

Impact Measurement and Performance Analysis of CSR (IMPACT)

*Report on cross-WP compilation and assessment of
CSR performance & impacts on EU objectives*



www.csr-impact.eu

Christoph Brunn (editor)



Barbara Bernard,
Dr. PD Thomas Kluge,
Dr. Engelbert Schramm,
Dr. Irmgard Schultz



Dr. Robert Kudlak,
Prof. Andre Martinuzzi,
Dr. Barbara Krumay



14.02.2013



1	Introduction & aims of the report	4
2	The IMPACT approach.....	5
2.1	A common understanding of CSR	5
2.2	The common framework.....	7
2.3	From sector selection to indicator development	9
2.3.1	Sector selection	9
2.3.2	Issue selection	9
2.3.3	Identification of potential voluntary activities.....	9
2.3.4	Indicator development.....	10
3	Synthesis of cross work package empirical results	13
3.1	Environmental CSR performance & impacts	13
3.1.1	General results on environmental CSR Performance & Impact	14
3.1.2	CSR Performance & Impact on Climate Change.....	19
3.1.3	CSR Performance & Impact on the Conservation of Natural Resources ..	23
3.1.4	CSR Performance & Impact on Protect Natural Resources from Pollution	29
3.1.5	CSR Performance & Impact on Sustainable Supply Chain & Sustainable Consumption.....	33
3.1.6	Conclusions	35
3.2	Quality of Jobs CSR performance	36
3.2.1	EU policies and strategies concerning Quality of Job-issues.....	36
3.2.2	Measuring QoJ-performance.....	39
3.2.3	Flexibility and job security	40
3.2.4	Skills, life-long learning and career development	43
3.2.5	Wages and poverty reduction.....	46
3.2.6	Gender Equality	49
3.2.7	Diversity and non-discrimination.....	52
3.2.8	Social dialogue and worker involvement	55
3.2.9	Health and Working conditions.....	57
3.2.10	Work organisation, Work-life balance	61
3.2.11	Human rights and the supply chain	64
3.2.12	Intrinsic Job Quality.....	66
3.2.13	Conclusions and outlook	69

3.3	Economic CSR performance & impacts	72
3.3.1	CSR effects on financial performance of companies	72
3.3.2	Economic effects of CSR at the sector level.....	76
3.3.3	Causality	78
3.3.4	Conclusions	79
3.4	Interactions of the target areas.....	81
3.4.1	Interactions of economy with quality of jobs & environment.....	81
3.4.2	Interactions of Quality of Jobs & environment	81
4	Conclusions	83
	References.....	86

List of Figures:

<i>Figure 1: External Context of Corporate Impact Assessment & Management</i>	<i>7</i>
<i>Figure 2: Company Internal Process of Corporate Impact Assessment & Management.....</i>	<i>8</i>

List of Tables:

<i>Table 1: Overview of Data used in IMPACT.....</i>	<i>4</i>
<i>Table 2: Overview of IMPACT categories and issues on environment</i>	<i>14</i>
<i>Table 3: Environmental issue awareness & translation into CSR</i>	<i>36</i>
<i>Table 4: Summary of the econometric analysis on CSR impacts on companies' financial performance.....</i>	<i>74</i>
<i>Table 5: Summary of the CSR impacts on the overall EU objectives as perceived by Delphi experts.....</i>	<i>80</i>
<i>Table 6: Overview of issues not tackled with CSR.....</i>	<i>84</i>

1 INTRODUCTION & AIMS OF THE REPORT

After developing the conceptual and empirical frameworks which form the theoretical basis of the IMPACT project, four empirical methods have been applied for researching CSR and its effects on companies and society at large: econometric analyses of data from different sources (e.g. an own survey of several thousand companies, mainly SMEs; data from existing data bases like Sustainalytics, Asset4, MIP 2005, MIP 2009); nineteen company case studies; five network studies; and a two-rounded Delphi study. An overview of all the data collected and used in IMPACT can be found in Table 1.

Table 1: Overview of Data used in IMPACT

Method	Data base	Data from
Econometric analysis	Sustainalytics complemented by additional online survey	~200 large companies
	Own online survey	> 5.000 mostly SMEs
	Additional questionnaire for the five sectors	> 800 mostly SMEs
	Asset4	14.000 observation points, mostly large companies
	Mannheim Innovation Panel (MIP) and own additional survey	~2.000 mostly large companies
Case studies	Company case studies	19 companies
	Network analysis	5 CSR networks
Delphi-Study	Experts online survey	~500 Sector-./ CSR-experts

This report is now meant to synthesize empirical results on CSR performance and impacts from all the empirical work packages on three target areas: Environment; Quality of Jobs; Economics. The overall background for the analysis is made up of EU policy goals. To derive synthesised information presented in this report, IMPACT triangulated results from all the different work packages and methods throughout the project. This roughly means to put all the – quantitative as well as qualitative - information together, identify important findings, compare findings, clarify contradictions and finally draw overarching conclusions. Thus, the following pages are kind of a distillate of all the empirical work and based on hundreds of pages of scientific research.

IMPACT consists of three different reports dealing with cross work package empirical results on performance and impact:

- D6.2, this report, mainly focusing on cross-WP results on performance and impact with regards to environment, quality of jobs, and economy in general;
- D6.3, analysing in how far several characteristics, like company size, sector, region, influence or change companies' CSR performance and/ or impact;
- D6.4, analysing the specific influence of motivation and CSR implementation on companies' CSR performance and/ or impact.

This report consists of four chapters: chapter 2 will explain the IMPACT approach – this means it explains what IMPACT actually did and how; chapter 3 – 3.1 on Environment, 3.2 on Quality of Jobs, 3.3 on Economy (Growth & Competitiveness), 3.4 on interlinkages between the three dimensions - will focus on the actual results; and chapter 4 will finally summarize the core findings of IMPACT across dimensions.

It should be noted that subchapters 3.1 to 3.3 – the chapters on synthesised results for the three dimensions – are not identical regarding their structure (subchapters). This is because there were some kind of “framework guidelines” available for the authors of the three chapters. However, these guiding documents did not go into detail on the concrete structure. Due to the different characteristics of the three dimensions this was not seen as something useful or even feasible. Still, all three subchapters fulfil the task to sum up major empirical results on relevant issues from the respective dimension with a special focus on outcomes, impacts and the relationship of the two.

2 THE IMPACT APPROACH

2.1 A common understanding of CSR

To fulfil the task of analysing the contribution of CSR to EU policy goals, the first step in IMPACT was to commonly agree upon a definition of CSR. In the light of the project context (a project financed and called for by the European Commission) the project team agreed on applying the CSR definition the European Commission currently used when the project started: ‘A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’¹ The crucial characteristics for identifying CSR in companies therefore were: (1) voluntariness, (2) beyond compliance.

This definition of CSR is still valid for all the project deliverables and reports. However, during the duration of IMPACT, the European Commission changed its CSR definition. CSR now is ‘the

¹ European Commission (2001). Green Paper – Promoting a European Framework for Corporate Social Responsibility. COM(2001) 366 final.

responsibility of enterprises for their impacts on society.’² Despite the former characteristics of CSR as voluntary activities exceeding the frames set by legal regulation, this now includes ‘respect for applicable legislation, and for collective agreements between social partners [...]. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts.’ (ibid.)

The crucial characteristics now are: (1) responsibility for a company’s impacts on society, (2) maximizing the creation of shared value (positive impacts), (3) preventing and mitigating negative impacts. The new definition therefore expands the scope of CSR from pure voluntariness to taking care of all the impacts a company has (whether they are caused by voluntary action or not does not matter anymore), while increasing positive and reducing negative effects on society. Focusing on the company’s impacts, without discerning between voluntary and mandatory activities, shifted the scope of CSR to fully overlap with the core business and therefore increases its relevance for enterprises.

It was not possible for IMPACT to align its understanding of CSR to this change in the CSR definition from the European Commission as in 2011 empirical research already started and a definition change would have meant to change key aspects of the research. This however, does not make the research results less interesting or less relevant. The idea behind the IMPACT project was to see in how far voluntary action by companies contributes to the achievement of public policy goals. This research should inform politics about whether it can rely on voluntary activities as one type of a solution for policy goals or whether other instruments have to be used. From the perspective of policy makers it therefore still makes sense to focus on voluntary aspects of CSR (which still exist even when applying to the new definition, which just expanded but which did not abolished the old understanding): only by discerning between policy induced (mandatory) and other (voluntary) changes created by companies, an analysis is able to inform politics about what has to be changed. When looking at CSR as it is defined in the new version, it could only be concluded whether companies’ contributions in sum make a difference, without discerning between different reasons for such improvements. But with the target to make recommendations to policy makers on necessary changes to be made, the question IMPACT analysed was and still is valid to answer.

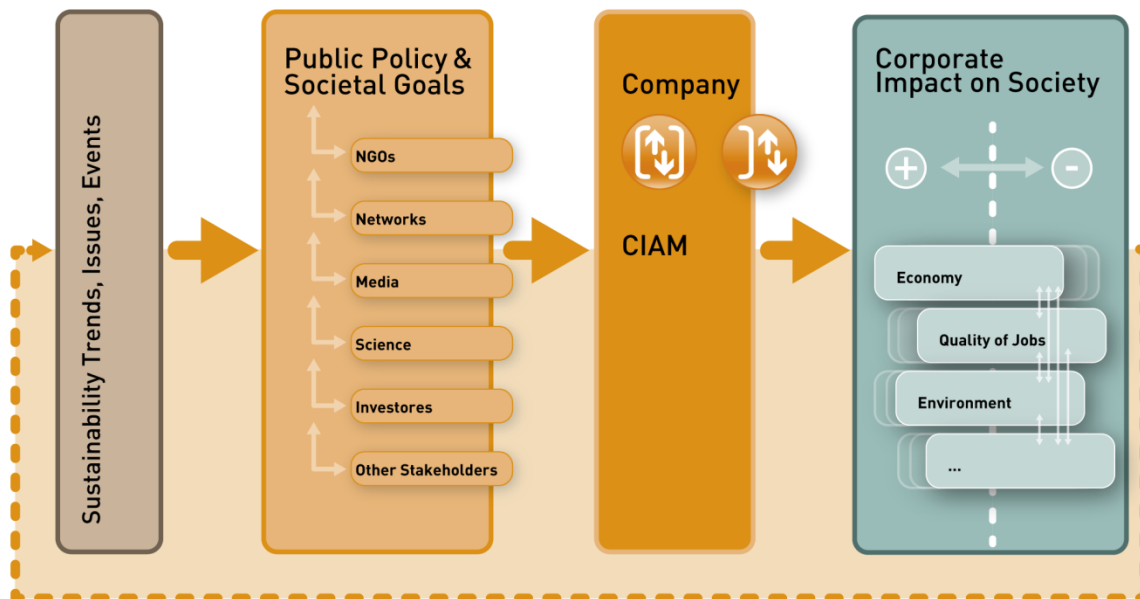
² European Commission (2011). A renewed EU strategy 2011-14 for Corporate Social Responsibility. COM(2011) 681 final.

2.2 The common framework

In order to generate a common understanding on the way impacts arise, the project began by developing an ideal model of how companies process CSR issues (or more general: sustainability trends, issues and events). The model moves from changes in the external context of the company, through its responses and on to the impact on society arising from those actions. This model could be understood in terms of corporate impact assessment and management (CIAM).³

IMPACT assumes that there are certain sustainability trends, issues, and events which are relevant for society. These either are seen can be long-term trends (like climate change), issues such as waste production or sudden events or crises (e.g. oil spills or other types of accidents). Some of these trends, issues and events receive political attention and are translated into policy, at other times they receive public or pressure group attention and still play out in the corporate environment. It is obvious that in addition to governments other actors – like NGOs, science, media etc. play a role in the formulation of public policy and other societal goals. Sooner or later these sustainability concerns gain corporate awareness (ideally but by far not always mediated through policies) and are processed within the company. As a consequence of corporate action to tackle issues of societal relevance the corporate impact on society changes.

Figure 1: External Context of Corporate Impact Assessment & Management

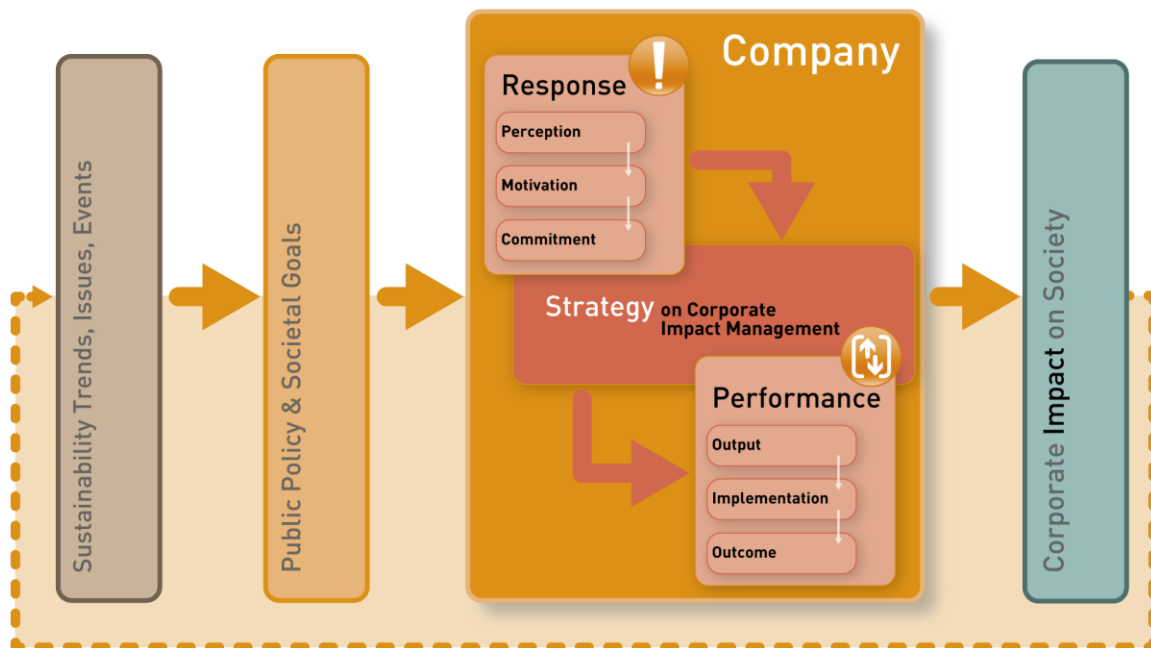


³ One of the key conclusions and recommendations of the IMPACT project is very much in line with the new CSR definition of the European Commission: the debate of voluntary versus mandatory activities, where CSR only represents the voluntary part of the game, has to be overcome as it does not create any additional value. The focus of corporate activities, politics and other actors (like NGOs) should lie on **impacts**. The crucial question simply is: how to reduce negative and how to increase or create positive impacts? This (management) approach – focusing on the improvement of corporate impacts, no matter whether this is achieved by legal compliance, financially or ethically motivated voluntary activities – is called **Corporate Impact Assessment & Management (CIAM)**. More details can be found in reports of WP 7 (Recommendations).

It is important to note that company activities arise from actions designed to tackle sustainability concerns and that all activities (not only those meant to tackle sustainability issues) by a company have the potential to generate positive or negative impacts. The key question is not do companies have impacts but **to what extent do these impacts change (ideally improve) if companies implement activities to tackle a specific issue**. IMPACT focused on the areas of concern to the European Commission, specifically whether impacts in the three dimensions environment, quality of jobs, and economy (growth & competitiveness) improved or decreased as a consequence of voluntary corporate action (CSR according to the old EU definition, used for the IMPACT project) to tackle issues. Of course there could be other dimensions analysed on the respective corporate impact (e.g. human rights). All these steps are summarised in *Figure 1*.

IMPACT also looked at companies internal processes. What is summarized in the model as 'sustainability issues that gain corporate awareness and are processed within the company' is now displayed in more detail in Figure 2: After a certain sustainability issue is **perceived** as being relevant, various reasons **motivate** a company to **commit** itself to tackling this issue. This commitment translates into (corporate) **strategies** that then find expression as **outputs** which are seen as corporate policies and programmes on what to do. By **implementing** measures and activities the company aims at creating **outcomes** provide for change – some changes occur internally, that can be qualitatively described and quantitatively measured. The company's internal (outcome) effects finally lead to **impacts on society** – and outcome changes will hopefully lead to impact changes as well.

Figure 2: Company Internal Process of Corporate Impact Assessment & Management



The step from outcome to impact and the translation of changes in outcomes into changed impacts is the key element of the IMPACT project: It is assumed that effective CSR activities lead

to outcome changes internal to the company – but the issue is what does this mean in terms of corporate impacts on society? Do they change as well?

2.3 From sector selection to indicator development

2.3.1 Sector selection

Throughout the IMPACT project, five sectors were empirically analysed in order to measure and explain the impacts of CSR. The approach to individual sectors has been chosen because CSR activities are often based on sector-specific instruments and best-practices and because sector-specific aspects (e.g. market conditions, CSR risks and opportunities) strongly influence the impacts to be achieved. The criteria for sector selection were:

- 1) Relevance of the sectors for the social and environmental development of Europe
- 2) Relevance of the sectors for Europe as an economic region
- 3) Spread of the sectors across Europe and its Member States
- 4) Coverage of sectors that strongly influence different stages of the value chain

Based on these criteria, the following five sectors have been chosen for IMPACT: Retail Sector, Automotive Industry (including supply chains across Europe), Information and Communication Technologies (ICT), Construction & Real Estate, Garment industry.

2.3.2 Issue selection

Apart from sector selection, IMPACT also had to select relevant sustainability issues to be analysed. A research project with limited time and budget resources cannot deal with all issues that exist on the sustainability agenda. A prioritization and selection was necessary to limit the complexity of the project. The major guiding principle for the issue selection was that there had to be European policy goals for the respective issues. In a next step the issues were broken down on sector level to take into account sector-specific characteristics by (a) selecting different issues for different sectors and (b) making distinctions on sub-issue level (e.g. focussing on different types of raw materials for the issue '*reduce use of raw materials*'). The issue selection for the sectors will be discussed in greater detail in the respective subchapters of chapter 3.

2.3.3 Identification of potential voluntary activities

For all the issues IMPACT then identified voluntary activities the companies could apply to tackle the respective issue. This was necessary a guideline for identifying CSR, defined as voluntary action beyond legal compliance (see above). As companies, especially in the case studies, were not only asked about their CSR activities, but on what they are doing to tackle a certain issue, the researchers then had to evaluate whether individual activities implemented by companies actually

are CSR according to the IMPACT definition or not. The reason for this approach was the fact that companies have very diverse definitions of CSR: Some assume that all of their sustainability activities can be summarized under the umbrella of CSR; some see CSR as something additional, not related to sustainability activities addressing their core business etc. Therefore the authors of the case study reports in IMPACT had to analyse which activities are used in a company to tackle a certain issue and then judge on their own whether these are CSR according to the project's definition. The major advantage of this approach is that IMPACT did not only look at what companies think is CSR – a more complete and complex picture could be created without only focussing on things not related to the core business (e.g. philanthropic activities).

2.3.4 Indicator development

The core of IMPACT was to analyse in how far implementing CSR activities led to outcome and impact changes and whether these are related. For doing this on a scientifically valid basis, quantitative information had to complement qualitative information on issues and activities. Therefore outcome indicators (aiming at measuring company internal developments and changes) and impact indicators (aiming at measuring developments and changes external to the company, for society) were developed for the target areas Quality of Jobs and Environment.

2.3.4.1 Environmental indicator selection

The approach of indicator selection for the environmental area was the following:

- Outcome indicators – mainly defined as the environmental impact caused by corporate action relative to units of output (e.g. products, turnover) – were defined. In order to allow for greater flexibility, the exact type of unit has not been specified. Even if companies do not use our indicators, it is possible to calculate the indicator whenever absolute data and data on the amount of units of output are available.
- Impact indicators – defined as an absolute number (e.g. tons of a certain material or emission) – were defined.

This means the crucial difference between outcome and impact indicators is that outcome indicators are mainly relative to output, impact indicators are absolute numbers. Some exemptions exist: In case the absolute number (usually perceived as impact) refers to a type of indicator that does not directly affect environment or society, it's treated as outcome indicator (even though it's not a relative indicator).

Example: The absolute amount of energy consumption (e.g. in kWh) is assumed to be an outcome indicator in IMPACT, because energy consumption itself does not directly affect the environment. The relevant environmental effect of energy is (mainly) CO₂. Therefore only absolute amount of CO₂ is an impact indicator.

Additionally, there are indicators which can be impact indicators for one issue, while they are outcome indicators for other issues.

Example: The absolute amount of waste produced can be outcome and impact indicator at the same time. When discussing it under the category 'protect natural resources from pollution', the amount of waste produced could be treated as impact – as waste in itself is one type of environmental pollution. When, however, discussing amount of waste as related to the category 'conservation of natural resources', waste could be treated as outcome indicator – waste would be one example of wastage and material use that should be reduced, while the final aim and impact would be to reduce the absolute amount of raw materials used.

Still, when applying the main principle – that outcome indicators are relative to units – this will identify any company's internal changes caused by any activity of the company addressing a certain issue – no matter how many units are being produced. This is important because it might happen that relative indicators decrease and absolute indicators increase at the same time, simply because of an increase in output produced. Therefore relative outcome indicators allow us to judge whether a company conducted activities in the issue area or not by seeing whether the relative indicators change.

Impact indicators are absolute numbers. From an environmental perspective it only matters how much CO₂ is emitted in total. It is irrelevant whether emissions per unit decreased. Actually, different levels of impact indicators could be defined: Starting with e.g. (1) absolute amount of CO₂-emissions of a company, then coming to (2) emissions by region/ sector, going to (3) emissions by country, (4) emissions by EU27, (5) emissions on a global level, and finally looking at (6) climate change effects – there might be even more impact levels in between. The indicators developed and used in IMPACT usually stopped at level one of these impact levels, because the higher the level gets, the more complex it will be to prove effects of individual companies. Especially for company cases it is not possible to go beyond level one.

2.3.4.2 Quality of Jobs indicator selection

For the area of Quality of Jobs such an approach was not possible. The 'simplistic' approach of discerning outcome and impact by relative and absolute indicators (with some exemptions as explained above) does not reflect the dimensions 'company internal' and 'relevant for society' for the area of Quality of Jobs. Finally, the QoJ-domain does not comprise indicators for impacts, in contrast to the environmental domain. In the QoJ-domain it is almost impossible to distinguish between relative and absolute indication. In fact, QoJ-issues concern the situation of workplaces and employees which directly contribute to the number and the quality of workplaces in every society. The project partner ISOE thus proposed absolute indicators which refer to the national average data of specific indicators of the issues in question. However, due to the strong dynamic between the European and non-European countries in this domain, the national average data of the indicators/ issues didn't make sense. Thus, using absolute numbers indicating societal impact in a quantitative sense as constructed for the environmental side, seemed to be futile. This is mainly true for the large multinational companies, whereas SMEs contribute more directly to the national average of an issue. After all, the IMPACT consortium decided not to use impact indicators for the QoJ-domain but to keep this task in mind for further research.

2.3.4.3 Economic indicator selection

When selecting economic indicators for the IMPACT-project, we focused on highest data availability and reflection of the two dimensions growth and competitiveness. When measuring differences in performance, IMPACT used ratios (like ROA and ROS). Here the problem of acquiring data concerning differences in real and nominal changes does not appear. Finally, IMPACT distinguished impact variables (like return or growth in turnover) and control variables (like the absolute level of total assets or turnover). The latter type of variables are important as control variables in some analyses (e.g. econometrics), but do not necessarily shed light on the economic success of a company.

Finally, all these detailed indicators were incorporated into all the empirical work packages to different extents: In the case studies all the detailed indicators had been asked for. However, e.g. in the online survey of work package 2 it was not possible to include all the detailed indicators. There, IMPACT rather asked for data trends over the past few years and offered different options of whether data trends increased or decreased by 0-1%, 1-3%, 3-5%, more than 5%.

3 SYNTHESIS OF CROSS WORK PACKAGE EMPIRICAL RESULTS

This chapter will now focus on the overarching EU policy objectives mentioned in the project description: environment, quality of jobs, and economy.

Each of the areas will be analysed individually and presented in a separate subchapter. The aim of this analysis is to summarize results regarding environmental, quality of jobs, and economic CSR performance and impacts from all empirical work packages. The analysis does not aim at analysing the influence of several characteristics (like company size, sector, etc.) – the reports on D6.3 and D6.4 deal with these research questions. Still, this division cannot be kept for every characteristic and on all detail levels, as most of the results already distinguish some types of results: E.g. the econometric analysis provides individual results for large companies and SMEs, and the case studies only deal with large companies. In such cases it would not make sense, and it would even be scientifically objectionable, to again aggregate results without mentioning which of those are relevant for SMEs and which are relevant only for large companies. Therefore, the results will already be divided and presented individually e.g. for company size in this report, but without highlighting and discussing the differences. The task of the reports on D6.3 and D6.4 is then to especially highlight the differences and to discuss them.

