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UEAPME Position Paper on the Green Paper "Promoting a European Framework for Corporate Social Responsibility" COM(2001)366 final

I. Introduction.

On 18th July the European Commission presented the Green paper on "Promoting a European Framework for Corporate Social Responsibility" (COM(2001)366 final. It aims to launch a wide debate on how the European Union could promote corporate social responsibility (CSR) at both European and international level, in particular on how to make the most of existing experiences, to encourage the development of innovation practices, to bring greater transparency and to create the reliability of evaluation and validation. It suggests an approach based on the deepening of partnerships in which all actors have an active role to play.

II. General remarks.

The Green Paper describes corporate social responsibility as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*"(R.O. 20) And further "*Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders.*"(R.O. 21) In the first pages, it is also mentioned (r.o. 23) "*that whilst so far CSR is mainly promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from SMEs (including micro-enterprises) to multinational enterprises.....Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness raising and support to disseminate good practices could help promote corporate social responsibility among them.*"

In spite of and except for this announcement, the important role of SMEs as social responsible actors as well as its special needs and characteristics are addressed in the Green Paper in a meaningless, incoherent and superficial manner. In the 27 pages, SMEs are mentioned only a few times and only two paragraphs deal with the role of SMEs in just a few sentences. No attention at all has been paid to the important role that SME organisations play in the field of CSR or can play, nor how this role can be improved and supported. While the necessity of including SMEs in the field of corporate social responsibility is abstractly pointed out, nowhere in the paper an attempt

was made to describe how this inclusion has to be exactly, whether it is actually wise and suitable, what kind of burdens could arise for SMEs. Moreover, the authors of the paper did not attempt to analyse whether SMEs are already acting socially responsible, in which fields, which good practices already exist in SME-organisations. No reference is made to existing studies on SMEs and CSR or ethical entrepreneurship, on the importance of values for entrepreneurs in SMEs, etc.....

In the opinion of UEAPME, this "incompleteness" proves that the Green Papers concept of corporate social responsibility is only suitable for large enterprises. In neglecting SMEs an inappropriate attempt will be made to impose this concept for large enterprises directly into SMEs. And this while SME have a privileged position towards social responsible entrepreneurship. This is due to the fact that SME have the following typical characteristics:

Recognisable:

A small and medium sized enterprise is planted in the society, they are in most cases established in the centre of a city or neighbourhood and form an integral part of its local community. People can easily walk in and out. The person in charge is easy to find. Both the small enterprise and the entrepreneur are very visible and they form a recognisable unity. This unity is strengthened by the fact that internally in the SME there is less distinction between different tasks than in big enterprises. In the latter, each task falls under the responsibility of distinct services and professionals.

Approachable:

The consequence of being recognisable and the accessibility of an SME is, that it is relatively easy to approach. If the quality of a product sold is not satisfactory, the entrepreneur will be personally contacted, without many intermediaries. This means that an entrepreneur in an SME will be approached quite easily also for social questions which have no direct link with the product he is selling or the services he is offering.

Personal

Small-scale entrepreneurship has also a personal character. The characteristic feature of SMEs is the clear view that one can have on the network of personal and informal relations. This makes it possible to have meticulous and involved contacts. This is not only visible in the human resources policy, but also in the relations with customers. An other characteristic is the relatively important influence of the entrepreneur as a person. He or she will be in many cases the decisive factor in the success of initiatives concerning responsible entrepreneurship.

Flexible

Due to its smaller dimension an SME is often able to deal more rapidly with changes in the society. Internal processes in small enterprises can be more easily adapted than in big enterprises and the employees can be more easily informed about methods and procedures and these can also be changed more easily. Moreover, small enterprises are the first to respond to the new demands of the market (e.g. bio-products).

Influential

SMEs account for 99,6 % of all businesses and provide 53% of the jobs. Through this central place that SMEs have in the local society and society as a whole, and through their personal character, the social impact can be very important.

