to be of primary importance. Dialogue is essential to avoid the development of best CSR practices, based only on voluntary commitments, turning out to be a fool's bargain.

For CFDT, this does not mean a co-management approach, as decision making must remain a management prerogative. But neither does it mean simply holding an annual consultation with trade union groups and employee representatives to review the auditor's report ... Writing social reports (NRE, or New Economic Regulations) should be part of a continuous improvement process based both on social dialogue and reformed corporate governance..."

According to **CFTC** (French Confederation of Christian Workers), reporting represents high stakes for social dialogue and sustainable development.

"Until labour, as a social partner, is consulted on the reporting exercise itself, the process will remain tainted with the die-hard image of a fancy marketing ploy. This is harmful for companies which are making genuine efforts in the area of social responsibility and sustainable development."

"**CGT** (General Confederation of Labour) emphasizes the importance it places on the existence, relevance, quality and sincerity – therefore transparency – of social and environmental reporting on business activities. CGT calls on multinational companies to provide such reporting on a global level. At the national level, France's new economic reporting regulation is a positive step. However, social responsibility cannot be established without monitoring procedures.

For the CGT, three forms of monitoring are particularly essential:

- 1. Setting up measures and means of verification (and sanctions), primarily by:*
  - recognising trade union organisations as partners in the monitoring process at the central works council or company works council level. The process should then be implemented at the European Works Council and/or global level;
  - creating an organization within a public institution involving trade unions, NGOs, government representatives and businesses;
  - extending auditors' certification of socio-economic data and publishing and distributing the relevant works council opinion on social and environmental policy.
- 2. Establishing worldwide boundaries for social reporting and consolidation;*
- 3. Using materiality as a criterion in developing social reporting indicators."*

## Topics Covered in Reporting

In the introduction, we noted that global indicators do not address every dimension of local social responsibility. The relevance of an indicator or practice depends on how it is interpreted.

This is particularly difficult because any interpretation must strike a balance among a range of requirements:

- provide a portrait of the entire group
- contribute to the overall coherence of the group's different policies <sup>1</sup>
- allow management to address social issues in a meaningful way <sup>2</sup>
- serve as a tangible basis for dialogue with social partners
- help investors assess the company's social risk factors.

While it is difficult to standardise data collection in order to create a uniform process at the international level, it is equally challenging to interpret accurately the indicators that have been selected as relevant.

These two points are developed below.

Each chapter includes:

- a review of corporate social responsibility (CSR) issues
- a review of the legal and institutional framework
- the indicators as mentioned in company reports
- the indicators that the ORSE work group found to be relevant.

Some indicators are overarching; for example, the one dealing with information provided to worker representatives and/or employees on labour issues, including compensation, social protection benefits, etc.

We will not repeat them systematically on an individual basis. They will be included in a much more general indicator:

“description of the policy regarding [xyz].”

<sup>1</sup> Varying interpretations of certain social indicators may reveal differing viewpoints across company departments and may be a factor in the power relationships among them.  
The relevance of the indicators and their interpretation will depend largely on the extent to which they support social cohesion.

<sup>2</sup> This requirement is fundamental in reporting because such a tool can easily mask the objectives of the human resources policy. This requirement is fundamental in reporting because such a tool can easily mask the objectives of the human resources policy.

# Chapter I

## Workforce, Status, Employee Turnover <sup>1</sup>

<sup>1</sup> In certain reference standards, these three items are included under the general heading, "Employment."

### CSR Issues

Employment is a social responsibility issue in that it raises questions about how the company:

- works to reduce job insecurity
- provides high-quality employment opportunities.

The International Labour Organisation (ILO) and the European Foundation for the Improvement of Living and Working Conditions also refer to these as "employment security."

For companies in sectors such as automobile manufacturing or volume retailing which frequently rely on non-standard employment (including part-time, contract and temporary work), the issue of social responsibility is particularly sensitive because it involves responsible management of a combination of different forms of employment and employment status.

In addition to the challenges of reporting on these two issues, is the difficulty of interpreting indicators when their meaning may vary from country to country.

The interpretation of external staff turnover rates may differ depending, for example, on:

- the age pyramid
- the cultural aspects of the labour market (in Anglo-Saxon countries, employees' external – that is, cross-firm -- mobility is seen as a positive sign of initiative)
- the low level of social protection (in some countries, high turnover rates are linked to flexible, even non-existent, social protection laws rather than to actual practice)
- the country's level of economic development and the relative weight of internal and external labour markets.

In some emerging countries and industries, job opportunities are numerous and staff turnover is, therefore, high.

### Legal and institutional requirements

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*"Multinational enterprises equally with national enterprises, through active manpower planning, should endeavour to provide stable employment for their employees and should observe freely negotiated obligations concerning employment stability and social security. In view of the flexibility which multinational enterprises may have, they should strive to assume a leading role in promoting security of employment, particularly in countries where the discontinuation of operations is likely to accentuate long-term unemployment."*

*The OECD Guidelines for Multinational Enterprises*

*"Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country"*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.1 a) "Total workforce, recruitment with distinction between fixed-term contracts and permanent contracts and analysis of possible difficulties with recruitment, lay-offs and their grounds, overtime, labour from outside the company"*

*Sustainability Reporting Guidelines 2002, GRI LA1. Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country.*

*LA2. Net employment creation and average turnover segmented by region/country.*

### Indicators and Corporate International Best Practices

Company efforts to counter job insecurity and support regular employment may appear under different headings, including:

- status report on the company's employment situation
- company policy and goals
- methods used.

# STATUS REPORT

## 1. Workforce

Companies report on this question:

- in terms of change over time
- including or excluding temporary employees
- incorporating (or not) changes in the reporting perimeter.

Company choice of reference periods is based on the specifics of their industry. In the hospitality industry, to account for the unusually high level of activity during the summer holiday season, “normal” social reporting is conducted on an annual basis, excluding July and August.

Companies have tried to report on this question by proposing definitions that are not tied to cultural particularities. They do not refer to open-ended or fixed-term contracts, for example, but rather to contracts with/without time limitations or to long-term contracts.

Comments on the workforce issue address distinctions in employment situations in terms of geographic area and occupation.

### Indicators Used by Companies:

- total workforce
- workforce breakdown correlated to breakdown of sales
- average number of employees
- breakdown of labour per region, country, occupation, subsidiary, gender, age
- renewal rate for employees working under open-ended contracts
- average seniority.

## 2. Employment Status

Companies assess employee status based on two criteria:

- the nature of the contract: fixed-term/open-ended contract and permanent/non-standard contract.

Companies provide qualitative information regarding their use of limited-duration employment:

- adapting employment to changes in demand
- managing new product launches
- addressing temporary recruitment problems

- responding to the need to replace an employee for a longer or shorter period of time

- the employee’s professional category/ occupation: manager/non-manager, salesperson, field staff, labourer, employee, etc.

Some companies found it difficult to provide international-level reporting on particular issues. Regarding the French cadres/non-cadres classification, for instance, they preferred referring to managers/non-managers

### Indicators Used by Companies:

- workforce hired under fixed-term contract/open-ended contract
- fixed-term contracts as a percentage of total payroll
- workforce breakdown per professional category
- outside labour
- number/rate of temporary workers expressed as full-time equivalent
- total sub-contracting expenses for staff and temporary employees.

### 3. Recruitment

Companies report by linking recruitment, professional category, nature of the contract (fixed- or open-ended term) and gender.

Companies provide information on recruitment hiring criteria, including upholding the non-discrimination principle, preference for local recruitment and concern for diversifying diplomas.

#### Indicators Used by Companies:

- number/rate of outside hires
- number/rate of transfer hires
- net job creation
- description of recruitment procedures.

### 4. Termination of Employment Contract

When companies report on this issue, they differentiate on the basis of whether the termination was the result of:

- lay-offs
- job suppression
- resignations

- an age-related policy (pre-retirement, etc.)
- the conclusion of a fixed-term contract
- a collective workforce reduction measure (economic lay-off).

The restructuring issue is addressed separately (see Chapter 8).

#### Indicators Used by Companies:

- number of employee departures per motive
- breakdown per seniority of departing employees
- rate of natural departures (resignation, retirement, conclusion of fixed-term contracts, death).

### POLICY AND OBJECTIVES

Based on industry and labour market characteristics, company objectives may include:

- reducing job insecurity
- supporting long-term employment
- high-quality employment
- building employee loyalty
- managing limited-duration employment responsibly.

### METHODS USED

The methods most frequently used to reduce job insecurity and provide high-quality employment are:

- preferring open-ended contracts
- providing fixed-term contract employees with working conditions similar to those of employees under open-ended contracts.

#### Indicators Used by Companies:

- number of persons recruited under open-ended contracts

## STATUS REPORT

### **Workforce.**

***Number of hires on fixed-term/open-ended contracts, ratio of fixed-term/open-ended contract employees.***

***Number of departures, differentiated by cause.***

***External turnover rate (employees leaving and joining the organisation).***

***Net job creation.***

It is up to the company to choose and explain its own definition of indicators based on the meaning it wants to give them.

These indicators may be fine-tuned, taking into account:

- changes in reporting perimeter
- geographic area
- gender
- professional category.

To the extent practicable, these quantitative indicators may:

- be accompanied by qualitative information
- include a change factor.

Comments are necessary because they explain the context in which companies operate:

- emergence/slow-down of particular markets
- business relocation
- reasons for calling on temporary employment
- changes in technology.

## POLICY AND OBJECTIVES

Company objectives regarding employment. Discussion with employee representatives regarding employment policy and at what level.

Although consolidating indicators regarding company policy and objectives at the international level is difficult, two key CSR issues stand out:

- working to reduce job insecurity
- providing high-quality employment.

It is important for the company to explain its employment policy, the policy rationale and the objectives.

Indeed, these three elements enable a connection to be made between the policy followed and social responsibility stakes.

## Chapter II Working Hours<sup>1</sup>

<sup>1</sup> The issue of employee time off was voluntarily excluded because companies do not report on this question at an international level.

### CSR Issues

Working hours fall into the category of social responsibility stakes since they raise questions regarding:

- the company's commitment to mitigating the negative effects of flexible work hours
- how the company helps employees achieve a better balance between private life and work life
- how the company works to reduce social inequalities with respect to working hours (women, older workers, managers).