3.1 Environmental CSR performance & impacts

Christoph Brunn (Oeko-Institut)

In this section cross work package results for environmental performance and impacts of CSR are presented. All four empirical work packages provided information on environmental performance and impacts of companies and were therefore taken into account.

The *target area* environment was split up into three main *categories* in IMPACT:

- a) Mitigate climate change
- b) Protection of natural resources from pollution
- c) Conservation of natural resources

Each of these categories contains several issues which were then broken down into sector level, e.g. *reduce CO₂ emissions from ICT infrastructure* (for ICT sector) or *reduce water consumption during cultivation and textile processing* (for garment sector). Two environmental issues are cross sectorial (*reduce CO₂ emissions* and *reduce use of raw materials*). An overview of all the categories and issues is presented in Table 2. It should be noted, that issues which are not among the sector specific issues in IMPACT, e.g. *reduce emissions of harmful substances* in the construction sector, are not irrelevant. However, due to time and resource restraints, IMPACT had to limit the number of issues and therefore prioritized the issues displayed in Table 2.

Additionally, a list of potential voluntary (CSR) activities on how to tackle the issues, and outcome (intra company effects) and impact (effects on society) indicators to measure and quantify effects of CSR activities have been developed.

Table 2: Overview of IMPACT categories and issues on environment

	Retail	Automotive	Textile	Construction	ICT
Climate Change					
Reduce CO2 emissions	✓	✓	✓	✓	✓
Protection of Natural Resources from Pollution					
Reduce emissions of harmful substances		✓	✓		✓
Conservation of Natural Resources					
Reduce use of raw materials	✓	✓	✓	✓	✓
Reduce use of critical raw materials		✓			✓
Minimize land use and land use change	✓			✓	
Reduce water consumption			✓		
Other					
Encourage Sustainable Consumption	✓				
Sustainable Supply Chain Management	✓				

In the following, European core policy goals and results on environmental performance and impact from empirical work packages (econometric analyses; case studies; network studies; Delphi study) of IMPACT will be summarized. Chapter 3.1.1 will start with presenting general results and then proceed with results for each issue individually: mitigate climate change (Chapter 3.1.2); conservation of natural resources (Chapter 3.1.3); protect natural resources from pollution (Chapter 3.1.4). Finally, results for the two issues from category 'other' (mainly relevant for retail sector) will be summarized (Chapter 3.1.5).

3.1.1 General results on environmental CSR Performance & Impact

General information on environmental performance and impact is mainly available for SMEs and not so much for large companies, as a majority of the needed information can only be derived from the econometric analysis (WP2). While IMPACT developed an own survey and could add a descriptive analyses for SMEs, for large companies IMPACT mainly relied on existing data from CSR rating agencies. Possibilities to conduct descriptive analyses were therefore limited as most of the information did not consist of raw data/ information but of rating scores based on analyst's ratings according to publicly available company information.

3.1.1.1 CSR Response & Strategy

Most of the environmental issues IMPACT decided to analyse (see above) were seen as being relevant by the companies across work packages. Out of 24 sector specific environmental issues, only one issue was generally not seen as being relevant by companies of the sector: land use and land use change in the retail sector. However, this does not mean that companies actually tackle all these issues (see chapters 3.1.2 to 3.1.5 for details).

Still, the majority of issues are translated into CSR strategies (for about two thirds of the issues the companies have developed strategies) and in many cases the companies also defined targets. Still, the introduction of targets was less common (about 60% of company cases) than introducing strategies or assessing issues. For SMEs the share of companies formulating targets on different environmental issues varies issue specifically from 13-29%. Again, when comparing large company data from nineteen case studies (WP3) and SME data from several thousand companies does not create generalizable information – but the result seems to fit to the expectation that large companies with more resources available are more likely to strategically tackle CSR issues including the formulation of targets.

3.1.1.2 Output

As shown in Figure 2, the next step from perceiving issues as being relevant (perception) and translating this into some kind of commitment and strategies to reach the final aim of creating outcome and impact changes in the assumed model of how companies actually process CSR, would then be creating output.

Besides many general output factors that do not directly relate to only one of the two target areas (environment or quality of jobs), the use of environmental certifications and management systems can be used as proxy indicator on how many companies actually create environmental CSR output.

For small and medium sized enterprises (SME) there is a clear trend of applying environmental certification (like ISO 14001) and environmental management systems (like EMAS) – much more than in the social realm. Still, even for environment, only a small minority of SMEs does actually use them (16 %). For social certification (SA 8000) it is only 2 %.

This trend could partly be verified for large companies as well: The number of companies receiving external certification for environmental management systems was higher than those receiving certification for health and safety issues. The case studies (WP3) however revealed a different picture for large companies: There the share of companies having environmental or social certifications is almost identical. Although it has to be kept in mind that knowledge for large companies from case studies is only based on nineteen case studies and can therefore not be generalized.

3.1.1.3 Implementation

Asking for different environmental issues identified as being relevant in IMPACT, 44-66 % of the SMEs answered to put continuous effort in environmental activities (depending on the issue). This means on average about half of the companies continuously engage in environmental CSR and another third answered to put incidental effort in these activities. Only few companies answered to put no effort in the areas they were asked for (between 11-33 % - depending on the issue).

Most of the issues are assessed by the case companies interviewed in IMPACT. In sixteen out of nineteen cases, companies used KPIs. This again does not mean that companies measure all these issues with outcome and/or impact indicators but with some kind of indicators which mainly reflect company needs and in many cases were created by the companies themselves (instead of using commonly accepted or standardised reporting indicators). In fact, only about one fifth of each performance and impact indicators developed in IMPACT, were addressed by the case companies. This means that there is no large difference between performance and impact measurement for environmental indicators. Additionally, CSR measurement was formalized only recently: The availability of indicators increased from 2007 to 2010. This leads to the expectation of better availability of data in the long term.

In contrast, only 14-27 % of SMEs actually measure the results of their efforts and when asked to fill in precise values on levels of outcome or impact (e.g. CO₂ emissions in tons), even allowing best estimates instead of actually measured values, up to 34 % (average 19 %) of SMEs were able to do so (again the exact share varied per issue). This result is very much in line with the share of companies answering to actually measure their environmental performance.⁴

In general, a systematic consideration of impacts (as to be discerned from company internal outcomes on performance level) exists only in very rare cases. Many companies somehow consider impacts, often implicitly, but there is no clear and structured understanding of what impacts are. It has to be acknowledged that at the moment the systematic consideration of environmental outcome and impact would be best practice itself. This is interesting, especially when contrasting it to the survey's finding that 66 % of the experts (among them the largest share was from companies) stated, environmental impacts of CSR should be measured.

3.1.1.4 Outcome & Impact

Comparing the actual results on changes for environmental issues of SMEs from 2007 – 2010, by far the highest share of companies answered that results did not change significantly. Comparing only those companies which answered to have either improved or worsened from 2007 – 2010,

⁴ This seems to be quite logical. However, it should be noted that, when allowing filling in best estimates, the share of companies being able to fill in values for quality of jobs indicators increases significantly. This highlights an interesting difference between environmental and quality of jobs indicators: It seems to be much easier to estimate and therefore to take into account quality of jobs indicators, whereas measurement systems have to be implied for environmental measurement.

for environmental outcomes the share of those companies answering they improved is always slightly higher. The average level of change of environmental results (taking all answers into account) for SMEs, is an improvement of 0.36 %. As this is only a very slight tendency of improvement, this should not be over interpreted. As all the average values for individual issues are between 0 and 1%, differences between those issues cannot be deduced.

As outcome and impact data in IMPACT are not limited to direct CSR outcome or CSR impact but rather represent as general company results, without taking into consideration how these results are created, the question now arises whether these improvements – in case there are improvements – are actually caused by CSR or by something else (e.g. legislation). For environmental improvements, on average about half of the SMEs (47%) responded that voluntary action (in other words: CSR) was the reason for improvements; 4% mentioned collective industry action; about 9% mentioned legal requirements; and another 41% answered none of these options fits to their reasons for improvements.

The analysis also shows that CSR output actually leads to CSR implementation and CSR implementation leads to improvements in outcomes or impacts for all environmental issues tested⁵ for SMEs. This means that SMEs deciding on different environmental programmes etc. are more likely to actually implement specific environmental activities than SMEs which do not agree on programmes etc., maybe because they are acting on CSR more implicitly; and SMEs implementing CSR activities actually observe improvements in outcomes or impacts. In other words: CSR activities actually have a positive effect. Issue specific results will be discussed in chapters 3.1.2 to 3.1.5.

This could also be verified by another analysis, based on additional questionnaires for SMEs from IMPACT sectors.⁶ Asking SMEs for specific activities, which were assumed to be voluntary (and therefore CSR) activities, and then asking those answering to implement such activities how related indicator data developed over the last years, led to the result that for environmental issues in three out of four sectors there was a positive relationship between the implementation of CSR and the respective results. A positive relation means, that the largest share of those companies implementing activities answered to experience positive results. Companies answering that they have not implemented CSR activities majorly experienced stable results instead.

Taking into account only the absolute level of outcome indicators for SMEs in 2010, instead of the change from 2007 – 2010, the relationship between CSR implementation and outcome is no longer as obvious: For only three out of six issues there is a link that increased effort leads to better levels of outcomes.

⁵ For SMEs these were: CO₂ emissions; energy consumption; use of renewable energy; water consumption; waste production; recycling of waste.

⁶ For further details see IMPACT Working Paper No. 12, available at <http://csr-impact.eu/documents/documents-detail.html?documentid=23>

For large companies results on CSR output and implementation and how these affect outcomes were weaker than for SMEs: For large companies only two out of four environmental issues tested⁷ revealed a relationship between CSR output and better outcomes. However, results for large companies and SMEs are not directly comparable for two reasons:

- a) Relying on existing data bases and indicators used by them, limited the availability of criteria fitting to the IMPACT model significantly (see Figure 2). This situation especially affected the category “CSR implementation” as no real implementation variables have been available in the existing indicator set for large companies. The analysis in WP2 therefore, which is the main basis for the conclusions made above, had to focus on the relationship between CSR Output and Outcomes – while skipping the interim step of CSR implementation. This alone could be a reason why results for CSR effects on outcomes appear weaker than they might actually be.
- b) The outcome indicators available in the data base used for large companies had different characteristics: Some contained only data of outcome levels in 2010; others included trend data (comparing data of 2010 with data for the company the years before) or data including assumptions of external societal costs. These differences may influence results as well.

As for SMEs, issue specific results will be discussed in chapters 3.1.2 to 3.1.5.

Interestingly, all these results do not fit very well to the results of the expert’s survey (Delphi study of WP5). Asking experts for the influence of several policy instruments on improving environmental issues, reveals that they assume CSR to be among the least important instruments (at the same level as *Environmental Impact Assessment* and *Awareness Raising Campaigns*), whereas EU and national environmental regulation rank the highest, followed by taxation and fees. Directly compared to company assumptions, a large contrast appears: Only 9 % of the SMEs mentioned legal requirements as reason for outcome or impact improvements they observed for their companies.

3.1.1.5 Summary of general environmental results

Across work packages, companies majorly agreed to IMPACT’s assumption of environmental sustainability issue relevance for the different sectors. Although this did not automatically mean that companies address all these issues, they created strategies and assessed them accordingly. The measurement of companies’ environmental results was characterized by indicators/ KPIs companies created on their own and for their own needs. Although some or even many

⁷ For large companies the issues Carbon intensity, share of renewable energy, water intensity (water use multiplied with estimates on external societal costs of water divided by annual sales) and waste intensity (t. waste/USD m. sales) were tested.

companies spent at least some thought on what environmental impacts are, there was no commonly accepted standard for environmental impact or related indicators.

Finally, especially for SMEs IMPACT results indicate that on average CSR brought effects for environmental issues: When asking SMEs how improvements were achieved most of them refer to voluntary activities; the econometric analysis in WP2 provided further insights and revealed that there is a relationship between CSR output, CSR implementation and outcome or impact changes. Interestingly, results from the expert's survey do not reflect this: Most of the experts assumed CSR to be of least importance among different types of policy instruments. For them, EU and national regulation are the major drivers of environmental improvements.

3.1.2 CSR Performance & Impact on Climate Change

3.1.2.1 European Policy goals on climate change

After aiming at 1% reductions of GHG emissions of the 1990 levels until 2020 in the Lisbon Strategy⁸, Europe 2020 raised the bar and the EU's new goal is to reduce emissions by at least 20% of 1990 levels until 2020. Under certain circumstances, this goal shall be raised to 30%.⁹ In the long run the aim is to reduce the EU's GHG emissions by even 80% until 2050.¹⁰

To achieve these aims, the Commission sets out to increase the share of renewable energy in final energy consumption to 20%, increase energy efficiency by 20% (both Europe 2020), and to reduce primary energy consumption by 20% until 2020.¹¹ Special goals for transport additionally aim at 10% renewable energy in transport by 2020.¹²

3.1.2.2 CSR contribution to climate change performance and impact

CSR Implementation

The area of climate change is commonly seen as being important and according to the sector experts surveyed, CO₂ emissions and energy consumption related to the core business are

⁸ European Commission (2000). Lisbon Strategy for Growth and Jobs. Retrieved July 19, 2013, from http://ec.europa.eu/archives/growthandjobs_2009/index_en.htm

⁹ European Commission (2010). Communication from the Commission. *Europe 2020 – A strategy for smart, sustainable and inclusive growth*. COM(2010) 2020 final (referred to below as "Europe 2020").

¹⁰ European Commission (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. *A Roadmap for moving to a competitive low carbon economy in 2050*. COM(2011) 112 final (referred to below as "COM(2011) 112 final").

¹¹ European Commission (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Energy Efficiency Plan 2011*. COM(2011) 109 final (referred to below as "COM(2011) 109 final").

¹² European Parliament (2009). Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (referred to below as "Renewable Energy Directive")

sufficiently tackled by voluntary activities of the companies. The picture regarding the implementation of CSR activities, however, varies when analysing the different results in IMPACT. Whereas one descriptive analysis of work package 2 (econometric analysis) reveals that SMEs' engagement on climate related activities is only average compared to other environmental issues (44% of SMEs answered to continuously engage on reducing CO₂ emissions; 51% of SMEs answered to continuously engage on reducing energy consumption or increase the share of renewable energy – for details see report on empirical results from WP2), the analysis of additional questionnaires for SMEs from IMPACT sectors (see above) finds, that reducing energy consumption has always been relevant. Activities have been implemented by the largest share of companies compared to the other environmental activities.

For large companies, the case studies revealed that activities related to CO₂ (increase energy efficiency and share of renewables) were among the most common of all environmental activities as well. Climate change and reducing CO₂ emissions was important for all companies. The descriptive analysis of data from existing data bases showed, that whereas only few large companies engage in increasing the use of renewable energies, much more companies adopted general programmes to reduce GHG emissions and participated in the Carbon Disclosure Project.

Case studies and SME surveys showed that in basically all cases relevance attached to the issue was translated into activities for climate change. However there are some interesting exemptions: Despite the lengthy debate about coolants used in automobiles – and the ban of certain substances – according to IMPACT results, companies do not engage in introducing CO₂-cooling (which represents a less harmful alternative) for cars. Another example of lacking activity of companies in the area of climate change seems to be the issue of transportation in the textile industry. Even though experts from this sector considered the issue to be relevant for ecological sustainability, they answered that companies do not tackle the issue with voluntary action (CSR). Finally, the retail sector seems not to engage on delisting energy intensive products, even though there is awareness that energy use during the use phase of products is a major issue for the sector.

The high engagement regarding climate activities is not reflected when looking at data collection and measurement. When asking for specific values or at least best estimates, it can be observed that CO₂ seem to be something that SMEs generally measure: only 9 % of SMEs filled in values for CO₂ emissions (lowest value among all indicators), while at least 23 % of the companies filled in values for energy consumption.

In contrast, the area of climate change was the most commonly reported issue for the case companies (only large companies). Only three companies did not report on their CO₂ emissions at all. All the other companies did report on CO₂ emissions at least to some extent. For 2010 all but three companies measured Scope 1. Two of the companies who were not publishing data for

2010 were still engaged on GHG and energy efficiency. Four of the companies even published data for 2010 on Scope 3.

Does CSR improve outcomes and impacts and therefore contribute to public policy goals on climate change?

As already mentioned above (Chapter 3.1.1) the average changes for general – not only CSR related – outcome or impact results of SMEs from 2007 – 2010 for all the issues were between 0 and 1 %. Thus, this weak positive development was observed for CO₂ emissions, energy consumption and the use of renewable energy as well.

When comparing the reasons for improvements of SMEs between 2007 – 2010, it can be noticed that CO₂ seems to differ from the other issues: CO₂ and renewable energy represent the lowest shares on voluntary action among all the issues (38 and 36 %), whereas voluntary action as a reason for improvements in energy consumption represent the highest share among all issues (59 %). This is interesting especially when keeping in mind that reducing energy consumption is one of the main activities to reduce CO₂ emissions – but still, much more SMEs answered to achieve reductions in energy consumption by voluntary action than those answering to reduce CO₂ emissions by voluntary action.

As already mentioned in the general part of this chapter the econometric analyses supported IMPACT's assumptions that CSR commitment leads to CSR output, this improves CSR implementation and again improves outcome and/ or impact levels as well. Finally this means, that the implementation of CSR activities leads to improvements in outcome or impact levels. This is also valid for the area of climate change. Still, it can be noticed that the strength of the relationship is larger for reducing companies' CO₂ emissions (impact) and reducing a company's energy consumption (outcome) than for increasing the share of renewable energy (outcome). Taking into account only the absolute level of outcome indicators in 2010, instead of the change from 2007 – 2010, the relationship between CSR implementation and outcome is not so clear any more: Only for the share of renewable energy there is a link that increased effort put in this issue leads to better levels of CSR outcome. For CO₂ emissions and energy consumption there is no relationship between CSR implementation and absolute levels in 2010 detectable for SMEs.

The overall results, that there is a positive effect of CSR on changing outcomes and impacts over time, was also supported by descriptive analyses of additional survey data for companies from the five IMPACT sectors. For almost all the climate change issues, the majority of companies answering having implemented activities on this issue also reported having experienced positive results over the last five years. Those who did not implement activities mainly reported neutral results for these issues.

On average, the fact that large companies do much less engage in raising the share of renewables than trying to generally reduce CO₂ emissions (see above) is reflected in the results

as well: Large companies performed much better in improving their carbon intensity compared to peers and also better in improving their carbon intensity trend than in increasing the share of renewable energy. Results from case studies do however not fit to these results: Although there is a slight tendency for CO₂ Scope 1 emissions to decrease – eight companies reported to have reduced emissions while five reported it has increased – looking at all climate change indicators makes the picture more complicated. While a slight majority of available performance indicators proved positive developments from 2007 – 2010 in the area of climate change, the slight majority of available impact indicators declined in the same period. Interestingly, in case studies there was even one company which reduced its emissions despite economic growth.

Still, as for SMEs, the theoretical model of IMPACT was confirmed by the econometric analysis: CSR commitment led to increasing probabilities of CSR output on climate change (e.g. programmes on reducing GHG emissions and increasing the share of renewable energy) and this again had a positive effect on outcome levels, more precisely GHG intensity (absolute levels and trends) and the share of renewable energy. Thus, CSR actually had a positive effect on climate change variables for large companies.

Finally, for both – SMEs and large companies – CSR improved results on climate change outcomes or impacts. This basically means that CSR helps to reach policy objectives on climate change, as a reduction of energy consumption, increasing use of renewable energies and declining GHG emissions on company level are part of the above mentioned goals to achieve these on EU level. Even more, sector experts from all sectors expect the importance of CSR for the area of climate change to rise in the future.

However, it has to be kept in mind that general data trends (without taking only changes caused by CSR into account) do not seem to reflect this positive effect of CSR: Data trends for SMEs only showed slightly positive developments below one per cent and case studies did not provide support for majorly positive impact trends on climate change at all. Thus, even though there seem to be positive effects from CSR, these are probably not large enough to create large changes.

Summary

Altogether, implementing CSR activities on climate change seems to be most common compared to other environmental issues for SMEs as well as for large companies. Even though the focus of such action might differ: IMPACT results indicate that large companies are more likely to have general programmes on GHG or CO₂ reduction than SMEs, which seem more often to focus on specific aims like increasing the share of renewable energy or reducing energy consumption.

Additionally, large companies are more likely to measure and report on climate issues (CO₂ respectively) than on other environmental issues. Reasons for that might be that there are several drivers for measuring: There is a long lasting debate on climate change and it has been on top of the political agenda for environmental issues for quite a while already. Even more important:

There are commonly accepted standards on what (CO₂/ GHG in form of CO_{2e}) and how to measure (e.g. definition of Scope 1, 2, 3; conversion factors for translating energy data into CO₂). However, this is not only the case for large companies but for SMEs. But here, measuring of CO₂ is among the least measured indicators, even though energy consumption (which is directly related to CO₂ emissions) is among the most commonly reported environmental indicators for SMEs. This might indicate that SMEs do not have the resources to systematically engage in climate change reporting and how to translate energy data into CO₂ data etc.

Looking at the effects of CSR and its contribution to achieving public policy goals, IMPACT supports the thesis of a relationship between the implementation of voluntary activities and improving development of outcome levels for SMEs from 2007-2010. This finding gets weaker when looking at absolute levels in 2010 only – however, analysing the development of climate change indicators over several years is more important than comparing absolute levels of indicators for only one year. The latter causes questions about the comparability of data for different companies (even within the same sector). For large companies, the relationship between CSR and improving outcome results was confirmed as well. However, the total effect from CSR (for SMEs as well as for large companies) does not seem to be large enough to create major changes.

3.1.3 CSR Performance & Impact on the Conservation of Natural Resources

3.1.3.1 European Policy goals on conservation of natural resources

Conservation of natural resources covers a diverse area – so it is not surprising that the political aims of the European Union diverse as well.

One of the main political areas for the conservation of natural resources (which finally means to consume fewer of different resources in total) is resource efficiency. According to Europe 2020, the EU economy shall be transferred into a resource-efficient economy. Resource efficiency, recycling and reuse¹³¹⁴ shall finally serve the aim to reduce the consumption of primary raw materials.¹⁵ To achieve this goal, efficient production is a major aspect and the EU aims at least

¹³ Commission of the European Communities (2009). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. *Mainstreaming sustainable development into EU policies: 2009 Review of the European Union Strategy for Sustainable Development*. COM(2009) 400 final.

¹⁴ Commission of the European Communities (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. *Roadmap to a Resource Efficient Europe*. COM(2011) 571 final (referred to below as “Resource Efficiency Roadmap”).

¹⁵ Commission of the European Communities (2008). Communication from the Commission to the European Parliament and the Council. *The raw materials initiative – meeting our critical needs for growth and jobs in Europe*. COM(2008) 699 final.

to keep the average rate of resource efficiency improvements¹⁶ (2.2% per year) for the future (“Resource Efficiency Roadmap”).¹⁷

For some resources there are specific political aims:

According to the Resource Efficiency Roadmap, edible food waste shall be halved until 2020.

The “Drinking Water Directive”¹⁸ sets out to reach a sustainable use of water for human consumption.

Regarding land use the overarching European goal, formulated in the “Resource Efficiency Roadmap”, is to reduce net land take to zero until 2050. Indirectly related goals can be found in the area of biodiversity: To promote biodiversity and to restore or maintain natural habitats and biotopes^{19,20}, it is important not to seal more and more land but to foster the recycling of areas already in use.

3.1.3.2 CSR contribution to conservation of natural resources performance and impact

CSR Implementation

According to sector experts all issues of conservation of natural resources IMPACT asked for are relevant for the five sectors under research. However, in contrast to the area of climate change, experts did not see sufficient voluntary activities from companies to tackle all of these issues. Without discussing the experts’ opinions in detail here, it can be stated that this impression of general issue-relevance without sufficient translation into CSR action by companies matches the other empirical results of IMPACT.

For SMEs, recycling received the highest rate of activity of all issues when asking about implementation of different environmental issues: 66% of SMEs answered to continuously engage on reducing and recycling waste, and only 11% answered not to be active at all. Another topic related to conservation of natural resources is water consumption: Here only 44% of SMEs answered to consciously engage in activities. Additional and more detailed knowledge on the issue of conservation of natural resources for SMEs was created by specifically asking for issue-

¹⁶ Resource efficiency measured in GDP per resource use, €/kg

¹⁷ Commission of the European Communities (2008). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. *On the Sustainable Consumption and Production and Sustainable Industrial Policy – Action Plan*. COM(2008) 397 final.

¹⁸ The Council of the European Union (1998). Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (referred to as “Drinking Water Directive”).

¹⁹ The Council of the European Union (1992). Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (referred to as “Habitats Directive”).