Social responsible behaviour of SMEs is performed mostly in local or regional framework conditions, whilst the international operation of multinational enterprises makes it possible for them to earn praise for increasing social standards in foreign product locations. However, it needs also to be taken into account that it are primarily SMEs that lay the economic and social foundation, due to their constant training and employment efforts. So, it may be clear that social responsible behaviour of SMEs has a completely different form from that of large enterprises.

In the opinion of UEAPME, the considerable legislative framework being in place on European as well as on national level, already obliges enterprises to act in a socially responsible way and fulfilling legal expectations is also an important contribution to social responsible behaviour. As SMEs have limited financial and human resources it is often very difficult to comply with legislation. Moreover, SMEs do not have the possibility to "avoid" legislation. UEAPME would like to draw the attention to the fact that the legal framework in the Member States may provide for different levels of protection despite the existing minimum standards at European level. As the Commission states that CSR concerns activities that go beyond simple compliance with existing law, it is more difficult for SMEs to act socially responsible in countries with higher levels of social legislation. Therefore all measures to strengthen CSR can only be of a voluntary nature.

III. Specific Remarks

Human Resources Management.

The Green Paper states correctly that a major challenge for enterprises today is to attract and retain skilled workers. Relevant social responsible practices in this field include life long learning, information throughout the company, better balance between work, family and leisure, greater work diversity, equal pay and better career prospects for women, profit sharing and share ownership schemes and concern for employability, as well as job security. For SMEs the situation is even worse. Moreover, as they have limited financial resources, they cannot compete with big enterprises in the field of wages and extra-legal benefits.

Unfortunately, no attention is paid to the specific situation of SMEs nor to their already important contributions in these fields.

Indeed, small enterprises have specific characteristics which distinguish them from big businesses. This has until now not been sufficiently recognised and there is not enough research in this field. In a small business the owner is very visible and is present in the workplace. Most staff have a variety of skills, by necessity. At least a third of small enterprises provide training activities and skills development in the workplace in a non formal way. Small enterprises are also important providers of apprenticeship or on the job training for young people.

- It must be recognised that small enterprise needs are different than big ones both in structure, management and organisation.
- For lifelong learning to be successful, activities must also include the entrepreneur.
- Small enterprises must be consulted and represented in planning and implementing initial vocational training programmes, further training and retraining

- The skills needed in small enterprises are usually developed within the enterprise. More flexible systems for training and increased use of interactive, distance learning methods need to be developed.
- Non-formal learning and on the job training are not visible and therefore not sufficiently valued. Development of systems for valuing non-formal skills is of the utmost importance.
- Flexibility and rapid changes are needed in the training offered. Training offers need to be regional, sectorial, easily accessible, and tailored to the small enterprise needs.
- Guidance and counselling must be improved. Good practice and benchmarking should be used to promote improvement.
- Use of existing programme / budget lines(e.g. ESF, Erasmus, Phare ...)should be adapted to the needs of small enterprises.

SMEs provide employment to 65 million people in the E.U, this accounts for 53% of the jobs.

They employ relatively more people from minorities/immigrants than big enterprises do. The owner of an SME plays a central role in the human resources management. The majority of these managers deal with it themselves. The ownership, the general management and the daily direction are in the hand of one person. General actions towards a greater diversity in the work force should consequently focus on the manager-owner and involve them. Thanks to the privileged relation between the owner-manager and his personnel, his suppliers and clients, possible problems can be avoided or dealt with directly and without any delay. Also the specific relation between the entrepreneur and his employees, a relation based on "working together" more than on formal involvement, can create a lot of possibilities in this field. The specificity of the human resources management in SMEs show that positive action plans and tools should be developed at the scale of the enterprise. So far, most of those plans and tools were created for big enterprises, their human resources services or their HR-managers.

It is also proven that employment in small enterprises is more stable than in big enterprises, that restructure more frequently without often taken into account its social implications. Due to the privileged relation between an entrepreneur in an SME and his employees (and often also their family), alternative solutions to dismissing will be considered.

Human Rights.