While this study does not discuss the legitimacy of flexibility in organising work hours, it does seek to demonstrate how socially responsible companies accommodate both the need to adapt to market demands and their employees' desire for work schedules better suited to their personal pursuits and goals.

Indeed, although flexible working hours may allow employees to achieve a better balance between work and private life (by choosing part-time work, for example), work schedule flexibility may be prejudicial for their health and social lives (stress, biological and social disruption).

Establishing a reporting process dealing with working hours is all the more challenging since the recurring problem of consolidation interferes with major organisational concerns.

Thus, standard work hours vary according to work organisation specific to:

- each professional category (managerial or non-managerial)
- the nature of business activities (industry, services, etc.).

Overtime presents a similar situation. Recourse to overtime increases as the pace of work becomes less predictable (maintenance). On the contrary, it is uncommon in industrial sectors characterised by a steady work rhythm (the steel industry, for example).

It is difficult both to provide qualitative reporting at the international level and to interpret these indicators. How can we determine whether part-time work is the employee's choice or the employer's requirement?

### **Legal and institutional requirements**

*The OECD Guidelines for Multinational Enterprises*

*"Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country"*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.2: "The organisation of working hours, their term for full-time and part-time wage earners"*

*Sustainability Reporting Guidelines 2002, GRI LA1. "Breakdown of workforce, employment type (full time/part time)"*

## Indicators and Corporate International Best Practices

A company's commitment to reducing the negative effects of flexible working hours and to helping all employees, without discrimination, achieve a better balance between work and personal life is demonstrated via indicators and best practices in:

- status reports on working hours
- company policy and objectives
- methods used.

## STATUS REPORT

International indicators dealing with this topic address the length of working hours, part-time status and overtime.

### 1. Length of working hours

Companies use different frames of reference in their reporting on this topic.

Some companies assess work:

- in daily, weekly or annual terms
- in days or hours
- in terms of average or total working time or in terms of "theoretical" working hours.

#### Indicators Used by Companies:

- average number of days worked/year
- number of hours worked by all employees
- average number of hours/week
- average daily schedule
- "theoretical" yearly/weekly average schedule
- annual working hours for shift workers in comparison to those for regular daytime operators
- three highest and lowest numbers of days worked per country.

### 2. Part-time Status

This is often the only information companies provide on the organisation of work hours.

Part-time status is assessed in comparison either to normal working hours or to the percentage of the workforce.

Comments on the company's use of part-time status are necessary because they make it possible to determine whether part-time status is voluntary or imposed. In some cases, part-time status is intended to promote a better balance between work and personal life, while in others it masks under-employment.

#### Indicators Used by Companies:

- part-time workforce expressed in full-time equivalent
- minimum working hours for part-time employees
- length of working hours for part-time employees.

### 3. Overtime

Because no internationally accepted definition of overtime exists and because data is based on the legal workday where defined, it is difficult to consolidate information on overtime at the group level.

Specific information on the particular industry is required to interpret qualitative indicators in this area. Some sectors, characterised by unpredictable demand, make extensive use of overtime. Those that operate on a continuous production basis, like the steel industry, rely less on it.

#### Indicators Used by Companies:

- volume of overtime hours in relation to the total of hours worked in the group
- average number of overtime hours/employee/year
- total number of overtime hours.

## POLICY AND OBJECTIVES

While the issue of working hours is closely linked to business strategy, the connection is more tenuous in certain sectors than in others.

In industry, workflow based on tightly organised production (“just-in-time”) is the norm.

In other sectors, like maintenance services, unpredictable demand accounts for reliance on flexible work schedules.

### Indicators Used by Companies:

- percentage of employees working under a “continuous production” schedule.

## METHODS USED

The issue of working hours is a traditional subject of discussion and negotiation between management and labour.

Some companies also negotiate “reasonable work schedules” with international labour federations.

These discussions often also address accommodation in working schedules.

### Indicators Used by Companies:

- percentage of employees benefiting from working schedule accommodation.

## STATUS REPORT

### ***Number of hours worked.***

### ***Number of part-time employees.***

Raw data on working hours is not particularly relevant as such. However, the data becomes very important when many other social indicators are calculated on the basis of the number of hours worked (for example, the rate of frequency of workplace accidents).

Every company must choose the framework within which it wishes to report on the length of working hours. This may be set in accordance with a variety of reference baselines:

- daily, weekly or annual framework
- by unit: in days or hours
- average or not.

An annual framework would appear to be the best choice for developing international indicators since most countries calculate working hours on an annual basis.

Part-time status is assessed in comparison either to normal working hours or to the percentage of the workforce.

Because the normal length of working hours varies according to region, profession and activity, the company should refine its indicators with respect to country and professional category.

It is important that companies differentiate in their reporting on part-time status:

- by gender
- by geographic area.

Depending on whether it is voluntary or imposed, part-time status may provide additional freedom in performing one’s job - or it may be a trap. When the employee chooses part-time status, it can be an excellent approach for resolving conflicting demands (constraints of work and of private life). However, when an employee accepts a reduced work schedule because full-time work is unavailable, part-time status may be more akin to imposed under-employment.

Refining the part-time work indicator by gender sometimes makes it possible to determine whether the status is voluntary or imposed. The populations that experience discrimination (women, young people and older workers) are most often subject to imposed part-time status.

When part-time work is a true choice, companies may wish to refine the indicator by geographic area in order to show where employees are offered access to it.

## POLICY AND OBJECTIVES

***Company policy on working hours.  
Company strategy to ensure that overtime hours are paid and regulations governing maximum working hours are observed.***

Given disparities in the organisation of working hours according to industry and region, companies may include qualitative comments on the market requirements determining their policy (for example, “just-in-time” requirements in the automobile industry).

Reporting on overtime is difficult as no international definition of overtime exists.

To help readers interpret the data appropriately, companies should supplement quantitative indicators with qualitative comments regarding the specific characteristics of their industry.

For example, service sector companies might specify that certain operations sometimes require overtime and working hours adjusted to meet the needs of the particular service.

Furthermore, if the overtime indicator is to be relevant in terms of company management, it must be linked to an indicator that addresses overtime earnings.

An indicator showing very high overtime pay could signal a problem within the company.

However, in low-wage countries, overtime payment may sometimes be a means to compensate for low earnings.

## METHODS USED

***The methods the company uses to reconcile the need for work schedule flexibility and a concern for employee health and well-being and the balance between work and private life.***

***Negotiation with employee representatives on working hours.***

***Methods used to ensure that part-time employees are not subject to discrimination. The conditions resulting in recourse to part-time work should be thoroughly described.***

Indeed, part-time work may be associated with discriminatory measures.

Employees working fewer than a minimum number of hours may be ineligible for certain benefits (training, health and safety, promotion, participation in employee representation systems, rights related to seniority, social protection benefits, bonuses, overtime payment, etc.). Moreover, population groups who typically suffer from discrimination, including women, young and older workers, often hold part-time jobs.

## Chapter III

### Compensation and Social Protection Benefits<sup>1</sup>

<sup>1</sup> Collective compensation (profit-sharing and equity ownership) is not addressed here but is covered in the chapter on social dialogue.

#### CSR Issues

While compensation and social protection benefits can be considered as a just reward for work performed, they also represent issues of social responsibility in that they contribute to:

- decent living conditions for employees
- economic development by creating household solvency and, therefore, medium- to long-term leverage on market demand

Compensation and social protection benefits are clearly a factor in employee motivation.

More generally, they are also a means of reducing social insecurity because they represent contractually guaranteed income, allowing employees to plan for the future.

#### Legal and institutional requirements

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*  
“Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.”

“When multinational enterprises operate in developing countries, where comparable employers may not exist, they should provide the best possible wages, benefits and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy basic needs of the workers and their families. Where they provide workers with basic amenities such as housing, medical care or food, these amenities should be of a good standard.”

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.3: “Pays and their evolution, welfare costs”*

*Sustainability Reporting Guidelines 2002, GRI EC5 “Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.*

*This remuneration should refer to current payments and not include future commitments.”*

*LA12 “Employee benefits beyond those legally mandated (e.g., contributions to health care, disability, maternity, education, and retirement).”*

#### Indicators and Corporate International Best Practices

##### STATUS REPORT

##### 1. Compensation

Companies report either via:

- total payroll.

*Total payroll*

- earning levels
- comparison of earnings with other benchmarks.

#### Indicators Used by Companies:

- total payroll, including or excluding social protection contributions.

## Earning levels

These are assessed either including basic salary and performance-related earnings or in relation to the company's minimum guaranteed wage.

### Indicators Used by Companies:

- total salaries and commissions or performance-related earnings
- percentage of employees receiving variable compensation
- ratio of the variable payroll/fixed payroll
- percentage of group employees covered by a company-guaranteed minimum salary.

## Comparison of salaries with other benchmarks

Raw data on compensation are meaningless. Disparities in living standards across geographic areas or countries are so wide that compensation data must, at a minimum, be cross-tabulated with other indicators for the purchasing power of a particular salary to be assessed.

Companies use different references to assess their earnings policy:

- industry average
- national minimum wage
- local cost of living<sup>1</sup>

### Indicators Used by Companies:

- compensation compared to the industry average in the country
- wage and benefit costs excluding career-end vacation leave, differentiating between wages and salaries, on the one hand, and social contributions on the other
- comparison between the industry minimum salary and the company minimum salary
- the group's gross average salary compared to the minimum national wage, to the industry's average and to the local cost of living
- the relationship between the group's average employee compensation and average minimum compensation in countries with a guaranteed minimum wage
- average salary expressed in terms of the average legal minimum salary of the country (for those countries where a minimum wage exists).

## 2. Social protection benefits

Most companies which have publicised targets in this area are at the stage of assessing current schemes for employee social protection and retirement benefits.

This involves distinguishing among the various schemes based on:

- their nature
  - public-service coverage
  - collective bargaining or compulsory plans
  - complementary systems

- their purpose
  - illness
  - unemployment
  - aging
  - paid leave

<sup>1</sup>There is no data from national agencies on the local cost of living. Instead, consumption per capita statistics must be used.