²⁰ The European Parliament and the Council of the European Union (2009). Directive 2009/147/EC of the European Parliament and of the Council for 30 November 2009 on the conservation of wild birds (referred to as “Birds Directive”).

subareas during the additional surveys only for companies from one of the five IMPACT sectors. During the analysis many areas could be detected where companies did not see relevance at all or where awareness of relevance did not translate into CSR activities. Issues considered as not being relevant at all by the majority of SMEs were:

- Increase use of recycled materials/ reused components (ICT)
- Practice design for recycling (ICT)
- Minimize use of rare metals (ICT)
- Reduce/ minimize land-take of buildings (Retail)
- Reduce use of drinking water in production (Textile)
- Increase use of recycled materials for textiles (Textile)
- Minimize land use change from new stores (Retail)

When interpreting these results two things can be noticed: Almost 70% of the ICT companies taking part in the additional detailed survey were ICT service providers. Thus, it is not the case that there is a lack of awareness for relevant issues from a scientific and political point of view, but that these companies are actually not affected by these issues. For textile companies the explanation might be a lack of awareness of issues occurring throughout the supply chain. Many production steps (cultivation of plants etc.) are probably not relevant for the own business and processes of many of the participating companies. However, the questions always took the supply chain into account. Still, there do not seem to be any plausible explanations why the issues mentioned above should not be relevant throughout the supply chain of any textile company.

Those issues, considered as relevant by most of the companies but not translating into action were:

- Minimize use of rare metals (Automotive)
- Reduce/ minimize land-take of buildings (Construction)

These results of issues perceived as being relevant but not being translated into action for SMEs supports the insights from the case studies on large companies. More details will be discussed below.

For large companies, the company case studies confirmed the relevance of the issue conservation of natural resources in general as well: Its general importance was recognized by all companies and the main area of activity was recycling again (increased recyclability, collection of used products, increasing the use of recycled materials). Furthermore, recycling and related activities (increasing the use of recycled inputs etc.) was one of the two most commonly implemented activities throughout the environmental area (following activities on climate change). However, when taking a look at the different sub-issues the situation is very diverse. Activities are not as commonly implemented as they are for the issue climate change:

- When talking about land use, companies from relevant sectors (construction and retail) did not see the necessity to tackle this issue. This seems to be due to general lack of awareness of the relevance of this issue (retail sector) or – in the construction sector – a lacking awareness of responsibility. Land use is an issue where regulatory frameworks exist through land-use plans and customers decide on this basis where to build. Therefore construction companies do not see a role for themselves in motivating customers to choose locations where no land use change (especially sealing of land) happens or to create buildings in less land consuming ways.
- The use of rare metals (relevant for automotive and ICT industry) was considered as being relevant by some but not by all of the companies. Still, even in those cases where there is awareness of issue relevance (mainly in automotive industry) there are no targets, strategies or anything else to tackle it. For the use of rare metals it has to be acknowledged that it is a topic which has only recently been introduced to the sustainability agenda and in many cases it is complicated to tackle.
- The situation seems to be better when looking at the amount of raw materials used, which is considered to be important by all companies. However, only few companies (especially from the automotive sector) engage in actually reducing their raw material use and have targets in place.
- The issue of water consumption was analysed specifically only for the textile industry and with a special focus on water use in plant cultivation and textile processing. For most of the case companies in IMPACT these were issues occurring within the supply chain and not as part of their own core business. Still, water use is an important but also recent topic for companies. And, similar to the above mentioned issue of rare metals, most (but not all) companies did not actively tackle the issue.

The picture of different relevance and implementation levels depending on the sub-issue – with recycling as the overarching activity addressing many of them – generated by qualitative insights, gets strengthened when looking at the assessment and measurement of the respective data:

The share of SMEs providing data for the share of recycled waste was 34%, for waste production it was 19%, and 17% for the amount of water consumed.

When looking at available data for large companies from the case studies, data on raw material use was available most often – but still one third of the companies did not assess it. Data on land use and land use change and water use was available only in rare cases. Specific data on the use of rare metals was not available at all.

Does CSR improve outcomes and impacts and therefore contribute to public policy goals on conservation of natural resources?

Looking at results and their developments over time for the issue of conservation of natural resources, those 34% SMEs providing data on average recycled 62% of their waste. The outcomes (share of waste recycled) and impacts (water consumption; waste production) slightly improved by below one per cent (as for all other issues as well).

When comparing the reasons for improvements for all issues within the area *conservation of natural resources* in the SME survey (water consumption, waste production, recycling of waste) about half of the SMEs said to have achieved improvements by voluntary action.

As for the issue of climate change: The assumption that CSR commitment improves CSR outputs while these increase CSR implementation and this finally leads to improvements in outcome or impact levels (change from 2007 – 2010 under study) was confirmed for recycling of waste and for water consumption. Still, it can be noticed that the intensity of the relationship is weaker for recycling of waste than for water consumption, waste production and some other (CO₂ related) issues. Taking into account the absolute level of outcome or impact indicators in 2010 only (instead of the change from 2007 – 2010) the relationship between CSR implementation and outcome or impact is not so clear anymore: A relationship between effort put into a certain issue leading to better levels of outcome or impact was only observed for the share of waste recycled and the amount of waste produced. For water consumption there was no relationship observed between CSR implementation and absolute levels of impact for 2010.

More detailed – but only descriptive – analyses, based on additional questionnaires for companies from the five IMPACT sectors, contribute further details on other issues from the category *conservation of natural resources*. A relationship between the implementation of voluntary activities and improving related data trends was confirmed for:

- ICT: use of recycled materials/ reused components in production; design for recycling
- Textile: use of drinking water in production
- Retail: Product food waste; land use change from new stores

But not for:

- ICT: design for repair
- Auto: use of recycled materials/ reused components in production
- Construction: use of recycled, reused, modular components; material intensity in construction of buildings; land-take of buildings

Finally, the more detailed analysis of additional issues apart from water consumption, waste production and recycling of waste, provides a more mixed picture for *conservation of natural resources*. For five of ten issues a relationship was supported, while for five others it wasn't. However, it has to be kept in mind that these results are less valid as they are only based on descriptive analyses and additional statistical methods could not be used.

When comparing results for water consumption and waste production, large companies performed much better on reducing waste – according to the data from existing data bases. Case studies provided additional insights: The data we have on land use and land use change indicate that there was an increase in land use from 2007 – 2010; and regarding the use of raw materials, some companies reported improvements (meaning reductions in raw material use). However, as already mentioned before, even with data from nineteen case studies these results cannot be regarded as being representative and do not allow generalisations on issue level. Additionally, IMPACT could only generate data in few of the case studies.

In contrast to the results for SMEs, for large companies there was no evidence that CSR actually improves outcomes or impacts for the issues of water or waste.

Overall, evidence differs a lot depending on whether we look at SMEs or large companies. Whereas for SMEs IMPACT indicates that CSR actually does improve outcomes or impacts (at least for most of the issues), for large companies there is no such evidence. As mentioned in chapter 3.1.1.4, this might also be due to methodological weaknesses in the analysis for large companies. Nevertheless, there is no basis for assuming a relationship between CSR and outcome or impact improvements for the area of conservation of natural resources for large companies in IMPACT. More detailed insights from the case studies did not help to change the picture for large companies, especially because for this issue there was hardly any data available.

When looking at the companies' CSR contribution to European policy goals, the analysis up to now has shown that only the voluntary activities of SMEs help to achieve them. But even for these SMEs, absolute data has shown only little overall progress (not only focussing on CSR changes). This proves that CSR alone cannot be the solution for sustainability issues in Europe.

For large companies, there is no evidence that voluntary actions actually make a difference. Additionally, the SME surveys only analysed the relationship between CSR and outcome or impact changes for water consumption, waste production and the share of waste recycled. For other relevant sub-issues (like rare metals and land use) IMPACT could not analyse the link in the same depth (because an online survey has to be focussed in order not to not overburden participants). Still, insights from the case studies and the experts survey support the impression that there is no such link for other sub-issues: Especially the issues of use of rare metals and land use were perceived as being relevant by most of the companies/ experts but both groups also admitted rather little engagement on tackling these issues with voluntary activities. Additionally, even though experts expect CSR to gain importance for tackling the issues in the future, the importance of the issues itself will increase even more. This finally means experts do not expect the use of CSR for the issue to catch up with the general importance of it.

Summary

In general, conservation of natural resources is a diverse issue and means dealing with a lot of different sub-issues like the consumption of water, production of waste, recycling of waste, consumption of raw and rare materials, land use and land use change.

The picture drawn from all the different empirical insights in IMPACT matches the experts' perspectives quoted at the beginning of this chapter: The conservation of natural resources is generally seen as a relevant issue but is not sufficiently tackled by CSR in all its details and sub-issues. The most widespread implementation of activities and assessment and reporting of quantitative data accordingly, are related to the issue recycling of waste (and some related activities). For all the other sub-issues only few or even no activities or measurement approaches could be identified. This is also sector specific.

Looking at CSR effects and how they contribute to the achievement of EU policy goals, the results differ for SMEs and large companies:

For SMEs the econometric analysis could identify a relationship between the implementation of CSR and outcome/ impact changes from 2007 - 2010 for the issues of recycling, waste and water. This means, CSR improved results of such issues over the time period observed. Looking only at absolute levels of data for the issues in 2010 the relationship gets weaker. However, as already mentioned before, a comparison of absolute data levels for issues is less valid than analysing the development of data over time, mainly because absolute data in many cases cannot be directly compared between different companies. When looking at additional descriptive analyses, the picture is more divers: For only half of the issues analysed the positive effect of CSR implementation was supported. However, the descriptive analysis in general is less valid than the econometric analyses due to quantity of data.

For large companies only the issues of water and waste were statistically analysed and insights in company case studies did not allow evaluating causality between CSR and outcome or impact changes, e.g. because of the lack of sufficient data. But even for those two issues which had been analysed in IMPACT, no support of a positive effect from CSR on outcomes or impacts was identified. As mentioned before, this might also be due to methodological constraints. Still, there is no empirical basis in IMPACT to conclude that there would be an effect of CSR for these issues.

To sum it up, this means that there is only weak proof of CSR's contribution to European policy goals: It could only be found for SMEs but not for large companies. Additionally, as for all the other categories and issues, absolute trends have to be kept in mind: From 2007 – 2010 we only observed minor changes. That finally means that the contribution of CSR is not large enough to create change and to achieve public policy goals.

3.1.4 CSR Performance & Impact on Protect Natural Resources from Pollution

3.1.4.1 European Policy goals to protect natural resources from pollution

The environmental category *Protect natural resources from pollution* can be split into several issues with their own public policy goals on EU level.

One of those issues is air quality. According to the “Resource Efficiency Roadmap”²¹ the overall aim of the EU is to improve air quality levels so that no significant impacts on health and the environment are caused. The same goal is formulated in the “Air Quality Directive”²² as well: Harmful effects from air quality on health and the environment shall be avoided, prevented or reduced. Therefore the impacts of air pollution on ecosystems and biodiversity shall be reduced by 2020.²³ This basically means to improve air quality significantly until 2020.

Another major issue area within the category of protecting natural resources from pollution is the emission of chemicals. The overall aim, formulated in the Lisbon Strategy regarding chemicals is very similar to the issue of air quality: The EU wants to ensure ways of producing and using chemicals without creating significant threats to health or environment by 2020.

3.1.4.2 CSR contribution to protect natural resources from pollution

Before discussing results from the empirical work packages in IMPACT, it has to be acknowledged that for the category *protect natural resources from pollution* there is less information available than for the other categories. The reason is that no issue of this category (beside waste, that can be seen as part of *conservation of natural resources* as well as of *protect natural resources from pollution* and was already analysed above) was part of the econometric analysis. The only insights on the issue based on survey data are of descriptive in nature. This mainly hampers the analysis of the effectiveness of CSR to improve outcome or impact results as only case study insights and descriptive analyses can be used to derive conclusions on this without additional information whether those assumptions are supported by statistical relationships.

CSR Implementation

According to the expert opinions, issues on protecting natural resources from pollution (such as hazardous substances in manufacturing; hazardous waste in production etc.) are relevant for the sectors chosen in IMPACT (ICT, automotive, textile) and are sufficiently tackled by CSR.

²¹ See section 4.5 of the „Resource Efficiency Roadmap“.

²² The European Parliament and the Council (2008). Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe (referred to as “Air Quality Directive”).

²³ European Commission (2012). Proposal for a Decision of the European Parliament and of the Council on a General Union Environment Action Programme to 2020 „Living well, within the limits of our planet“. COM(2012) 710 final (referred to as “EAP for 2020”).

According to the descriptive analysis of survey data among SMEs from the relevant IMPACT sectors however, issue awareness and implementation depended on the specific sub-issue. Two issues were not considered as being of relevance by SMEs at all:

- Phase out/ minimize harmful substances in production (ICT)
- Increase use of environmentally friendly dyes (Textile)

Again, for the issue *phasing out harmful substances in production* in the ICT sector these results can be explained by the fact that the large majority of companies answering the questionnaire were service providers. Therefore it should not be over interpreted.

The issue *using environmentally friendly dyes* in the textile industry is an interesting case. While there is no obvious explanation for the result mentioned above beside a lack of awareness of importance for the issue, another closely related result does not fit to this impression: When asking the same companies about the reduction or minimization of the use of hazardous substances in production (which would include dyes containing hazardous substances) a majority recognized the relevance of the issue and implemented activities. Even though it's only a slight majority – still almost half of the companies did not recognize the relevance of this issue – one might have expected similar results for both issues. The explanation might therefore lay in the specificity of the issue *environmentally friendly dyes*.

In the automotive sector, a majority of companies were aware of the relevance of reducing the *use of harmful substances in production* and implemented activities accordingly.

For large companies case studies revealed rather high levels of awareness: Almost all the companies asked, considered the respective issues as being relevant – on a similar level as issues of climate change mitigation were seen as being relevant. Across the three relevant sectors, all manufacturing companies introduced CSR activities. As all cases highlighted the important role of European legislation (e.g. REACH, RoHS) as a main driver of activities on *protect natural resources from pollution*, this indicates that legal standards seem to be a strong instrument to foster issue awareness and CSR implementation. Because companies did not only implement such activities they had to by European legislation (which would not be CSR according to the definition used in IMPACT), but IMPACT found additional activities that exceeded legal standards. The companies' aim and motivation for this was to stay ahead of European legislation. In the textile industry, engagement to reduce the use of harmful substances in production was the most common activity throughout all cases. Thus it's the only sector where CO₂ related activities are not the most common activities.

The availability of data for the issues of pollution was weak in general with the exception of some impact indicators in the automotive industry.

Does CSR improve outcomes and impacts and therefore contribute to public policy goals regarding the protection of natural resources from pollution?

As mentioned above there are no econometric results besides waste for the issues of this category and there was only little data for the respective indicators in the large company case studies.

The only knowledge IMPACT offered for the link between the implementation of CSR activities and outcome and impact changes is from the descriptive analyses of additional detailed questionnaires for companies from the five IMPACT sectors, asking questions about sector specific CSR activities and results the companies observed over the last five years. The results indicate a positive link between the implementation of activities and related outcome and impact changes: For all the pollution issues across sectors (ICT, Automotive, and Textile) a large majority of companies implementing activities reported having experienced positive results over the last years.

Considering the weak data basis no overall conclusion on CSR's contribution to achieve policy goals on protecting natural resources from pollution can be drawn.

Summary

The results on the *protection of natural resources from pollution* varied largely depending on sector and issue. It seems that companies from the automotive sector are more aware of these issues than companies from other sectors (ICT and Textile). But even within individual sectors the awareness of issue relevance varies (e.g. weak awareness of dyes as one source of pollution in contrast to a general awareness for the relevance of harmful substances in production in the textile industry). The results on future trends of pollution issues from the expert's survey are in line with these results: They vary between sector and issue without general trend. However, the automotive sector is the only one where a substantive decrease of issue relevance (for hazardous substances in manufacturing) is expected.

A result raising interesting policy implications came from the case studies: They revealed that European legislation (REACH, RoHS) is a major driver of activities in general and voluntary activities (CSR) for companies from all three sectors (Automotive, Textile, and ICT). While all those companies are obliged to engage on related issues to a certain extent, many of them still exceeded European legislation with the aim to stay ahead of it. This shows two things: Firstly, CSR and legislation do not necessarily contradict each other but can be observed to go "hand-in-hand". Secondly, as the category in general received the highest shares of awareness together with climate change in the case studies, legislation seems to highlight the importance of issue areas for companies.

Conclusions on CSR's contribution to EU policy goals were not possible: Descriptive analyses of detailed survey data from automobile, ICT and textile companies indicated that there seems to be a positive effect from CSR. However, weak data availability in case studies and no insights throughout the econometric analyses hampered more valid insights regarding this question.

3.1.5 CSR Performance & Impact on Sustainable Supply Chain & Sustainable Consumption

This fourth category, called *sustainable supply chain & sustainable consumption*, was mainly added for the retail sector. While in the other sectors supply chain and consumption issues were included in other issues (usually by formulating questions adding supply chain relations – e.g. “Relevance of the issue *phase out/ minimize harmful substances in production* (and/ or introduce supplier standards if relevant)”) IMPACT assumed these issues to be of special importance for the retail sector. The reason for this is the major role of the retail sector for influencing consumer behaviour as it is the point of sale where consumers go to buy their products and choose between different (more or less environmentally friendly) options. For the supply chain the retail sector is of major importance because of its special position in relation to manufacturers for the products they sell: By deciding which products they finally list or delist and which products to offer in highlighted positions etc. the retail sector largely influences the sales success of individual products and also that of manufacturers.

Therefore, specific questions focusing on environmental supply chain management in general and the availability of environmental friendlier product options were added to all parts of IMPACT. In part of the analyses these questions were only targeting on retail companies. The other part of them expanded the sector focus on all (econometric analysis) or four, Automotive, ICT, Textile, and Retail, (experts survey) sectors.

3.1.5.1 CSR contribution to a sustainable supply chain & sustainable consumption

CSR Implementation

According to the experts, environmental supply chain is an important issue not only for retail but also for ICT and textile. In all three sectors the issue seems not to be tackled sufficiently with CSR activities. Sustainable consumption however (split up into *local sourcing of products* and *encourage customers to buy sustainably*) is important for the retail sector as well as sufficiently tackled by CSR.

During the survey about half of the SMEs answered to put continuous effort into the implementation of activities addressing environmental conditions of suppliers. While this is similar to those values for e.g. the reduction of CO₂ emissions or water consumption, the share of SMEs answering not putting effort into this issue at all is the highest among all environmental issues (one third).

Some differences appeared when analysing the more detailed questionnaires that only companies from the retail sector answered: While a clear majority of companies shared the view that *increasing the availability of environmental friendlier products* and *introducing supplier standards on environmental issues* actually are relevant for the retail sector, only slightly more than half of the companies agreed to the relevance of *stopping to offer energy-intensive products*.

Even more, this awareness of relevance for all three issues did only in one case (*increasing the availability of environmental friendlier products*) lead to a majority of companies implementing activities accordingly. This means, for the two other issues the majority of those companies being aware of the issue relevance did actually not implement anything to improve the issue.

Among large case companies from the retail sector, the issues of supply chain management and fostering sustainable consumption were seen as being important and activities were implemented accordingly by all companies. However, both categories differed when it came to the availability of indicator data: Data on environmental supply chain issues was not available at all while at least half of the cases provided some data on the availability of environmentally friendlier alternatives in their product portfolio (e.g. the share of certified organic or fair trade products).

Does CSR improve outcomes and impacts and therefore contribute to public policy goals on sustainable supply chain & sustainable consumption?

Again, information on the link between CSR and outcome or impact changes can only be drawn from descriptive analyses of detailed survey data for the retail sector as those issues were not part of the more detailed econometric analysis and case studies did not provide sufficient data (or even no data at all in case of supply chain management).

Descriptive analyses for all three issues (environmental supply chain management; availability of environmentally friendlier products; availability of energy-intensive products) indicate a positive effect from voluntary activities on related data trends. Companies not implementing activities mainly answered having experienced neutral results.

However, this data basis is not sufficient to make overall conclusions on the role of CSR for tackling these issues.

Summary

Sustainable supply chain & sustainable consumption seem actually to be considered as being relevant by most of the companies. However, this does not always translate into activities: Only one of three issues considered as being relevant was translated into the implementation of activities by the majority of retail companies answering additional detailed questionnaires.

When it comes to supply chain management data availability appears to be a major problem: Of all case companies not a single one was able to provide data on outcome or impact changes throughout its supply chain – even though all of them agreed to the importance of the issue and actually implemented CSR activities. This is not surprising given the complexity of many supply chains and the fact that tracking effects along the supply chain means to collect or rely on data from other companies. However, it also shows the limited knowledge and ability to ensure sustainability throughout the supply chain.







This is especially important when looking at future trends for the issue: Experts from all relevant sectors agreed that future effects of supply chain management (Auto, ICT, Textile, Retail), sustainable consumption (Retail) and CSR accordingly will – in most cases substantively - gain importance.

Finally, IMPACT was not able to proof whether CSR activities in this category leads to outcome or impact improvements: Only little or even no data (for supply chain management) from company case studies and only limited insights from descriptive survey analyses indicate that there might be a positive effect of CSR. However, there is no sufficient data basis to draw overall conclusions.

3.1.6 Conclusions

The target area environment was split up into three main categories: mitigate climate change, conservation of natural resources and protect natural resources from pollution. These were then broken down into issues, taking into account sector characteristics during issue selection and definition of sub-issues. Major guiding principle was that issues have to refer to EU policy goals. In sum, 24 sector specific environmental issues were identified as being relevant. Of those 24 issues only one issue (*land use and land use change* in the retail sector) was identified as being of minor relevance for companies of the sector across work packages even though it was identified as being relevant for the sector in IMPACT. This does not mean that all the other issues are tackled with CSR sufficiently: Across work packages IMPACT identified five environmental issues that were considered as being relevant by companies of the respective sectors, but this awareness of importance did not translate into voluntary action (CSR) (Table 3). Looking at results from individual work packages or different studies within work packages even more issues with minor relevance to companies or not translating into CSR could be identified (see above). However, in many cases those only relate to SMEs or large companies and are not generally valid results.

Table 3: Environmental issue awareness & translation into CSR

Minor relevance	No translation into CSR
 Land use (change) (Retail)	 Land use (change) Construction
	 Use of rare metals (Automotive & ICT)
	 Use of coolants (Automotive)
	 Raw materials / Recycling in production (Textile)
	 Water use in production (Textile)

Looking at all three main cross-sector categories (for details of sustainable supply chain & sustainable consumption see chapter 3.1.5) of environmental issues and the role of CSR, differences appear. While activities to *reduce companies CO₂ emissions* are the most common CSR efforts in general, the implementation of CSR on conservation of natural resources is more issue specific: The broad issue of *reducing the use of raw materials* is mainly tackled with activities on recycling; other issues, such as *land use and land use change* or *reducing the use of critical raw materials*, were not sufficiently tackled with CSR initiatives. Still, awareness for the category in general is widespread among companies. Awareness and implementation of activities for *protecting natural resources from pollution* depends on the specific issue as well but also on the sector: The automotive sector seemed to be the most active in this category, while results for other sectors varied between several issues.

A major result from IMPACT is that CSR actually brings effects: According to the analyses conducted, CSR positively affects environmental outcomes and impacts for most of the issues. Still, IMPACT has to admit that this effect seems not to be huge. Despite the positive effect from CSR, general data trends of e.g. SMEs did hardly change from 2007 – 2010 – a time period in which one could have expected positive changes due to economic decline even without any activities. The conclusion therefore is, CSR brings effects and thus contributes to environmental EU policy goals, but they are not large enough to create change or reach public policy goals.

3.2 Quality of Jobs CSR performance

Barbara Bernard, Dr. PD Thomas Kluge, Dr. Engelbert Schramm, Dr. Irmgard Schultz (all ISOE)

This chapter deals with the social subarea of Corporate Social Responsibility, focussing on the qualitative aspects of employment (Quality of Jobs, QoJ) which were investigated in the IMPACT project. Before looking at each of the Quality of Jobs-issues in more depth, it is necessary to

consider the basic conditions that influence companies' manners in addressing them. Companies ideally react to sustainability challenges (related trends, issues and events) they are confronted with. This is mediated by their CSR-response (i.e., CSR perception, motivation and commitment), constituting the starting point of CSR in the company, which then - ideally - translates into a CSR strategy (goals and the selection of means to achieve these). This is followed by the CSR performance, which includes CSR output (resources and instruments dedicated to the CSR commitment), CSR implementation (how the strategy is applied and outputs are deployed) and CSR outcome (changes in corporate practices at the respective QoJ-level). It is important to keep in mind that these steps constitute a whole cycle with all individual steps influencing each other, most notably as a causal chain: Commitment affects output, implementation and outcome; output affects implementation and outcome; and lastly, implementation affects outcome. Thus, the manner in which the entire process is managed is crucial for the final outcome. Yet, this causal approach in reacting to sustainability challenges is not applicable to all companies or all QoJ-issues without reservation, as different internal and external factors influence the way these challenges are addressed: The company's internal environment is comprised of organisational culture, structure, governance and internal stakeholders, while the external environment includes economic, sectoral, environmental, social, legal and regional conditions as well as external stakeholders. An example for this external influence is policy frameworks, such as the European Union's overarching aims for the development of the economy.

