



CORPORATE SOCIAL RESPONSIBILITY

JANUARY 2004

A TLWNSI ISSUE ESSAY

CSR: Included aspects and relevant exclusions. Minimum Standards for the Mexican Ethosⁱ

By Myriam Cardozo Brumⁱⁱ

Occasionally, TJSGA will issue brief papers on topics pertaining to The Living Wages North and South Initiative (TLWNSI). This paper follows-up on the research of the author regarding the corporate social responsibility of two cement companies in Mexico, one multinational and the other domestic, the latter structured as a cooperative enterprise. The comparison reveals the enormous relativity of the current concept of CSR and the great latitude that is applied in Mexico and the world to label a corporation as socially responsible or irresponsible. The case illustrates one more time the infant state of CSR, often enough a consequence of the deliberate actions of the business sectors to make of CSR a discipline that conveniently serves its interests.

□ Introduction

This work intends to follow-up on the ideas presented in this medium, in the months of June and July of last year, regarding the aspects included and excluded from the CSR concept. It is a result of research work developed in 2002 to analyze the CSR performance of two cement companies in Mexico, with the purpose of understanding to what degree their different status

ⁱ Paper prepared as a follow-up to the issue brief: Cardozo, Myriam, "Governments and Non-governmental Organizations vis-à-vis Corporate Social Responsibility", in *TLWNSI Issue Briefs*, The Jus Semper Global Alliance, Moorpark, California, June 2003.

on the subject is justifiable: one business group that is recognized for its social responsibility, and one cooperative enterprise in the same industry, which lacks such recognition.

As a result of this assessment, it is necessary to insist on the need to have a minimum standard applicable in México: a mandatory accountability and with a pre-established format for all enterprises, for which a minimum set of indicators of evaluation is proposed.

Lastly, the conclusion provides some concrete considerations, among which stand out the insufficient and unbalanced development of CSR and the lack of homogeneity in organization, information and criteria used in awarding recognition in the field.

Summary

- Introduction
- Fields covered by CSR
- Comparison of companies with and without CSR recognition
 - APASCO
 - Internal working conditions
 - Communities' quality of life
 - Environmental contributions
 - CRUZ AZUL
 - Internal working conditions
 - Communities' quality of life
 - Environmental contributions
- The need for reports with a previously agreed format
- A minimum proposal for the Mexican ethos
- Final Considerations

□ *Fields covered by CSR*

In the issue brief “Governments and Non-governmental Organizations vis-à-vis Corporate Social Responsibility”, we defined CSR as “the set of actions that corporations make to improve the living conditions beyond those strictly enforceable by law” (Cardozo, June 2003: 3). We also made clear that CSR could assume three different modalities: a) the production and marketing of goods and services that respond to real social needs and to the generation of jobs; b) the acknowledgement of its responsibility before society for the problems engendered in the execution of its activity (internal working conditions, environmental pollution, etc.); and, c) the contribution to the solution of problems linked to the general welfare of the population.

The actions developed in the preceding framework fundamentally focus on three major fields:

- The internal working conditions: the training and opportunities for personal development, the increase of hygiene and safety, the combat of sexual harassment, the respect of schedules and time breaks, the absence of unjustified firing practices, etc.
- Quality of life for the families of workers and the community in general: health care, cultural and sporting services, access to scholarships, disability and death benefits in case of the death of the head of household, etc.
- The environmental question: employee education and incentives on the topic, waste minimization, paper recycling, reduction in the use of toxic products, safe disposal of waste, rational use of energy and water, etc.

As can be seen in the preceding description, there are at least two major topics missing: those pointed out by de Regil (July 2003) the payment of living wages and the reporting to society in a previously concerted format. In this way, the wage levels, the main determinant of the living conditions of workers in our context, remain excluded from the concept; and, consequently, those corporations that choose to inform, do so relative to the activities that they have performed,

without addressing whatsoever their behaviour in other important areas of CSR.

In the Mexican case, the Mexican Philanthropy Centre, Civil Association (CEMEFI A.C.), promotes a Corporate Social Responsibility program (www.cemefi.org), with the following distinctive objectives:

- *To promote the participation of the private sector in an active and decisive way in projects of sustainable development through Corporate Social Responsibility.*
- *To facilitate the execution of socially responsible programs through the offering of competitive services for the corporation.*
- *To learn the behaviour and tendencies of the private sector regarding social responsibility.*
- *To link together corporations and entrepreneurs with Civil Society Organisations, seeking to establish inter-sectorial alliances and solid relationships that generate mutual benefits.*

Its featured services offered include strategic orientation and specialized information, public recognition of the social commitment, events and publications.