### Indicators Used by Companies:

- benefits provided in addition to those required by law, benefits provided when there is no public system of coverage
- percentage of the group's companies offering all employees social protection in addition to a compulsory system
- percentage of employees enjoying complete/partial social protection
- percentage of workforce covered under a health, disability, death and retirement system, public, negotiated/compulsory, and complementary system
- minimum total death benefits for a single/married individual, expressed as a percentage of annual gross salary
- continuation of death benefits in case of sickness leave
- breakdown of the work force by age.

## POLICY AND OBJECTIVES

### 1. Compensation

#### *Policy*

Companies that consider compensation as a CSR issue provide information on:

- the founding principles of their policy: equity, individualisation of compensation, etc.
- the considerations involved in establishing compensation or performance-related earnings: each person's responsibility and contribution to overall results, management's ability to develop men and women, etc.

#### *Objectives*

Company objectives differ with respect to compensation. Some seek to be:

- above the basic salary

- above the overall market's median compensation; that is, for all industries in a given country
- for non-management employees, among the best employers in a given country for equivalent activities and comparable companies
- competitive
- consistent with the local cost of living.

#### *Principles*

Companies that consider compensation as an issue of social responsibility base their policy on non-discrimination but also on principles tied specifically to the compensation question: competitiveness and creating loyalty among employees.

### 2. Social Protection Benefits

Company policies in this area aim to establish a level of social protection for all employees worldwide.

Each company must define the minimum standard it seeks to achieve. In addition to observing local legal requirements, some emphasise business travel-related insurance or death insurance.

The goal of such a policy is to encourage loyalty among managers and qualified employees, particularly in emerging countries where they are in high demand.

## METHODS USED

The methods used are aimed primarily at helping the company to analyse its practices and position itself in relation to other benchmarks.

### 1. Compensation

#### *Analysis*

Companies provide information on the methods they use to ensure that employee compensation is competitive: comparison with other leading companies in the country and comparison with the local cost of living.

Using cost of living as a reference makes it possible to establish levels of purchasing power in countries without a legal minimum wage. Companies conduct statistical surveys so that they can compare compensation levels for particular employee categories in specific geographical areas to the average salary in a particular business sector.

Others involve international trade-union federations and local representatives in the surveys to ensure that company principles are consistent with local practices regarding compensation and social protection benefits.

#### Indicators Used by Companies:

- percentage of workforce (worldwide) covered by regular salary-positioning surveys.

### Managers' situation

Companies take a special approach to management compensation. Some use their own methods to address this issue: specific assessment methods, centralised human resources management, etc. In some groups, management compensation is handled at the group level to ensure uniform treatment.

Compensation for other employees is handled directly by the subsidiary to which the employee reports.

### 2. Social Protection Benefits

Some companies have implemented innovative systems to deal with social protection:

- establishing an entity to monitor current staff welfare and retirement provisions throughout the group
- pooling sickness and welfare insurance contracts to achieve economies of scale in management and, thus, optimise coverage levels.

#### Indicators Used by Companies:

- has the group conducted an inventory and assessment of each subsidiary's practices regarding social protection for employees and their families?

### Indicators Judged Relevant by ORSE

#### STATUS REPORT

Average group salary compared to local minimum wage, industry wage or local cost of living. Inventory of social protection as a percentage of workforce or percentage of work sites per geographic area.

A wage indicator is not sufficient in the context of corporate social responsibility. It is meaningful when used as part of a cluster either to assess salary adequacy (compared to the local cost of living) or to enable companies to conduct comparisons one with another.

The problem for companies is that although a variety of information sources exist on compensation and cost of living, they are neither exhaustive nor truly reliable:

- the International Labour Organisation's October Inquiry: data on current years but incomplete with respect to countries and industries
- the International Monetary Fund's annual cost of living statistical publication: but data published in 2001 are founded on 1997 figures
- statistics published by the French Economic Ministry's Department for External Economic Relations through its economic missions: useful data on Asia and Europe.

One of the most efficient approaches is to consult local trade-union partners because they have very up to date information regarding countries' social realities.

Reporting only on management compensation is not sufficient. Ideally, companies would report on compensation for each professional category, taking industry specifics into account. In certain industrial sectors, for example, the workforce is composed primarily of blue-collar workers. In such sectors, reporting efforts should concentrate on this category.

## **POLICY AND OBJECTIVES**

***Description of the compensation policy at group and local levels.***

***Description of the social protection policy.***

Companies must provide a detailed explanation of the breakdown of compensation for certain business sectors. Companies operating in industries at high risk of corruption do not include performance-related compensation for specific occupations. This is the case, for example, of salespeople who prospect local governments. By not including the signing of a contract with a local government among the elements of compensation, temptation for corrupt practices can be avoided.

## **METHODS USED**

***Description of the methods the company uses to ensure decent salaries and non-discrimination, especially to justify possible variations in compensation.***

***Discussion/negotiation with social partners regarding social benefits and compensation.***

For comments on non-discrimination, see Chapter 6 on diversity.

Company comments on salary disparities are directly relevant in terms of social cohesion within the company.

It is important for the company to report on social protection benefits at the local level. Company initiatives in this area are particularly significant in countries with low levels of social protection. It is the company's social responsibility to ensure that employees receive a minimal level of protection against the different social risks.

It is useful for companies to report on compensation policy at the group and local levels since compensation for different professional categories is not always managed at the same level. Managers' compensation is handled at the group level, while other employee categories are handled at the local level.

Salary disparities among employees of the same group working in different business sectors may be significant, based on:

- the level of skills required
- the level of social benefits in the country, which, if insufficient, could require the company to establish complementary systems
- the introduction of new technologies and the new skills they require.

## Chapter IV Health and Safety

### CSR Issues

Health and safety are clearly issues of social responsibility because they directly affect individuals' physical and emotional integrity.

It is therefore important for companies to report on practices in this area, particularly with respect to activities posing specific risks either because dangerous products are handled or because non-repetitive tasks are performed (in construction, for example).

In this area, as in those involving other social issues (reorganisations, for example), employees are not the only individuals affected by company policies.

For instance, the company must work to ensure that temporary and subcontracted employees working on- or off-site benefit from health and safety conditions similar to those of its own employees.

Moreover, some site operations may impact the health and safety of populations living around the facilities, not only those of the company's workers (employees, suppliers, temporary workers, etc.).

The concern for surrounding populations undoubtedly explains why the issues of health, safety and environmental concerns are often combined in the company's organisational structure (Health, Safety and Environmental Committee).

#### **Legal and institutional requirements**

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*For instance, the company must work to ensure that temporary and subcontracted employees working on- or off-site benefit from health and safety conditions similar to those of its own employees.*

*Moreover, some site operations may impact the health and safety of populations living around the facilities, not only those of the company's workers (employees, suppliers, temporary workers, etc.).*

*The concern for surrounding populations undoubtedly explains why the issues of health, safety and environmental concerns are often combined in the company's organisational structure (Health, Safety and Environmental Committee).*

*"Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements, bearing in mind their relevant experience within the enterprise as a whole, including any knowledge of special hazards. They should also make available to the representatives of the workers in the enterprise, and upon request, to the competent authorities and the workers' and employers' organizations in all countries in which they operate, information on the safety and health standards relevant to their local operations, which they observe in other countries.*

*In particular, they should make known to those concerned any special hazards and related protective measures associated with new products and processes.*

*They, like comparable domestic enterprises, should be expected to play a leading role in the examination of causes of industrial safety and health hazards and in the application of resulting improvements within the enterprise as a whole."*

*"In accordance with national practice, multinational enterprises should cooperate fully with the competent safety and health authorities, the representatives of the workers and their organizations, and established safety and health organizations. Where appropriate, matters relating to safety and health should be incorporated in agreements with the representatives of the workers and their organizations."*

*The OECD Guidelines for Multinational Enterprises*

*"Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices take adequate steps to ensure occupational health and safety in their operations."*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.5: "Conditions of health and safety"*

*Sustainability Reporting Guidelines 2002, GRI*

*LA5. "Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases."*

*LA6. "Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees."*

*LA7. "Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers)."*

*LA8. "Description of policies or programmes (for the workplace and beyond) on HIV/AIDS."*

*LA14. "Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems."*

*LA15. "Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements."*

## Indicators and Corporate International Best Practices

### STATUS REPORT

#### 1. Accidents

All companies reporting on this issue note that the accident frequency rate does not reflect contrasting situations by country and activity.

In recording workplace accidents, companies may or may not refine the indicator by incorporating:

- the severity of the accident: with or without work stoppage
  - victims' status: employee, supplier, third party, open-ended contractual employee, fixed-term contractual employee, temporary worker, trainee
  - occupation or business line
  - geographic area.
- Some companies devote a special heading to fatal accidents in which the cause and victim's status (employee, temporary worker, etc.) are specified.

#### Indicators Used by Companies:

- frequency of accidents, distinguishing group employees, suppliers, third parties
- total accident frequency (with and without work stoppage)
- accident severity rate
- number of deaths, by group employees, suppliers, third parties
- mortality rate by branch
- number of accidents/month/1,000 persons
- number of days of work stoppage, by employees, suppliers, third parties
- jobs with the highest accident rate
- breakdown of industrial and research plants by accident frequency.

#### 2. Employees' perception of their health status

Companies recognise that employees, and society in general, have genuine expectations regarding health and safety.

They regularly conduct internal surveys on employee satisfaction regarding physical conditions at the workplace.

These surveys address topics ranging from simple workspace aesthetic considerations to ergonomics and training.

### POLICY AND OBJECTIVES

Companies choose between two options in the area of health and safety:

- combining health and safety concerns with environmental ones in a single health, safety and environmental committee
- treating them separately.

Apart from that choice, company health and safety policy is always the group's responsibility.

The status granted to questions of health and safety varies from one industry to another and from one group to another. In some cases, an approach encouraging continuing improvement is supported at the highest corporate levels, thus making the issue a pillar of company strategy.

To develop their health and safety policy, companies rely on their own standards, particularly in the area of ergonomics, as well as on those developed by ILO.

Company health and safety policies vary in breadth.

They may address:

- employees only
- temporary workers, suppliers, subcontractors
- the neighbouring community.

Site managers may be assigned individual health and safety goals.