While environmental aspects (e.g. climate change) are considered to prevail in the CSR debate, the social dimension is perceived to be comparatively underexposed (de Lange/Koppens, 2009, cited in: Moratis/Cochius 2011: 21). Nevertheless, a growing number (sector-specific and overarching) initiatives, CSR management tools, external standards and reporting guidelines exist which focus on or include working conditions (for example the UN Global Compact, ILO's core labour standards, UN declaration on human rights, OECD guidelines for multinational companies, Occupational Health and Safety Assessment Series OHSAS 18001, AccountAbility Standards AA1000, reporting guidelines of the Global Reporting Initiative GRI or the recently launched ISO 26000).

In the following, the Quality of Jobs issues shall be examined in the light of EU objectives wherefore this first sub-chapter begins with an outline of current EU strategies focussing on the labour market and employees in the EU Member States. It thus serves as the prerequisite for the subsequent embedding of the Quality of Job-issues. Apart from presenting the different project deliverables' findings on the quality of employment, this chapter also tries to find out whether CSR affects companies' outcome and may thus be capable of contributing to the attainment of EU objectives.

3.2.1 EU policies and strategies concerning Quality of Job-issues

The significant increase in the unemployment rate in the EU during the mid-1990s initiated the coordination of employment policies on the European level. In 1997, with the European Employment Strategy (EES), a process of establishing goals in a centralised manner was started by the EU. Such objectives were then to be implemented on a national level by each Member

State. The EES takes its orientation from overarching strategies, such as the Lisbon Strategy (2000 – 2010) and the subsequent strategy Europe 2020 (2010 – 2020). In general, both of them aim at creating more and better jobs, increasing social cohesion and thus promoting Europe to become the “most dynamic and competitive knowledge-based economy in the world” in order to meet the challenges of increasing global competition, new technologies and an ageing European society. The ten QoJ-issues dealt with in the IMPACT project are derived from the scope of these strategies, namely *Flexibility and job security*, *Work organisation and work-life balance*, *Gender equality and Wages and poverty reduction*, *Intrinsic job quality*, *Skills and life-long learning*, *Health and working conditions*, *Diversity and non-discrimination*, *Social dialogue and worker involvement* and *Human rights*. These are included in the two strategies – yet, the degree of emphasis varies depending on the issue. More detailed information on the individual components of the strategies is provided in the following sub-chapters.

Box 1: *The EU strategies of Lisbon and Europe 2020*

Lisbon Strategy: With this strategy, the EU intended to create more and better jobs (targeting at a total employment rate of 70%), attract more people to join the workforce (raising the employment rate of women to 60%, the employment rate of elderly employees aged 55 - 64 to 50%) and raise the share of young people entering the labour market. Furthermore, the strategy emphasised the need for more flexibility and job security (as well as mobility) in the European labour market (combined in the term “flexicurity”) in order to become more adaptable to varying economic situations. Principles of flexicurity are (among others) flexible and reliable contractual arrangements and comprehensive life-long learning strategies. The Lisbon strategy therefore also included the need for skilled workers and explicitly highlighted the importance of education, raising skill levels and offering life-long learning measures.

It is argued that the initial relevance of the aspect of quality of jobs shifted more towards the quantity after the strategy’s reconfiguration in 2005 (Peña-Casas 2009). However, despite this redesign which aimed at decreasing the strategy’s complexity, most of the goals had not been reached after the strategy’s ending in 2010 (BPB 2011).

Europe 2020: Similar to the Lisbon Strategy, its successor dedicates one priority to “Inclusive growth: Fostering a high employment economy delivering social and territorial cohesion”. Quantitative targets which are to be reached by 2020 include an employment rate of 75% of the population aged 20 to 64 (through greater involvement of women, older workers and integration of migrants), more investment in Research and Development (3% of GDP), a reduction in the number of people facing poverty (by 20 million) as well as the emphasis on education by raising the share of people holding a university degree to above 40% and lowering early school leavings to under 10%. The issues of skills and life-long learning as well as flexibility and job security (“flexicurity”) thus maintain their importance.

Chapter outline

Each QoJ-issue will be looked at beginning with a short introduction of how the issue is taken up among EU strategies. This is then followed by a summary of the IMPACT project's findings on Quality of Jobs, referring to information which are mainly derived from Work Package 3 (D3.3: Cross-Case Analysis of Company Case Studies - dimension Quality of Jobs; D3.2 Report on the empirical in-depth case analysis: The linkages between CSR drivers, implementation, performance and impact), Work Package 2 (D2.2: Empirical analysis – Econometric analysis. Report on the empirical results of WP2; Analysis of Sector Supplements; CSR, innovation and financial performance) and Work Package 5 (D5.2: Report on 1st set of expert opinions on CSR impact – findings from the Delphi panel, 1st round). For each issue, it will be looked into whether companies consider the respective issue as relevant for them/ their sector and how this then translates into CSR output and CSR implementation in terms of activities. Furthermore we examine, whether related CSR activities occur on a larger scale or if they rather remain restricted to a few pioneer companies. Ultimately, it will be evaluated if CSR contributes to outcome changes, or whether no effects are noticeable. The chapter ends with a conclusion.

3.2.2 Measuring QoJ-performance

Information for the WP3 case companies was gathered with the help of a sector-specific indicator set (similar to existing, widely used indicator sets such as those published by the GRI, however adjusted to correspond to the project's research aim and data were oftentimes transferable; for further information please refer to WP3.3). It is important to note that unlike in the environmental domain, absolute effects (impacts) of QoJ which go beyond the single company are difficult to constitute. This is due to the specific characteristics in this field, for instance inter-European and globalisation dynamics as well as possible adverse effects in some QoJ-aspects (e.g., hiring more employees in one company might be linked with dismissals in another company in a different region or country). Due to the complexity of the social environment, more than just one aspect needs to be taken into consideration and improvements in one aspect do not necessarily cause positive effects in other areas as well. For example, abolishing child labour in one company does not automatically lead to general improvements of the situation when children are sent to work elsewhere, or when possibilities of education decrease at the same time. Although a reduction of excessive overtime is certainly positive, it may at the same time go hand in hand with a reduced take home pay (Blowfield/Murray 2008: 317). These examples provide a short insight into the multidimensionality of impacts in the Quality of Jobs domain, going beyond the company level. Due to these particularities of measuring impact, acquiring knowledge on the true impact would ask for a case-to-case approach, taking into account regional specifics. Therefore, at the moment impacts as such could not be measured in the QoJ-domain, and only assumptions of impacts/ the potential of improvements in certain issues to cause impacts on a greater scale than the company level could be made. This particular difficulty of the dimension of Quality of Jobs was also perceived by the panel experts who were interviewed for the Delphi study: In comparison with the generally acknowledged meaningfulness of assessing environmental impacts, the experts were more frequently unsure whether impacts in the QoJ-domain should be measured. This uncertainty was then mostly related to the complexity and difficulty of measuring,

the question of the actual amount of impact, the lack of data, the differences among the companies which hampers a unified measuring system, as well as criticism, such as a waste of resources when measuring impact in the QoJ-domain or that voluntary actions will turn into obligatory actions, once a measuring process is initiated. Nevertheless, roughly 50% of the experts strongly supported the idea of measuring impacts – yet, they did not know how this could be done and which indicators should be used.

3.2.3 Flexibility and job security

Flexibility and job security has been taken up among the most important issues in the Lisbon Strategy as well as its successor, Europe 2020. It is reflected in the afore-mentioned flexicurity-concept which combines the intention of increasing flexibility on the employers' side and facilitating job mobility with raising job security among the workforce. Simultaneously, the concept entails that skills and life-long learning should be enhanced in order to meet the demand of a skilled workforce - for ultimately achieving the overarching aim of a 75% employment rate as one of the major targets of the Europe 2020 strategy. It is thus a central issue in the QoJ-domain and the increasing flexibility on the labour market (and also the concept of flexicurity) is a topic of controversial debates: High labour market flexibility is seen as consistent with major shares of employees in insecure employment relationships, facing the risk of job loss or working in low paid, low productivity jobs without access to career development opportunities. Non-standard forms of employment increasingly challenge the traditional model of full-time permanent work. It is stated that the concept of flexicurity, which has initially been understood as “one of the composing dimensions of QWE [Quality of Work and Employment], is now put in an overarching place in European discourse on employment, but with weak reference to its contribution to the improvement of QWE as well as to the security of European workers and citizens” (Peña-Casas 2009: 9). It is also worth pointing out that despite the employment growth (along with an increase in flexible working arrangements) towards the end of the 1990s, the Employment in Europe report 2003 (European Commission 2003) states that the quality of work and employment did not significantly change. Particularly with regard to temporary contract workers, this plays an important role: According to the EIE report 2001 (European Commission 2001), the highest share of low quality jobs is found among the temporary workers in part-time jobs. The EIE 2003 emphasises that the occurrence of the best employment performance in Member States correlates with improvements in the workers' situations in low quality jobs – and quality of jobs is therefore considered as an “obligatory complement to flexicurity” (Peña-Casas 2009: 22ff).

Did the companies consider flexibility and job security to be relevant for them? Due to this issue's overarching relevance in the business context, it was investigated in all industry branches which were observed in the IMPACT project. The results generally showed that companies think of flexibility and job security as important: Insights gained from the WP3-case studies as well as from the Delphi Study indicate that it ranks among those issues that are frequently seen as relevant. Nevertheless, despite this general consensus, the findings reveal that this does not translate into the inclusion in companies' CSR-strategies accordingly: Less than half of the WP3-

case companies which appreciated this issue as being important also mention it in their strategies and only three set specific targets. Although sectoral differences did exist (e.g., in WP3 data for indicators were more frequently present in the construction and textile case companies compared to ICT- or retail-companies), the overall data coverage was rather low, hampering statements on trends. When looking at the data available among the case-study companies, information was most often present for the share of short-time contracts²⁴ (in contrast to indicators such as regarding the suppliers' or contractors' compliance with ILO standards, or the inclusion of formerly unemployed into the workforce).

However, even though quantitative data may not exist on a large scale, companies might still be doing something. Hereby, another step of the IMPACT model has to be considered, namely **how an issue is implemented**, e.g. which activities are offered to address certain issues. To give an impression of how this can look like in practice, starting out with a presentation of different activities offered by the case companies may be helpful. For instance, one automotive producer consistently converts short-term contracts into permanent ones (96% of its staff is employed on permanent contracts), while during the same time span increasing the number of employees on a global level. Another example is that of a retail company which follows internal guidelines, implying that employees mustn't be kept on short-term contracts and the duration of such contracts may not exceed one year – after which the employee will receive an unlimited contract. Interestingly, one automotive company included flexibility and job security in their managerial bonus scheme. This is worth highlighting as this form of implementation is considered to be very important for strategically embedding the sustainability mission statement (oekom research 2013: 20). However, the econometrical analysis showed that this inclusion of sustainability issues remains the exception and was very rarely found (5.4% of large companies, 8% of SMEs).

Although flexibility and job security was generally considered important and some of the case studies give an impression on a variety of related activities, one has to consider **how many companies implement activities**. In the WP3 case studies, less than half of the activities asked for in each sector were found among the companies – yet sectoral differences existed. For a more detailed impression, one needs to split this issue into its different components: From the small and medium-sized enterprises that participated in the SME survey (WP2 Sector Supplements), only 24.7% of the ICT companies (292 ICT companies in total) introduced supplier standards and monitored supplier compliance with ILO standards and 28.8% did not, even though it was generally perceived as important (for the remaining 46.6% this issue was not relevant). Offering fair, transparent and human outplacement management was seen as relevant and addressed with activities by 43.5% of the SME automotive companies, while it was not relevant for 39.1%. 17.4% did not offer related activities (keeping in mind the very small sample-size [N= 23] results are therefore not representative for the entire sector).

²⁴ This relatively frequent data collection for the indicator of short-time contracts may be attributed to the fact that companies reporting according to the GRI guidelines are likely to present this data (at least partly) following the LA1 core indicator (total workforce by employment type, employment contract and region) as well as respective GRI sector supplement indicators. Although not of importance for the results obtained in the course of this study, the ISO 26000 guidelines (published by the end of 2010) include this issue in their labour practices as well.

Does CSR contribute to outcome changes? The SME survey did not show any significant outcome changes between 2007 and 2010 – the vast majority of respondents perceived the share of permanent employment contracts (percentage of total number of employment contracts) to have remained on the same level²⁵. However, 46% of those SME which did experience (slight) improvements attributed these to own voluntary activities (9% made the connection to legal requirements). Naturally, when looking at the effect of CSR one needs to distinguish between the different components of this particular QoJ-issue as well as on the sector: Whereas in some cases, CSR may lead to an improvement, this is not necessarily the case for other aspects – at least in SMEs. In the ICT sector for example, the majority of the companies (57.69%) which introduced supplier standards and monitored supplier compliance with ILO standards noticed an increase in the percentage of suppliers complying with ILO standards. At the same time, 36.54% experienced no changes and the by far smallest share spoke of negative effects. Almost all companies (94.74%) without activities also did not register any changes in the percentage of suppliers complying with ILO (the remainder noticing positive effects). In this case, CSR can have positive effects – and the probability of a positive influence on the outcome is certainly higher when activities are implemented compared to when nothing is done. In contrast, CSR activities of small and medium-sized automotive companies regarding outplacement management do not seem to improve the results: Of those companies having introduced fair, transparent and human outplacement management, only 12.5% made the connection between their activities and an increase in the number of employees managed by outplacement-management. For the largest share (62.5%) the development was neither positive nor negative, for 25% negative. Companies offering no activities experienced no changes. **What are the factors that determine whether CSR leads to improvement?** For SMEs, certifications may play a small role, however it is rather the effort²⁶ of a company (the implementation of activities to foster permanent contracts) that has small, but significant effects when comparing the level of outcome between companies in one year (2010). This is not the case for the internal organisation of a company or measuring, targeting and reporting²⁷. Looking at the change of outcomes in one company, it is again mostly the effort to offer activities which leads to a higher share of permanent contracts – more than internal organisation. But also other factors, mainly employees' age and the region (Mediterranean and Continental Europe) influence the share of permanent contracts.

Drawing a conclusion, companies seem aware of the relevance of flexibility and job security but when compared with other QoJ-issues, it is not addressed as comprehensively by including it in companies' strategies, defining targets as well as implementing activities (depending on the focus) as one might expect considering its great emphasis in European strategies. This is reflected by the low progress in change between 2007 and 2010. The effects of CSR on flexibility

²⁵ By far the largest share of the sample (N=5424) noticed no changes in the outcome at all, but of those who did, slightly more respondents perceived developments to have been positive rather than negative.

²⁶ These efforts of SMEs to improve a certain QoJ-issue can be either incidental (e.g., occasional activities) or continuous (e.g., certifications), while informal mechanisms and measures were more often used than formal programmes. These efforts are not further classified and companies may have different understandings of incidental or continuous effort.

²⁷ The effect of companies' effort was small, but significant and positive (.05***), while the internal organization and measuring, targeting, reporting had equally significant, negative effects (-.05*** and -.03** respectively). Please note that effects of large companies' CSR on flexibility and job security (share of permanent contracts) were not investigated in WP2 specifically, therefore these findings relate only to SMEs.

and job security are relatively small – at least for SMEs. Although the implementation of activities contributes to the rise in permanent contracts more than internal aspects, greater influence comes from regional factors, company size or age of the employees. Nevertheless, it has to be kept in mind that flexibility and job security is composed of relatively diverse aspects, with CSR being able to influence some more than others. This is in line with the perception of the Delphi Study panel experts who consider CSR activities as being of medium relevance for flexibility and job security. Yet, they also expect that the effects of voluntary activities will further increase in the future. At least in the case of SMEs, it may therefore be assumed that CSR measures (so far) do not contribute to a great extent to the **attainment of related EU policy goals**.

3.2.4 Skills, life-long learning and career development

Both, the Lisbon Strategy as well as Europe 2020 explicitly stress the importance of skills and life-long learning: The Lisbon Strategy emphasised this issue's essential role in becoming a knowledge-based economy by providing highly qualified labour and Europe 2020 underlines this by pointing out that until the year 2020, 16 million more jobs will require high qualifications while the demand for low skills is expected to drop. Apart from objectives focussing on secondary and tertiary education (lowering the school dropout rate to <10% and raising the share of people aged 30 to 34 holding a university degree to 40%), Europe 2020 also accentuates the importance of occupational life-long learning principles as well as the need for greater emphasis on CSR in the business context. Whereas the Lisbon Strategy aimed at a share of 12.5% adults aged 25 to 64 participating in life-long learning measures, Europe 2020 raised this share to at least 15% of the 25 to 65-year old adults (European Commission 2011: 10). One example for how this is intended to be put into action is the flagship initiative "New Skills for New Jobs", which aims at modernising labour markets and empowering people through the development of their skills throughout the life-cycle, while also focussing on labour participation (European Commission 2013).

Skills and life-long learning is one of the prerequisites for creating more and better jobs and is a cornerstone of the earlier described "flexicurity" concept (one of the principles being "comprehensive life-long learning strategies"). The 2001 Employment in Europe report showed that not only low-skilled individuals but also people working in low-quality jobs are prone to social exclusion, which should be avoided through higher levels of education and job-related training. The report stresses that improvement in quality of jobs "strongly depends on concerted efforts to promote qualifications and (life-long) training, to ease young workers' access to the labour market, to open up possibilities for career advancement, and to strengthen measures that help reconcile work and private and family lives" (European Commission 2001 cited in Peña-Casas 2009: 21f).

Did the companies consider skills and life-long learning to be relevant for them? In WP3, this issue had a sector-specific focus (automotive and retail sector). The vast majority of case companies of these sectors considered skills and life-long learning as important, which frequently translated into the inclusion in strategies and targets. Particularly the automotive companies often set targets and applied (own) indicators, but also companies from other sectors believed that training employees and enhancing their skills is important. This notion is supported by the findings from the Delphi Study: Together with flexibility and job security and health and working

conditions, skills and life-long learning had the highest relevance of all, without sectorial restrictions²⁸. Nevertheless, quantitative data for the WP3 companies hardly existed, general figures could only be found in some cases (e.g. the number of hours spent on related measures), other information (e.g. regarding the recipients of these measures, such as older employees, female engineers, skilled and unskilled employees) were not available²⁹. Skills and life-long learning also plays a very important role in the small and medium-sized companies. The SME-survey found that alongside health and safety issues, it represents the most important field of action in the QoJ-domain for SMEs. Interestingly, among those particularly the small and very small companies put much effort into training, possibly because keeping their employees up to date immediately affects their competitiveness. One in four companies measures its performance – a large share compared to other QoJ-issues (except Health and working conditions).

The companies' subsequent way of implementing the promotion of skills and life-long learning with activities turned out to be quite diverse and it is interesting to take a closer look at companies' approaches. Activities of the WP3-case companies oftentimes related to the promotion of career development of unskilled employees by offering training and qualification (in the retail sector) and gaining new competences. The spectrum ranged from in-house training programmes in customer service as well as increasing sustainability at home and at work, to specific education institutions and the recruitment of workers without education from local communities who would otherwise not have found jobs. Other examples were intercultural training for employees going abroad, training to enhance personal growth and staff development interviews.

Yet one has to keep in mind that these case company examples cannot necessarily be generalised, thus a broader perspective on the implementation is useful. Although always depending on this issue's different aspects, activities regarding skills and life-long learning seem to be often in place. The comparatively frequent presence of activities in the WP3-companies is also reflected in the sector supplement SME survey regarding the automotive sector: A large share of 73.9% of the SMEs in this group offered training for skills and career advancement for employees. Only 4.3% did not, whereas 21.7% did not think that this issue is relevant to them (once again, keeping in mind the small number of companies in this group). Similarly, many of the SME-retailers (59.2%) implemented activities on training and qualification for unskilled employees, twice as many as those not considering it to be relevant (27.2%). 13.6% did not offer qualification measures. On the other hand, activities related to the better adaption to work and jobs for long-term unemployed people were offered only by 27.2% of the retailers, whereas the larger share either did not offer such activities (37.9%) or did not think of them as relevant (35%).

Does CSR contribute to outcome changes? Regarding the diverse and (depending on the issue) frequent activities, it is interesting to see whether these lead to outcome changes. Out of the above mentioned SMEs offering training for skills and career advancements for employees, 50%

²⁸ In WP5, skills and life-long learning was investigated in all sectors except the textile sector.

²⁹ Naturally, this has to be seen in context with indicators that are for example provided in the GRI framework related to *skills and life-long learning* (namely LA10 – average hours of training per year per employee by employee category, LA11 – programmes for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings, LA12 – percentage of employees receiving regular performance and career development reviews), which many of the companies refer to when composing their sustainability reports.

of the automotive companies experienced positive changes, whereas 43.75% did not see any changes and 6.25% noticed negative developments. 37.5% of the small and medium-sized retailers offering training and qualification to unskilled employees noticed positive changes, while the larger share (43.75%) did not believe that their activities had any effects and 18.75% reported negative results. However, when no activities were implemented, none of the companies saw any positive effects, with the majority not experiencing any developments (85.7%). Looking at the inclusion of long-term unemployed, 50% of those retailers offering programmes helping them to adapt to work experienced positive results (stable: 38.89%, negative: 11.11%), whereas positive experiences without the implementation of such activities were less frequent (25%, stable: 68.75%, negative: 6.25%). What are the factors that determine whether CSR leads to improvements? Comparing the outcome level among companies (SME) within one year, the econometrical analysis found that indeed specific CSR-activities have the greatest effect the number of hours spent on training. Yet, also the company's internal organisation (output) as well as – to a lesser degree – the commitment in terms of internal codes affects the outcome, whereas measurement, targeting and reporting has no significant effect³⁰. However the size of the company influences the number of training hours the most (which decrease when the company's size increases) and naturally, the general skill level of the workforce is a decisive factor.

Drawing a conclusion, it should first be noted, that skills, life-long learning is a very important issue in the EU strategies as well as for the companies throughout the sectors and even regarded as one of the most important QoJ-issues. It is a particularly important issue in SMEs, probably out of necessity of keeping their employees up to date. Irrespective of the company size voluntary activities are offered – yet, without really measuring the performance. The Delphi study showed that the panel experts consider the effects of these activities to be above average compared to the other QoJ-issues. And at least for SMEs they also seem to lead to results: They frequently considered the results to be positive or stable (depending on the specific aspect) – generally always better compared to when no activities were offered. Hence it is indeed mainly the effort a company puts into improving the skill-level of their employees (in terms of hours spent on such measures), than targeting, measuring and reporting or internal organisation or internal codes (at least in SMEs). In general, CSR seems to have an effect on the skill level of the workforce and macro-impacts (effects reaching beyond the company) were related to this issue. Coming back to the EU objectives and looking more closely at the targets they include, one focus is on the inclusion of elderly employees, women and migrant workers into the workforce in order to achieve a 75% employment rate. Case studies show that certain target groups are addressed with activities (e.g. training for low-skilled workers in the retail sector), but due to the lack of measurement, quantifiable results of these activities remain unknown. Some company case studies describe activities focussing on enhancing employees' skills which show a connection to the EU objectives: One large company (ICT) introduced capability development opportunities, training on the job-plans and learning channels to increase their employees' chances for employment inside the company - as well as outside the company during economically difficult times. By increasing the skill-level they also increase the employment potential of their staff. Given the effect on the macro-level, skills and life-long learning can account for a QoJ-issue capable of contributing to the attainment of EU policies.

³⁰ The positive effect of effort (.10***) is larger than the positive effect of internal organization (.08***) or internal codes (.04**)

3.2.5 Wages and poverty reduction

The aspect of low wages and poverty in the society had already been included in the Lisbon Strategy: Attracting more people to the labour market also focused on poor social classes and mentioned the need for creating innovative solutions for the low-paid. Likewise, being the fifth of its targets, Europe 2020 emphasises the importance of poverty reduction: “Poverty and social exclusion are major obstacles to the achievement of the Europe 2020 objective of inclusive growth”, therefore “integrated strategies are needed to effectively support those at risk of poverty” (European Commission n. y.: 1). Member States should hence improve their social protection systems, also through inclusive labour market measures, in order to achieve the overarching goal of reducing the number of people in or at risk of poverty and social exclusion by at least 20 million. As part of the Europe 2020 strategy, the “European platform against poverty and social exclusion” was launched in 2010 and sees one of its key actions in improved access to work. Correspondingly, the European Commission highlights that access to employment is the optimal way out of poverty (European Commission n. y.: 2f).

Did the companies consider the issue wages and poverty reduction to be relevant for them? This issue was investigated throughout the sectors in WP3. For more than half of the case companies it was important and frequently addressed in their corporate strategies. This is supported by the Delphi study panel experts, assessing fair wages and minimum wages generally to be relevant throughout the sectors. Despite this favourable attitude, it appears that this issue was not carried forward to form part of the companies’ targets accordingly (case companies). The econometrical analysis found that large companies showed low commitment: On average 15% of the companies had formal policies on working hours and/ or minimum wages in place. The availability of quantitative data adds to the impression of this gap: WP3 quantitatively examined wages and poverty reduction with one common indicator (the percentage of low-wage employment) in all companies, as well as with additional indicators for the retail, textile and construction sectors. No figures were available in the retail sector, few in the textile and construction sectors and generally companies only rarely used indicators to assess their performance. Thus very little quantitative information could be retrieved (nevertheless, it is a starting point that some companies present data). This may be seen in context with the indicator outline of the GRI: The issue of wages and poverty reduction does not constitute an own category instead its components are subsumed under different aspects³¹. However, these indicators do not refer explicitly to the share of low-wage employment/ employees being paid minimum wages, which was a focus in this study.