... the dominant trend at the global level is to develop CSR norms in the image and form convenient to the corporations interested in looking good before civil society

Its focus emerges clearly biased in favour of business interests. The same corporations associated with CEMEFI, defined, in 2001 and on the framework of this centre, the Decalogue of the socially responsible enterprise, which confirms the omission of the two topics previously identified (living wages and reporting under a concerted format). These corporations determined the indicators to be considered in their evaluation as well. CEMEFI awards some specific aspects for “best practice” without considering the remaining social aspects of corporate management. Another bias in its awards and recognitions is that the interested corporations must solicit the awards (and the

corresponding cost paid), which causes other corporations in the same line of business and with the same or a higher degree of social responsibility to lack such recognition. Lastly, it promotes a tax deductible “social commitment”, as it is portrayed in the following recommendation to corporations: “Limit the corporate social investment to public institutions and non-profit social organisations that receive donations from businesses that may benefit from fiscal benefits” (Curt Weeden, reproduced in CEMEFI, December 2001).

If the dominant trend at the global level is to develop CSR norms in the image and form convenient to the corporations interested in looking good before civil society, without a consistent commitment that includes the issue of living wages, in Mexico this becomes ever more critical due to the low level of its wages in the global context.

Following are some figures describing this situation: in August 2003, the National Institute of Statistics, Geography and Information (INEGI), reported that 6.43% of workers in the top 32 urban areas received less than a minimum wage (a national average of \$41.53 pesos or approximately \$3.70 U.S. dollars per day); 22.44% earned between one and two minimum wages and only 15% surpassed 5 minimum wages. These income levels, in real terms, are quite similar to those prevalent in 1999. Thus, they have not allowed for any recovery of the purchasing power previously lost. Moreover, employment levels have drastically dropped in the same period (www.inegi.gob.mx). Comparatively, these wages represent about 10% of the income earned by workers in the U.S. in performing the same type of job.

To illustrate the missing CSR features that we previously mentioned, following is a description of the practices developed by a business group that carries the CSR award for the third consecutive year and that has received recognition for “best practices” by CEMEFI. Its actions are compared below with those carried out by a company with no recognition by the same centre, in order to detect if there are substantial differences in its social management that justify this situation.

□ *Comparison of cases of corporations with and without a CSR recognition*

Apasco

We start with a group of companies with more than seventy years in operation, currently organised in several consolidated businesses and partner companies (Apasco S.A.), with the Swiss group Holderbank, the global leader in its sector, as its main shareholder.

This is an organisation describing itself as follows: market and customer satisfaction oriented with a line of integrated products and services of the highest quality level. The group considers that this is accomplished through the promotion of a constant spirit of innovation, applying cutting-edge technology on a global scale and motivating its work force towards a culture of productivity, team work, communication, mutual trust, etc.

Among its objectives it stresses long-term growth and profitability –essential for shareholder satisfaction and for guaranteeing corporate sustainability– but the inclusion as well of social goals in the three fields of CSR previously identified.

- Working environment: seeks to satisfy, motivate and develop its work force, whose performance determines productivity.
- Community’s quality of life: actively participates in development programs in the communities where it operates.
- Environment: seeks to develop environmentally safe operations, preserving the ecological aspects that guarantee a sustainable future for humanity, through the restoration of what it takes from the environment.

As for its relationship with all the groups interacting with the corporation, it expresses that it seeks an open and loyal competition with all manufacturers and the development of productive and long-lasting business relationships with all its clients and vendors.

Thus, it attempts to accomplish a positive impact both for those participating in its business as well as for society as a whole. In this way, it expresses that it also accomplishes the following benefits:

the loyalty and commitment from its employees and production workers, the satisfaction of customers, its trustworthiness in the eyes of shareholders and creditors, the involvement of vendors and the welfare of communities.