Some companies define the problem more broadly and ask operators to "respond even in cases of 'near accidents.'"

### Indicators Used by Companies:

- number of companies that conduct employee medical monitoring
- number of people benefiting from medical facilities
- goals of the medical facilities set up by the group
- number of industrial and research sites that meet a “zero accident” goal
- health, safety and environmental investments
- health, safety and environmental operations budget
- number of Seveso II-ranked sites.

## METHODS USED

### 1. Programme

Programmes implemented by companies address various issues:

- biological tests and screening
- information campaigns on tobacco, alcohol, food safety, etc.
- modernisation of the workplace health policy to supplement occupational medicine, essentially individual in approach, as well as industrial hygiene, integrating population-based monitoring and risk assessment
- incorporating epidemiological and public-health considerations in the logic of sustainable development, based specifically on health impact studies of populations living near sites

- circulation of employees within the company
- training programmes
- risk prevention
- systematic medical monitoring.

Companies often combine simple health and safety objectives (for example, sites equipped with automatic defibrillators) with more ambitious programmes.

To monitor organised implementation, all companies perform internal or external audits.

### Indicators Used by Companies:

- description of company prevention campaigns
- description of methods used to identify and map health risks
- description of research programmes in which the group is involved.

### 2. Organisation of Company Health and Safety

Social dialogue appears to be the standard, both locally and at the group level, for defining health and safety policies and setting up a process to administer them.

Companies have recourse to traditional management methods in the area of health and safety management:

- status report
- setting objectives and creating an action plan
- defining missions and means
- undertaking, leading and monitoring action
- progress measurement.

Company management systems are certified based on international standards (ISO, OHSAS, etc.) and/or are examined by international trade-union federations.

In addition to setting up a management system dedicated to health and safety issues, companies establish:

- self-diagnosis and reporting tools
- specific organisational structures: stress monitoring unit, research laboratories
- expert networks for knowledge sharing.

### Indicators Used by Companies:

- number of entities dedicated to workplace health and safety issues
- the number of group employees with access to a health facility: specific organisation, prevention, medical monitoring, first aid and emergency
- methods used to conduct employee medical monitoring (permanent or outside physicians, permanent or outside nurses, clinics, participation in inter-company centres, clinics, etc.)
- number of internal and external audits and their purpose
- description of health audit programmes conducted by the group's in-house physicians.

### 3. Training

Company-sponsored health and safety trainings vary based on:

- topic: basic safety and first aid, for example
- the audience targeted: site managers, teams.
- companies often organise encounters between their internal experts (workplace engineers, nurses, doctors, etc.) and outside health and safety experts.

All companies have established:

- accident alert procedures
- exchange of best practices
- methodological guides.

### Indicators Used by Companies:

- number of site directors trained in internal health and safety best practices
- total number of employees trained in safety procedures during the year
- number of first-aid trainings financed by the group.

### Indicators Judged Relevant by ORSE

#### STATUS REPORT

##### 1. Accidents

***Frequency of workplace accidents during the current and previous year.***

***Severity of workplace accidents.***

Companies should provide qualitative information along with the indicators so that the accident can be analysed and explained in detail.

The workplace accident-frequency rate is only partially relevant. Although it should not be eliminated, it should not rank as the primary indicator. In many sectors (services, banking, pharmaceutical and agribusiness industries, etc.), it represents only a tiny

fraction of workplace health problems. The workplace accident mortality rate is thus often lower than deaths from exposure to chemical risks.

In industrialised countries, for example, mortality from asbestos exposure is higher than mortality from workplace accidents.

Similarly, workplace accident statistics do not reflect other problems, like working in a strained position or musculoskeletal disorders among workers with high seniority or those experiencing the effects of stress.

Include a change factor and be calculated within constant boundaries if the information is to be meaningful and comparable over time.

##### 2. Occupational Diseases

***Morbidity tables (the morbidity indicator defines the frequency of illnesses like stress, musculoskeletal disorders, etc. among employees).***

***Exposure to potential risks and possibility of substituting certain products for others. Table of all employee health issues (AIDS, malaria, traffic accidents, etc.).***

The company is responsible for defining its own morbidity indicators and validating them with employee representatives.

However, in certain sectors (heavy industry, for example), the workplace accident indicator may be a highly relevant point of departure but should never be the sole indicator.

What is more, it can be manipulated. For example, some companies have established bonus and allowance systems linked to the number of accident-free days, with the result that minor accidents are no longer reported. In addition, in some countries, companies are subject to large financial penalties for workplace accidents and, therefore, they report very few.

Furthermore, this indicator poses problems for companies because gaining access to information in some countries is difficult. Cross-country comparisons can be extremely difficult.

As a result, qualitative information is often provided along with indicators on workplace accidents. In addition, indicators must Although the occupational disease concept is well recognised, it does not address the reality of work-related illness for the following reasons:

- the number of recognised occupational diseases represents only the tip of the iceberg. It includes only those illnesses concentrated in several industries and for which a causal relationship has long been established. Furthermore, legal definitions vary by country based on negotiations among social

and economic actors and are independent of the country's economic structure.

- the choice of which occupational diseases to recognise is determined by national legislation
- while these diseases often appear after retirement, recognised occupational diseases reflect earlier working conditions. For example, asbestos-related cancer reveals nothing about a company's current practices
- the company is not the appropriate reporting unit for studying occupational illness, notably because of turnover (those who are most ill tend to leave the company before an occupational illness is "duly" reported).

As a result, the occupational disease indicator alone lacks relevance. In addition, recording occupational illnesses is difficult because companies face problems gaining access to information, particularly abroad and in companies with a very large workforce.

Morbidity tables are thus proposed, with the morbidity indicator defining the frequency of illnesses among employees (stress, musculoskeletal disorders, etc.). Both the company and employee representatives are to define these indicators.

Furthermore, a qualitative risk exposure indicator is called for if causes are to be addressed and if preventive, not merely corrective, strategies are to be established.

### **3. Absence from Work**

#### ***Absenteeism in subsidiaries.***

The absenteeism indicator is ambiguous. For example, a study conducted in Barcelona<sup>1</sup> showed that higher short-term absenteeism indicated better health than a lower rate of longer duration. This means that when employees can take one or two days off from work for a minor reason, they are better able to take charge of their health in the long term.

Otherwise, they become exhausted and end up being absent from work for protracted periods, or quitting.

While the absenteeism indicator may be controversial and should be interpreted with care, it is still useful because companies can use it to compare situations within the group. Some companies consolidate the indicator at the group level or address it by company, country or geographic area.

### **4. Employees' Perception of Their Health Status**

#### ***Employee health-status information-feedback system (social security administration, medical monitoring, etc.).***

An indicator addressing employees' perceptions of their health status in relation to working conditions is particularly relevant.

Indeed, their perceptions generally concur. The European Foundation for the Improvement of Living and Working Conditions has developed a questionnaire that combines a description of working conditions and the perception of health status. This

approach is particularly useful because it makes it possible to examine the relationship between the two and reveals a series of correlations.

It is important to limit the scope of a questionnaire dealing with employee perceptions of their health status to the context of working conditions.

## **POLICY AND OBJECTIVES**

Company health and safety strategy and commitment, particularly with respect to relationships with subsidiaries, subcontractors and suppliers on health and safety issues (definition of specifications, training).

Company strategy regarding monitoring of health risks to which employees are exposed (AIDS in Africa, alcoholism and traffic accidents, etc.).

Management plays an important role in establishing a methodology and strategy for dealing with health and safety, so the company would be wise to emphasise this commitment.

Supplier relationships are an issue of current concern for companies in France.

Indeed, externalising costs often goes together with externalising risk.

## **METHODS USED**

Management impetus to create a health and safety policy and related practices is an essential but not a sufficient condition. It may even be pointless unless combined with an effective department that deals with prevention.

However, the health and safety budget does not constitute a reliable indicator. A company could have a large health and safety budget but, for all that, not have established prevention mechanisms. Likewise, a prevention department could be very effective even if the health and safety budget is low.

### **1. Programme**

***Description of the company's health and safety programme.***

### **2. Organisation of the Entity Responsible for Health and Safety**

***Organisation of health and safety management: health/safety, ergonomics, occupational health or the existence of company physician and psychologist positions.***

However, because of alcohol-related commute accidents, the questionnaire includes an optional section on such problems, in keeping with a voluntary approach.

Thus, rather than asking, "Are suppliers meeting the standards?", it would be more useful to ask, "What conditions does the company impose on its suppliers?" or "Do the client and the subcontractor share health and safety objectives?"

Companies increasingly face risks that are no longer directly connected to working conditions. The work commute may rank as the primary cause of work accidents, raising the question of whether the company takes, for example, the issue of alcoholism into account.

Similar questions are raised for companies operating in countries threatened by pandemics (AIDS, tuberculosis, malaria, etc.). How far does company consideration of health risks extend?

Furthermore, the health and safety budget indicator is even less meaningful since it is difficult to evaluate or clearly circumscribe.

For example, experiments conducted by international works committees in the textile domain showed that musculoskeletal problems among workers in Portugal resulted from the use of German equipment. Specifications were developed, with costs allocated to equipment, not to the health and safety budget.

As a result, methods used should focus on human and organisational resources.

***Company contributions to workplace health research.***

***Procedure for monitoring risk exposure. Procedures for providing worker and trade union representatives' participation in health and safety: who, in addition to***

***management, validates the frame of reference (the workplace health and safety committee, elected representatives, etc.)?***

The quantitative indicator regarding frequency of committee meetings is important

### **3. Training**

***Existence of health and safety training. Training and awareness building among workers or their representatives regarding their involvement in health and safety.***

because studies have shown a direct correlation between this statistic and the frequency of workplace accidents.

***Percentage of workers receiving health and safety training during the reporting and the prior year. Number and duration of trainings during the reporting and the prior year.***

# Chapter V

## Training and professional development<sup>1</sup>

<sup>1</sup> The ILO refers to “employability.” This notion “encompasses the skills, knowledge and competencies that enhance a worker’s ability to secure and retain a job, progress at work and cope with change, secure another job if she/he so wishes or has been laid off, and enter more easily into the labour market at different periods of the life cycle.”

