

# **CORPORATE SOCIAL POLICY AS A FACTOR OF SOCIAL POLLUTION REDUCTION: ENTITY AND REGIONAL LEVELS**

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## **Abstract**

The corporate social policy is one of the most important factors influencing the social pollution level both on the structural level and in the business entity location territory. Consequently, the analysis of the corporate social policy efficiency is an essential tool to obtain information for taking management decisions concerning social pollution issues at the entity and regional levels. The authors' method implies that the estimation of the analysis indicators of the corporate social policy efficiency is based on the economic performances of a business entity. The testing of the method had been carried out by the authors for several years at a large Russian enterprise. The evaluation indicators of the corporate social policy efficiency are divided into the following groups: 1) personnel development, 2) health promotion, occupational safety and accident prevention, 3) social policy management, 4) socially responsible company's restructuring, 5) local community development, 6) conscientious business practices. Comparative analysis of the results of the corporate social policy efficiency evaluation allows us to reveal the impact upon the physical and psycho-social well-being of labour resources, and, consequently, upon the level of social pollution, labour sphere of the company, as well as upon the territory of its location.

**Key words:** corporate social responsibility, corporate social policy, social pollution, labour resources' well-being.

**JEL Code:** J28, M12, M54

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## **Introduction**

The study of the current researchers' theoretical propositions on dynamic changes in the socio-economic development in general, and in the labour sphere in particular, identifies social pollution phenomenon as the process reducing the quality of life (Pfeffer, 2010), related to welfare damage and causing harm to the physical and psycho-social state as well as well-

being of the labour resources due to internal and international activities of business entities (Fedorova, Menshikova, 2014).

Major means in preventing social pollution problems on the entity and regional levels, in our conviction, is corporate social policy and management activities applied, which not only improves the labour resources well-being, but also business overall production performances as well.

Over the past half of the century, many different definitions of what CSR (Corporate Social Responsibility) is have been set forth (Carroll & Shabana, 2010). There are many different ideas of what CSR includes. The most frequent dimensions of CSR are the following: shareholder dimension, social dimension, economic dimension, voluntariness dimension and environmental dimension (Dahlsrud, 2006). Therefore, we will consider only a few of them here to illustrate the influence of entity's social policy on its employees' well-being. Two major aspects of corporate social responsibility of large companies normally are: internal social policy activities (entity level: social responsibility towards working collective) and external social policy activities (regional level: social responsibility towards the state, business and the local community).

Corporate social policy is the subject for analysis of the efficiency of the employees' well-being management. In a broad sense, social policy is not that much a system of measures and activities, but rather a system of relations and interactions among social groups, various strata of society and follow their ultimate goal – a human, a person's welfare, social protection and social development, life support and social security of the population as a whole. Social policy of the company is a part of HR policy, including the objectives and activities related to voluntary social services of the entity that creates higher standards of living for its workers both inside and outside the company. Involving ethical principles from CSR into HRM practices (responsible practices) allows a clearer focus on workers' well-being, and leads to HR practices having greater influence on the workers (Celma, et al., 2014).

Corporate social policy activities can be conducted in different ways among which variety of social programs are most important. Properly arranged in time, adequately funded and provided with executive staff social programs are a line of arrangements and activities efficiently solving a number of corporate social problems of high priority (internal corporate social program) or a list of social problems on the level of the entity's location (external social program) (Nenashev, 2008).

Thus, the social policy of the entity is one of the most important factors of influence on the level of social pollution both of the intra-entity environment and in the territory of its operation. Therefore, the analysis of the social policy efficiency is an essential tool of informing the management on decision making for solving problems of social pollution at entity and location levels.

## **1 Social policy efficiency evaluation: methodology approaches**

The proposed by the authors of this article method suggests the evaluation of the entity's economic performances for acquiring the indicators of the entity's social policy efficiency the recommended list of which includes:

- average staff number;
- labour compensation fund;
- net profit;
- number of managers and specialists who received professional training;
- total expenses for trainings and additional educational programs for employees;
- number of employees who received special trainings;
- number of manual workers who received special trainings;
- total number of trainings classes (hr);
- total number of trainings hours per 1 employee;
- total amount of costs for employees' compensation packages and bonuses;
- number of employees with days off work due to health problems;
- number of employees having occupational diseases;
- number of dismissals for turnover reasons;
- number of dismissals caused by occupational diseases;
- number of dismissals caused by unsatisfactory socio-cultural and living conditions;
- number of dismissals caused by unsatisfactory social security level;
- number of employees having financial support for health care and resort rehabilitation purposes;
- total amount of costs for health care and resort rehabilitation purposes of employees;
- total amount of costs for occupational safety and accident prevention;
- total amount of costs for providing hygiene and ergonomic working conditions;
- total amount of costs for maternal and child health support;
- total amount of costs for mass sports and cultural events;

