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**CORPORATE SOCIAL RESPONSIBILITY IN UKRAINE:  
DEVELOPMENT CHARACTERISTICS AND FUTURE PROSPECTS**

The genesis of conception of corporate social responsibility (CSR) as one of the forms of a tendency to social orientation of economy, its significance in a sustainable development context are considered. The features of implementation of conception of CSR in Ukraine are analyzed. The definition of the category «corporate social responsibility», the principles and priorities of its implementation are offered.

Keywords: Corporate social responsibility, corporate social policy, corporate citizenship, social partnership, quality of labor life, Decent Work.

**The genesis of concept of corporate social responsibility**

A current economic crisis stimulated discussions about criteria of social and economic progress: increase of production, maximization of incomes and capitalization or human development by satisfaction reasonable material and spiritual necessities and, consequently, about optimum correlation of economic efficiency and social justice.

Almost all famous economists - since the classics of political economy - reflected about correlation of economic and social functions of business. Needs of development of industry and worker's struggle for their rights determined the process of social orientation of economy, but its development was not always linear, has breaches and recoils. Understanding of necessity of strengthen of social function of business was developed as concept of social responsibility and came forward as a compromise between liberal and social paradigms.

Discussions about social responsibility of business was started by the book « The Gospel of Wealth » (1900) [1], written by the American businessman Andrew Carnegie. The search of resolution of conflicts between the workers and business took place on the way of developing their cooperation, increasing efficiency of production with the use of methods of rationalization of management. Such representatives of scientific management as F. Teylor, F. Gilbert, L.Gilbert, G. Ford, H. Gantt and others developed the scientific system of intensification of labor, which was called the « sweatshop system ». At the same time they did not ignore the social sphere of enterprise, development of which is an instrument to achieve the main target – increasing of efficiency of production. The concept «Human factor» was primarily used by F.Teylor, and then it was developed by F. & L. Gilbret, A. Fayol, E. Meyo and others.

Another well-known scientist in the field of management Henry Gantt, who based his research on the principles of scientific management by F. Taylor, in his book "Organization of Work" (1919) emphasized the role of human factors in production, made plans for the coming

"democracy at work" and dreaming about the humanization of management, expressed the idea that workers should be able to find in his work not only livelihoods, but also the feeling of satisfaction. H. Gantt has put forward the idea of corporate social responsibility and argued that management should focus on its "broad commitment" to the society [2, C. 71].

Imperfection of the management system offered by the "school of scientific management" which was mainly oriented to the material methods of work motivation, stimulated the search for new tools of increase work activity. Strengthening attention to the human factor of production, psychological aspects of work and spiritual needs of man led to development of another school of scientific management – social-psychological, that includes the theories of «human relations» by A. Maslow and E. Mayo, «enriching of work » by F. Herzberg, «humanizing of work» by J. Friedman, «situation management» by B. Skinner etc.

J. M. Keynes and his followers theoretically substantiated the need for the intensive use of both direct methods of government regulation of economy, primarily by creation of powerful state sector, and indirect methods - by the influence on investments, wages, interest rates and other instruments of financial and monetary policy. J.M. Keynes considered development, realization and enhancement of man's capabilities, together with his or her personal choice to be the important conditions of economic growth. The concept of social policy, which appeared in Western literature, as well as use of planning and forecasting methods in management, is linked to the name of Keynes. The use of Keynes' recipes of government regulation of socio-economic relations helped to rebuild the economies of Western Europe and Japan after WW II.

The favorable economic situation created material possibilities, and the beginning scientific and technical revolution brought about the need for skilled and, therefore, more expensive workers. It promoted the further strengthening of social orientation of economy, and the concept of social responsibility of business got further development and spread in theory and practice of corporate management. In the USA and Western Europe well known specialists in management, such as P. Drucker, H. Bowen, K. Devis, C. Sethi, O. Tead etc., continued researches on this problems. P. Drucker proposed the idea of self-governing worker's team, the essence of which was that at enterprises there must be democratically elected councils of personal whose function would be decide questions of the social aspects of business. Such councils would enhance responsibility for results of the company's activity [3]. Later this idea was realized in "social partnership".

The known American researcher H. Bowen in the fundamental work «Social responsibility of the businessman» has developed the idea that taking into account of interests of

society in administrative decisions is capable of bring social and economic gains both to businessmen and all society [4, P.56].