### CSR Issues

Training is an issue of social responsibility because it requires the company to examine its ability to project into the medium- and long-term and, thus, anticipate possible risks for the company and its employees (loss of critical skills, loss of markets, lay-offs, etc.), whether related to economic uncertainties or structural causes.

Training is a strategic alignment tool for:

- companies, because it allows them to look ahead with respect to skills, knowledge, etc.
- employees, by allowing them to focus on their own employability and thus ensure their professional development.

The training issue requires companies to address both the need to:

- maintain the group’s collective skills;
- and offer individuals the opportunity to develop their own skills.

Training thus stands at the intersection of employability, promotion, workforce planning, the issue of aging employees, equal opportunity within the company, etc.

#### Legal and institutional requirements

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*“In their operations, multinational enterprises should ensure that relevant training is provided for all levels of their employees in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers’ and workers’ organizations and the competent local, national or international institutions.”*

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*“In their operations, multinational enterprises should ensure that relevant training is provided for all levels of their employees in the host country, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers’ and workers’ organizations and the competent local, national or international institutions.”*

#### Legal and institutional requirements

*“Multinational enterprises operating in developing countries should participate, along with national enterprises, in programmes, including special funds, encouraged by host governments and supported by employers’ and workers’ organizations. These programmes should have the aim of encouraging skill formation and development as well as providing vocational guidance, and should be jointly administered by the parties which support them. Wherever practicable, multinational enterprises should make the services of skilled resource personnel available to help in training programmes organized by governments as part of a contribution to national development.”*

*“Multinational enterprises, with the cooperation of governments and to the extent consistent with the efficient operation of the enterprise, should afford opportunities within the enterprise as a whole to broaden the experience of local management in suitable fields such as industrial relations.”*

*The OECD Guidelines for Multinational Enterprises*

*“Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices in their operations, to the greatest extent practicable, employ local personnel and provide training*

*with a view to improving skill levels, in co-operation with employee representatives and, where appropriate, relevant governmental authorities.”*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.6: “The training”*

*Sustainability Reporting Guidelines 2002, GRI*

*LA12 “Employee benefits beyond those legally mandated (e.g., contributions to health care, disability, maternity, education, and retirement).”*

*LA9 “Average hours of training per year, per employee, by category of employee*

*(e.g., senior management, middle management, professional, technical, administrative, production, and maintenance).”*

*LA16. “Description of programmes to support the continued employability of employees and to manage career endings.”*

*LA17. “Specific policies and programmes for skills management or for lifelong learning.”*

## Indicators and Corporate International Best Practices

### STATUS REPORT

#### 1. Training

Companies use varying terminology in reporting on this issue. Some draw a parallel between personal and professional development, others distinguish between career training and continuing education, etc.

Companies report on this issue, refining the quantitative indicators by:

- geographic area
- professional category
- subject
- gender.

Their comments on these indicators note that:

- training and education structures vary by country
- initial training levels are varied
- training needs differ according to branch and/or occupation.

Some occupations require regular updating either because they are affected by technological change or, for instance, are highly internationalised and thus require language training.

#### Indicators Used by Companies:

- average number of training hours or days/year/employee
- number of interns, including the number of apprentices
- breakdown of training hours by percentage: management development, occupational skills development, career development support and new-hire orientation, internationalisation
- percentage of hours devoted to training compared to hours worked, equivalent in days of training/employee
- average amount of time spent in training among employees who have participated in at least one training
- average length of training
- cost of training, expressed either as:
  - percentage of payroll spent on training
  - total training expenses/person/year.

#### 2. Promotion

Promotion is one of the objectives companies assign to training.

Note that on an international level, this is a particular problem for northern countries.

#### 3. Managing an Aging Workforce

Companies link the issue of training and employability to planning for workforce aging, specifically among managers.

#### Indicators Used by Companies:

- age distribution, distinguishing between managers and non-managers.

### POLICY AND OBJECTIVES

#### 1. Training

Company training policies focus on:

- skills development at all levels of the company
- more individualised trainings
- across-the-board annual individual performance reviews.

Performance reviews are conducted on at least two levels within the company:

- at the group level, for manager and high-potential employee training
- the operational division level for other training (including technical training).

A third level – branch-based – is sometimes added to the preceding two. Companies want to be closer to operational needs.

They define a range of goals for training activities, including:

- disseminating a common culture and corpus of knowledge

- developing employees' professional and managerial skills
- transferring knowledge to emerging countries
- developing personnel employability and performance.

Employee satisfaction surveys often include questions on access to training opportunities.

#### Indicators Used by Companies:

- number of employees with an individual training plan
- use of career management services by percentage of the group's workforce:
  - existence of career management tools
  - annual individual evaluation for managers
  - annual individual performance review for entire workforce
  - mobility and training linked to annual review
- employee assessment of training opportunities.

## 2. Promotion

Company promotion policies vary based on employee status (managerial or non-managerial).

While the group sets promotion policy for managers, the non-managers' promotion policy is more often established at the operational level.

## METHODS USED

### 1. Training

Companies implement certain means as prerequisites to the training policy:

- annual individual performance reviews
- monitoring by a career manager.

Companies emphasise that in emerging countries, training efforts – notably targeting managers - are greater than in most northern countries.

Two issues pose problems in gathering information about the tools companies use to provide training for employees:

- the growing number of tools  
company training centres, training opportunities broadcast in real time via the Intranet, self-training work stations, and individual rights to training.
- the informal nature of some training: on-the-job training, coaching, etc.

#### Indicators Used by Companies:

- number of days devoted to training (including tutoring) and to self-training
- number of training days (courses)
- number of training days with a tutor
- exemplary initiatives developed at the group level or with partners.

## 2. Promotion

Training is one of the principal means companies use to support employee promotion.

Means employed are intended to foster internal promotion.

#### Indicators Used by Companies:

- description of tools encouraging mobility within the group

## Indicators Judged Relevant by ORSE

### STATUS REPORT

#### **Total training expenses.**

#### **Percentage of the workforce that received training during the year.**

#### **Number of employees promoted.**

The “total training expense” indicator is not particularly relevant because:

- it does not address international disparities in training costs
- does not address all training situations

On-the-job training, which is a key to progress, is not included in the budget quantification

- ceptional training needs cannot be taken into account.

For instance, when companies change computer equipment, all employees receive training on the new equipment in the same year. Training expense indicators and the number of employees who received at least one training during the year is thus biased for that year.

On the other hand, the indicator may be useful because:

- it makes it possible to compare training efforts across companies in the same industry
- when combined with other indicators, it provides a sense of the company’s social policy.

High training expenses may show that the company considers training as an investment and

does not rely on the labour market to make adjustments.

The “percentage of workforce that received training during the year” indicator is useful because the company can show that its training policy is non-discriminatory with respect to employee status, gender and location.

It is the company’s responsibility to define what it considers to be “promotion.”

The “number of employees promoted” indicator may allow the company to assess the significance of its training policy. Internal promotion is often the outcome of a successful training policy.

In order to pilot its policy regarding older workers better, the company may use these indicators and refine them by incorporating the criterion of “for workers over 50.” This threshold is subject to discussion because not all employees are “old” at the same age. For example, during the period 1995-2001, the employment rate for persons between 55-64 was around 30% in France, while in Sweden, it was 70%.<sup>1</sup>

To measure the risk of loss of critical skills related to workforce aging, the company could use an indicator that cross-tabulates data on employee age and on seniority.

<sup>1</sup>Source : Eurostat

### POLICY AND OBJECTIVES

#### **Advance planning for training.**

#### **Training objectives.**

The company’s policy and objectives will vary based on:

- the policy’s target: managers or non-managers
- geographic location: in certain countries, this primarily involves initial training
- occupations, based on the level of technological competence required.

It is essential that the company explain its training policy because it is one of its strategic positioning tools.

### METHODS USED

Training methods used by companies.

Percentage of workforce covered by an annual performance review.

It should thus explain the company stakes with respect to:

- its economic development policy
- skills transfer and initial training (if the company has locations in southern nations)
- staff employability
- technological changes
- managing an aging workforce
- occupational developments.

The methods used involve training tools as well as those the company uses to provide career monitoring for all employees: individual annual review, number of career managers.

## Chapter VI Diversity<sup>1</sup>

<sup>1</sup> This document does not address the issue of a company's expatriate or newly arrived employees. Although social reporting on these populations is addressed in the "Managing Diversity" chapter of some reports, they constitute groups who do not face the same kind of discrimination as other populations (disabled workers, women, etc.).

### CSR Issues

Diversity is an issue of social responsibility in that it expresses the company's commitment to the principle of equality and refers to one of businesses' most widely-accepted action/prevention principles: non-discrimination.

The problem for companies lies in the fact that they have to battle in the workplace with the discriminatory ideas and stereotypes prevailing in society.

Potentially, discrimination may be based on a wide variety of characteristics:

- gender
- health status
- religious beliefs
- sexual orientation
- disability
- ethnic origin
- political views
- trade union activities and membership
- age.

Discrimination against trade union members, whether elected representatives or not, is addressed in the chapter dealing with labour relations.

Diversity management consists not only in acknowledging the goal of equal treatment for all employees but also in recognising and actively giving value to differences.

The company's task is to reconcile an employee's right to be left alone (not suffer discrimination) with the right to their difference (to exist within the company as an individual with personal aspirations).

Unlike the subjects previously addressed, diversity is an overarching issue of significance in each topic discussed in this study.

### Legal and institutional requirements

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*"All governments should pursue policies designed to promote equality of opportunity and treatment in employment, with a view to eliminating any discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin."*

*"Multinational enterprises should be guided by this general principle throughout their operations without prejudice to the measures envisaged in paragraph 18 or to government policies designed to correct historical patterns of discrimination and thereby to extend equality of opportunity and treatment in employment. Multinational enterprises should accordingly make qualifications, skill and experience the basis for the recruitment, placement, training and advancement of their staff at all levels."*

*The OECD Guidelines for Multinational Enterprises*

*"Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices not discriminate against their employees with respect to employment or occupation on such grounds as race, colour, sex, religion, political opinion, national extraction or social origin, unless selectivity concerning employee characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job."*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.3: "professional equality between women and men"*

*Art. 148-2.3: "The employment and the integration of disabled workers"*

*Sustainability Reporting Guidelines 2002, GRI*

*LA10 "Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring."*

*Equal opportunity policies may address workplace harassment and affirmative action relative to historical patterns of discrimination.*

*LA11. Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate.*

*HR4. Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.*

## Indicators and Corporate International Best Practices

### STATUS REPORT

Companies do not consider all forms of discrimination to be issues of corporate social responsibility.

