

MAPPING THE CURRENT SOCIAL SUSTAINABILITY PRACTICES OF THE EUROPEAN MANUFACTURING INDUSTRY

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Abstract: A survey among European production companies was carried out to map the level of understanding and action regarding social sustainability practices. In order to determine whether sufficient measures are in place to tackle upcoming demographic challenges, the study explored topics of labour practices, human capital development, job design, work-life balance, talent management, employee turnover, satisfaction management and stakeholder and community practices. The results indicate that although many companies report having a strategy in place for social sustainability, current practices appear to only address the fundamental hygiene factors of the workplace rather than focusing strategically on combating demographics challenges.

Keywords: Social Sustainability, production industry, manufacturing, recruitment

1. INTRODUCTION

Social sustainability has been recognized in literature as the least developed aspect of sustainable development (Collins et al, 2010; Berlin et al, 2013; Colantonio, 2009), particularly in the context of the production industry. This condition has hitherto made it difficult to implement operative targets and guidelines on a factory level, since the literature provides a very broad scope (spanning from global challenges such as poverty and human rights issues, to company-specific policies like offering employees career development opportunities and addressing work-life balance) and very little coherence in definition (Omann and Spangenberg, 2002; Littig and Griessler, 2005). As a consequence, social sustainability literature has provided little decisive guidance as to what is an appropriate level of analysis for the factory-level. It appears that if there are comparable Corporate Social Responsibility (CSR) practices, they are usually not aligned to business strategy (Fantini et al, 2013). For these reasons, there is a need to set suitable delimitations for social sustainability research to make it applicable to the European production industry, and in order to determine how to proceed with proposing directions for future research, and better knowledge is needed of current practices already present in companies. In light of upcoming demographic challenges (Berlin et al, 2013), which point towards insufficient numbers of young potential workers to replace the large numbers of the older workforce moving into retirement, as well as the threat of lessened interest among the young for a future in production industry, the production sector acutely needs to take action to counteract these staffing challenges. It is believed by the authors, and supported by initiatives such as the *European Factory of the Future Research Association* (EFFRA, 2013), that addressing these demographics challenges as well as the contest of a globalized and connected world with changing political and cultural models, a focus on social sustainability will prove especially effective in the long-term. To explore the basis for future social sustainability research, the EU-funded project SO SMART (*Socially Sustainable Manufacturing for the Factories of the Future*; SO SMART, 2014) has, as one of many parallel activities, carried out a preliminary survey to investigate the current view of social sustainability of companies within the European production industry, including current practices. The study, being intended as an initial investigation for research road-mapping, has yielded a preliminary picture of the European landscape that is reported in this paper. The reporting focus is on the subset of the data covering social sustainability practices.

The main questions investigated in this study and reported in this paper are:

- a) To what extent is there awareness and intentional action in companies regarding social sustainability?
- b) What social sustainability practices are present in European production companies today?

2. METHOD

To study how social sustainability is interpreted on a theoretical and practical ground across several different industrial sectors, an explorative study consisting of a survey combined with semi-structured interviews was used. The study is intentionally stated to be a pilot effort within the advisory intentions of the SO SMART project. To ensure that relevant aspects of social sustainability were queried in the survey, a literature study was first conducted to identify established key characteristics of socially sustainable enterprises. This determined the scope and topics of the survey questions. From the literature study, three main facets of interest were identified: *Profile* of social sustainability, *Practices* for social sustainability and *Maturity and measurement* of social sustainability. These facets along with their most significant subtopics paved the way for the design of the survey, shaping the questions and the topics that were addressed. This paper will focus on the second facet – Practices for social sustainability – monitoring the specific actions and practices in place within companies. The literature study is not reported directly in this paper, but rather through the references in Table 1 of section 3.1. The survey was deployed online, targeting a sample of European industrial companies and stakeholders from within the project partners' network. The pilot sample included 21 responses, spanning 9 countries and 8 industrial sectors, covering both small and large, national and multinational enterprises, at different levels of profitability and employment development.

To complement the findings of the survey and include the perspective of the community surrounding the factories (societal level), the semi-structured interviews helped to identify which social practices are adopted in collaboration with stakeholders. The sample of the interview, also pilot in nature, yielded 8 respondents representing local or regional authorities (NUTS¹ levels 2 and 3), trade unions and community enterprises.

3. FINDINGS

3.1. Literature Framework

Van Eijnatten (2000) defines sustainable work systems as having achieved a high level for three main aspects: quality of work (i.e. employees' health, well-being, and personal development); quality of the organisation (i.e. productivity, efficiency, the ability to meet the challenges of tomorrow's business); and the quality of connections with the environment. By combining this definition with key attributes for socially successful workplaces found in literature, it is possible to map the current state of the European production industry with regard to social sustainability practices. Table 1 below shows the practices framework established from literature, which forms the basis of the survey and interview topics.

Table 1. Social sustainability-related practices identified in the literature and examined in the survey.