Before looking into ***how companies approach this issue with activities***, it should first be mentioned that there is criticism from non-governmental organisations that many companies

³¹ The economic indicator set includes EC5, the range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation; LA14 includes the ratio of basic salary of men to women by employee category; information may be retrieved from LA1, total workforce by employment type, contract and region as well as from the additional indicator LA3, benefits provided to full-time employees that are not provided to temporary or part-time employees.

solely meet the requirement of paying legal minimum wages in their countries of production, whereas they should instead be paying a so-called living wage. NGOs emphasise that companies do have the possibility to exert their influence and make systematic improvements when legal minimum wages are too low. Nevertheless, a few highlighting examples for how companies address the issue of wages and poverty reduction were found among the WP3-case studies. One ICT-manufacturer both pays wages that are above the local minimum wage-level in its countries of production and defines a wage level which employees can make their living with. This living wage is based on local market data and levels of compensation of other companies in a specific region and has led to this company becoming a local industry leader in terms of compensation levels. Furthermore, stakeholder workshops with subcontractors and NGOs are conducted to discuss acceptable levels of wages and related issues and suppliers are requested to pay at least minimum wages. Additionally to providing employment in local markets, this company aims at eradicating poverty (e.g. a programme which ensures basic education for children to combat child labour). Further examples emerged from the retail sector, which mostly do not focus on the companies' direct employees but for instance on the supply chain or the local community: To name a few, these include fair milk prices paid to dairy farmers or fair wages levels through the inclusion of Fair Trade products in the product range, donations given to local charity by every branch each month. When looking at the Delphi Study panel experts' assessment of the current effects of voluntary activities though, their impacts were considered to be rather below the average compared to other QoJ-issues – although expected to slightly increase in the future.

A broader perspective needs to be applied in order to **see whether activities are offered on a larger scale** or whether they are mainly restricted to highlighting examples. Interestingly, the WP2-sector supplement survey showed that among SMEs activities related to guaranteeing fair wages are very often present: In the ICT sector, 81.2% of the companies offered activities (while for 12.7% this issue was not relevant), a similar results emerged in the automotive sector, where 82.6% implemented activities (13.1% did not see it as relevant for them) and 80.1% of the small and medium-sized construction companies had activities in place to guarantee fair wages (while not relevant for 12.8%). Among the textile companies, 85.7% implemented activities and 78.6% of the retailers (with 14.6% of them considering this issue not to be relevant). With this, the issue of wages and poverty reduction (i.e., guaranteeing fair wages) turns out to be the issue with the highest prevalence of activities for the SMEs of the sample compared to other QoJ-issues. While these results only relate to SMEs, no statements can be made regarding the presence of activities in large companies.

Does CSR thus contribute to outcome changes? When looking at the activities offered by SMEs to guarantee fair wages, it becomes apparent that the companies do not automatically believe that their efforts also have major effects: The majority of companies of the ICT, automotive, construction, textile and retail sectors did not think that their activities led to any changes, neither positive nor negative (stable results were perceived by 54.55%, 75%, 58.57%, 54% and 51.2% respectively, whereas positive outcomes were experienced by 31%, 16.7%, 29.3%, 27% and 34.69% respectively). Even though voluntary activities therefore do not always seem to lead to fair wages (above minimum wage) for all employees including low-skilled, they

still foster the situation more compared to when no activities are offered: Companies that did not offer any activities mostly reported stable results (70%, 100%, 72.7%, 50%, and 80% respectively) with the exception of the ICT sector with 20% and the textile sector with even 50% of the companies mentioning positive developments despite the fact that no activities had been introduced. Regarding the question which **factors determine whether CSR leads to an improvement of the wage level**, no statistically substantiated answer can be provided. However, based on the perception of the companies above, voluntary activities do not seem to have a significant influence.

Considering the qualitative information from WP3 (and shifting the focus away from the Member States of the EU towards countries of production with very low minimum wages), the impression of an impact in the QoJ-domain emerges (extending beyond the company' frontiers): One textile company (in unison with other companies) used its lobbying influence by requesting the Bangladeshi government to urgently review the level of legal minimum wages and implementing a mechanism for yearly revisions. According to this company, this has led to the formation of a governmental minimum wage board with the subsequent definition of a new minimum wage - resulting in wage increases between 67 to 81%. Also other highlighting examples of activities aiming to improve wages and living conditions of local communities may potentially lead to impacts in the respective communities, however to verify this statement, further research in the specific cases would be needed in order to preclude possible counter-effects.

Drawing a conclusion, despite the general acknowledgement of the importance of this QoJ-issue, companies rarely assess their performance and indicators are seldom used – but at least SMEs very frequently offer activities for guaranteeing fair wages. However, these activities do not result in big outcome changes. It thus remains questionable whether CSR activities related to fair wages are capable of **contributing to the attainment of EU policy goals** to a large extent. (These statements only relate to SMEs and may not be transferable to large companies without reservation). The issue of wages and poverty reduction is one of the fundamental aspects of the EU strategies. If CSR activities of companies do not prove to result in positive developments of the wage level (achieving fair wages), the role of legislation should be emphasised: The EU underlines that minimum wages play an important role in limiting the incidence of low pay. 20 of the EU Member States have national statutory minimum wages while in six Member States collective agreements regulate the minimum pay rates. It is self-explanatory that countries with high minimum wages (such as the UK or France) have low rates of in-work poverty (which is increased by factors like low skills, age as well as migrant background), whereas the opposite is true for countries with low minimum wages, such as Spain or Greece (European Commission n.y.: 6). Issues in the Quality of Jobs domain are strongly interwoven and may affect and reinforce each other, such that also high labour market segmentation with different contract types for the same work (temporary work) and part-time work furthermore contribute to the risk of poverty. Furthermore, it has to be kept in mind that with regard to the nature of the indicator defining wages and poverty reduction, low-wage employment is ambiguous and often hidden in loan work and subcontracted work. After all, the QoJ-issue of wages and poverty reduction is an

issue with the potential of an impact, reaching out beyond company frontiers (this however needs to be assessed on a case-to-case basis).

3.2.6 Gender Equality

Including more women in the labour market is part of the overarching EU objective of reaching a higher employment rate throughout Europe. It had already been one of the Lisbon Strategy's important cornerstones for creating more and better jobs and raising the share of women participating in the labour market to 60% was therefore one of its targets. Even though not quantified, also Europe 2020 states that the high employment economy should be reached by greater involvement of women – and Member States are urged to promote new forms of work-life balance and increase gender equality. One important aspect of this issue is the presence of women in upper management. In its publication “More women in senior positions – key to economic stability and growth” (European Commission 2010), the EC stresses the fact that women remain underrepresented in senior positions. Even though women account for almost 50% of the workforce, “today only one out of ten board members of the largest companies listed in the national stock exchange of EU Member States is a woman” (European Commission 2010: 3). Furthermore, “only 3% of such companies have a woman directing the highest decision-making body” (ibid.: 3) and with an average annual increase in women on company boards of 0.6% in recent years, progress has been slow (European Commission 2012). The EC highlights the need to make better use of women's talents and skills and connects this to the goal of becoming a dynamic and competitive knowledge-based economy. Therefore the promotion of gender balance in decision-making will remain at the core of the priorities for the “Roadmap for Equality between Women and Men” (European Commission 2010). In strategies such as the Strategy for Equality between Women and Men 2010 – 2015, the Women's Charter, several published reports, and recently the “Directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed in stock exchanges and related measures” (COM 2012 614 final, which aims for a share of at least 40% of the underrepresented sex of non-executive directors by 2020), “the European Commission reaffirmed its support for an increased participation of women in positions of responsibility” (European Commission 2012: 4). The debate on gender equality in management positions and whether EU-wide quota should be introduced (as it has been the case in some Member States like Finland, Norway or Spain) is on-going.

Did the companies consider gender equality to be a relevant issue for them? In general, this issue is seen as relevant – by large companies: The majority of the WP3-case companies attached importance to gender equality in decision making positions, albeit to a varying degree depending on the sector. This perception is shared by the panel experts who participated in the Delphi Study: Depending on the sector, diversity was considered to be of average/ slightly above average relevance (this survey did not differentiate between diversity and gender, in contrast to WP3). The SME-survey however found, that this issue is not a priority: Along with measures taken to raise the share of employees hired from disadvantaged groups, SMEs put least effort

into fostering the presence of women on the board: 41% of the companies do not address this aspect, and of those who do, only about every 10th measures the performance, uses targets or reports.

Based on the WP3-findings, gender equality (in decision making positions) is an interesting example as it is one of the few issues, where the initial recognition of importance frequently led to the implementation of measures along the whole cycle (i.e. inclusion in strategies, target setting, activities, performance assessment). And it is one of three issues, for which quantitative information most often existed³²: For both cross-sector indicators quantifying gender equality in upper management and supervisory board, data were very frequently available³³.

Gender equality is thus characterised by an encompassing approach in large companies. This also includes the **implementation of activities** to attain respective targets. Some WP3-case companies' activity profile gives a qualitative impression of what kind of activities are offered. For example, an automotive company considers *gender equality* to be so relevant, that this issue (as in raising the share of female managers to 15%) constitutes one of the company's overall three hard goals which is to be reached by 2012 (doubling the share in relation to 2007). Various measures are taken to achieve this target (including a quota system when hiring new employees, special mentoring programmes, initiatives to raise women's (and girls') interest in technical professions, memberships in external networks as well as the creation of internal networks to promote gender diversity). These activities were reported by the company to have been followed by an increase in the share of women in upper management. Another automotive company, which has a high share of women in management positions, sets specific targets for the share of women in its strategy, participates in external networks and has internal networks installed. Measures such as networks and mentoring have been reported to be effective drivers for fostering QoJ-issues (European Commission, 2010). The Delphi panel experts expect that throughout the sectors the effects of voluntary activities regarding diversity will increase in the future.

The **frequency of activities** seems to clearly depend on the aspect of gender equality, yet taking into account that information on the frequency of implementation is only available for sector-specific activities of SMEs (sector supplement). It was found that about as many small and medium-sized ICT companies offered initiatives to raise the share of women in engineering and technical professions, as those who did not think this issue was relevant to them (38.4% vs. 38%). 23.6% did not implement related activities. 77.7% of the SME-retail companies considered

³²Initially, gender equality was designed as a sector-specific issue (in the retail and textile sectors) and therefore indicators did not apply to all companies. In these two sectors, the gender pay gap (according to the GRI's LA14 core indicator "ratio of basic salary of men to women by employee category") as well as sexual harassment was observed with indicators. However, it soon turned out that the data base for the aspect of representation of women in upper management and supervisory board is extremely good (this aspect is for example also included in the LA13 indicator of the GRI) which is the reason why the indicators "percentage of women in upper management in relation to the percentage of women of the workforce" and "percentage or absolute number of women on the supervisory board in relation to the percentage or absolute number of women of the whole workforce" were applied to all sectors in retrospect (ISOE conducted a second data search in 2012).

³³Yet, data for the additional indicators ("number of identified cases of discrimination and sexual harassment" and "ratio of basic salary of women to men"), only asked for in the retail and textile sectors, were less frequently provided.

equal pay for equal work of women and men to be important and offered related activities, while 18.4% did not see this aspect as relevant for them. Related information was not available for large companies however data from the Sustainalytics rating system reveal, that with a mean of 40.6%, women are relatively well represented on company boards.

Does CSR thus contribute to outcome changes? In general, the performance data of the WP3-case companies show that only slight increases in the share of women in the management or supervisory board were noticeable. The situation appears to be similar for the SMEs participating in the WP2-survey: Although the vast majority estimated that the share of women on board or executive positions did not change very much, some did notice positive changes – resulting in an (estimated) overall slightly positive trend. Most of the companies (37%) which had experienced positive changes attributed these to their own voluntary initiatives - meanwhile only 4% made a connection to legal requirements. 61% of the small and medium-sized ICT companies offering activities to raise the share of women in engineering and technical professions noticed positive results, whereas only one third believed that their activities had not resulted in any outcome changes. However, despite the very frequent implementation of activities promoting equal pay for equal work of women and men, this effort hardly ever resulted in positive changes: Only 6.56% experienced positive changes, for the vast majority of 83.61% the outcome remained stable and almost 10% noticed negative developments. ***Which are the factors that determine whether CSR contributes to outcome changes?*** In large companies, commitment (as expressed by policies) significantly contributes to the implementation of programmes on diversity. Furthermore the company board plays an important role: Programmes on board diversity enforce diversity and if the board takes responsibility for CSR, diversity benefits. Nevertheless, the biggest influence on the outcome is exerted by the region (Scandinavia and continental Western Europe). Even though gender equality is not one of the issues that is of high priority for SMEs, the findings of WP2 also provide valuable information on the influence of CSR on outcome: The effort, in the sense of activities, that small and medium-sized companies put into fostering the number of women on board has a much bigger influence on outcome changes (related to changes between 2007 and 2010) than the actual measuring, targeting and reporting or external cooperation³⁴. Also when comparing the level of women on board among companies within one year (2010), the issue-specific implementation (activities) turns out to be by far the greatest influence in the number of women on company boards, thus commitment and output are mediated by effort.

Based on the findings for SMEs, ***one can conclude***, this issue (depending on the sector and the size of the company) is seen as important and well-addressed in strategies and target-setting in large companies. Various activities exist and the availability of quantitative data is very high. WP2 showed that women are generally well-represented on the boards of large companies. In large companies, commitment contributes to the implementation of programmes, and programmes on board diversity enforce diversity. In SMEs (even though this QoJ-issue is not of high priority for them), CSR-activities can lead to improvements in gender equality and they represent an

³⁴ All of these variables are significantly positively related to the change in number of women on board (.17***, .05*** and .05*** respectively)

important factor determining the outcome. The issue of gender equality can serve as a good example for ***how policies can affect the way companies react***: A reason for the high data availability might be the companies' expectation of EU-wide regulations regarding statutory women quota (in the form of a "preparatory reaction") as well as strong gender politics in some EU Member States. It is likely that companies introduced CSR-measures in advance in order to be prepared for policies expected to come. Regarding the overall low share of small and medium-sized companies considering gender equality in management positions to be important, particularly among the SMEs this is an area which needs further development.

3.2.7 Diversity and non-discrimination

The issue of diversity and non-discrimination is reflected in the Lisbon Strategy's overarching aim of creating more and better jobs and the resulting need to attract more people to the labour market. An ageing European population is described as one of the challenges that have to be faced in order to avoid an inclusive as well as exclusive socio-economic duality. By intending to promote the aspect of social cohesion of the Lisbon Strategy, the European Social Agenda covered diversity and non-discrimination in one of their major headings: With the aim of strengthening equal opportunities and inclusion, the agenda focussed on changes resulting from demographic change (the Lisbon Strategy included a target value of 50% employment among the 55 to 64 year old population) and the need for intergenerational approaches. Furthermore, the necessary inclusion of young people and the topic of migration were emphasised. Initiatives revolving around this agenda also include equal opportunities for the disabled. Europe 2020 still stresses the importance of social cohesion and emphasises the need to include young people into the labour market (for example with the programme "Youth on the move" that aims to reduce the high unemployment rates among young people). As part of Europe 2020, the "European platform against poverty and social exclusion" sees one of the key actions to be taken in the better use of EU funds to support social inclusion and combat discrimination.

Did the companies consider diversity and non-discrimination to be relevant for them? In the IMPACT project, diversity and non-discrimination included the equal treatment of employees with different ethnic backgrounds (which is particularly significant in highly globalised companies), handicapped employees and the ageing workforce. This issue was considered important by the vast majority of the case companies, despite its sector-specific focus (ICT)³⁵. This is in line with findings from other WPs: The experts consulted in the Delphi Study perceive this issue to be of average/ slightly above average importance across the sectors. Diversity and non-discrimination and gender equality are frequently seen in context and are thus in practice often not clearly separated (hence both issues were considered important by almost the same number of companies of WP3). Yet, differences arise: Whereas gender equality is quite thoroughly integrated through the inclusion in companies' strategies, setting targets, measuring, and use of indicators, this does not apply for diversity and non-discrimination in the same way. Targets were less frequently set by the case companies and only few quantitative performance data could be retrieved (the only indicator which was relatively well documented was the percentage of older

³⁵ Additional information from other sectors was retrieved from the case studies, indicating that this issue is relevant for the retail and automotive industries as well.

employees³⁶). The econometrical analysis showed that around half of the large companies (46%) have policies on discrimination. Regarding the SMEs, it turned out that alongside the issue of gender equality, diversity and non-discrimination (in the survey defined as the share of employees recruited from disadvantaged groups) is one of the least addressed issues. Similar to the few quantitative data for the large WP3-companies, performance measurement, targeting and reporting were conducted by a little more than one out of ten SMEs, and thus far less frequently compared to most of the other issues. Yet, when allowing for best estimates, more than 70% of respondents were able to quantify the inflow from disadvantaged groups (7%) (social outcomes seem to be easily guessed even if not formally measured).

Looking into how this issue ***translates into companies' activities***, the impression emerges that the ICT companies of WP3 implemented relatively more activities to address diversity and non-discrimination than might have been initially assumed judging by the availability of quantitative data. These activities were mostly related to the inclusion of handicapped people, employees with migrant backgrounds and non-discrimination of homosexual employees. Considerably fewer activities focussed on older employees and intergenerational exchange. Apart from these predefined categories, the activity profile included the promotion of diversity through the introduction of quota schemes for locally recruited staff or staff with ethnic background when hiring employees. Furthermore, online-courses on non-discrimination for managers existed and some companies offered multicultural learning opportunities, mentoring and networking. To name one example of regional significance, one ICT service provider participated in the "Romaster-programme" for the inclusion and mentoring of young, talented Roma youths. They are assigned mentors in the company, giving them a chance to learn and establish networks while at the same time providing a platform for intercultural exchange. Interestingly, one WP3 case company even includes diversity and non-discrimination in its managerial remuneration scheme - as mentioned earlier, this is a rare, yet very promising move as it links the manager's salary to non-financial, social targets.

Regarding the transferability of such activities to a larger scale, it shall be looked into ***how frequent their implementation is***: The econometrical analysis found that only around 16% of large companies take CSR-initiatives to raise their workforce's diversity. This impression is supported by the results from the MIP 2009: The survey (though restricted to mostly large, German companies) shows that although 42.02% companies offered activities regarding the integration of disabled people, only 17.39% of them also moved beyond legal requirements. Regarding the integration of foreign employees, the same number of companies reported activity (42.34%), with 22.32% exceeding legal requirements. Half of the responding companies implemented activities on avoiding discrimination (50.65%) and out of these, 21.86% implemented measures not required by law. Thus, the majority of these companies (in general more than 65%) do not show such high engagement in avoiding discrimination, which would result in going beyond legal requirements³⁷. Nevertheless, the panel experts of the Delphi Study expect that the effects of voluntary activities will increase in the future.

³⁶ This indicator is related to the GRI indicators LA2 and LA13, whereas (financial) efforts put into activities (components of indicators asked for in respective sectors) do not form part of GRI reporting guidelines and might therefore not have been registered by the companies to a great extent.

³⁷ Regional specifics have to be taken into account: This finding might be related to the high standards in Germany, which do not leave much room for going beyond legal requirements. WP2 found that companies in Continental Western Europe tend to most often hire people from disadvantaged groups.

Does CSR contribute to outcome changes? In general, SMEs estimated that the share of employees recruited from disadvantaged groups more or less remained stable between 2007 and 2010 (with a slightly increasing tendency, yet below 1%). 30% of the companies which had experienced improvements in the share of employees recruited from disadvantaged groups attributed these to own voluntary initiatives, while 13% made the connection to legal requirements. Very much in line with this, the SME survey showed that of those ICT companies having implemented activities to raise the share of older employees, a majority of 54.55% noticed positive results, while 36.36% did not experience any changes. Interestingly, only 17.11% companies which did not offer any activities noticed positive changes, whereas the vast majority of 76.31% considered the situation to have remained in a stable state. **Which factors determine whether CSR leads to improvement?** As described in the previous sub-chapter (gender and diversity being seen in unison) the econometrical analysis found that in large companies, the implementation of activities targeting diversity is positively influenced by policies on discrimination (commitment). The reporting quality on programmes also influences implementation and output. Although in SMEs, diversity and non-discrimination seems to be more or less neglected (compared to other issues), once specific activities related to the recruitment from disadvantaged groups are implemented, the outcome is positively affected. Also measurement, targeting and reporting have positive effects on the level of change, although to a slightly lesser degree³⁸. Comparing the level of outcome (comparison between companies in one year), it appears that internal as well as external codes have small, yet significant effects. Nevertheless, implementation, particularly with regard to a company's effort to increase the share of employees recruited from disadvantaged groups, is crucial and by far exceeds all other influences of commitment, output as well as factors such as the region or the skill-level. Thus, CSR (particularly regarding activities) can clearly contribute to enhancing employment from disadvantaged groups.

Drawing a conclusion, diversity and non-discrimination is generally considered to be important, yet it is not integrated into companies' courses of business accordingly – especially when compared with the closely related issue of gender equality - and quantitative data were rarely available. Relatively few large companies implemented activities going beyond legal requirements – keeping in mind that depending on the country, legal regulation may be extensive, causing companies to see no need for further initiative. As was shown in the econometrical analysis, particularly SMEs put little effort in promoting diversity. Yet, if they do, their CSR activities improve the outcome. **Contrasting the overarching EU policies and the companies' activities** regarding *diversity and non-discrimination*, it becomes apparent that (depending on the sector) companies seem to rather selectively address the EU-objectives: Whereas the inclusion and promotion of older workers and intergenerational teamwork plays an important part in the EU objectives, this did not prevail in the activity range of the WP3-case companies and neither in the SME survey (sector supplement). In this regard it is interesting to mention that towards the end of the Lisbon Strategy, the target value of 50% employment among the 55 to 64 year old population had not been reached (44.7% in 2008) (BPB 2011). Particularly considering the potential, CSR activities proved to have in raising the share of elderly employees, this clearly is an area where related activities should be implemented on a larger scale than they currently are.

³⁸ Beta coefficients: effort = .18***; measurement, targeting, reporting = .11***

3.2.8 Social dialogue and worker involvement

The Lisbon Strategy's perceives the European Social Dialogue as a force for innovation and change inhibiting the possibility to "support companies, states and the European Union in their efforts to combine economic competitiveness with social progress" (which is considered to be an instrumentalist point of view by ETUI and ETUC) (ETUI/ETUC 2011: 82). In the Europe 2020 strategy, Member States are urged to promote and monitor the effective implementation of social dialogue outcomes. Yet it is argued, that Europe 2020 neglects the issue of social dialogue at large (ibid.: 82). As noted above, this QoJ-aspect has unique characteristics and is a rather sensitive one, given the (in parts) considerable divergences between the Member States. Consequently, no common indicators exist on EU-level (Peña-Casas 2009: 18).

Did companies consider social dialogue and worker involvement to be relevant for them?

The WP3-case companies from all sectors, as well as the panel experts who participated in the Delphi Study generally considered this issue to be relevant. However, despite this consensus, only little information emerged on how this issue is taken up among the case companies, where it was investigated in the automotive sector³⁹. The case study findings show all companies integrate this issue thoroughly (regarding the number of companies to have defined targets or assess their performance). This impression is supported by the econometrical analysis: Data available from the Sustainalytics rating system for large companies accounted for a rather weak quality of policies on freedom of association and collective bargaining, which was accompanied by a low score of employees covered by collective bargaining (29.6%). However, regional differences exist, and particularly in the Mediterranean Europe, continental Western Europe and, to a lesser degree in Scandinavia, collective bargaining is more frequent than in other European regions. In contrast, SMEs have a higher share: On average, 71% employees are covered by collective bargaining – with pronounced regional differences. Whereas in the UK and in Eastern Europe the share is low (26% and 34% respectively), it is much higher in the Mediterranean region and in Scandinavia and continental Europe (with 88% in the first and each 65% in the latter two regions).

Nevertheless, also for large companies differences exist and one WP3-case company gave insights into this issue's integration into company structure. In this particular case, a balance of power is created where the works council forms an equal partner to the management, which emphasises the embedding of social dialogue and tradition of employee participation. This company is considered as path-breaking in the automotive sector regarding social dialogue and worker involvement. Participation is seen as the driving force of CSR and every business activity is examined according to its effects on employment. It is stated that this model of cooperative conflict resolution was one precondition for keeping its employees during economically difficult times instead of having to announce redundancies. Hence, the thorough implementation of social dialogue and worker involvement is seen in immediate connection with its implications on employment. Even though this is certainly a rather rare highlighting example, generally many **activities were implemented** by the automotive case companies. These were related to promoting worker involvement by including labour representatives and internal working groups in participatory production, promoting worker involvement by controlling compliance with the

³⁹ Social dialogue and worker involvement was investigated in this project without the use of indicators. Indicators are included in reporting schemes and indicator sets, such as for example the GRI (LA4, LA5), the labour practices (on social dialogue) of ISO 26000 or the Global Compact.

freedom of association and collective bargaining of first-tier suppliers as well as promoting social dialogue by providing information on and uptake of stakeholder demands through stakeholder dialogues.