As pointed out in the Green Paper, corporate social responsibility has a strong human rights dimension, particularly for multinational enterprises. Consequently, it is not clear in which way "a balance between internal and external verification schemes could improve the cost-effectiveness of codes of conducts, in particular for SMEs"

The specific situation of SMEs in this field is not elaborated. Most of the time SMEs are only a link in the chain. They are in a difficult position between their clients and their suppliers. As an individual they are not able to influence their suppliers. The only way to do this, is through their sectorial or business organisations. These organisations should also be considered as the privileged counterpart of NGOs in this field. Most of the national representative SME-organisations have also, as an NGO, developed co-operation projects in the developing countries.

Social Responsibility reporting and auditing.

Social reporting and auditing, through which enterprises should demonstrate their social responsibility, are especially for SMEs a problematic issue. The Green Paper refers in this context to two proceedings. In 1998, the High Level Group on Economic and Social Implications of Industrial Change invited enterprises of more than 1000 employees to voluntarily publish an annual report on employment and working conditions. On the environmental side, the Global Reporting Initiative, invited enterprises with more than 500 employees to publish regular economic, environmental and social reports.

It is quite astonishing that in the Green Paper SMEs are mentioned regarding these two proceedings, which only apply to enterprises with more than 500 and 1000 employees. Indeed, the Green Paper states: "There is a need (?) to provide companies, and in particular SMEs, with guidance and tools that enable them to report on their corporate social responsibility policies, processes and performance in an effective manner. By sharing their expertise and offering capacity building skills large pioneering companies can support SMEs in this area."

These comments on a possible social reporting for SMEs are once again a proof of the indiscriminate and non-reflected attempt to simply transfer the concept of large enterprises into SMEs.

As they were created for big enterprises they are completely useless and not adapted to SMEs, which have specific characteristics and needs. It is not without any reason that these proceedings only concern enterprises with more than 500 employees. This number is twice as high as the current E.U. definition of SMEs. Additional compulsory social reporting is absolutely unacceptable, taking into account the high administrative burden on SMEs. As the Charter for small enterprises states "they are the first to suffer if weighed down with excessive bureaucracy". It would also be a violation of Article 137 (2) Treaty which lay down the principle of the protection of SMEs against excessive expectations. Moreover, due to the fact that there are more than 19 million SMEs in the E.U., a useful evaluation and verification "by independent third parties of the information published" of 19 million social reports would not be possible.

Quality in work.

The social dialogue is surely important for the quality of work places. At European level, the social dialogue will be regulated in the Commission's (draft) Directive establishing a general framework for informing and consulting employees in the European Community.

UEAPME recalls that the process of information and of consultation cannot and does not have to be a goal as such but only an instrument. Moreover, it is precisely in the small enterprises, where the hierarchy is built on a flat model, that the responsibilities are most often shared. Even without official right of coadministration and/or information and consultation, employees in small enterprises are necessarily better informed and as far as possible more involved in the decisions. It is essential to highlight the importance of the quality of the social and human relationships and the direct contacts within small and medium-sized enterprises, which makes this one of their principal assets.

How to promote CSR in SMEs?

Due to the multitude of existing practices in the field of CSR amongst SMEs, a global evaluation instrument for CSR cannot be found and would not be useful.

Most of the CSR tools and approaches (e.g. complex standards, exhaustive reporting, verification processes, certification,..) were created for large enterprises and are therefore useless to SMEs. As SMEs are more locally bound and have to relate to local stakeholders and the local community, SME tools need to take into account the existing regional and cultural diversification. Awards and prizes recognising especially CSR activities in SMEs should be created at local, national or European level

What SMEs need is the improvement of quality and training to develop their strong points. Tools should be developed to teach SMEs how to communicate better with society, clients, neighbourhood, as most of the time these stakeholders are not aware of the actions and attitudes of SMEs in the field of CSR. Also the media do not pay attention to it, due to the fact that SME do not use it as a marketing instrument. SMEs themselves often act socially responsible without qualifying their action as CSR - simply due to a lack of awareness Therefore, information and awareness raising campaigns should be set up with the support of and through the SME-organisations. Also self-evaluation tools should be developed, offering SMEs key performance indicators.

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