The great contribution to the development of the social paradigm of management was brought by American scientist Ordway Tead. In the work «The Art of Administration» (1967), formulating the corporate management objectives, he was the first to include the social objectives in the list and to connect them with organizational structure of the enterprise. O. Tead has formulated the concept of «quality of work life» and put forward the idea that it will be useful to sell to workers shares of companies they work for. This would increase their interest in the growth of the company's profits, stimulate their productivity, satisfaction and loyalty [5]. The concept of quality of work life, offered by O. Tead, was widely accepted in the middle of 70th of the XX century and has of great importance for the strengthening of a social orientation of corporate management. In modern understanding quality of work life is the systematized set of indicators, that characterize working conditions and give a chance to consider a measure of realization of interests and satisfaction of requirements of workers for more effective using of their abilities (intellectual, creative, moral, organizing, communicative etc.).

Analyzing the genesis of the concept of social responsibility of business, we should consider the contribution of the social democracy, which many authors unjustly ignore. Social democracy contribution to the development of the concept of the socially-focused economy cannot be overestimated. "All that has been carried out in the Western Europe for realization of more justice, more safety, the more possibilities for education, more well-beings and more the state care about poor and helpless, would be never reached without pressure of socialist ideologies and socialist movements, despite all their naive errors and illusions", - the well-known polish philosopher L. Kolakovski wrote [6, P.114]. Social democrats have played an important role in "socialization" of liberal-market capitalism, in correction of its injustices, they have brought elements of social regulation and social partnership to the market economy.

Acting within the limits of the possible, social democrats try to combine high level of social protection of workers and neo-liberal management practices. If social democracy has partly moved "to the right", it is impossible to deny that under its influence neoliberals have moved "to the left", having agreed to accept many principles of social focused economy.

The European community has acted as the pioneer of the introduction of CSR concept at the international level. In the Paris Agreement of 1951 about foundation of the European association of coal and a steel, became the forerunner of the European Economic community (EEC), and subsequently - the European Union, for workers of some branches certain social privileges were provided, and the rights of trade unions increased noticeably. In the Rome

Agreement of 1957 about creation of the European economic community the social progress and achievement of a high level of employment were declared as general objectives, the special item on providing close cooperation on questions, concerning improvement of conditions of life and work was included too. The European social fund (ESF) - the financial tool for coordination the EU policy in the field of employment and professional training was founded. In December of 1989 11 member-states of the EEC (except Great Britain) signed the Charter of the basic social rights of workers (the EEC Social charter), that planned the program of actions on realization of "social measurement» of the European integration. In 2003 the European forum on corporate social responsibility (European Multi-Stakeholder Forum on CSR) was created. The representatives of business, trade unions and other institutions of a civil society - ecological, consumer and other noncommercial organizations became its participants.

The essential contribution to the worldwide spread of the concept of corporate social responsibility was made by "The United Nations Global Compact" (GC). This document is not a legal act, but a kind of platform or code of behavior of corporations, based on the General declaration of human rights (1948) and other documents of the United Nations. In 2000 a worldwide campaign of signing GC by the companies of different countries was started. Signing it, the companies voluntary take obligations to operate according to 10 principles of this Compact and to promote progress in four key areas of social activity of business: human rights, labor, environment and anti-corruption [7]. More than 6500 companies, trade-union and other non-governmental organizations from 120 countries, from Ukraine too, have already signed the Global Compact, and many of them voluntary publish annual social reports on performing these obligations.

No less important role in promoting the concept of corporate social responsibility is played by the International Labor Organization (ILO). Created in 1919 on the basis of principles of social partnership, the ILO has unique tripartite structure that includes representatives of the governments, employers and workers. It promotes social dialogue, directs the activity of working out and introducing the minimum standards in social and labor relations that are fixed in conventions and recommendations of the ILO.

The International Trade Union Confederation (ITUC) in the resolution of XVIII Congress «Social responsibility of business in global economy» supported the United Nations initiative on distribution of the Global Compact. ITUC directs the efforts to put into practice "The Program of Decent work», which is considered to be the primary goal for the next decade. ITUC urges the world community to find necessary resources to provide quality jobs, fair wages, sufficient level of social protection, implementation of workers' rights in labor relations.