The values and criteria, which guide its performance, are outlined below:

- **Quality and service:** through friendly and efficient contact, giving attention to the needs expressed by customers in order to achieve total satisfaction and surpass expectations.
- **Innovation:** through professional training and out-of-the-box thinking that allow the development of new and better processes and the offering of greater quality products and services.
- **Efficiency:** through the achievement of the lowest industry costs and, concurrently, the best results through a process of constant learning.
- **Involvement:** this implies the integral development of people, teamwork, communication, collaboration of all to achieve objectives, the recognition and motivation of good work.
- **Integrity:** it is accomplished establishing relations based on honesty, honouring of agreements, congruence in decisions, actions, values, policies and procedures.

Following is a brief summary of Apasco's contributions on each CSR area.

Internal working conditions

Apasco values the human qualities of its personnel and expresses a concern for the generation of a safe working environment, which offers opportunities for professional development, guaranteeing worker satisfaction.

Apasco maintains programs for technical, professional, social and personal training of its entire workforce, such as leadership development, continual improvement, a culture of service, executive development, performance and productivity enhancement, work safety, etc.

It also enjoys a personnel exchange program, in more than 60 countries in all continents, with the Swiss group's companies as its main shareholder.

Job opportunities are announced through its web page where it is also possible to submit an application and receive advice on how to prepare a resume for that purpose.

A doubt remains, as expressed by some workers, relative to the prevailing safety standards used in the manipulation of hazardous waste.

Community's quality of life

The Apasco Group has especially devoted itself to contributing to the improvement of the quality of life in the community through the support of housing programs directed at the population of lowest income. In the context of this policy, it operates support programs for planned self-building –which is directed at the building of gradual-construction housing units– for the support of companies devoted to the massive construction of social housing and gradual-construction housing units, etc., where it offers technical assistance, management, consulting, training, research and development.

Furthermore, it has agricultural and forestry training centres, located near almost all its plants, which have the objective of increasing the level and quality of life of the area inhabitants.

Finally, it also creates activities for the promotion of the arts and culture.

Contributions to the environment

The environmental policy at Apasco group is defined as:

- Environmental management, in compliance with current legislation, for the design of facilities that allow the improvement in the efficiency of the processes and the scheduled control of their environmental conditions.
- A rational and efficient use of resources and the promotion of the restitution of non-renewable materials.
- A selective use of vendors, giving priority to those with an environmental culture and the promotion of this culture among all groups with a relationship with Apasco.

Its actions and achievements to this date include: acquisition of high-tech equipment for control and preservation of the environment; savings in use of electricity (20% in ten years); reduction of carbon dioxide emissions (16%); reduction of water consumption through the installation of residual water treatment plants and recirculation systems; reuse of the vegetal soil surface; reduction in the consumption of combustion fuels and its pollutants through the use of railroads and shipping lines; establishment of black water treatment plants and of temporary residue storage facilities; permanent emission controls; planting of trees; development of conservation programs for endangered species; creation of a company specialized in thermal disposal and industrial residue integration; training for environmental management, etc.

In summary, Apasco provides a laudable support of social causes, external to the group, concerning the community's quality of life and its contribution to the environment. Nonetheless, the area dealing with the internal working conditions exposes the most shortcomings, for it is limited to the training and development of its workforce, which all corporations perform anyway in search of efficiency and productivity and detached from any social commitment towards their workers and employees. It also leaves doubts in the area of safety, and it does not address other elements such as the types of contracting, mobility, labour conflicts or wages paid. Moreover, the absence of the living wage concept and of mandatory accountability in a format previously agreed with civil society, are evident. In sum, its CSR concept, albeit it has been formalized, is far from being fully developed and well balanced.

Cruz Azul

In contrast with the previous corporate experience, the case of a company in the same line of business is presented. Founded more than 120 years ago and transformed 50 years later into a cooperative society, it provides important social benefits to its members, their families and the community, but it does not bear any kind of responsibility award or recognition (Cruz Azul).

Its mission aims at "... procuring the human, economic and social welfare of all our members, as well as, in as much as possible, the welfare of the communities where we operate..." (www.cruzazul.com.mx).

Outstanding characteristics include:

- A four generation experience in search of permanent advancement,
- A permanent search for quality in all products and services and the compliance with national and international standards,
- The use of modern and efficient technology, of processes controlled by IT systems and by highly qualified personnel, and coordinated by specialized technicians,
- The earmarking of an important portion of its revenue to the acquisition of sophisticated equipment for the development of new technologies,
- The securing of various quality certificates (ISO 9000, API Spec Q1, Clean industry, etc.),
- The control of quality from first inputs to the end product, and
- The participation in the review and updating of the cement's technical standards.