- total amount of costs for improving housing conditions of employees;
- total amount of costs for financial support of employees;
- total amount of costs for youth support programs;
- number of redundant employees;
- number of employees obtained trainings from number of redundant employees;
- total amount of costs for redundancy compensation packages;
- total amount of costs for retraining of redundant employees;
- total amount of costs for outplacement;
- total amount of funding charity actions;
- total amount of funds for programs and actions to support socially vulnerable groups, veterans and non-working pensioners;
  - total amount of sponsorship funding for local cultural, educational and sports facilities and activities;
  - total number of employees having an assistance of any nature from the entity;
  - number of inhabitants of a location town (monocity);
  - the number of the location town inhabitants having an assistance from the entity;
  - total amount of childhood and youth support activities funding;
  - total amount of costs for housing conditions improvement and support programs, history and culture objects support;
    - the total amount of funds to support socially important research and events;
    - total amount of funds for programs of public relations and cooperation with state authorities, consumers' societies, trade unions and other professional and public organizations of the local community;
      - total amount of small business support programs funding;
      - total amount of costs for the publication of information about the entity for business partners, customers and other stakeholders;
      - total amount of costs for social policy activities of entity.

Analysis methods for social policy efficiency indicators implies a classification of the latter, configured in relative terms, into the following groups: 1) personnel development 2) health promotion and safe working conditions support, 3) social policies management, 4) socially responsible restructuring of entity, 4) location community development, 5) conscientious business practices (Tab. 1).

**Tab. 1: Method of the analysis of the entity's social policy efficiency**

Parameters	Indicators, %
Personnel development	1. Proportion of managers and specialists who received training and retraining
	2. Share of costs for personnel training and retraining
	3. Proportion of manual workers who received training and retraining
	4. Proportion of training hours spent per 1 employee
	5. Share of costs for providing personnel compensation packages and bonuses
Health promotion, occupational safety and accident prevention	6. Percentage of general disease incidence of employees
	7. Proportion of employees with occupational diseases
	8. Proportion of resigned employees due to occupational diseases
	9. Proportion of resigned employees due to unsatisfactory housing and social conditions
	10. Proportion of resigned employees due to unsatisfactory social security
	11. Proportion of employees who obtained resort rehabilitation assistance
	12. Share of costs for employees health promotion at the entity
	13. Share of costs for occupational safety and accident prevention
	14. Share of costs for providing sanitary-hygienic and ergonomic working conditions
	15. Share of costs for maternal and child health support
Social policy management	16. Share of costs for employees health promotion programs
	17. Share of costs for social policy activities
	18. Share of costs for housing conditions improvement programs
	20. Share of costs for employees finance support and assistance programs
Socially responsible restructuring of entity	21. Share of costs for youth support programs
	22. Proportion of trained employees among the number of redundant employees
	23. Share of costs for lay-off pay
	24. Share of costs for retraining of redundant employees
Local community development	25. Share of costs for outplacement
	26. Share of costs for charity actions
	27. Share of costs for programs and actions to support socially vulnerable people
	28. Share of costs for sponsoring local cultural, educational and sports facilities and activities
	29. Number of employees who obtained assistance from the entity
	30. Proportion of monocity inhabitants obtained assistance from the entity
	31. Share of costs for childhood and youth support activities
	32. Share of costs for housing conditions improvement, history and culture objects support programs
	33. Share of costs for socially important research and events support

Conscientious business practices	34. Share of costs for programs of public relations and cooperation with state authorities, consumers' societies, trade unions and other professional and public organizations of the local community
	35. Share of costs for small business support programs
	36. Share of costs for the publication of information about the entity for business partners, customers and other stakeholders
	37. Share of costs for social policy activities

## 2 Method for testing results for entity-in-research social policy efficiency evaluations.

The testing of the offered in this article method had been conducted based on the open annual reports of the Joint Stock Company “Urals Electro Chemical Works” (JSC “UECW”) for the years 2010-2014. JSC “UECW” is one of the world biggest enterprises for uranium enrichment, processed for the needs of the nuclear power generation market and other related needs. The enterprise is a town-forming entity, a dominant industrial operator, influencing significantly the territory of its location, the economic environment of the monocity, social and labour sphere in general. The entity had been undergoing restructuring process during the period of our research, accompanied by substantial jobs cuts: 10006 employees in 2010, and 2640 in 2014 respectively. On the other hand, the gross profit of the enterprise went up from 3.5 billion rubles to more than 6.0 rubles respectively.

Inspection of the annual reports data of the enterprise and assessment methods offered provides us with clear estimations of the entity's social policy efficiency for the following indicators summarized in Tab. 2. The data of the annual reports provide us with the following performances of our research: personnel development, health promotion, occupational safety and accident prevention, social policy management, and local community development.