Practices	References
Labour code of conduct (practices)	Stiglitz et al., 2009; Global Reporting Initiative, 2013; ISO 26000, 2010; SA 8000, 2008; Ruggie, 2008
Human Capital Development	Backes-Gellner, 2008; Boswell, 2003; Lewis, 2003; Berlin et al., 2013; DeBrito et al., 2008; van Eijnatten, 2000
Job Design	Boswell, 2003; Sousa-Poza, and Sousa-Poza, 2000; Kovach, 1987; Berlin et al., 2013; Loch et al., 2010; Spangenberg, and Bonnoit, 1998; Velva, and Ellenbecker, 2001; Kira, 2003; Zink, and Fischer, 2013 ; Layer et al., 2009; Treville, 2006
Work-life balance	Jeffery Hill et al, 2008; Pfeffer, 2010; Boswell, 2003; Kovach, 1987; Bourne, 2009; Harrington, 2009
Talent Management	Berlin et al., 2012; Backes-Gellner, 2008; Berenson and Smith, 2011
Employee Turnover & Satisfaction Management	Cosack et al., 2010
Stakeholder & Community Practices	Hubbard, 2006; Walker, and Jones, 2012; Walker et al., 2012' Klassen, 2012; Collins et al, 2010

¹ Nomenclature of territorial units for statistics

http://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC

3.2. Explorative study results

In the following sections, italicized phrases signify questionnaire items that were queried in the survey.

Bearing in mind the aforementioned pilot nature of the study, both the survey and interviews showed that a basic level of awareness and recognition of the concept of social sustainability exists in the European production landscape. Many companies have social sustainability practices in place at some level, although it is worth nothing that respondents found social sustainability to be the least understood of the three dimensions of sustainability. 67% of the respondents confirmed that social sustainability is integrated into their enterprise's practices as an operative goal, but only 38% reported that the vision was clear and only 29% claimed that the vision was accepted at all levels within the organisation. Furthermore, only 43% of respondents claimed to actually monitor their compliance with their social sustainability strategy.

Code of Conduct for Labour Practices

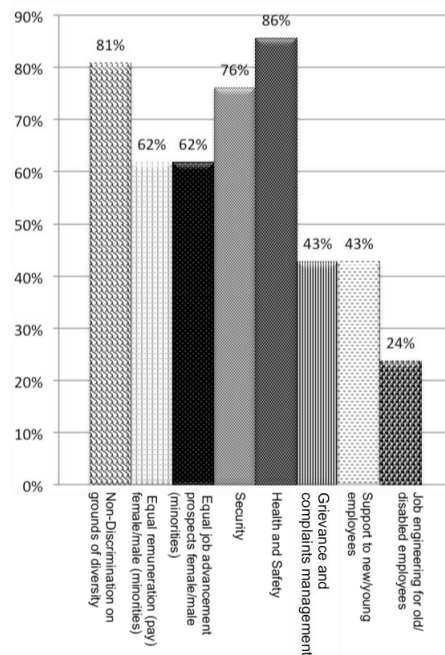


Fig. 1. Code of conduct for labour practices confirmed by the surveyed companies.

As seen in Fig 1, with regard to code of conduct for Labour Practices, *Health and Safety* (86%), *Non-discrimination on grounds of diversity* (81%) and *Security* (76%) appear to be the most widely implemented practices, with considerably less consideration being given to initiatives that *support new/young employees* (43%), *grievances and complaints management* (43%) and *job design for older/disabled employees* (23%).

In terms of Job Design (Fig 2), large percentages of the employers indicated that jobs within their factories involved high levels of *safety* (62%), *involvement in problem solving* (62%) and *cooperation with other employees or external actors* (62%). *Work climate* (52%), *healthy environment* (52%) and *talent required* (52%) were in many cases also key attributes of the factory work.