Cruz Azul's multiple actions in the three areas previously mentioned are summarized, with their magnitude and implications highlighted:

Internal working conditions

Workers' training, the promotion of education inside the cooperative and of a culture of economic solidarity, personal commitment, integrity and honesty in the workplace, and the use of values such as independence, freedom, solidarity, equality, justice, reciprocity and mutual support.

Community's quality of life (especially in the case of the 5,000 families of the cooperative)

Building of kindergardens, primary, secondary and preparatory schools, the project for a university, construction and expansion of homes, housing complexes, a medical clinic, sporting facilities, auditoriums, shopping centre, courses and conferences directed at the integral development of women, cinema club, art workshops, folk dance ballet, community magazine, etc. All of these benefits come as a

compliment to the distribution of profit sharing among the cooperative members.

Contributions to the environment

Residual water treatment plant, promotion of and environmental culture, energy savings, etc.

This is the case of a company with a prime concern for the working conditions and the quality of life of its workers and, in second place, for civil society in general, which is the opposite of Apasco. This does not appear to be, however, a reason to consider it less socially responsible than Apasco, it has just taken on a different responsibility.

Its lack of recognition is due to the fact that Cruz Azul has not requested it from CEMEFI. Moreover, its social activities do not fit within the standards established by the corporations associated with the Centre. In fact, we should acknowledge that this cooperative does not have a formal CSR culture and, even less, as in Apasco, one fully developed. Nonetheless, its rather evident social commitment and its consequent spontaneous social management will allow it to integrate CSR very easily, for its actions are consistent with the values it promotes.

□ The need for reports with a previously agreed format

The countries most advanced, relative to the mechanism of public information, have used, since three decades ago, the Social Balance (France, Germany, Spain, etc.), which constitutes a periodical document, generally voluntary in character (except in the French case, where it was mandatory for some corporations, during the rule of socialist governments), which complements the financial-economic information of the entity with quantitative indicators and qualitative data showing the efforts taken on social issues. In addition to actually resulting in an information vehicle for a diversity of groups with links to the corporation (workers, customers, neighbours, etc.), it contributes to increase dialogue and negotiation within them and also to the development of a social management, which goals are integrated into the planning and control processes of the business entity.

While financial statements are a result of accounting practices designed in the name of property, of capital and of its profitability, the Social Balance attempts to answer to the social responsibility of a business before the different groups with a link to it, through a set of indicators that can easily be reviewed by the interested parties.

In contexts such as the French, the Social Balance provided information on the working conditions to facilitate the negotiations between corporations and unions, during its mandatory use. In countries such as in Germany and Spain, it has emphasised the analysis of the efforts aimed at improving the ecological conditions of its environs. In Brazil, there is good progress in the design of CSR indicators, crafted by the Ethos Institute (2001), which unfortunately do not include any reference to wages and other monetary remunerations.

In the Mexican ethos, and particularly in the case of Apasco group, there is no awareness about this type of documents. Since there is minimum sensitivity on the part of corporations about the topic, it is deemed more viable to start with the use of a rather limited system of indicators that attempt to capture the essence of the actions carried out in the three fundamental fields that have been discussed.

□ A minimal proposal for the Mexican business ethos

The set of indicators that are proposed following, attempts to cover both the activities carried out as well as the resources employed and the results obtained. The section relative to the working conditions is especially detailed since, as we have previously seen, it is the least developed.

Undoubtedly, quantitative data helps to concentrate information, but not everything can be assessed in this way. Thus, the Social Balance that we propose is mixed in nature. That is, it complements the set of indicators used with monitoring, review of complaints and suggestions files, interviews, surveys and any other element allowing us to learn about the perceptions and opinions of the different groups regarding all the issues of social interests reviewed.