**Tab. 2: Estimate indicators for entity-in-research social policy efficiency evaluations, 2010-2014\***

Estimate indicators	Ratio, %				
	2010	2011	2012	2013	2014
Personnel development					
- proportion of managers and specialists, who received training and retraining	×	45.2	78.9	72.5	56.7
- share of costs for personnel training and retraining	×	×	2.3	0.77	0.85

- proportion of manual workers, who received training and retraining	×	36.6	34.8	27.5	43.3
Health promotion, occupational safety and accident prevention					
- proportion of employees who obtained resort rehabilitation assistance	×	13.1	9.2	17.3	12.6
- share of costs for employees healthcare at the entity	0.68	1.1	1.0	0.3	0.21
- share of costs for occupational safety and accident prevention	0.87	2.1	×	×	×
- share of costs for employees health promotion programs	0.8	0.8	0.6	0.46	0.18
Social policy management					
- share of costs for social policy activities	22.54	16.0	9.3	7.84	3.8
- share of costs for housing conditions improvement programs	0.7	0.003	0.05	0.1	0.1
- share of costs for employees finance support and assistance programs	6.63	1.0	0.6	0.35	0.18
- share of costs for youth support programs	0.02	0.02	0.02	0.02	0.01
Local community development					
- share of costs for charity actions	0.22	0.5	0.5	1.37	0.1
- share of costs for programs and actions to support socially vulnerable people	4.1	4.3	4.0	4.4	2.2

\* Developed by the authors based on annual reports (2010-2014) of JSC “Urals Electro Chemical Works”

× No data available

The comparative analysis of the JSC “UECW” performances under research shows mainly negative dynamics of social policy efficiency indicators for 2010-2014 period. Thus, “Personnel development” indicator performs the decrease of the ratio for trained managers and specialists from 78.9% in 2012 down to 56.7% in 2014, or a factor of 1.4. The ratio of costs for employees' training went 37% down or a factor of 2.7 within three years under research. Only the ratio of employees who obtained training to those who not shows positive dynamics within the period of 2012-2014, i.e. growth from 34.8% to 43.3%, or 18.3% increase on the whole.

Substantial cuts of costs for “Health promotion, occupational safety and accident prevention” were observed. The table shows that share of costs for employees health promotion programs of the enterprise had been reduced from 1.1% in 2011 down to 0.21% in 2014, i.e. a factor of 5.2. Employees' health support programs funding had been significantly reduced within the observed period too: from 0.8% in 2010-2011 down to 0.18% in 2014 ratio, or 4.4 times cut.

Most substantial cost cuts were observed within the group of performances for “Social policy management”. Thus, the share of costs for social policy activities had been identified for 3.8% in 2014 that is 6 times less as compared to similar parameter in the year of 2010, when it was 22.54%. In the circumstances of the annual jobs reduction, the statistics for 7

times cuts of the costs for housing conditions improvement programs within the observed period seems quite natural, same for “Employees financial support and assistance” (37 times cut) and costs for youth support programs (50% cut).

As it was mentioned above, JSC “UECW” is a town-making enterprise, which is influencing significantly the overall socio-economic environment in its location. Despite this importance, the performance under “Local community development” went substantially down within the observed period of 2010-2014. The funding of charity actions went from 1.37% in 2013 down to 0.1% in 2014, and funding of support programs for socially vulnerable people lowered from 4.4% to 2.2 % respectively.

Thus, despite the positive dynamics of the Urals ElectroChemical Works economic performances within the reviewed 5 years, we must admit the intents of the enterprise management to cut almost all possible socially oriented expenses along corporate policy programs. These facts confirm extremely sensitive worsening of the enterprise employees' welfare, as well as all of the monocity inhabitants' well-being overall. To put it in different words, we can state that steady reduction of jobs and cut of the socially sensitive funding for a long period of time has led to high social pollution levels of the enterprise labour sphere and the of territory of its location.

## **Conclusion**

For the time being all anti-crisis efforts of monocities' dominating entities are targeted at costs control and their overall lowering. Most common cuts among them are investment programs for personnel trainings and social expenditures for monocities support. The guiding principles of the entities activities appear to be ambivalent: win increasing activities cause essentially negative influence on the economically active part of the population, on the one hand, and on the territory of their location, on the other hand. This contradiction in the social and labour sphere is a characteristic feature and prevailing trend in the contemporary economy of Russia (Gatti, Fedorova, et al., 2013).

At present time, the global economic slow-down seems to be a convenient excuse for the owners and the management of the entities for their irresponsible and sometimes devastating social policies. However, it is essential to see overall structural economic crisis and factors of social pollution of operating entities separately. Five years period of economic performances of a big production company has been analyzed by the authors using the methodology approaches described above and taken as a major source for the entity's social



policy efficiency results to be obvious for negative impact of the entity's operation upon welfare of the labour force and correspondingly increasing the level of the social pollution.

Given research has theoretical and practical significance, but the results of verification of the proposed method are limited to a single large production company. The main goal of this study development is to assess the corporate social policy efficiency at the small and medium sized businesses.

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