However, this frequent implementation among the case companies appears to be the exception rather than the rule. Concerning **how often activities fostering social dialogue and worker involvement are offered**, the WP2 sector supplement allows for insights. 39.1% of the automotive companies reported activities to promote the use of participatory production including labour representative and internal working groups (whereas 39.1% considered this not to be relevant for them, and 21.7% offered no activities). The same number of companies stated to have introduced supplier standards on the freedom of association and collective bargaining and monitoring of supplier compliance (while 13% did not implement any activities and 47.8% did not consider it important for them)⁴⁰. Thus, based on this small sample of SMEs from the automotive industry, the majority of companies do not implement any CSR activities fostering social dialogue and worker involvement. Equivalent information for large companies was not available.

Does CSR lead to improvements in social dialogue and worker involvement? In general, in SMEs the share of employees covered by collective agreements hardly changed between 2007 and 2010. Where improvements were perceived, 29% of the companies attributed these to own voluntary initiatives taken by the company – which is almost twice the share of companies making a connection to legal requirements (15%)⁴¹. The sector supplement revealed that two thirds of the automotive companies experienced positive changes (results in relation to the financial resources spent per year for participatory production and internal working groups), with one third not experiencing any changes. When no activities were offered, there were still positive changes noticed, however by only 50% of the companies (the remainder not experiencing any changes). Regarding the introduction of supplier standards on the freedom of association and collective bargaining (along with monitoring their compliance), 62.5% mentioned a subsequent increase in suppliers complying with the standard on freedom of association and collective bargaining, while 25% did not see any changes (12.5% noticed a decrease). In a situation where no such activities were offered, the outcome remained stable for all of the respondents. **Which factors determine whether CSR leads to improvement?** The econometric analysis found for SMEs that the effort to improve social aspects of CSR (gender equality, diversity, work-life balance, health and safety) is related to a higher share of employees covered by collective bargaining. The influence of activities is greater than commitment (no positive influences) or output (external cooperation). However, factors such as company size, skill-level or age of workforce influence the outcome as well. As for large companies, a relationship between the companies' CSR commitment (policies on collective bargaining) and the outcome was detected, indicating that a higher share of employees is covered by collective bargaining when policies on freedom of association exist. The Panel experts participating in the Delphi Study estimated that their voluntary activities tend to have relatively high impacts on social dialogue and worker involvement (depending on the sector), which they expect to slightly increase in the future.

⁴⁰ As mentioned before, when looking at the results from the automotive sector (WP2 sector supplement), one has to bear in mind the very small sample size which does not allow for general statements without reservation.

⁴¹ Another 2% attributed the improvement to collective initiatives in the respective industry, whereas for the remainder it was not applicable (54%).

Drawing a conclusion, not being as explicitly mentioned in current EU objectives as other QoJ-issues, social dialogue and workers' involvement also does not appear to be one of the issues that is in the immediate focus of companies' CSR: Companies do not address it in their strategies, targets or performance measurements according to the importance that is generally attached to it. Generally, whereas in large companies on average a rather low share of employees is covered by collective bargaining, their share is higher in (bigger) SMEs. The relatively high occurrence of activities found among the automotive case companies (WP3) may not be transferable to a larger scale. Yet in small and medium-sized automotive companies, these activities, if implemented, potentially cause positive effects, unlike when no activities are offered. Meanwhile large companies' commitment positively influences the outcome. Ultimately, it is important to note that national differences in the tradition of social dialogue exist.

3.2.9 Health and Working conditions

The European Commission refers to the issue of Health and Safety as “now one of the most important and most highly developed aspects of EU policy on employment and social affairs” (EU Commission 2007: 1). Health and Safety is considered to be a very important component of the Lisbon Strategy and thus a precondition for the overarching objective of Growth and Jobs. This is attributed to industries' actions not only having immediate effects on the human being itself, but absenteeism resulting from work accidents furthermore leading to high costs and having major negative implications for the economy on the whole: “Under the Lisbon Strategy, the Member States have acknowledged the major contribution that guaranteeing quality and productivity at work can play in promoting economic growth and employment” (European Commission 2007: 2)⁴². In addition to the 1989 directive on the protection of health and safety at work (89/391/EEC), the EU outlined the Community Strategy 2007 – 2012 on health and safety at work, aiming to improve occupational quality and productivity. Its quantitative objective is to reduce the number of work accidents by 25% until 2012 and by this continuing the positive trend which has been observed since the beginning of the millennium. Yet, improvements are unequally distributed and new challenges need to be faced, such as the increase in psychological problems and certain new workplace illnesses that are on the rise. At risk-employee groups include low-skilled and young employees as well as those who are on fixed-term contracts.

Did the companies consider health and working conditions to be relevant for them? The project's different deliverables show in unison that there is a general consensus that health and working conditions is highly relevant. Although laid out as sector-specific for the construction sector (due to its crucial significance for this industry), the WP3 case companies throughout the sectors considered it to be one of the most important issues. This view is shared by the panel experts of the Delphi Round: Despite minor differences between the sectors, they overall agree on this issue's relevance for their respective industries and assume that the importance of health and working conditions is going to remain stable or even increase in the future.

⁴² For further insights from the IMPACT project into these interactions please refer to part 3.2.13 at the end of this chapter.

The way health and working conditions are addressed by the WP3-companies proved to be very thorough: It is one of the issues which is most frequently integrated in strategies, target setting performance assessment and indicator use (as well as it is implemented through activities, see below). Data for the rate of injury existed throughout the case companies of the construction sector (less frequently for the other indicators which were asked for to describe health and working conditions)⁴³. Thus, this issue shows a general conformity between the importance attached to it and its incorporation in subsequent measures. In line with this, the econometrical analysis found that in large companies programmes and targets to reduce health and safety incidents are comparatively common (44.5%)⁴⁴, although external health and safety certification were found to be rare (14.8%). Similarly, this issue has priority for SMEs: The implementation of related activities receives highest attention among the QoJ-issues investigated (alongside skills and life-long learning). Whereas their emphasis in addressing Health and Safety clearly lies on specific activities, small and medium-sized companies more frequently conduct performance measurements (28%), set targets (29%) and report on health and safety issues (29%) than for other QoJ-issues (except for skills and life-long learning). Thus, every third to fourth SME employs these procedural measures. One has to consider that this can imply great financial effort and knowledge from SMEs – their engagement may be explained by the immediate effect that good performance in Health and Safety can have on the company's operation cost and competitiveness.

When considering this encompassing approach in addressing health and working conditions, it is interesting to look more closely into the **companies' implementation of related activities**. The WP3-case studies showed that the construction companies generally offered many activities to

⁴³ Clearly it has to be considered that Health and Safety is in general influenced by two factors: laws and markets. Labour protection acts (acts on Occupational Health and Safety, OHS), guarantee that compliance with the law leads to comparatively high labour standards in Europe. Yet, differences exist among Member States, wherefore in 1989 the EU introduced the council directive 89/391EEC on measures to improve safety and health at work. This directive lays out the general responsibilities of employers for the safety and health of their employees - should these exceed existing national legislation. For example, employers are required to assess potential risks for health and safety in their companies and introduce corresponding protective measures. Furthermore, work accidents have to be documented which led to an employee's death, severe injury or sickness absence for more than three days. Thus, a certain degree of performance measuring is an indispensable condition – even if the legal framework is complex and not the same for the whole of Europe. Apart from differences in legislation, the extent of OHS varies depending on market situations: In markets/ segments that are characterised by high cost pressure, health and safety might simply mean adhering to the law (as there is less space to exceed legal requirements), whereas in markets with lower cost pressure and high quality standards, a more engaged approach is common. National differences in social insurance systems equally play a role, as in systems where social insurance does not bear all costs when accidents occur, generally more preventive activities take place. Furthermore the importance attached to this issue and the availability of data is also influenced by *health and working conditions* commonly being addressed in initiatives such as the Global Compact. Naturally, it is covered with indicators if companies report according to the GRI (for example, LA6, LA7, LA8) and is a component of the new ISO 26000 guidelines (labour practices/ section 6.4).

⁴⁴ The analysis of output and implementation in large companies and the frequency of specific programmes only included two social issues (Diversity and Health and Safety) but relatively more environmental issues (GHG emissions, renewable energies, water consumption, waste). Out of all of these issues, most programmes focussed on Health and Safety.

improve health and working conditions. These focussed on education of health and safety, avoiding injury, occupational diseases and work accidents, and setting up a complaints management regarding physical demands of work and environmental exposure. In several interviews the high importance of stress management was mentioned explicitly. It was also stated that activities to lower accidents are increasingly requested by international investors. Furthermore, the great importance which is attached to health and safety is also reflected in its integration into one automotive company's managerial bonus scheme – as previously described, this kind of inclusion is typically very rare.

Apart from these qualitative insights, other findings of the IMPACT project give an impression on **how frequently such activities are introduced in companies**. As mentioned above, data from the Sustainalytics rating system show that on average 44.5% of the large companies have an employee health and safety programme and related targets, which is much more common than external health and safety certifications such as OHSAS 18001, BS8800 or OSHA (14.8%). This relatively frequent presence of programmes is confirmed by the MIP 2009: A total of 85.06% mostly large German companies offered activities to increase safety at work. As described above, this QoJ-issue is in large parts regulated by legislation. Interestingly however, despite this precondition almost half of these companies (47.14%) reported to be going beyond legal requirements with their activities. Compared to activities targeting at diversity and non-discrimination as well as gender equality (i.e., areas where it was shown that activities are frequently offered) this is by far the highest share of companies exceeding actions required by law. Health and Safety therefore shows high CSR engagement, yet sectoral differences need to be taken into account: Whereas in wholesale and retail trade most companies did not move beyond legal requirements with their activities, more than 60% of companies from manufacturing industries did so. Regarding the activities of European small and medium-sized companies (WP2 sector supplement), 61% of the companies of the construction sector installed a complaints management regarding physical demands of work and environmental exposure (while 11.7% did not, and the remaining 27.3% did not consider this to be relevant). This high number again illustrates that also among the SMEs, health and safety (as well as skills and life-long learning) receives most attention. While only 8% of the companies in the survey stated that they did not offer activities, 70% put continuous effort in the reduction in work place accidents and the sickness absence rate and 22% address this issue with incidental activities.

Taking into consideration this high number of voluntary activities that companies offer to increase health and working conditions, it is very important to **examine whether these efforts also result in outcome changes**. When looking into the small and medium-sized companies' own perception of the effect of their activities (complaints management regarding physical demands of work and environmental exposure), 49.62% believe that the outcome (as in the number of complaints) has remained at a stable state, meanwhile 45.11% believed that the changes have been positive (i.e. the number of complaints decreased). The remaining 5.26% noticed negative changes. This finding is very interesting when seen in context with a situation where no activities were implemented: The vast majority of 80% experienced no changes in the number of complaints, whereas 10% noticed improvements and another 10% reported negative trends –

underlining the positive effect of the implementation of activities. In general, the SMEs estimated that the sickness absence rate did not change very much between 2007 and 2010, with a slight tendency to have improved (yet, changes below 1%). Nevertheless, 51% of the companies having experienced improvements in the number of work place accidents and sickness absence rate attributed these to own voluntary initiatives, while 12% made the connection to legal requirements (3% named collective initiatives of the industry as the reason, whereas for the rest this was not applicable). **Which factors determine whether CSR leads to outcome changes?** The econometrical analysis may provide insights into whether the small and medium-sized companies' estimations hold true on a statistical basis. It was shown that among the variables influencing the outcome (sickness absence), mainly measurement, targeting and reporting, the effort to improve work life balance and the internal organisation had contributed to positive developments between 2007 and 2010. Furthermore also certifications played roles⁴⁵. When looking at what distinguishes companies regarding absence rates in one year (2010), it is mainly the intensity of company's effort (once again to improve work-life balance) that resulted in low sickness absences. It should be noted that a direct comparison between SMEs and large companies cannot be made: In large companies, no significant relationship between commitment and output and implementation emerged, and in fact commitment is negatively connected with the outcome (lost time incident). However this shows a reverse causation and it is very probable that this does not imply that CSR activities make companies worse, but that especially / mainly those companies experiencing a high rate of lost time incidences also pay more attention to it through Health and Safety policies and Health and Safety programmes (output). For the statistical analysis, CSR therefore seems to lead to worse results – but this would very likely be a misinterpretation caused by the fact that worse companies are more likely to act and are therefore overrepresented.

One can conclude that health and working conditions is of great importance throughout the sectors, which translates into their subsequent engagement. Data were thus frequently available, yet one of the WP3 construction companies expressed that merely the measurement of accidents that have happened is not enough but that it is instead even more important to measure near-accidents and finding answers for not being able to avoid future accidents. Despite this issue is highly regulated by legislation (national differences exist) it was shown that (at least in Germany) many companies move beyond legal requirements with their activities. Also SMEs frequently offer activities and thus engage very much in trying to reduce the sickness absence rate (health and working conditions being one of the issues with immediate effects on the company level). This leads to positive outcomes: SMEs' efforts to improve the work-life balance of their employees decreased the sickness absence rate. **Making a connection to EU objectives**, this finding is noteworthy, because Health and Safety issues are of particular concern for SMEs: As the European Commission stresses in its Community Strategy 2007 – 2012 on health and safety at work, SMEs are primarily affected by Health and Safety issues and experience 82% of all occupational injuries and 90% of all fatal accidents (European Commission n. y. c). Furthermore, the Commission puts emphasis on new work-related diseases such as the rise in psychological diseases and considers them to be a serious challenge, expected to gain ever more importance

⁴⁵ Internal organization: .05***; certifications: .03**; effort: .05***; measurement, targeting, reporting: .07***

in the future. Hereby, “the workplace can be an appropriate place in which to prevent psychological problems and promote better mental health” (European Commission 2007: 13). It was shown that several WP3-companies throughout the sectors addressed stress-related diseases with various measures (e.g., specific workshops and campaigns to raise the awareness of psychological problems – both for employees and for managers to the collaboration with a stress clinic).

3.2.10 Work organisation, Work-life balance

Although this issue is not explicitly mentioned in Europe 2020 or the Lisbon Strategy, the EU describes improving work-life balance (reconciliation strategies) as being at the core of these strategies for jobs and growth: While in related communications the perspective initially lay on gender equality, emphasis has increasingly been placed on the need to raise employment rates (for women to be able to work full-time) and achieve a better reconciliation of work and family life. This has to be seen in context with countries with a high share of women in employment also having high birth-rates - therefore, improving work-life balance is seen as contributing to economic growth and tackling demographic ageing. No quantitative goals that specifically address work-life balance are defined, yet its components (e.g. greater involvement of women in the labour market) are subsumed under other QoJ-issues (such as the issues of gender or diversity, non-discrimination; for more detailed descriptions, please refer to previous sub-chapters). Furthermore, the agenda for new skills and jobs urges its Member States to facilitate the reconciliation of work and private life, while the initiative against poverty considers lone parents as a group of risk. Need for action is seen regarding aspects such as the availability of affordable childcare facilities and the extension of the duration of paid maternity leave (European Commission 2012b: 5ff).

Did companies consider work organisation, work-life balance to be relevant for them?

Selected as a cross sector-issue, work organisation, work-life balance was investigated in all WP3-case-companies and covered a range of issues such as working-time (cross-sector), work-life and stress-management, re-entry programmes after long absences, flexible working arrangements, company-funded kindergarten places and dignified housing on construction sites (the latter ones being sector-specific). For the majority of the case companies this issue is generally important, an understanding which is largely (60%) shared by the SMEs participating in the WP2-survey. Also the panel experts of the Delphi Study considered it to be more or less relevant for their industries (sectoral differences clearly exist, as it is more important among the ICT companies than for the construction or textile industries). When looking at how this recognition of importance translates into the further integration in companies' strategies or target settings, a discrepancy becomes apparent: Data from the Sustainalytics rating scheme showed that only few large companies (15%) have policies on working hours in place. This notion is confirmed by the WP3-case companies: Although still mentioned in strategies by more than half of the companies initially stating that work organisation, work-life balance is relevant for them, only very few defined specific targets. Likewise, the case companies rarely measured their

performance, thus only few data could be obtained⁴⁶ (seldom data were available for the number of hours worked overtime and no information existed whether employees worked more than five days). Similarly, findings from WP2 suggest that also SMEs rarely measure (one out of ten does), however when allowing for best estimates, 57% of the respondents of the survey were able to provide data for overtime hours. 18% of the SMEs define specific targets and 15% report on work-life balance in their companies. Compared to Health and Safety or Skills and life-long learning (being of highest priority for SMEs), this is roughly half of the number of companies.

Despite the gap between the importance attached to work organisation, work-life balance and the assessment of performance, various **related activities** were offered, which seems to suggest that this issue is rather qualitatively instead of quantitatively addressed. For example, although only few data were available for the number of hours worked overtime, around half of the WP3-companies offer activities to promote work-life balance by reducing overtime work. The example of one retail company illustrates this: The introduction of a control system prevents overtime hours, such that if an employee has worked more than 6 hours overtime, it is required that working time is balanced without waiting until the end of the reference quarter. Furthermore, the vast majority of case companies offer various flexible working arrangements. The scope of activities mainly ranges from a focus on children (for example holiday programmes for children, intranet-based childcare exchange, or company-run programmes which offer quick childcare in case of unforeseen circumstances as well as the possibility of “buying” additional holiday), to programmes facilitating the return after longer absences (such as long-term illnesses but also after parental leave), stress awareness- and work-life management-trainings, and other kinds of employee assistance programmes. However, at least among the retail case-companies, no kindergarten places were offered by the companies, although this is an important issue in this sector and described as a need for action in EU communications.

Looking at **how frequently such activities are offered** and whether these examples are transferable to a larger scale, insights are provided by WP2: Regarding small and medium-sized companies, 20% did not offer activities to promote work-life balance, implying that the majority of 80% did. Out of those which engaged, 42% implemented incidental activities, while 39% did so continuously or through certifications. Looking into work organisation activities of construction companies, 58.6% of the small and medium-sized companies ensured humane living conditions for workers in site huts and/ or temporary housing facilities on construction sites. 9.5% of the companies that participated in the survey did not (for the remaining 31.9%, this issue was not relevant).

Does CSR contribute to outcome changes? Regarding the small and medium-sized companies which participated in the SME-survey, overtime accounted for 6% of full time

⁴⁶ This may be seen in context with this issue not being prevalent in the GRI guidelines. In the new ISO 26000 norm, it is included in section 6.4 (labour practices) in the area of conditions of work and social protection, which among other aspects (such as working hours) also includes possibilities for the reconciliation of work and professional life.

equivalent working hours⁴⁷. Although the vast majority of the SMEs stated that these had remained on the same level, a very slight decreasing tendency was noticed between 2007 and 2010 (changes of <1%). The majority of those SMEs experiencing improvements, attributed them to own voluntary activities (44%), while 8% made the connection to legal requirements (2% mentioned industry-specific collective initiatives as the reason for improvement, whereas for the remaining 46% this was not applicable). Considering the construction companies offering dignified housing facilities on construction sites, the majority of 56.6% did not observe any improvements, whereas 37.74% noticed positive results and 5.66% believed their efforts have worsened the situation. On the other hand, when no financial resources were spent on dignified housing, the share of construction companies noticing no changes increased to 66.67%, while 16.67% spoke both of negative and positive results. Thus, even though voluntary activities may not contribute to great improvements, chances are much higher that the situation can be bettered when activities are offered, as compared to when nothing is done. **Which factors determine whether CSR leads to changes in outcome?** When looking at whether this company-perception is confirmed by the statistical analysis, it turns out that again the effort indeed contributes to an improved situation regarding overtime hours (judged by improvements between 2007 and 2010) – yet, the effect is small. The company's commitment (whether the director is answerable to this CSR issue) has the same effect⁴⁸. Differences between companies (reference year 2010) and the level of overtime underline the positive effect of a company's effort: Activities implemented to address overtime have the highest influence, while companies' commitment and output hardly affect overtime work. This notion that voluntary activities have an effect seems to be shared by the panel experts' point of view: The impacts of voluntary activities for work-life balance were considered to be rather elevated, both today and in the future.

Drawing a conclusion, work organisation, work-life balance is seen as an important issue in general, but is not among the most important ones. It is not integrated into company strategies and targets as thoroughly as others (both in large and small companies) instead it rather seems to be addressed with activities. These – at least in SMEs – are frequent and lead to positive outcome results (with respect to working hours, and to a certain extent also to dignified housing, although the latter statement is only based on the perception of companies and not statistically founded). Voluntary company activities are therefore important means of improving the situation of overtime work and bring effects – however it seems that some but no great improvements are achieved through CSR. One has to keep in mind that the above presented results only refer to SMEs. Also, considering the much broader scope of this QoJ-issue, it is important to remember that overtime hours are just one aspect and the results are not transferable to other aspects of this issue. It is interesting to note, **with regard to EU objectives**, that the Employment in Europe report 2002 highlights some positive effects on work organisation, work-life balance which can emerge as a result of a generally enhanced quality of jobs. Particularly women and people with caring responsibilities are expected to see improvements in this QoJ-field as an incentive for

⁴⁷ Overtime was most frequently found in companies with a young workforce, tended to occur in transport services and was least present in Mediterranean countries.

⁴⁸ Company's effort: .03*; company's commitment (director answerable): .03**

labour market participation (Peña-Casas 2009: 23). As statistically significant results mainly relate to overtime hours, conclusions on other aspects of this issue are difficult to make.

3.2.11 Human rights and the supply chain

Human rights and the supply chain is not part of the objectives that is emphasised by the Lisbon Strategy or by Europe 2020. Yet it is taken up in the recently published EU Strategic Framework and Action Plan on Human Rights and Democracy with the anticipated outcome “Implementation of the UN Guiding Principles on Business and human rights”⁴⁹. Human rights and the supply chain is also included in the objectives of the Community Strategy 2007 – 2012 on health and safety at work, in which the EU states its interest to globally raise labour standards. In this document, the EU declares its intention to strengthen the cooperation with organisations such as ILO and WHO as well as “working together with other nations to promote implementation of the Glob-al Strategy on Occupational Safety and Health, adopted by ILO in 2003”, and “stimulating the ratification of ILO Conventions by the Member States” (European Commission 2007: 14f).

Did companies consider the issue of Human rights to be relevant for them? Human rights was laid out as a sector-specific issue in the textile sector (although naturally it is important for other sectors as well, it is clearly at the core of quality of jobs-related CSR-activities in the textile industry). Nevertheless, the vast majority of WP3 case companies throughout the sectors considered human rights issues to be important to them or the sector. This unanimity is however not reflected in all project’s findings: The Delphi Study panel experts did not consider human rights to be among those issues that were of major relevance for the different sectors (retail, construction, ICT) – however the results confirmed that this issue is particularly important in the textile industry. As human rights is in general an issue of concern (and potentially attracts much debate and publicity), preventive action needs to be taken. Accordingly, the WP3-case studies showed that it is in general thoroughly integrated in company strategies or policies. Furthermore, despite the sector-specific approach, it became apparent that most case companies also assess their performance and use indicators⁵⁰. The data retrieved from the Sustainalytics rating scheme indicate, that only a relatively small share of the large companies (18.9%) is signatory to the UN Global Compact. Nevertheless, the SME-survey indicates that the importance which is generally attached to human rights is not restricted to large companies, but is instead also an issue that small and medium-sized companies address: 27% of the SMEs participating in the survey reported not to offer activities, implying that the majority does. 14% of these measure their

⁴⁹ Actions to be taken to reach this target include (a) Ensure implementation to the Commission Communication on Corporate Social Responsibility, in particular by developing and disseminating human rights guidance for three business sectors (ICT; oil and gas; employment and recruiting agencies), and for small and medium-sized enterprises”; (c) Develop national plans for EU Member States on implementation of the UN Guiding Principles

⁵⁰ Human rights are a fundamental part of CSR and are addressed by various institutions, guidelines, conventions and declarations (such as ILO: Tripartite Declaration, OECD, UN Global Compact, etc.). Companies which are signatory to such initiatives or member of respective organisations have to follow guidelines and consequently certain requirements for implementation (i.e. measuring). For example, the GRI includes several indicators on Human rights (HR1 – HR9) (GRI 3.0, not taking into account sector supplements), just as ISO 26000 subsumes eight overarching areas of action under the core aspect of human rights. Logically, these preconditions account for a certain level of implementation among the companies observed in this study.

performance, 17% set targets and 15% report on the labour conditions of suppliers and respect of human rights.