Those most commonly addressed deal with (1) gender equality, (2) disability and (3) discrimination based on ethnic origin.

#### 1. Gender

In their reporting on the status of women at the workplace, companies focus on:

- specifics of the industry in which women work (some occupations are traditionally men's or women's occupations),

- geographic area, because some companies work in countries where gender equality is neither a legal right nor a social norm.

Companies also report on the professional category to which women employees belong. This allows them to demonstrate that they are taking the issue of women's access to positions of responsibility into account.

The question of accommodating both personal life and work life was addressed in the chapter on working hours (see Chapter 2)

#### Indicators Used by Companies:

- percentage of women in the group's total workforce
- women's share of total payroll
- percentage of women hired
- percentage of women technicians or managers
- percentage of women executives
- percentage of women serving on country executive committees
- number of women on the executive committee
- share of women senior managers
- average gross annual compensation for women
- gap between compensation of men and women
- number of employees who participated in training (broken down by gender)
- age and seniority by occupation, professional category and gender.

#### 2. Disability

Not all companies report on this issue at an international level. Discrimination on the basis of disability is not given equal importance in all countries. Certain national labour laws do not even refer to it.

The issue of disabled workers affects companies at two levels: through those it employs and through those to whom it is linked through a subcontracting relationship. This second possibility is relevant only in France.

#### Indicators Used by Companies:

- number of disabled workers
- number of disabled workers hired
- percentage of disabled workers.

#### 3. Ethnic origin

Companies emphasise their teams' cultural diversity. While some report only on managers and directors, others report on all levels of the company.

### Indicators Used by Companies:

- number of nationalities represented on governing bodies
- geographic origin of workforce by status (employees, managers, executive directors, board of directors).

## POLICY AND OBJECTIVES

The principle of non-discrimination is a prerequisite for diversity management policies. Many company charters emphasise it as a fundamental principle.

Companies commit themselves to varying degrees:

- some state that they treat employees equitably,
- others note that they pay attention to ensuring that their actions are not discriminatory,
- still others take a more proactive stand by promoting diversity.

In addition, companies are differentiated in terms of the population targeted by the policy. It is access to positions of responsibility that poses problems in the subject of diversity. Some companies state that they support diversity at all levels, including in decision making positions.

### Indicators Used by Companies:

- formalisation of a policy commitment to non-discrimination at an international level
- perception of discrimination within the group.

## METHODS USED

Companies take action:

- at the human resources management level via recruitment or career management
- by negotiating with social partners
- by establishing diversity working groups

- by participating in efforts to support workplace gender equality (the European initiative, EQUAL<sup>1</sup>, and the U.S. National Association of Female Executives).

<sup>1</sup> A European programme intended to fight racial and sexual discrimination in access to employment, career development and in customer relations.

## Indicators Judged Relevant by ORSE

### STATUS REPORT

*Regarding gender:*

- *employment access:*
  - *workforce distribution by gender, age and seniority*
  - *percentage of women hired*
- *compensation:*
  - *average annual gross compensation for women and men*
  - *gap between compensation of men and women*
- *career development:*
  - *percentage of women and men who received training*
  - *promotion rates for men and women*
  - *number of women among senior management gender composition of governing bodies*

*Regarding disability:*

- *percentage of disabled workers*
- *percentage of disabled workers hired during the year*

*Regarding origin:*

- *No satisfactory indicator was proposed.*

## 1. By gender

The status of women in the company depends to a great extent on industry and geographic area. Traditionally, certain sectors/occupations are more “feminised” than others.

Reporting by geographic area is particularly relevant because gender inequalities within companies often reflect inequalities in society.

To compare the situation of men and women within a company requires defining comparable panels, even if the choice of panel is never neutral.

Comparing the status of men/women employed in the same occupation and professional category and with the same level of seniority and training is needed to assess the true extent of cultural bias.

Correlating the indicator on the number of women hired with the total number of women in the company enables companies to demonstrate that they are actively working on workplace equality.

With respect to compensation, the indicators mentioned would need to be correlated with seniority by occupation, professional category and initial training.

## 2. Disability

It is worthwhile for companies to provide qualitative explanations regarding its disabled workforce: recruitment problems, problems with establishing a satisfactory international definition, etc.

## 3. Origin

Companies should report on workforce cultural diversity at all levels. Ensuring diversity at all company levels, not just the lowest, represents a social responsibility stake in this domain.

## POLICY AND OBJECTIVES

***Identification of population groups experiencing discrimination.***

***Discussion at group level regarding anti-discrimination and pro-equality measures, formalisation of a commitment and establishment of a policy.***

***Description of related policies and monitoring programmes.***

***Existence of a programme to support women’s access to positions of responsibility.***

***Company strategy for improving disabled workers’ access to employment and maintaining jobs.***

With respect to the commitment to anti-discrimination efforts, it is important for companies to commit to working against all forms of discrimination and specify the degree of their involvement:

- are they committed to equitable treatment of employees,
- are they committed to not engaging discriminatory practices
- have they developed a more proactive commitment to promote diversity?

The company may set out this principle either in its general business pledges, its ethical charter or as part of an agreement with its social partners.

## Chapter VII Labour Relations<sup>1</sup>

<sup>1</sup> Certain reference standards refer to this issue as industrial relations or social dialogue.

### CSR Issues

Dialogue with employees is one of the methods which allows companies to maintain their “license to operate.” In this regard, it is important for the company to report on the existence of dialogue and the methods used to facilitate it.

A key problem is defining the scope of labour relations, which varies by country and culture.

The Anglo-Saxon tradition emphasises collective negotiation, while the French, and indeed European traditions give greater importance to participation.

It would be pointless to consider creating dialogue without considering the context and conditions in which labour relations take place.

#### **Legal and institutional requirements**

*Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO*

*The requirements concern:*

- Freedom of association and the right to organize
- Collective bargaining
- Consultation
- Examination of grievances
- Settlement of industrial disputes

*The OECD Guidelines for Multinational Enterprises*

*“Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices:*

*\* Respect the right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers’ associations, with such representatives with a view to reaching agreements on employment conditions;*

*\* Provide facilities to employee representatives as may be necessary to assist in the development of effective collective agreements;*

*\* Provide information to employee representatives which is needed for meaningful negotiations on conditions of employment;*

*\* Promote consultation and co-operation between employers and employees and their representatives on matters of mutual concern.*

*\* Provide information to employees and their representatives which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole.*

#### **Legal and institutional requirements**

*\* In the context of bona fide negotiations with representatives of employees on conditions of employment, or while employees are exercising a right to organise, not threaten to transfer the whole or part of an operating unit from the country concerned nor transfer employees from the enterprises’ component entities in other countries in order to influence unfairly those negotiations or to hinder the exercise of a right to organise.*

*\* Enable authorised representatives of their employees to negotiate on collective bargaining or labour-management relations issues and allow the parties to consult on matters of mutual concern with representatives of management who are authorised to take decisions on these matters. »*

*Decree n° 2002-221 of 20 February 2002 for the implementation of article L. 225-102-1 of the trade code and amending decree n° 67-236 of 23 March 1967 on trade companies*

*Art. 148-2.4: “Professional relations and the assessment of collective agreements”*

*Sustainability Reporting Guidelines 2002, GRI LA3 “ Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region.country.”*

*LA4 “ Policy and procedures involving information, consultation, and negotiation with employees over es in the reporting organisation’s operations (e.g., restructuring).”*

*LA13. “Provision for formal worker representation in decision making or management, including corporate governance.”*

*HR5. “Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.”*

*HR9 “Description of appeal practices, including, but not limited to, human rights issues*

*Describe the representation and appeals process.”*

*HR10 “Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights).”*

## Indicators and Corporate International Best Practices

### STATUS REPORT

This involves various questions dealing with:

- indirect employee representation (1)
- indirect employee representation (2)
- workplace conflicts (3)
- employee stock ownership (4).

#### 1. Indirect Representation

##### a. Organisations representing employees and trade union representation

The identification and scope of organisations representing employees at the international level vary from one company to another. Some refer to group works committees while others use the terms social dialogue body, company works committee, European works committee for information and dialogue, or information and consultative committee.

Some have a European focus while others are worldwide.

Information provided by companies about representative organisations addresses:

- the representative nature of the members: the number of people they include, the number of countries represented, how the chairperson is chosen,
- their effectiveness: who initiates meetings, how many meetings are held, which issues are addressed (strategy, organisation, economic, social and financial situation), who fixes the agenda and how. In some companies, the agenda is defined at preparatory meetings involving all elected representatives.

Some organisations establish an office to follow up the work undertaken. The details of its functioning are similar to those of its sponsoring group: how many meetings are held, composition of the office (number of members and nationalities), who initiates meetings, subjects addressed.

#### Indicators Used by Companies:

- percentage of employees working for companies where an employee representative organisation exists
- composition of the European works committee delegation, broken down by nationality and status (members, observers and office)
- total number of employee representatives: trade union delegates, staff delegates, members of works councils, company-level works councils and health and safety committees
- percentage of work sites in the world with a formal, institutionalised information and exchange system as required by local law
- percentage of work sites in the world with a formal, institutionalised information and exchange system, due to company initiative

##### b. Collective bargaining

Increasing numbers of companies are signing collective bargaining agreements at the group level.

Some have also set up structures to ensure that agreements are being properly implemented.

#### Indicators Used by Companies:

- number of collective agreements reached during the year and their purpose
- number of signed notices and the quality of their enforcement
- percentage of employees covered by a collective bargaining agreement.

## 2. Direct representation

See the section on methods used to encourage direct participation.

## 3. Labour Conflicts

Very few companies use a quantitative indicator to address the issue of labour conflicts.

Most refer to them with vague comments like, “The company has not experienced significant strikes in recent years.”

