



1 June 2012

EPP GROUP HEARING: A EUROPEAN SOCIAL LABEL FOR COMPANIES

6 JUNE 2012

PANEL I – WHICH CRITERIA FOR A EUROPEAN SOCIAL LABEL TO RESPOND TO THE EXPECTATIONS OF COMPANIES?

Rebekah Smith, Senior Adviser, Social Affairs

Firstly it is important to be clear if the objective is a label for companies or for the goods/services they provide. These are two different concepts. A label which may apply to companies themselves brings us to a discussion on corporate social responsibility – a field where many companies are already very active. A label which could apply to products/services is more closely linked to issues of consumer information. Of course, there are overlaps between these two fields, for example customers are an important consideration in the development of company CSR strategies. However, it is important that the objectives of this initiative are clear from the outset.

We can support the idea a tools to help companies better understand what corporate social responsibility means, what are the potential benefits and the potential costs. Likewise, offering companies different methodologies to assist in better understanding social impacts of their business operations can be helpful, as long as these are voluntary and flexible enough to be tailored to different company situations.

However, it is not clear at this stage if this is the aim of such an initiative. In fact, based on the information provided so far, this seems to be a much more prescriptive approach, albeit voluntary, to encouraging companies to integrate social considerations into their business operations, strategies, and/or processes to provide goods and services. On this basis, we have reservations about the added value and appropriateness of such an initiative.

Labelling can have some use however attention has to be taken to ensure that it does not give an unfair competitive advantage to some companies, for example in accessing public procurement contracts. A requirement for companies to bear a specific label risks prescribing a standard for the way that companies operate or the way they provide goods and/or services. There may be very justified reasons that a company has not applied a specific label, irrespective of the way that they operate their business. This initiative should not lead to disadvantaging companies which decide not to use the label.

We also question the real demand from companies and consumers for such a label. It is important that this would only be provided on a voluntary basis, however, the



resources, including financial, that would be put into the development and promotion of such a label should be justified by a clear demand.

Firstly, we are not convinced that there is demand from companies to promote social elements of their business operations, by applying a label to themselves or their products/services. In fact, companies already highlight social elements of their business operations as part of CSR strategies and are acutely aware of the growing importance of this to remain competitive.

Consumers look to business to help them make certain choices in the products they services they purchase. Companies are increasingly aware of this and its importance for their business performance and ultimately competitive edge. Many are therefore actively engaged in providing information to current and potential customers. Considering stakeholders more broadly in defining and undertaking business activity is seen as essential, given the increasing value that they attach to consideration of social as well as environmental issues.

However, it is important to recognise the limitations of what information can and should be provided to consumers and at what level of detail. Labeling can help in assisting consumers in the choices they make, but it must not overburden them with excessive information. The level of understanding and awareness of different consumers on the way a business operates and how social issues are dealt with must be considered.

The criteria that have already been developed for such a label are very specific and overly prescriptive. On this basis, we do not see how a European social label would help to improve the competitiveness of companies. Such an approach will not encourage companies to use such a label.

In addition, the criteria that have already been developed are in some cases simply not relevant and therefore could not be applied by some companies. For example, the idea that teleworking should be available to facilitate work-life balance, whereas this may simply not be possible in some companies or some sectors. Or the existence of a collective agreement at company level – this is not common practice in all countries or all companies. Applying such criteria would mean that some companies are, through no fault of their own, disadvantaged in terms of their possibility to use or have a higher number of points of the label.

In this respect, it would be preferable if the objectives and any quantitative targets are developed by the enterprise itself, if it decides to use the label. This could be done on an individual or sector basis. This is the best way to ensure that the objectives are relevant to the company, its specific situation, sector, size etc. It can also help to ensure that such an exercise creates real value within the company, by instigating discussions on the issues, for example between management and workers, and with external stakeholders. When specific measures, objectives or targets are designed and implemented by the company itself, it is better accepted, understood and recognized across the organisation. This is therefore more attractive for companies than specific targets or objectives set by external bodies.