Regarding the relatively high share of SMEs conducting activities, as well as this issue's generally thorough integration into the WP3 case companies CSR-strategies and performance assessments, a closer look shall be taken at how companies implement this issue in terms of activities. Generally, audits are a common way of assessing the company's performance. However, not all companies that report to assess their suppliers concerning human rights also conduct audits: Some favour mutual learning activities (workshops etc.) instead of strong control measures, but they have also implemented institutional chains for identifying "bad cases" or conduct gap analysis of risk of human rights. Information for small and medium-sized companies provides insights into the frequency of such activities: As mentioned before, human rights turned out to be an important item also for SMEs and those implementing activities to improve labour conditions of suppliers with respect to human rights did so in almost 50% of the cases continuously/ through certifications. For 26% the implementation was incidental (specific activities). 38% of SMEs cooperate with other companies in the supply chain to achieve CSR objectives. Out of the small and medium-sized textile companies (sector supplement), 82.1% implement activities to ensure compliance with human rights standards in the supply chain, while only 1.8% stated that they didn't (the remainder considered this issue not to be relevant to them). Regarding the introduction of supplier standards and monitoring of supplier compliance with ILO standards (ethics code), a comparatively smaller share of 46.4% reported activity, while 28.6% did not (not relevant for 25%). In general, the panel experts of the Delphi Study expected that the impact of voluntary human rights activities will increase in the future.

Does CSR contribute to outcome changes? General statements regarding the effect of CSR activities on the outcome that are substantiated by quantitative data are difficult to make, especially owing to the fact that data from companies within the supply chain would have been need-ed. Information from the textile company case studies (WP3) suggest that CSR activities (such as audits, workshops, capacity building) can have the potential to influence working conditions in the supply chain when suppliers have to comply with specific conditions (e.g. adhere to companies' codes of conducts). This possible effect was perceived by small and medium-sized textile companies participating in the WP2-survey: Of those companies which introduced supplier standards and monitored supplier compliance with ILO-standards, the majority (56%) reported a higher share of suppliers' compliance as a result, whereas 39% did not perceive any changes (6% experienced negative developments). Such activities have thus led to a far greater improvement in the number of suppliers complying with ILO standards as compared to a situation where no activities were offered: In this case, only 25% reported positive developments, while for 50% no changes became obvious and 25% replied that the situation deteriorated. Those small and medium-sized textile companies offering activities to ensure compliance with human right standards in the supply chain mentioned in 47% of the cases positive results, while the remaining 53% considered the outcome to not have changed. Activities in this regard seem to have a high influence, taking into account that when no activities were offered, the number of suppliers who do not comply with human rights remained stable. No statistical well-founded information is available which would provide insight into which factors determine whether CSR contributes to outcome changes.

Drawing a conclusion, companies generally acknowledge human rights to be important, irrespective of their size. This is also related to the presence of global organisations and institutions with indicators and guidelines which many companies adhere to. While this issue is clearly relevant for other industries as well (such as ICT), it turned out that particularly textile companies consider it as important. Depending on the degree of outsourcing of production, human rights are in the focus of CSR activities of textile manufacturers and it is seen as the QoJ-issue where companies can have their most important impacts as well as their greatest risk of reputation. But even if these sectorial differences are present, the case companies of WP3 address human rights in general very comprehensively compared to other issues. The SME survey showed that voluntary activities are seen as frequently leading to improvements, even if results oftentimes also remain unchanged – nonetheless, the situation always improves compared to when no activities are implemented. Whether CSR contributes to improvements can however not be answered on a statistically well-founded basis. As has been laid out at the beginning of this sub-chapter, the issue of human rights has not been taken up explicitly in the EU strategies referred to earlier (although it is for example emphasised in the objectives of the Community Strategy 2007 – 2010). It is likely that impact can be caused by the companies regarding the human rights in their supplier relations. As has already been described in connection with the issue of wages and poverty reduction, the case companies of the retail sector frequently mentioned the increase in Fair Trade products and the subsequent implications on working conditions in the supply chain (Fair Trade farmers) as impacts on society. However more in-depth research needs to be conducted to prove these assumptions. In general, NGOs think that the textile sector needs to take more action to address human rights.

3.2.12 Intrinsic Job Quality

The European Commission states that jobs “ought to be satisfying, compatible with a person’s skills and abilities, and provide appropriate levels of income”, with one of the chosen indicators for this dimension being self-reported job satisfaction (European Commission n. y. b). However as mentioned before, it is frequently stated that the significance of the quality of work had been more ambitious in the early stages of the Lisbon strategy and has weakened in favour for the emphasis on quantitative aspects since the strategy’s review in 2005 (e.g., Davoine 2006; Peña-Casas 2009). The focus of EU policy is described to have shifted towards an employer’s perspective and the QoJ-issue in general is rather perceived as a productive factor (Peña-Casas 2009: 7).

This issue was investigated specifically in the textile industry, considering that intrinsic job quality is reported to be relatively low for most employees in production (one of the least satisfying categories in this sector) and that these jobs are characterised by monotonous and repetitive work with a high segregation of tasks. The indicators related to the perceived satisfaction rates with safety and hygiene of the working conditions, time hours and time schemes as well as production quotas. Looking at the employees’ satisfaction with these aspects, it therefore represents the subjective view on working conditions (as opposed to the objective presentation of working conditions in for example the issue of work organisation, work-life balance). ***Did the companies consider the issue of intrinsic job quality to be relevant for them?*** As it turned out, the intrinsic job quality is generally considered important by the WP3-case companies,

however not necessarily in the textile sector (e.g., as compared to the retail sector). Similarly, also the Delphi Study found sectoral differences regarding the importance attached to intrinsic job quality, showing that it was of greatest relevance in the ICT sector. Based on the case study findings, the issue was included in companies' strategies (with sectoral differences, mostly observed in the retail sector) and targets were defined. Interestingly, two companies included this issue in their managerial bonus scheme. Considering the previously described rare integration of CSR-issues in remuneration systems, this is worth noticing and shall be discussed in the following sub-chapter (Interactions of QoJ with environment and economics) in more depth. In general, it appeared that the case companies (again, mainly those of other sectors than textile) assessed their performance rather frequently – this happens commonly through satisfaction surveys.

Companies use such employee satisfaction surveys to estimate the intrinsic job quality of their workforce and ideally react to the results (e.g. through the **implementation of specific activities**). In the textile companies of WP3, it was asked whether companies investigate the perceived satisfaction with safety and hygiene issues of the working conditions, with time hours and time schemes as well as with the current production quotas. It was then asked, whether respective actions exist to raise the satisfaction rate of the employees by improving the situations if necessary. Therefore, activities do not target at the intrinsic job quality directly, instead companies address this issue through activities described for other QoJ-issues (such as health and working conditions, flexibility and job security or work organisation, work-life balance), reacting to the outcome of the surveys. To show how the implementation of satisfaction surveys can look like in practice (although this is not an example for the textile sector as these were rarer), the example of one retail company shall be presented. The retailer introduced a voluntary employee satisfaction survey to gather spontaneously formulated opinions every two years. Whereas at first there was scepticism regarding the anonymity of the survey and the participation was very low (20%), the employees' trust grew, resulting in participation rates of 100% after four years time. An example for how a company subsequently reacts to the results obtained from such surveys could be found in the automotive sector: The company received negative feedback from its employees on the situation of work-life balance in the company. It then responded with the introduction of pilot programmes, such as a web-based portal dedicated to the preparation of administrative documentation (thus saving time compared to visiting public administration offices). Another example for what companies do to raise the well-being at work (and therefore the intrinsic job quality) was found in one textile company, which subsidises dining, company transport and flexible hours for non-store staff, intending to contribute to a positive work culture. Other examples are frequently offered flexible working arrangements or remote work in the case of an ICT company.

How frequently are satisfaction surveys conducted? As mentioned in the beginning of this sub-chapter, satisfaction surveys appear to be conducted relatively frequently among the case companies (WP3)⁵¹, however more often in other sectors than in the textile industry. The results

⁵¹ Performance measurement was reported for roughly half of the companies – however keeping in mind that this was not a cross-sector issue (and therefore not investigated in all sectors in depth), it is may be the case that even more

from the WPs do not entirely coincide and findings from WP2 are insightful to gain a broader perspective on small and medium sized textile companies. The SME-survey showed that 57.1% of the participating small and medium-sized textile companies investigated the perceived employee satisfaction regarding the piece work and working hours in factories/ the supply chain. 19.6% of the companies did not investigate the employee satisfaction with this regard, whereas 23.2% did not consider it to be relevant to them. When looking at the satisfaction with safety and hygiene issues of the working conditions, it becomes apparent that this issue is of greater importance to the companies: A large majority of 78.6% investigated the satisfaction of their employees, whereas only a very small share of 3.6% did not and for almost 18% this aspect was not relevant.

Does CSR affect performance? As previously described, this issue is of a special nature, as activities offered to enhance the intrinsic job quality are generally found among other QoJ-issues (e.g. health and working conditions and work organisation, work-life balance). Nevertheless, when looking at the activities offered by the SMEs mentioned above, it turns out that those companies implementing activities to raise their workforce's satisfaction regarding the number of pieces which ought to be produced and the working hours, received mainly stable results (52%). A share of 43% experienced positive effects, while 4% reported that the situation got worse. When in turn no activities were introduced to raise the satisfaction rate, one third still experienced positive results, while two thirds did not notice any changes. Regarding the satisfaction rate with safety and hygiene issues of the working conditions, those textile manufacturers which implemented activities, again mainly received stable results in the satisfaction surveys (50%), while almost as many (47%) noticed positive changes (the remaining 3% reported negative results). Therefore, CSR-activities undertaken by textile companies seem to have improved employees' satisfaction in a little less than half of the cases, while for a slight majority the satisfaction rate stayed the same. Statements regarding factors which determine whether it is CSR that leads to improvements in the intrinsic job quality cannot be made on a statistical well-founded basis.

Considering these results, **one can conclude** that the intrinsic job quality is generally perceived as important and although this is an issue which is highly relevant for the textile sector, it turned out to be more often addressed in companies of other sectors investigated in WP3 (such as the retail or ICT sector, where it however refers to a more general level of employee satisfaction and is not related to the production process which was in the focus of the textile sector). The fact, that intrinsic job quality is generally considered to be important, also has to do with competitive reasons. Depending on the industry, companies try to attract the best employees and therefore attach great importance to employee satisfaction. WP3-case companies conducted employee satisfaction surveys relatively frequently, just as the majority of small and medium-sized textile companies (WP2). The results of these surveys ideally translate into activities to improve the specific outcome and are therefore diverse and subsumed under other QoJ-issues. Specific

companies conduct satisfaction surveys in order to estimate their performance regarding the intrinsic quality of the jobs in their companies.

activities from small and medium-sized textile companies (raise satisfaction with certain aspects of production) led to mostly stable results, but also in many cases to improvements. The intrinsic job quality is an important issue as it portrays the subjective view of the employees, which also means that it also strongly depends on individual/ internal and external influences. **With regard to EU objectives**, this issue is insofar relevant, as it can generally serve as an indicator for the state of the entire QoJ-domain as it subsumes different aspects. This is helpful also because the Employment in Europe 2002 report states that general improvements in quality of jobs influence the subjective job satisfaction positively and lead to higher productivity (Peña-Casas 2009: 23).

3.2.13 Conclusions and outlook

The scope of this chapter was to explore, based on the findings of the IMPACT project, how quality of job-issues are addressed on the company level and if CSR influences the outcome. It was looked into how these issues are addressed with EU objectives (mainly the Lisbon Strategy and Europe 2020) and whether interactions between the different CSR dimensions (i.e., in the QoJ, the environmental and the economic domain) become apparent.

First and foremost, it became apparent that all of the QoJ-issues are generally considered important by the companies – however to varying degrees, depending on the sector and the company size. Yet, clearly sectoral differences arise:

- In the *automotive industry*, a broad range of issues were emphasised: mainly skills and life-long learning, health and safety, flexibility and job security, work organisation & work-life balance as well as social dialogue – which resemble the areas where activities were perceived to have effects (except for flexibility and job security).
- In the *construction sector*, the focus clearly lay on health and safety, with activities having most effects regarding health and safety and skills, life-long learning.
- In *ICT*, the prevalent issues were skills, and life-long learning, work organisation, work-life balance, intrinsic job quality, gender equality and diversity. Effects of activities were particularly perceived regarding skills and life-long learning as well as work organisation, work-life balance.
- *Retail companies* seem to attach importance relatively evenly on the QoJ-issues, with their activities having the highest influence in health and safety, skills and life-long learning and diversity, much more than for the issue of wages and poverty reduction.
- Emphasis in the *textile sector* was put on human rights, health and safety, as well as flexibility and job security. Activities were perceived as most effective in terms of human rights and health and safety.

In general, health and working conditions (health and safety) and skills and life-long learning were considered to be the most important issues in the Quality of Job domain.

When looking at the different issues and how they are addressed by the companies, it became apparent that the initial acknowledgement of importance does not translate into subsequent

engagement for all issues alike. This means that companies approached some issues in a more encompassing way than others: For example, the issues health and working conditions and gender equality (in large companies) were generally more comprehensively addressed (i.e. regarding their inclusion in strategies, targets, performance measurements and implementation of activities), than for example the issue of wages and poverty reduction, work organisation, work-life balance or diversity and non-discrimination. This was also reflected in the availability of quantitative data. However, the whole IMPACT cycle needs to be taken into consideration: The findings demonstrate that companies' commitment and output is one aspect, but issue-specific implementation is at least just as relevant – if not more: Even if a company's commitment or output does not specifically address a certain issue, activities may still exist and contribute to outcome changes. On the other hand, if a company is committed and includes an issue in their strategies and sets targets but does not offer activities to improve the situation, then changes are much less likely to occur and the effect remains more or less rhetoric.

This could in some cases be seen in large companies where it was shown that CSR commitment fosters CSR output and the implementation of CSR for board diversity and the implementation of activities fosters changes in outcome (this effect was not observed for health and safety). In SMEs however, this chain of effects was more apparent: CSR commitment was observed to encourage CSR-output and the issue-specific implementation. Particularly this issue-specific implementation exerts influence on outcome changes (at least for some issues), underlining the role of implementation as a crucial mediator between commitment/ output and outcome. It turned out that the effort a company invests in implementing a specific issue improves changes in outcome for almost all QoJ-aspects (gender, diversity, work organisation and work-life balance, health and working conditions and collective bargaining) – even though changes were small (generally below 1%). Nonetheless, even though the outcomes were perceived to have remained relatively stable, the trend indicated a slight improvement⁵². Furthermore, the share of companies that considered the outcome to have improved was always higher when related activities had been introduced compared to a situation when this was not the case (then the vast majority of companies reported that the results remained stable). Therefore, in general, CSR influences the outcome of certain issues to some extent, but may not be capable of contributing to big performance changes.

Generally, the vast majority of small and medium-sized companies seems to engage in CSR either consciously or unconsciously, and only 7% denied that they were active in CSR. The SMEs that participated in the survey attributed improvements in specific QoJ-issues to their own voluntary initiatives and less so to legal requirements or collective initiatives. Yet, this positive effect of issue-specific implementation to contribute to outcome changes does not apply to all QoJ-issues alike and the effect of CSR activities was higher for some issues than for others.

The influence of CSR on outcome changes was generally *higher* for the issues

⁵² Among the small and medium-sized ICT companies improvements were comparatively more often observed.

- Skills and life-long learning (*but for example in SME retail companies, better adaption to work measures and jobs for unemployed are considered to be relevant but are not frequently offered – yet when they are, they lead to positive results*)
- Diversity and non-discrimination (*but findings from the case studies as well as the SMEs indicate that activities rarely focus on elderly employees*)
- Gender equality in upper management
- Health and working conditions (*shown in SMEs, reverse causation in large companies*)
- Social dialogue and worker involvement

The influence of CSR on outcome changes tended to be *lower* for the issues

- Wages and poverty reduction (*despite the high share of SMEs implementing activities to guarantee fair wages, this does not lead to changes on the outcome level and also in large companies the effect is considered to be low*)
- Flexibility and job security

Naturally, the uptake and implementation of certain QoJ-issues also has to be seen in context with existing market mechanisms, such as national legislation (e.g. regarding health and working conditions). Therefore, companies' focus on certain issues and their performance is not always explicable by CSR but may have multi-faced reasons. The issue of gender equality serves as an interesting example which is worth looking at more closely: While not stipulated by law in all Member States, company data for the WP3-case companies were generally available to a very large extent. Furthermore, this issue was well integrated in these companies' courses of business (depending on the sector), which naturally also has to be seen in conjunction with companies' intention to attract as much skilled personnel as possible. In the wake of the long-lasting European discussion about statutory female quota in companies, one possible explanation for this high data availability is that companies started to collect data in preparation for an expected introduction of such regulation. Considering the influence of EU policy measures on company behaviour, this is a very interesting example and may be seen in connection with the perspective that corporate responsibility is more likely to include contentious issues once companies experience pressure from government and civil society (Blowfield/Murray 2008: 553). This perspective implies that effective CSR does not necessarily stem from voluntary actions alone, but instead is also influenced by mandatory regulation. Political or public debate thus may raise companies' awareness and motivates or creates its own dynamic for an issue. Therefore, particularly considering issues which do not profit from CSR as much as others, the role of legislation needs to be emphasised.

As a concluding remark, the results show that all QoJ-aspects are important for the companies and CSR may contribute directly or indirectly to the attainment of EU objectives – however, rather to a small degree. This is in line with the Delphi Study's finding that CSR has a lower influence than other policy instruments. Thus, particularly those issues which are at the core of EU strategies would need more support of legislation in order to generate significant outcome changes. It turned out that data is generally collected in a decentralised manner and no data processing management for QoJ exists. In order to be able to collect comparable data, interview partners mentioned that an easy approach to Quality of Jobs with less complex indicators would be needed. The IMPACT framework offers a good possibility to approach QoJ-issues as it reflects

the whole cycle. It does not only focus on the commitment, the output and the measurement – all of which are important: A better inclusion of QoJ-aspects into company strategies and formulating targets are effective – and measuring performance with indicators (according to the management principle “what gets measured gets done”) is relevant for companies as it allows them to be susceptible for development and engage in an internal process of continuous improvement. Moreover, the emphasis is clearly on the implementation of issue-specific activities as these were shown to have the greatest influence in the CSR-cycle.

3.3 Economic CSR performance & impacts

Dr. Robert Kudlak, Dr. Barbara Krumay, Prof. Andre Martinuzzi (WU Wien)

3.3.1 CSR effects on financial performance of companies

One of the objectives of the IMPACT project is to verify the CSR influence on the economic performance of companies as well as its contribution to the growth and competitiveness at the macro level. This objective was targeted by various methodological approaches applied in the project and reported in the respective reports: econometric analysis (Deliverable 2.2)⁵³, case studies (Deliverable 3.2)⁵⁴ and Delphi study (Deliverable 5.2)⁵⁵.

The econometric resulted with ambiguous findings. Overall, no strong support was found neither against nor in favor of a link between CSR and financial performance of large companies. Interestingly, some CSR variables (policy on freedom of association, programs on GHG, GHG emissions, board diversity) turned out to have positive influence on profitability, while other (policy on discrimination, board diversity, collective bargaining, external certification of EMS) negative on turnover growth.

Additionally, the econometric analysis investigated if CSR together with environmental innovations has stronger influence on financial performance than CSR separately. However, no influence was revealed.

The estimated models showed that CSR commitment (Formal environmental policy, Membership in Global Compact) and implementation (Programs on GHG, External certification of EMS) in terms of GHG emissions leads to increased profits. Moreover, it has been found that policy on discrimination and membership in Global Compact (both CSR commitment) led to implementation of diversity programs and improved board diversity. The latter increased profits, but decreased turnover growth.

⁵³ “CSR, Innovation and Financial Performance” and “Empirical analysis – econometric analysis”.

⁵⁴ “Report on the empirical in-depth case analysis: The linkages between CSR drivers, implementation, performance and impact”.

⁵⁵ “Report on 1st set of experts opinions on CSR impact”

The econometric analysis showed that the CSR-financial performance investigations are sensitive to the way CSR is measured and introduced to the models. For instance, certain CSR issues, when investigated individually, led to improved financial performance. However, when merged with other CSR issues as a result of some statistical steps, they turned out not have influence.

The overall findings of the performed case studies showed that there was some (but very weak) evidence of a positive link between CSR performance and economic performance of companies. Moreover, it has been found that companies considered to be CSR conformists had witnessed very similar changes in terms of employment, turnover and return on sales as CSR leaders. This implies that CSR might not be a crucial determinant of companies' economic performance.

3.3.1.1 Econometric analysis

In order to test this relationship, the econometric analysis disaggregated data from the Sustainability rating system and used it as a proxy for CSR variables. The latter followed the conceptual model underlying the IMPACT project according to which CSR commitment leads to CSR output and implementation, which subsequently creates the CSR outcomes⁵⁶ and impacts. The influence of these CSR variables on the two dependent variables – profits and turnover growth - was estimated through multivariate regression analysis and structural equation model. Only statistically significant results are discussed here.

For effects of CSR on **profits**, the analysis showed that a policy on freedom of association (CSR commitment variable) positively influences profits, while policy on discrimination (CSR commitment variable) had a negative influence on profits (Table 4). Out of the CSR output variables, programs on the reduction of GHG intensity⁵⁷ were positively related to profits. When it comes to the outcome variables, improvements in board diversity and GHG intensity were positively related to profits.

In case of CSR impacts on **turnover growth**, the econometric analysis showed a positive influence of policy on discrimination (CSR commitment). External certification of environmental management systems (EMS) (CSR output variable) as well as board diversity (outcome variable) had a negative influence on turnover growth.

The structural equation modelling confirmed all the findings resulting from the regression models. In two cases: an influence of GHG emissions (Outcome) on profits and policy on discrimination (CSR commitment) on turnover growth, structural models did not examine the relationship.

⁵⁶ It is worth of mentioning that due to the lack of data, the econometric analysis used companies' overall outcomes as a variable, not CSR outcomes.

⁵⁷ The variable, GHG intensity evaluated the Scope 1 & 2 GHG intensity of a company (t.CO2eq/USD m.sales) and the respective GHG intensity trend (GHG intensity compared to the average of the past 2-3 years).

Table 4: Summary of the econometric analysis on CSR impacts on companies' financial performance

Variable	Positive	Negative	Performance measure
CSR commitment	Policy on freedom of association		Profit
CSR commitment		Policy on discrimination	Profit
CSR output and implementation	Programs on the GHG reduction		Profit
Outcome	GHG intensity ⁵⁸		Profit
Outcome	Board diversity		Profit
CSR commitment	Policy on discrimination ⁵		Turnover growth
CSR output and implementation		External certification of EMS	Turnover growth
Outcome		Board diversity	Turnover growth
Outcome		Collective bargaining	Turnover growth ⁵⁹

Furthermore, the econometric analysis found that for German companies CSR and environmental innovativeness jointly did not lead to a higher financial performance and that companies in their decisions had to make a trade-off between these two. The hypothesis that certified CSR management systems together with environmental innovations boost profitability was based on an assumption that CSR engagement signals companies' environmental innovating capacity to the customers, employees and investors, which results in a better financial performance. In order to verify this hypothesis, data from the Mannheim Innovation Panel (MIP), reporting the general firm data and detailed information about their innovation activities, was used and extended with additionally collected data on CSR for these companies. The econometric study employed MIP data from 2006-2008. Companies' profitability was measured with return on sales (ROS). The results of regression analysis showed that neither CSR in general nor the combination of CSR

⁵⁸ Not investigated in the SEM.

⁵⁹ Confirmed only by SEM.

and innovations had a positive or negative effect on ROS. According to the study findings, CSR itself or CSR in combination with innovations had no influence on financial performance.

Another analysis was conducted based on MIP data from Germany as well, but covering 2002-2004 years and using the answers from 2835 firms. Their managers were asked about the influence of CSR on employees' satisfaction and reduction of staff turnover. The estimated model showed that CSR engagement leading to employees' satisfaction and reduction of staff turnover contributes to improved financial performance indicated by ROS. Another model, however, estimating the simultaneous effects of CSR and firms' innovations on ROS, showed no joint influence.

Respective econometric models estimated for 2006-2008 and 2002-2004 revealed certain interesting aspect. It seems that the results of the CSR-financial performance models depend on the way CSR is measured and proxied in the models. When specific CSR issues are investigated then a positive link can be found. When any kind of meta-factors are constructed, merging various CSR issues, it does not show a positive relationship and potentially masks the CSR influence.

Additionally, other models were developed using data from the ASSET4 data base. It includes economic, social and environmental indicators showing companies CSR performance. Data collected in ASSET4 covers a period from 2002 to 2009. In some of the estimated models certified environmental management systems (treated as a proxy for CSR) showed a significant influence on return on equity (ROE). Neither CSR nor environmental innovations were found to have influence on ROE in the main model. This main model (MODEL_4) provides estimation on the joint influence of CSR and environmental innovations, which reveal a negative influence on financial performance. This result was verified by several robustness checks including sample restrictions on specific sectors, regional areas and time delay (one year delay).

It is, however, worth of mentioning that the cost reducing process innovations (without CSR) had statistically highly significant, positive effect on ROS. Moreover, the econometric analysis highlighted that environmental innovations and certified CSR management systems were of a substitutive character, which means that companies' managers either invest their resources to innovate or in CSR.