### Indicators Used by Companies:

- total time lost to strikes as a percentage of time worked
- total number of person-days of strike (length of strike x number of strikers)
- number of person-days of regional or national strikes external to the company<sup>1</sup>
- number of person-days of strikes of a professional nature specific to the company.

<sup>1</sup> Example: number of corresponding person-days: 3 strikers over 2 days = 6

## 4. Employee Stock Ownership

Companies seek to calculate the percentage of employees who own company stocks and the share of company stock they hold.

Some reporting sources specify the composition of the group savings plan.

Very few explain how funds are selected and how employee shares are managed.

### Indicators Used by Companies:

- profit sharing or equity interest
- organisation of employee stock ownership
- deployment of employee-owned stock
- number of participating companies

Regarding stock subscriptions, only one company has introduced a distinction in relation to income/resident to enable broad participation in countries where incomes are low.

- number of employees who participated in the most recent capital increase
- percentage of capital held by employees.

## POLICY AND OBJECTIVES

Company policies regarding labour relations are based on:

- the affirmation of the principle of non-discrimination
- the desire to establish true social dialogue.

### 1. The Non-Discrimination Principle

As seen in the chapter on diversity, companies widely affirm the principle of non-discrimination towards trade union representatives in their CSR reporting.

Some refer to specific provisions guaranteeing non-discrimination toward elected representatives.

### 2. Desire to Establish True Social Dialogue

Companies have signed agreements recognising trade union rights, like those provided for in ILO conventions.

In some cases, these agreements are national in scope while others are signed with international labour organisations and apply to the entire group.

The commitment to creating genuine social dialogue is an issue of social responsibility either because it involves encouraging dialogue at the international level or because it means setting it up at the local level even when not required to do so by law.

Finally, one of the issues companies will face in the future in this area will be coordinating the various levels of dialogue -- national, European and global.

### 3. Employee Stock Ownership

Some companies have set a goal of increasing the share of company capital held by employees or extending employee ownership to new geographic areas.

#### METHODS USED

##### 1. To Ensure Indirect Representation

- a. Employee Representation  
Specific events may prompt companies to review how they deal with social dialogue.
- b. Trade Union Representation  
The question of means is addressed:
  - either, from the perspective of the sums allocated for trade union representation
  - or, from that of special training provisions, notably in new information technologies.

##### 2. To Ensure Direct Representation

- a. Satisfaction surveys  
Some companies specify a certain number of items when they address the question of satisfaction surveys:
  - geographic scope of the questionnaire; growing numbers of companies carry out surveys covering all group employees
  - professional categories polled; many surveys cover only management
  - number of individuals questioned, the percentage of workforce covered by the survey and the response rate
  - independence of the organisation conducting the survey: inside or outside the company
  - methods used to conduct the survey: paper, intranet, etc.
  - frequency of the survey
  - subject of questions: employee perceptions of the company, satisfaction, work environment, human resources policy, management, strategy, values and company culture, etc.

Some surveys ask employees about their relationship to their work: motivation, confidence in employment development in their industry and their own job, definition of objectives and their missions (clear or not), and whether these objectives and missions are realistic

  - end-purpose of the survey: is it only a barometer of opinion or will it be used to guide the human resources department and serve as a basis for proposals for

Indeed, in some companies, trade union representatives operate an Intranet site to disseminate information. In others, the company provides an access-protected e-mail system encouraging communication between social partners and management. In yet another, union materials are posted on-line so that all employees may read them.

One company has set up a system that enables it to evaluate means for dialogue with the trade unions.

management action?

- communication of survey results to employees.

Particular events may prompt the company to carry out an additional survey to assess employee reactions to them (i.e., mergers, etc.)

Some companies also participate in inter-company surveys to compare their image as an employer with that of other companies.

##### b. Internal reporting and other information feedback systems

Some companies have established dedicated internal reporting procedures to make sure that they receive national-level information feedback on issues that go beyond the level at which social dialogue has been established.

Others have set up an on-going employee feedback system based on an internal survey process handled by an independent organisation.

In still others, the Intranet allows employees to raise questions or express opinions.

Some companies specify that all employees have access to the Intranet either individually, for the vast majority, or on a shared basis at production sites.

### 3. Avoiding Labour Conflicts

Some companies have established strike prevention systems, but they are not widespread throughout the group and so are not addressed here.

#### Indicators Judged Relevant by ORSE

In this particular case, the indicators are not broken down into the standard categories (status report, policy and objectives, methods used). Instead, the group took a subject-based approach in order to suggest indicators covering the entire field of labour relations:

#### The trade union non-discrimination principle

Formulation of a principle of trade union non-discrimination and methods used to ensure that this principle is honoured.

Methods the company uses to promote trade union representation.

As an issue of corporate social responsibility, social dialogue must be supported at all levels, from the broadest (worldwide group works committee) to the most local, by reporting company practices aimed at encouraging employee representation even when not required to do so by law (below a certain number of employees, for example).

In addition to signing group-level agreements with international professional trade union organisations to establish an international framework consistent with ILO conventions, some companies have made formal agreements with local trade unions to ensure non-discrimination and encourage union representation.

#### Employee representation

Percentage of group sites:

- represented by independent trade union organisations (independent from public authorities and employer associations) or other legitimate employee representatives, notably elected representatives
- covered by collective bargaining agreements.

Official employee representation in company management or oversight, including corporate governance.

Opinion of the group's works committee regarding the status of labour relations.

Given local disparities, an indicator on the rate of penetration of trade unions for the entire group would not appear to be material.

- the trade union non-discrimination principle,
- employee representation,
- collective bargaining,
- workplace conflicts,
- direct employee participation.

The non-discrimination principle must be guaranteed not only for mandated employee representatives but also for union members who do not hold elected positions.

Two categories of methods should be differentiated:

- those intended to fight discrimination: career continuity
- protection of employee representatives, whether elected or not, for example
- those the company uses to facilitate trade union activity.

Concerning means at the disposal of employee representatives (mandated or not) some relate to material resources (facilities, tools for information dissemination like the Intranet) and others to financial resources (budget allocated for trade union representation) or the number of training hours, etc.

It would be preferable to use an indicator on the percentage of sites with an independent trade union organisation or system of elected representation. Use of such an indicator should be supplemented by in-depth knowledge of the group's structure. The more decentralised the group, the more difficult it is to interpret this indicator at the group level, which is why it may be useful to refine the indicator on employee representation by distinguishing geographic area.

However, an indicator on the percentage of employees represented by an independent trade union organisation or any other representative employee organisation is useful because it enables the company to review its own methods for supporting union representation.

## Social dialogue and collective bargaining

Initiatives intended to create dialogue at the group level involving:

- setting up employee representative organisations as required by law
- establishing an entity responsible for dialogue and negotiation: type of entity, operations
- contacts with international professional trade union organisations

Consultation, information and negotiation with employees at the group level:

- observance of legal requirements with respect to negotiation
- and priorities in the areas of negotiation, information, consultation
- rules and procedures of negotiation, information and consultation regarding changes in the organisation's activities: restructuring, relocation, outsourcing.

Initiatives intended to ensure that the signed agreements are properly enforced.

By choosing an indicator that addresses setting up an entity responsible for dialogue and negotiating: type of body, operations, the goal is to evaluate whether conditions for balanced negotiations are in place.

## Workplace conflicts

The number of strike hours compared to annual working hours, distinguishing where possible between an internal or external strike call.

Explanation of the issues and means of resolving the strike.

Systems for gathering and/or handling individual appeals.

Conflict prevention mechanism.

It is difficult to ignore indicators regarding workplace conflicts. Conflict is a means of employee expression, whether it involves collective conflicts (strikes) or individual ones (number of complaints brought before the courts or internally).

The indicator on the number of strike hours is inadequate since, on the one hand, fewer and fewer conflicts take the form of collective conflicts (which increases the significance of an indicator on individual conflicts) and, on the other, because conflicts are expressed in increasingly subtle ways.

Advance strike notices may provide some companies with the information required to addition strikes, distinguishing among causes of collec-

Assessing the quality of the negotiations is more important than the quantity of agreements produced. This varies by company.

With an expanding scope of business activities, the structure of social dialogue changes. Companies must increasingly combine different levels of social dialogue (national, European, global). Their reports should differentiate among these different levels.

To attempt to assess the quality of labour relations, the following may be specified:

- number of representatives present in the organisations
- their representativity based on nationality
- number of annual meetings
- issues discussed during meetings
- person responsible for setting the agenda
- means used to ensure that participating members receive information on a timely basis
- composition of the bureau, number of meetings, agenda, etc.

tive conflict. However, it is sometimes difficult to differentiate between what is primarily an internal company conflict and what results from demands formulated at the national level.

However, not all companies seem to experience this problem. Some refute it, indicating that the notices distinguish among the causes of the collective conflict.

When information regarding labour relations is analysed, particular attention is paid to:

- structured pieces of information like the number of strike days.

However, these indicators are not robust because they vary by company.

- associated developments.

If the conflict worsens, it will raise questions regardless of how the strike is measured.

An indicator measuring the number of strike days is irrelevant in itself. It is useful only because it can be interpreted in various ways which it is the company's role to validate (or not).

For example, it may show that a company finds it easy or difficult to communicate on the issue of its labour relations conflicts.

The company must define the systems it uses to collect information on and/or address individual conflicts because they may vary by country. In keeping with the idea that indicators should serve as a basis for action, all signals and tools that might help avoid conflict should be emphasised (third-party facilitator, etc.).

### **Direct employee participation**

#### **a. Individual expression**

Description of satisfaction surveys.

System encouraging employees to share comments, ideas, suggestions and the resources allocated to it.

Employee satisfaction surveys are coming into widespread use among companies. However, some challenge whether they should be included in best practices owing to certain doubts on methodology.

If they are to be helpful in terms of socially responsible management, certain aspects need to be specified:

- guaranteed anonymity
- geographic scope
- socio-professional category/categories targeted
- number of individuals queried, percentage of the workforce covered and the response rate
- degree of independence of the organisation conducting the survey
- survey frequency
- question topics
- purpose of the survey: communications tool, barometer, tool for directing human resources
- complete or partial distribution of survey results to employees.

Although satisfaction surveys raise concerns, they can be quite useful for companies if particular questions are repeated over time.

In this situation, the survey can be a powerful tool for providing feedback on certain issues and picking up signals of weakness.