Social and political preconditions of introduction of business social responsibility concept are associated with the development of a socially oriented market economy and a social state with sound legal framework, formation of system of social partnership, political and economic democracy. As world experience testifies, introduction of this concept is possible only under the conditions of social partnership at effective interaction of "three pillars» of society: the states, business and institutions of civil society, first of all the trade unions. Their actions in this direction are in dialectic interrelation, mutually supplementing, developing and supporting each other: social responsibility of business is not possible in socially irresponsible state. On the other hand, according to the leading role of business in society, the level of its social responsibility is decisive for the state. Lastly, business becomes socially responsible only under the pressure of a civil society.

The state should carry out political and legal regulation of public life on the basis of social justice, a personal freedom and solidarity, and initiate an effective system of social partnership. The matter is not that the state should force business to increase its contribution to solving social problems, and workers – to reduce the requirements, but that within the limits of meaningful dialogue compromises are to be found, it is necessary to establish an optimum parity between economic efficiency and social justice, to coordinate the basic priorities of development of the country and to provide effective mechanisms of social partnership.

Business social responsibility should neither be an imposed burden, nor a fashionable hobby. Social expenses are not waste resources, but investment into the human and social capital that in modern conditions to a great extent define competitiveness of the enterprises and economy as a whole.

The success in realization of the concept of social responsibility in many respects depends on position, activity and role of trade unions as the largest public organization of workers, and other institutions of civil society – human rights organizations, ecological, consumer, cultural etc.

### **Social responsibility of business in Ukraine: difficult steps of formation**

Introduction in practice of the Ukrainian business of the concept of social responsibility has the certain features caused, first of all, by deep social, economic and political crisis, lasting more than 20 years, and also by a number of other factors. As a result of realization of neoliberal strategy of transformation of economy of Ukraine which included "the shock therapy", the accelerated privatization, liberalization of the finance and trade, first of all foreign, Gross National Product of Ukraine during 1992-1998 fell 2,5 times and after next nine years of growth

barely reached 74,1 % from level of 1990. Real incomes of the population dropped 3 times [8, C. 6]. Wages in Ukraine are 30-55 times lower than in economically developed countries, while labor productivity (GNP per worker in PPP terms) is 5-6 times lower, which testifies to over-exploitation of workers [9, C. 60].

There is a specific phenomenon in Ukraine – poor workers. In all normal developing countries having a job is always a guarantee of a worthy standard of living. In Ukraine it is possible to stay in poverty even having job: for a long time many workers were paid wages below the subsistence wage [10, C. 22], the share of population with per capita incomes lower than the subsistence wage, ranged from 89.0% in 2001 to 25.6% in 2008 [11, P. 405].

One of the most significant negative results of liberal reforms of 90-es is the inequality in income and a social divide in society. According to the official data, inequality in income in Ukraine is not much greater than the corresponding indicators in the European countries. However experts consider that the data of official statistics does not describe the real situation. If we take into account shadow incomes, the differentiation factor will exceed 100 times [12, C. 39].

But the state not only refuses to take appropriate measures for elimination of this scandalous social inequality, but also makes it worse: the amount of state pensions for deputies of the Supreme Rada, public prosecutors, judges and some other categories of higher officials reaches 20 thousand UAH a month, which exceeds the amount of average monthly pension more than 20 times [13].

Thus, a deep and long-lasting economic crisis in a combination with counter-social policy of state and business led to deterioration of life of the Ukrainian workers. Inequality and aggravation of social contradictions negatively influence on public morals, have seriously weakened interest in productive work, increased egoism, self-interest and cruelty, desire for fast enrichment at any price. The falling of morals fraught with society degradation, growing fear and hopelessness, loss of confidence in future and subsequent increase in social tension to explosive levels – all these call for much greater social responsibility of business and the state.

In Ukraine certain work on the introduction of the concept of social responsibility of business is being conducted. Since 2006 thanks to efforts of the Office of the United Nations in Ukraine the campaign of distribution of the Global compact is going on, and about 150 Ukrainian participants have joined by the end of April, 2011 [14]. However public organizations which have rather remote relation to it prevail among them, and only a few large Ukrainian business have joined GC – such corporations as "Interpipe", «Systems of the Capital

Management», «The Industrial union of Donbass», Joint-Stock Company "Obolon", "Kiyevstar" and etc.