Finally, subsequent models estimated the influence of CSR and patents on ROA. The patent data was extracted from the European Patent Office. Two models based on 6306 observations showed a negative influence of CSR on ROA and no joint influence of CSR and patents.

3.3.1.2 Case studies

As a consequence of the IMPACT project's methodological plurality, a matter of CSR influence on companies' economic performance was also targeted in the course of case studies. Overall, 19 case companies from 5 sectors were performed. Altogether, 98 interviews with companies' managers and 66 external stakeholders were conducted. In order to assess the economic impacts of CSR, firstly the strategic CSR position of the companies (industry leader in CSR / CSR conformist) was evaluated as an estimate of CSR performance, then the project researchers tried to investigate the companies' CSR position against their economic performance in terms of turnover growth, employment growth, and the trends in return on sales (ROS).

It has been found that almost equal number of companies perceived as CSR leader (7 cases) and CSR conformist (6 cases) had improved their turnover between 2007 and 2010. At the same time, however, three companies considered to be CSR leaders witnessed negative changes in their turnover. In case of employment change, eight CSR leaders increased their employment between 2007 and 2010, while only two downsized the employment. Among CSR conformists, five companies increased employment and four decreased. When comparing companies' CSR position in the sector (leaders/conformists) and their return on sales (ROS), there was an almost perfectly even distribution between CSR leaders and conformists witnessing positive and negative changes.

3.3.2 Economic effects of CSR at the sector level

Despite of the fact that many researchers attempted to verify the economic impacts of CSR, their attempts targeted the company level, while the macroeconomic impacts of CSR remain largely unexplored. In the econometric analysis of WP2 IMPACT tries to identify a relationship between CSR on company level and economic effects on sector level. In the nutshell, there was no CSR influence on the GVA growth among SMEs. The investigations of the large companies showed negative CSR influence on the current GVA growth, and weak (but statistically insignificant) influence of CSR on GVA growth when considered with some time delay..

The Delphi study revealed that innovativeness of the EU economy, resource and energy efficiency of the EU economy and skills and knowledge of workforce are the issues, which were affected the most by CSR, regardless of the sector (automotive, construction, ICT, retail, wearing apparel). Moreover, these CSR impacts are expected to increase during next five years. However, the Delphi study revealed rather low relevance of CSR for the EU economic objectives when compared to economic, environmental and quality of jobs policy instruments.

3.3.2.1 Econometric analysis

Hence, the IMPACT project aims at closing this gap. The analysis was performed separately for large companies and small and medium companies. For large companies, data from Asset4 on GHG emissions and energy consumption, training and development of employees, injuries and lost days at work was used in order to create aggregated CSR variables for environmental and

quality of jobs issues. Data represented quantitative information on absolute levels as well as information on CSR in the respective areas. For small and medium companies, data from the conducted survey was employed concerning efforts on tackling CO₂ and energy issues, changes in CO₂ emissions and energy use between 2007 and 2010 as well as data on companies' measures, targets and reports on CO₂ and energy. The SMEs' voluntary activities concerning the quality of jobs issues were measured with (1) voluntary efforts (efforts companies put into training of employees and to reduce the sickness absence), (2) companies' measures, applied targets and reports (on training and sickness absence), as well as (3) annual hours of training per employee and (4) share of sickness absence. Due to data constraints the investigation was limited to the sector's Gross Value Added (GVA) in billions of Euros (in 2005 prices, real terms). The study assessed the current CSR impacts as well as the impacts, which occurred with a time delay.

In case of small and medium companies, the econometric analysis showed some positive relationships between CSR indicators (average CO₂ and energy effort, average CO₂ and energy measurement, targeting and reporting, average CO₂ and energy outcome) and economic growth at the macro level, none of them however was significant. Also in case of the SMEs' efforts concerning the quality of jobs issues, the economic impacts were insignificant.

For large companies, the average CSR score had a negative effect on GVA growth rate. There was a rather small positive (but statistically insignificant) impact of lagged environmental CSR on GVA growth rate. This means that even if CSR on company level leads to higher GVA growth, this influence occurs with some time delay. In case of large companies, due to too small number of observations, the economic impacts of CSR activities targeting the quality of jobs issues were not estimated.

3.3.2.2 Delphi study

The Delphi study supplemented the other applied empirical techniques by investigating the sectorial experts' knowledge on the current and future CSR impacts on the economic, environmental and quality of jobs issues. Overall, more than 2700 experts Europe-wide were invited to join an on-line Delphi panel. Out of them more than 550 accepted the invitation and expressed their opinions on CSR impacts. More specifically, the Delphi study attempted to examine if CSR contributes to the overall economic goals of the EU. Table 5 summarizes the areas, which are or will be in the future impacted the most by CSR. As aforementioned, the three economic issues, namely innovativeness of the EU economy, resource and energy efficiency of the EU economy and skills and knowledge of workforce seem to be the most affected by CSR regardless of the sector. Interestingly, in some cases (e.g. CSR impacts on the resource and energy efficiency of the ICT sector) the current impacts of CSR are relatively weak, but will increase in the future.

Europe 2020 names the economic goals, which should be achieved within the upcoming years. Two of them, which are strongly related to the economic issues, are: (1) reaching the employment

level of 75% of the population in the age group of 20-64 years old, and (2) reaching the R&D expenditure level of 3% of GDP. Having in mind these objectives and the Delphi findings, it seems that the CSR engagement of companies has no contribution to the first of the aforementioned EU economic goals (although the situation is slightly different in the retail sector). When it comes to second EU economic objective, CSR engagement is perceived as holding much stronger potential to contribute to its achievement. Two of out of three the most frequently macro impacts of CSR were related to the skills and knowledge of workforce and innovativeness of the EU economy. In the automotive and ICT sector, CSR was also named as having considerable impact on the development of knowledge-based economy. This shows that CSR might not have direct impacts on reaching the R&D expenditure level, but rather contributes through some indirect links.

In addition, the Delphi study attempted to assess the importance of CSR in contributing to the EU economic objectives in comparison to other public policy instruments. According to the panelists' opinions the national financial policy instruments, liberalization of free movement of goods, capital and services, national and European environmental regulations and national labour regulations turned out to be the most impactful policy instruments. CSR was assessed as the least important. These findings suggest that one needs to be cautious when evaluating the importance of CSR in contributing to the macro-economic objectives.

3.3.3 Causality

Except from the revealed scarcity of the data and ambiguity of the empirical evidence on the CSR impacts on the macro-economic objectives and financial performance of companies, a matter of causality is of a central importance. According to the conceptual model developed in the IMPACT project, causality was investigated along the logic of the causal chain leading from CSR commitment through CSR output and implementation to CSR outcomes and impacts. When having this causal chain in mind, some of the findings of the econometric analysis concerning the relationship between CSR and financial performance failed to follow its sequence and logic. For instance, policy on freedom of association (CSR commitment) was found to positively influence the companies' profits (Outcome). Therefore, the identified relationship omitted the implementation of CSR. This finding implies that having a policy on freedom of association increases companies' profits, but does not lead to any genuine voluntary activities related to this policy. Thus, a question occurs from where this impact on profits comes from.

However, there is another example, which shows statistical significance and follows the causal chain developed in the IMPACT conceptual model. It was found that CSR commitment reflected in a formal environmental policy influences implementation of voluntary programs on GHG emissions (CSR outcome). The latter leads to the reduction of GHG intensity, which increases companies' profits. Improved GHG intensity leading to the increased profits was a common denominator in some other identified causality chains: (1) Formal environmental policy (CSR commitment) → Programs on GHG (CSR implementation) → GHG intensity (Outcome) → Increased profits, (2) Formal environmental policy (CSR commitment) → External certification of

EMS (CSR implementation) → GHG intensity (Outcome) → Increased profits, (3) Membership in Global Compact (CSR commitment) → Programs on GHG (CSR implementation) → GHG intensity (Outcome) → Increased profits, (4) Global Compact (CSR commitment) → External certification of EMS (CSR implementation) → GHG intensity (Outcome) → Increased profits.

Finally, the econometric analysis showed that policy on discrimination (CSR commitment) positively affects an implementation of programs on diversity. Subsequently, these programmes were found to improve a board diversity, which leads to ambiguous impacts on the companies' financial performance – improves profits, but decreases turnover growth.

In addition to that, the econometric analysis tested the possibility of reversed causation. These estimations proved this possibility is very limited. However, lack of proper instrumental techniques did not allow to fully dismissing the possible bi-directional causal influences. For instance, in case of the CSR effects on GVA growth rate, it can be assumed that the causality may be inverse, namely, the higher GVA growth leads to more CO₂ emissions, which stimulates companies to engage in CSR

3.3.4 Conclusions

Overall, it can be concluded that CSR has weak or neutral influence on companies' financial performance. Hence companies should not expect a financial reward resulting from their responsible business conduct. However, one should keep in mind that in the light of growing social (poverty, unemployment, human rights) and environmental (climate change, loss of biodiversity) threats, companies can significantly contribute to combating these issues without exposing themselves into the risk of financial losses.

The conducted investigations of the economic effects of CSR found that corporate responsibility can lead to improved profits. However, at the same time, CSR can decrease turnover growth.

At the macro level CSR was found to have almost no influence on the economic growth. However, CSR engagement of large companies had a negative influence on GVA.

CSR can contribute to achieving certain overall economic objectives of the EU, namely: innovativeness of the EU economy and skills and knowledge of workforce. Nevertheless, the 'traditional' policy instruments (e.g. fiscal policies, environmental and labour regulations) still play a dominant role and CSR should be seen as a complementary instrument.

Table 5: Summary of the CSR impacts on the overall EU objectives as perceived by Delphi experts

		Innovativeness of the EU economy	Resource and energy efficiency of the EU economy	Skills and knowledge of workforce	Knowledge based economy	Creating new jobs	Supporting mobility needs	Competitiveness of the EU economy	Closing digital divide	Quality and safety of products	Variety of products	Quality and safety of housing
Automotive	Current	X	X	X	X		X	X				
	Future	X	X	X	X		X					
Construction	Current		X	X		X						X
	Future	X	X	X								X
ICT	Current	X		X	X				X			
	Future	X	X	X	X				X			
Retail	Current			X		X				X	X	
	Future			X		X				X	X	
Wearing apparel	Current	X	X	X								
	Future	X	X	X								

3.4 Interactions of the target areas

Barbara Bernard (ISOE), Christoph Brunn (Oeko-Institut), Robert Kudlak (WU Wien)

This final chapter on cross work package results clarifies in how far there are interactions between the three target areas environment, quality of jobs and economy.

3.4.1 Interactions of economy with quality of jobs & environment

For interactions of environmental and quality of jobs CSR with economic variables of the company, chapter 3.3 already gave some insights. As explained above, the analysis for the target area economy is different than those for quality of jobs and environment: Whereas for environment and QoJ the analyses tried to create causal chains and relationships from CSR commitment to CSR output, and from implementation of CSR activities to outcome and impact changes, the analyses for the area economy focused on the inter-linkages of environment and quality of jobs to economy. The crucial question was: Do environmental and quality of jobs CSR actually affect economic variables (e.g. ROS) of the company and on sector level? Therefore, chapter 3.3 already deals with interactions between the target areas. Details of this analysis will not be repeated in this chapter.

3.4.2 Interactions of Quality of Jobs & environment

For SMEs answering the survey in IMPACT ‘creating personal satisfaction for the people in your enterprise’ was mentioned as one of the two most important drivers for doing CSR in general. Additionally, SMEs perceived that their own employees are the stakeholders most sensitive to CSR – which means they assume CSR to mainly increase employees’ motivation (when compared to other possibilities like increasing turnover or product margin or providing better access to capital). Directly following own employees, SMEs think CSR also affects the inflow of employees – perceiving the labour market as being second most sensitive to CSR. While for large companies the ‘creating [of] personal satisfaction for the people in your enterprise’ was only ranked in the middle, they agreed to the perception of own employees and the labour market as the two stakeholder groups most sensitive to CSR. Altogether that means that especially SMEs, but large companies to some extent as well, obviously assume there is a link from CSR in general to the area of quality of jobs (they basically seem to assume CSR improves the intrinsic job quality in general). As CSR in general includes a diverse set of issues, this includes linkages between different target areas (e.g. environment and quality of jobs).

In the course of the Delphi study, experts were inquired if there are voluntary activities, which have impacts on two or even three of the investigated areas (environment, QoJ, economy). Overall, almost 65% of the panel experts answered that there are such activities. Some of them are sector specific – for example experts from the automotive sector argued that development of new business models focused on fostering car sharing initiatives and cooperation between

different modes of transport had the potential to affect two or more impacts areas (environment, QoJ, economy). In the ICT sector, application of ICT smart solutions (smart grid transport, teleworking, electronic administration, eliminating digital divide, life-long learning, smart cities initiatives) were given as an example of activities causing multiply impacts.

There were, however, other voluntary activities commonly named by experts regardless of the sector. For instance, activities improving energy and resource efficiency of manufacturing and products (e.g. development of fuel efficient power trains, new fuels and propulsion technologies, electric vehicles, constructing carbon neutral buildings, use of renewable energy, re-utilization of waste materials) as well as activities improving quality of a work force (e.g. workforce training, education, sourcing local labour, staff engagement, developing 'green' skills, improving health and safety conditions) were widely recognized as having impacts on two or more of the investigated areas.

Directly observing interactions between quality of job and environmental issues proved to be difficult throughout the case studies and econometric analyses. One reason for this is that it was not a special focus of the project to do so (in contrast to effects from quality of jobs and environment to economic variables). Still, one example going in this direction was found among a retail company: Environmental awareness on the job as well as at home is included in this retailer's activities to promote skills and life-long learning. It was stated that this has led to a noticeable increase in the staff's ecological awareness, which now "treat[s] pro-ecological behaviour as something quite natural". Educational programmes for developing "green skills", both for the local and regional community as well as for employees, were also mentioned by the panel experts (of the automotive and construction sectors) of the Delphi Study. Further possible connections may exist in the case of Fair Trade products offered as a more sustainable alternative in the retail sector, although this would need further investigation as it was not within the focus of IMPACT. Still, due to the criteria that have to be fulfilled (fair wages and specific working conditions, environmental requirements), selling such products is likely to affect suppliers' QoJ- and environmental issues – as well as (through higher wages) the economic situation in the countries of production. Such effects (a significant raise of farmers' incomes, reduction of rural migration, improvement of working conditions as well as the environmental management) have been reported on by a number of case studies of Fair Trade initiatives (Blowfield/ Murray 2008: 318).

4 CONCLUSIONS

As mentioned previously (Chapter 2.1) IMPACT did not align with the new European Commission definition of CSR yet the results IMPACT generated are of relevance for policy makers and companies. However, after conducting all the research, IMPACT concluded the shift the European Commission made – from CSR as voluntary action beyond compliance to the responsibility of companies for all their impacts on society – makes sense and reflects emerging company practice, where there is no differentiation between voluntary and mandatory activities (neither on qualitative nor on quantitative level). Additionally, IMPACT finds that it finally matters how to improve positive and reduce/ avoid negative impacts – no matter whether this is caused by legal requirements or voluntary individual company or industry action. The crucial aim of all societal actors (industry, NGOs, politics) must be to improve impacts.

But still, adhering to the old definition of CSR and only looking at those activities of companies implemented on a voluntary basis, led IMPACT to the results presented in the chapters above. The core results mainly differ between environment & quality of jobs and the economic dimension:








For environment and quality of jobs the core result was that CSR activities improve company outcomes and impacts for society. Evidence for these relationships in IMPACT is stronger for SMEs than for large companies. This however may be caused by methodological constraints instead of generally weaker effects of CSR for large companies. Insights from IMPACT, especially from econometric and descriptive analyses of survey data, not only supported this key aspect of IMPACT (implementation of CSR activities leading to improvements in outcomes and impacts) but the whole assumption on how CSR is processed in companies (see chapter 2.2): Commitment to CSR issues improves CSR outputs, this improves the implementation of CSR activities and this finally leads to improvements in quality of jobs and environmental outcomes and environmental impacts. This also shows that a commonly mentioned critique – commitment does not change anything – is not entirely correct: Of course there might and will be cases that do not act according to their own commitments and those commitments are nothing else than lip service – however, IMPACT found that commitments generally increase the probability that companies adopt outputs and implement activities accordingly (what finally helps to improve outcomes and impacts).

Despite these positive results two limitations of the effect of CSR have to be mentioned:

1. The effect of CSR found by IMPACT was not large enough to create change that brought about the achievement of EU policy goals and not enough to move toward a more sustainable economy. When taking into account that average overall data trends for SMEs only improved below one per cent from 2007 – 2010, including the effect of CSR, this shows that CSR was not able to give outcomes and impacts a completely different spin. It has also to be noticed that the effect of CSR activities is higher for some (Quality

of Jobs examples: skills, life-long learning, diversity and non-discrimination, gender equality, health and working conditions, social dialogue and worker involvement) than for other issues (Quality of Jobs examples: wages and poverty reduction, flexibility and job security). IMPACT proved that companies do not address all the issues identified as being relevant for sustainability by EC public policy. Summarizing results from all the work packages in IMPACT, seven such issues (six environmental, one quality of jobs) were identified. These issues were again split up into those issues (actually, there was only one) where companies from respective sectors commonly assumed it to be of no or minor relevance, (Despite the fact that (a) there are policy objectives for the issue in general on EU level and (b) the issue was relevant for the respective sector from a research perspective) and those issues where companies commonly agreed to the relevance/ importance of the issue for sustainability in their sector, but where this knowledge did not translate into voluntary action. Table 6 provides an overview of these issues identified in IMPACT.⁶⁰ Out of all Quality of Job-issues, despite the existence of sectoral differences, health and working conditions and skills and life-long learning were considered to be the most important ones. For environment the most important ones were on climate change and recycling.

Table 6: Overview of issues not tackled with CSR

Minor relevance	No translation into CSR
 Land use (change) (Retail)	 Land use (change) Construction
	 Use of rare metals (Automotive & ICT)
	 Use of coolants (Automotive)
	 Diversity: Old employees (ICT)
	 Raw materials / Recycling in production (Textile)
	 Water use in production (Textile)

IMPACT 2013

⁶⁰ It should be kept in mind that the issues presented here do only reflect cross Work Package results. This means, these are only such issues - verified as being of minor relevance or where no translation into CSR occurs – for which all or most of the work packages support this conclusion. These results are therefore valid for SMEs as well as for large companies. For more details about issue relevance and translation into CSR for different issues and company types please see chapter 3.

For the target area economy no straight forward conclusions are possible: Even though the overall result was that the economic effect of quality of jobs or environmental CSR activities is neutral, this got more blurred when looking at issue specific results. While e.g. improving employee satisfaction and reducing staff turnover and CSR to reduce GHG emissions seemed to bring positive economic effects,⁶¹ other CSR activities provided for mixed results (e.g. improving one area while negatively affecting another economic variable). This finally led to a more methodological conclusion: When analysing the economic effects of CSR, this should be done issue by issue. Only this approach seems to be able to provide clear results. Putting different aspects of CSR together (e.g. different environmental and quality of jobs aspects) and analysing the economic effects of all these aspects and issues at the same time, gave rise to 'neutral' findings. Finally this means that there is no unique answer to the question whether CSR provides for economic gains or losses –this very much depends on the specific issue and activity that is being analysed. For neutral results it should still be kept in mind that this not only means that there is no economic gain for the company. It primarily means that voluntary activities to increase positive and to avoid or reduce negative impacts of environmental or social issues on society can be implemented by companies without any economic damage.

Finally, IMPACT found that voluntary action does contribute to the achievement of public policy sustainability goals – but it was evident that voluntary action alone is not sufficient because companies do not tackle all issues relevant for society. Moreover the effect attributable to CSR is not large enough to create change in the sense of achieving policy goals or transformation to a more sustainable economy. Furthermore, a business case for CSR that is CSR leads to economic benefits for the firm was not clarified in IMPACT: While overall results on economic effects of environmental and quality of jobs CSR were neutral, results for individual CSR aspects and issues varied largely. IMPACT therefore suggests that it is better to consider the business case for individual activities than to consider CSR as a bundle of activities. . It should also be mentioned that neutral economic results primarily mean that a company can increase positive effects and avoid or reduce environmental or social harm without any additional costs!

⁶¹ The analysis on employee satisfaction and staff turnover was based on a German sample, containing mainly SMEs.

REFERENCES

Blowfield, Michael/Murray, Alan (2008). Corporate responsibility – a critical introduction. Oxford University Press, Oxford.

Bundeszentrale für Politische Bildung (BPB) (2011). Europäische Akzente in der Arbeitsmarktpolitik. Retrieved May 2nd 2013 from <http://www.bpb.de/politik/innenpolitik/arbeitsmarktpolitik/55291/europaeische-akzente?p=all>

Davoine, Lucie (2006): Are quantity and quality of jobs correlated? Using, interpreting and discussing the Laeken indicators (Document de travail). Nr. 59. Centre d'études de l'emploi, 1-26. Retrieved April 24th 2013 from http://www.cee-recherche.fr/fr/doctrav/jobs_quantity_quality_laeken_indicators_59.pdf

European Commission (n.y.a). Europe 2020 targets: Poverty and social exclusion active inclusion strategies. http://ec.europa.eu/europe2020/pdf/themes/25_poverty_and_social_inclusion.pdf, last accessed: 21.03.2013)

European Commission (n.y.b). 10 dimensions of quality in work. Retrieved April 24th 2013 from <http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=20&langId=en&mode=advancedSubmit&year=0&country=0&type=0&advSearchKey=10%20dimensions%20of%20quality%20in%20work>

European Commission (n.y.c). EU Strategy 2007 – 2012, 25% cut in accidents at work by 2012 – new EU strategy. Retrieved May 21st 2013 from <http://ec.europa.eu/social/main.jsp?catId=151&langId=en>

European Commission (2001). Employment in Europe 2001 – Autumn Update. Luxembourg, Office for Official Publications of the European Communities.

European Commission (2002). European Social Dialogue – a force for innovation and change. Retrieved April 16th 2013 from http://europa.eu/legislation_summaries/employment_and_social_policy/social_dialogue/c10716_en.htm

European Commission (2003). Employment in Europe 2003 – Recent Trends and Prospects. Luxembourg, Office for Official Publications of the European Communities.

European Commission (2007). Communication from the commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Improving quality and productivity at work: Community strategy 2007 – 2012 on health and safety at work. Retrieved April 18th 2013 from <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0062:FIN:EN:PDF>

European Commission (2010). More women in senior positions – key to economic stability and growth. Publications office of the European Union, Luxembourg.

European Commission (2011). Progress towards the common European objectives in education and training – indicators and benchmarks 2010/ 2011. SEC(2011)536, p. 191. Retrieved April 19th 2013 from http://ec.europa.eu/education/lifelong-learning-policy/doc/report10/report_en.pdf

European Commission (2012). Directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed in stock exchanges and related measures (COM (2012) 614 final). Brussels, p. 28. Retrieved August 10th 2013 from http://ec.europa.eu/justice/gender-equality/files/womenonboards/directive_quotas_en.pdf

European Commission (2012b). Work-life balance and reform of the welfare state: Innovative approaches and practices at regional level – Synthesis report. European Alliance for families – Regional Seminar, Brussels, 25 January 2012. Retrieved August 14th 2013 from http://europa.eu/epic/docs/work_life_balance_seminar_final_report.pdf

European Trade Union Institute (ETUI)/European Trade Union Association (ETUC) (2011). Benchmarking Working Europe 2011. ETUI and ETUC Brussels, p.112.

Moratis, Lars/Cochius, Timo (2011). ISO 26000 – The business guide to the new Standard on Social Re-sponsibility. Greenleaf Publishing limited, Sheffield, p. 202.

Nationales CSR Forum (2012). Beschluss des Nationales CSR Forums vom 30. August 2012. Berlin, p. 21. Retrieved May, 2nd 2013 from http://www.csr-in-deutschland.de/fileadmin/user_upload/Downloads/CSR_in_Deutschland/CSR_Forum/Download/Beschluss_Stellungnahme_CSR_Forum_zu_CSR_Mitteilung_EU_final-Reinschrift-.pdf

European Commission (2013). Europe 2020 initiatives. Retrieved March 20th from <http://ec.europa.eu/social/main.jsp?catId=956&langId=en>

Oekom Research Report (2013). Globale Geschäfte - globale Verantwortung. Wie die Global Player die großen Herausforderungen einer nachhaltigen Entwicklung meistern. Gesellschaft für ökologische Kommunikation mbH, Munich, p. 148.

Peña-Casas, Ramón (2009). More and better jobs: Conceptual framework and monitoring indicators of quality of work and employment in the EU policy arena. REC-WP 06/2009 Working papers on the reconciliation of work and welfare in Europe. RECOWE Publication, Dissemination and Dialogue Centre, Edinburgh, p. 49. Retrieved May 10th 2013 from http://www.socialpolicy.ed.ac.uk/_data/assets/pdf_file/0013/30073/REC-WP_0609_Pena-Casas.pdf

The Council of the European Union (2012). EU Strategic Framework and Action Plan on Human Rights and Democracy. Luxembourg, p. 24. Retrieved April 22nd 2013 from http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131181.pdf