What it is critical to understand and illustrate is the quality of labour relations, rather than the details of how they function.

In this respect, an indicator should note the mechanisms set up to avert conflicts and, thus, to avoid the deterioration of labour relations.

#### **b. Employee stock ownership**

Description of the employee stock ownership and/or profit-sharing policy and measures. Conditions of employee participation.

Setting up an employee stock ownership system has implications that extend beyond compensation issues. In some countries, this system represents genuine social responsibility stakes since it allows modest wage earners to acquire enough assets to collateralise a loan. In some countries, employee stock ownership is thus a means of gaining access to the banking system.

Regarding the official representation of employee shareholders, the critical information is the capacity in which they are being represented: are they employee shareholders or shareholder employees?

Several indicators might be used to describe the employee shareholder policy:

- deployment: number of countries participating in the shareholder plan, number of companies participating
- number of employees who participated in the most recent capital increase
- percentage of capital held by employees.

## Indicators and Corporate International Best Practices

Companies provide more information on restructuring than on reorganisation.

### STATUS REPORT

All companies facing restructuring provide at least one quantitative assessment indicator on the issue.

Alongside quantitative indicators, company comments include:

- reasons for restructuring (sudden market slow-down, need to modernise a plant, etc.)
- employee status (age, contractual or legal status, etc.)

#### Indicators Used by Companies:

- number of collective workforce reduction measures
- percentage of workforce affected by restructuring
- number of jobs lost and projection of jobs created
- cost of restructuring.

### POLICY AND OBJECTIVES

#### 1. Formalising the commitment

Companies formalise their commitment regarding restructuring either as part of their social reporting or in documents dealing with company commitments.

In some companies, restructuring and reorganisation may lead to setting up a dedicated website or to publishing written materials.

#### 2. Employee information

Companies make timing of the restructuring announcement an issue of social responsibility. Even when not required by law, the announcement should take place well in advance of procedures.

Companies also communicate on their desire for transparency regarding the extent of workforce reduction.

### METHODS USED

#### 1. Consultation and negotiation with social partners

Companies note that in all countries, restructuring is undertaken in a concerted fashion with a concern for genuine social dialogue.

#### 2. Support Services

All companies provide information on means set in place. Support services are provided either through an ad hoc structure created by the company or by external service providers.

#### 3. Company objectives

Company objectives include:

- preserving employment for their workers
- offering individual solutions to each employee
- promoting internal reclassification.

When companies are the major employer in an employment catchment area, they address the issue of “reindustrialisation” under the restructuring component.

Some commit to specific objectives: “create as many jobs as were lost”.

The services offered are almost always the same: assistance with training, job search and interview readiness.

Services vary based on the employee’s situation:

- internal mobility
- aid to business creation
- provisions for older workers
- occupational reclassification in the employment catchment area.

### Indicators Used by Companies:

- percentage of sites with support service plans in the event of closing
- percentage of workforce reclassified
- percentage of partnerships with local governments for redeployment in that setting
- number of jobs created by the establishment of new business activities.

### 3. Employee Monitoring

This involves employee monitoring both with respect to employment status but also regarding company assistance to meet unanticipated needs related to a changed situation (visits and meetings with the employee's new work team, housing search, spouse's circumstances, children's school, etc.).

#### Indicators Judged Relevant by ORSE

##### STATUS REPORT

Rationale for restructuring

Percentage of the workforce affected by restructuring by geographic area.

In addition to the indicator on the percentage of the workforce affected, it would be good to describe the legal and personal status (age, gender, etc.) of individuals impacted by restructuring.

##### METHODS USED

Means used to support and monitor employees.

Percentage of workforce reclassified by site.

Restructuring does not affect only company employees, but also impacts the larger employment catchment area. It is important for the company to discuss its decision and the resulting impacts with employees, local governments and other stakeholders who may be affected.

In the chapter on methods used, a distinction should be made between those categorised as compensation measures and those related to social policy aspects of restructuring.

While companies and their employees often favour indemnity solutions to address the impacts of restructuring, social policy measures (reclassification, business creation aid and others) offer longer-term solutions.

The idea of duration is also important with respect to the percentage of the workforce reclassified. Not all jobs offered to employees offer the same "tenure". The indicator should thus be refined by noting, "reclassified as open-ended contract."

Furthermore, it is important to account for the

Finally, some companies (those operating in countries where the level of public benefits is below that provided by the company) commit to maintaining specific job-related benefits for a certain period of time (health care and food assistance, etc.).

It should be noted that subcontractors and fixed-term contract employees are excluded from consideration as "social concerns" in the restructuring context.

Information regarding the personal situations of employees concerned (direct and indirect employees) is important because studies show that the combination of high seniority and high qualifications reduces the effect of restructuring on individuals.

value of company activities intended to help former employees to enter the labour market (via skills training, etc.) when they cannot be reclassified in the short term.

Monitoring concerns both employees who leave the company and those who remain. While the need to follow up on employees who leave the company seems obvious, monitoring those who remain is also a social policy issue.

For employees who keep their jobs, restructuring often results in major changes in how work is organised both collectively and individually (changes in the nature of the job and the workload).

Monitoring employees who leave the company involves tracking:

- their employment situation
- company assistance to meet all unanticipated needs related to the change (housing search, spouse's situation, health problems, etc.)
- company assistance in the field of social protection benefits, food aid, etc., particularly in countries where the level of public benefits is lower than the one the company provides.

It is important to specify the time period during which the company will maintain these benefits and guarantees.

## List of Speakers

### On the reporting process

- Didier Stépahny, consultant, Cabinet BMJ développement
- Frédéric Cluzel, directeur des relations sociales, Sanofi-Synthélabo
- Jacques Igalens, président, Institut d'audit social
- Jean-Luc Dubois, responsable du service informatique RH, Dexia
- Carole Gilles, analyste senior, Arèse
- Catherine Chouard, Directrice des Ressources Humaines, groupe Elix
- Patrick Flicoteaux, directeur du développement social et Anne-Sophie Pierre, chargée d'études au développement social, Veolia Environnement
- Hervé L'Huillier, Responsable du Département Reporting et Veille Sociale, Total
- Daniel Goudard, consultant et Stéphane Itier, chargé d'études, cabinet Alpha Etudes

### On Workforce, Status, Employee Turnover

- Olivier Marchand, directeur du département travail, INSEE

### On Compensation and Social Protection Benefits

- Nicolas Piau, direction des ressources humaines, Suez

### On Health and Safety

- Laurent Vogel, directeur de recherche, Bureau technique pour la santé et la sécurité de la Confédération européenne des syndicats
- Marie-Thérèse Charrel, Danone

### On Training and Professional Development

- Monique Tessier, directrice de projet, Cabinet Bernard Brunhes Consultants

### On Diversity

- Alexandra Palt, responsable de programme, IMS
- Salima Raïri, directeur d'études, Entreprise & Personnel

### On Industrial Relations

- Jean-Marc Legall, directeur d'études, Entreprise & Personnel

### On Restructuring and Reorganisation

- Claude-Emmanuel Triomphe, délégué général, Université Européenne du Travail

## Comparison of GRI and NRE indicators

	<b>NRE</b>	<b>GRI</b>
<b>Employment</b>	Total workforce (Art. 148-2.1°a))	Breakdown of workforce, by region/country, status (employee/non-employee) (LA1)
	Recruitment with distinction between fixed-term contracts and permanent contracts (Art. 148-2.1°a)	Breakdown of workforce by employment contract (indefinite or permanent/fixed term or temporary). (LA1)
	Analysis of possible difficulties with recruitment (Art. 148-2.1°a)	
	Lay-offs and their grounds (Art. 148-2.1°a)	
	Overtime (Art. 148-2.1°a)	
	Labour from outside the company (Art. 148-2.1°a)	Workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country. (LA1)
	If need be, information relating to the plans of staff cuts as well as the protection of employment and to the efforts of redeployment, reemployment and attendant measures (Art. 148-2.1°b)	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring). (LA4)
	The organisation of working hours, their term for full-time and part-time wage earners (Art. 148-2.2°)	Breakdown of workforce by employment contract (indefinite or permanent/fixed term or temporary). (LA1)
	Pays and their evolution (Art. 148-2.3°)	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.(EC5) <i>This remuneration should refer to current payments and not include future commitments.</i>
	Welfare costs (Art. 148-2.3°)	
	Application of the measures that appear in the code of trade, book four, title four (Art. 148-2.3°)	Employee benefits beyond those legally mandated. (e.g., contributions to health care, disability, maternity, education, and retirement).(*LA12)
	Net employment creation and average turnover segmented by region / country. (LA2)	
<b>Labour/Management relations and Human Rights</b>	Professionnal relations and the assessment of collective agreement (Art. 148-2.4°)	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country (LA3)
		Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g., restructuring) (LA4)
		Provision for formal worker representation in decisionmaking or management, including corporate governance (*LA13)
		Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue. (HR5)
		Description of appeal practices, including, but not limited to, human rights issues (*HR9) <i>Describe the representation and appeals process.</i>
		Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights). (*HR10)

Health and Safety	Conditions of health and safety (Art. 148-2.5°)	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO <i>Code of Practice on Recording and Notification of Occupational Accidents and Diseases</i> (LA5)
	Absenteeism and its grounds (Art. 148-2.2°)	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees (LA6)
	Conditions of health and safety (Art. 148-2.5°)	Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers) (LA7)
	Conditions of health and safety (Art. 148-2.5°)	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS (LA8) Evidence of substantial compliance with the ILO <i>Guidelines for Occupational Health Management Systems</i> (*LA14) Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements (*LA15)
Training and education	Training (Art. 148-2.6°)	Average hours of training per year per employee by category of employee (LA9)
		Description of programmes to support the continued employability of employees and to manage career endings (*LA16)
		Specific policies and programmes for skills management or for lifelong learning (*LA17)
Diversity and Opportunity		Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring. (LA10) <i>Equal opportunity policies may address workplace harassment and affirmative action relative to historical patterns of discrimination.</i>
		Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring. (HR4)
	Professional equality between women and men (Art. 148-2.3°)	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate. (LA11)
	The employment and the integration of disabled workers (Art. 148-2.7°)	