There is no generally accepted definition CSR yet. Having generalized the experience and results of many researches, we offer the following formulation:

*Corporate social responsibility is the willingness of organization of the consequences of their actions and its active social position on diligent fulfillment of the state regulatory legal acts and agreements of social partnership, and also in additional obligations taken up in order to satisfy economic and social requirements of internal and external interested persons – stakeholders, staff, business partners, consumers, local residents and society as a whole.*

The main objectives of corporate social responsibility, in our opinion, are sustainable development and social peace. Practical implementation of corporate social responsibility is based on certain principles, such as:

- Humanism - the recognition of man as the highest social value, and creating conditions for their full life, physical and spiritual development - the highest goal of social progress;
- Spirituality - loyalty to moral values and historical heritage of the people;
- Innovations;
- Organic combination of economic efficiency, social justice and resource and environmental balance;
- Integrating efforts of business, state and civil society, the balance of their interests and mutual responsibility on the state and prospects for sustainable development;
- Law-abiding;
- Voluntary adoption and implementation of additional social obligations not provided for by law;
- Variety of forms and methods of implementation;
- Openness to dialogue with stakeholders and the public;
- Transparency and social accountability.

The main directions of practical realization of Corporate Social Responsibility in the internal sphere - in the form of corporate social policy – are as follows:

1. Providing productive employment by maintaining existing and creating new jobs.
2. Creating a safe and favorable working places: increasing mechanization and automation, reducing the share of heavy and hazardous work.
3. Decent wages on the basis of productivity growth, workers' participation in profits.
4. Respect for the rights of workers in the field of social and labor relations.

5. Creating favorable conditions for development of human capital and its sustainable use.

6. Improving the social and labor relations on the basis of social partnership, the implementation of economic democracy - involving employees to participate in the ownership and management of companies.

7. Creating favorable moral and psychological climate in companies.

8. Giving employees additional "social package", i.e. various social services, especially health care, recreation, leisure, assistance in improving living conditions, participation in programs of medical, social and pension insurance.

The main directions of practical realization of Corporate Social Responsibility in the external sphere - in the form of corporate citizenship – are:

1. Strengthening the traditions of fair entrepreneurship.

2. Promoting awareness of social lawful state and civil society.

3. Development of social capital: the introduction in business practices of relations based on honesty, mutual trust, high morals and ethics, maintaining a healthy lifestyle, realizing the ideals of humanism, freedom, justice and solidarity.

4. Establishing an effective system of social partnership, which is the institutional and organizational mechanism of interaction between government, business and civil society in implementing the concept of sustainable development based on social responsibility.

5. Quality products, rights and interests of consumers, promoting a rational model of consumption, reduction in wasteful conspicuous overconsumption.

6. Environment and saving on materials.

7. Cooperation with local authorities and communities for sustainable local development.

8. Social Enterprise – make business not for profit only, but for realization of socially useful purposes.

9. Charity and philanthropy - financial support for scientific, cultural, educational, sports programs, help low-income citizens.

10. Support Volunteer activities in the fight against crime and maintain public order, do environmental, agricultural, construction and repair works.

Implementation of Corporate Social Responsibility in Ukraine is preceding very slowly, with great difficulties, due to objective and subjective circumstances, the main of them being the prolonged socio-economic crisis and narrow group of economically successful enterprises



that can go beyond survival strategies. The majority of the domestic businesses declare introduction of socially responsible programs, but in practice limit it to philanthropy actions that entail deformation of the concept of social responsibility. Business has transformed CSR into a kind of PR and has captivated information field by messages on their own achievements in philanthropy and patronage of arts, continuing to violate tax, labor, nature protection and other kinds of the legislation, actively uses operations with the offshore companies for minimization of tax payments and export of capital abroad. Some Ukrainian companies have started the publication of social reports according to recommendations of GC. However, they do not adhere to the international standards of this reporting, being limited only to distribution of the information of philanthropy actions.

Low social activity of workers, immaturity and dissociation of the Ukrainian trade unions, indistinct understanding of the role in society, formalistic approach to the signing of collective agreements cause insufficient efficiency of their actions and weak influence on the governmental decisions in sphere of regulation of employment, the organization of work and its payment, granting of social guarantees. Therefore it is hard to estimate whether the introduction of the concept of Corporate Social Responsibility in Ukraine can go on quickly, especially if it is neglected and conditions and rules stimulating it are not created.

Summing it up, we can make the following conclusion: the aspiration to create the socially-focused economy becomes a universal tendency. The idea of social responsibility of business has become one of the forms of this tendency. Having arisen in the beginning of the XX-th century, this idea has been developing and becoming stronger in parallel with development of ideals of humanism, social justice, solidarity and by the present time under the influence of objective changes in world social and economic development, it has received wide spread and recognition.

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