- Quantitative indicators of internal working conditions:
 - Job security in contracting
 - Staff's composition by nationality
 - Staff's composition by gender
 - Staff's composition by age
 - Staff's average seniority
 - Labour conflicts
 - Non-justified absenteeism
 - Remunerations
 - Additional benefits
 - Training
 - Workplace safety and health care
 - Complementing workers' motivational forms
- Quantitative indicators of community's quality of life and environmental issues:
 - Evolution of energy consumption in the business entity
 - Evolution of water consumption
 - Evolution in the generation of waste pollutants
 - Cost per person or community by the business entity's community programs
 - Budgets earmarked for such programs as a percent of net profits
 - Impact of budgets earmarked for these activities on taxes paid by business entity
 - Percent of goals accomplished on the social programs
 - Contribution to the solution of social problems

- Percent of satisfied beneficiaries

Lastly, the previous indicators only define the minimum information to be submitted in providing a corporations' accountability to its workers, governments and society as a whole. Its systematization will allow a reporting corporation to enter a stage where performance can be compared against goals, standards, the performance of specific companies in the same line of business, not just nationally but also regionally and globally (benchmarking), or against its own past performances. In this way, value judgements can be made about the performance and the results achieved in this field.

The subject of CSR eludes all theoretical references of the payment of minimum wages, as if the fact that this fundamental determinant of the quality of life conditions of workers were to slip from memory...

In particular, the amounts paid for wages and other benefits should be compared to the current minimum wage in the country, with the wages of previous years at constant prices and, especially, with the living wage paid abroad for equivalent work relative to the living wage that all Mexican families must receive in order to secure a dignified material quality of life, according to TLWNSI's concept (The Living Wages North and South Initiative) developed by the Jus Semper Global Alliance 2002, to close the wage gaps at the global level.

It will be possible as well to compare the degree of success achieved in social responsibility with that accomplished in financial performance and analyze statistically if it is possible to establish a correlation with the performance on both objectives.

Although this is a minimum platform for the assessment of CSR, it is expected that this will contribute to advance the development of a business culture of evaluation and social responsibility.

□ ***Final Considerations***

- The subject of CSR eludes all theoretical references of the payment of minimum wages, as if the fact that the fundamental determinant

of the quality of life conditions of workers were to slip from memory, as well as the mandatory reporting under a previously agreed format, which would recover an integral conception of CSR.

- The case of group Apasco, recognized as socially responsible for its multiple actions in favour of the community and the environment, confirms that, in practice too, both previous topics are omitted as well as the internal working conditions, and the opinions of their own workers are the least to be considered.
- For the reasons explaining this somewhat paradoxical behaviour, we should perhaps look for them in fields quite distant from altruism, such as that relative to the possibility of deducting, from corporate income tax, the donations made to organizations registered with non-profit status with the federal government.
- The case of the Cruz Azul Cooperative, in contrast with Apasco, shows that there are corporations that, despite their lack of a formally developed CSR concept, are concerned for the quality of life of their workers. However, for several reasons reviewed, they are not recognized as socially responsible.
- The cases presented illustrate the lack of consistency relative to the information and criteria considered in providing awards in the field, whose attribution has been assumed by CEMEFI in the Mexican case.

- Lastly, the analysis performed contributes to exposing the CSR movement, relative to the two aspects emphasized, as insufficient and biased on a global scale.

References

- Cardozo, Myriam (July 2003), Governments and Non-governmental Organizations vis-à-vis Corporate Social Responsibility, TLWNSI Issue Brief: www.jussemer.org/Resources/MCardozoEthicsGovNGOs.pdf
- Centro Mexicano de Filantropía: www.cemefi.org (Diciembre de 2001), RSE. Visión con futuro, Boletín Informativo Año 2, No.7.
- Cruz Azul Cooperative: www.cruzazul.com.mx
- de Regil, Álvaro (June de 2003), Corporate social responsibility without living wages is irresponsible and unsustainable, TLWNSI Issue Brief: www.jussemer.org/Our_CSR_Concept/Resources/CSRwithoutLW.pdf
- Apasco Business Group: www.apasco.com.mx/
- INEGI: www.INEGI.gob.mx
- Instituto Ethos (2001), Ethos CSR indicators: www.ethos.org.br
- The Jus Semper Global Alliance, The Living Wages North and South Initiative (TLWNSI): www.jussemer.org/TLWNSI/Resources/TLWNSING0303.pdf

ⁱⁱ Myriam Cardozo Brum is Coordinator of the Public Policies Master program, Universidad A. Metropolitana, México, D.F