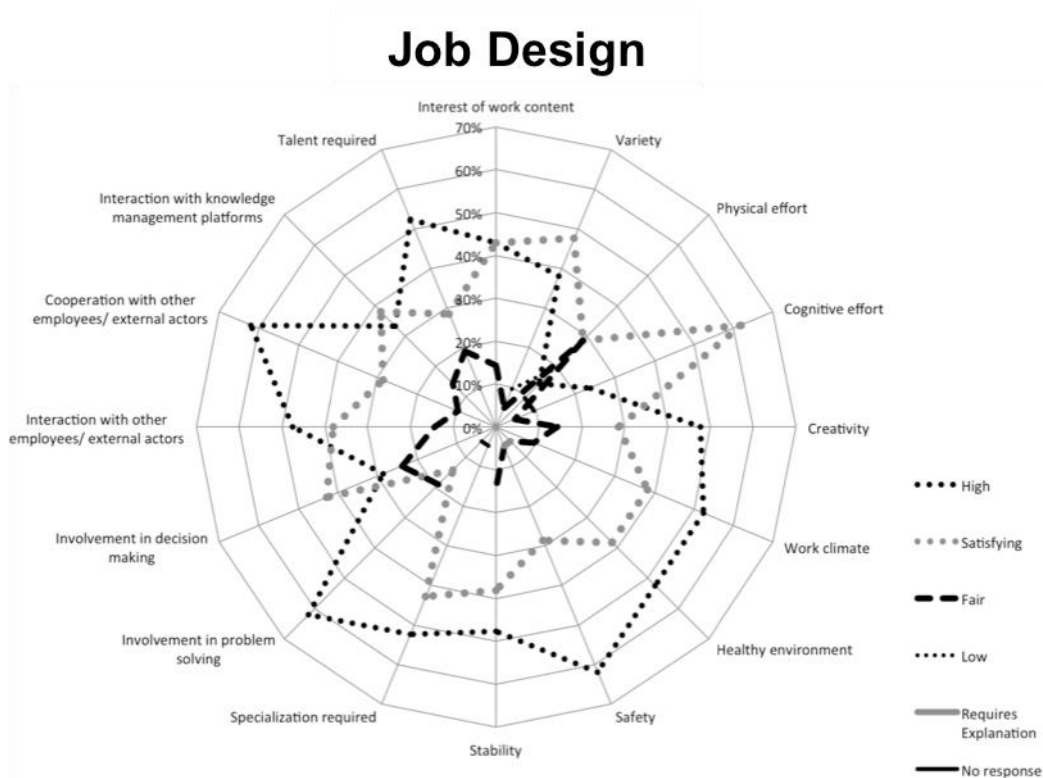


Fig. 2. Job design at shop-floor level at the surveyed companies.

Personal development and opportunities for career development through training have been highlighted in social sustainability literature as attributes of socially sustainable workplaces. In line with this, participants were questioned on their *human capital development* practice. 48% of respondents reported having competence development plans and skills mapping for all personnel, while 29% only had such a process in place for specific groups. *Formal training and learning through regular meetings* and *management of employees' ideas* are the most commonly reported practices in place for human capital development. The complementary societal stakeholder interviews also supported the necessity of processes to support human capital development, highlighted by one respondent who said:

“A systematic competence development process is the link between the company and the employees.”
(International producer of packaging material for food)

Work-life balance practices were also reported by some companies, the most widespread one being *flexible work time* (71%). Additional practices like *services addressing healthcare for employees and their families* (24%) and *employee fitness* (38%) were also reported by some respondents.

Through the interviews it became apparent that work-life balance practices are particularly important when it comes to recruiting younger generations:

“Currently most important: the aspects of work-life balance. More and more companies do recognise that young generation realizes career as not most important goal of life.” (sic)
(Trade and Industry Chamber representative)

In order for production companies to ensure continued growth and success and face the demographics-driven staffing challenges, attracting and recruiting new talent is vital. 62% of the companies have established relationships with schools, universities and training centres providing them with access to a pool of talent. The most common practices in place to promote talent management are formalised performance appraisals (81%) and compensation related to performance (81%), although the survey results indicate that such initiatives were targeted more specifically at managers rather than employees at all levels.

Social sustainability practices also exist to monitor and manage employee turnover and satisfaction in line with human capital retention objectives. Even though employee satisfaction surveys are a widely accepted practice, with 62% of respondents reporting to use them, only 5% of respondents actually break down these results to a category level, being able to direct efforts specifically towards e.g. minority groups, age or gender. Although significant effort is put into monitoring approaches, very little emphasis is placed on implementing initiatives to

enhance employment satisfaction, with only 5% of respondents reporting to have e.g. *stress management* routines in place.

Practices supporting the future employability of the workforce are less well developed, with 57% of participants having no practices in place to assess the future employability options for employees; however, 43% confirmed that they had ideas at some level to tackle this issue. The need for development in this area was reinforced through the interviews:

“Rather than “abusing” more and more limited social welfare funds, joint actions (companies and unions) should be implemented in order to make the best use of available funds to re-orientate and strengthen workers’ competences both for internal or external job placement.”

(Italian Trade Union representative)

To gain a holistic view of practices which affect other stakeholders within the production industry, respondents were asked to report on codes of conducts for suppliers, subcontractors and business partners. Codes of conduct concerned with *working conditions* (62%) and *occupational health and safety* (67%) appeared to be fairly common among the surveyed companies.

4. DISCUSSION

It should be kept in mind that the present study was carried out as a preliminary pilot exploration to describe the European production industry landscape, and the presence and understanding therein of social sustainability. This is consistent with the road-mapping nature of the SO SMART project, which, through a variety of approaches, seeks to contribute to set the research agenda and to identify recommendable paths towards socially sustainable manufacturing. A limitation of the broad and probing nature of the project and the numerous paths of exploration of the subject of Social Sustainability is limited resources to “push” for greater survey participation, which leads to a convenience sample of enterprises from a broad consortium network of contacts, and dependency on their interest and willingness to participate within the project time frame. As such, the authors would like to emphasize the tentative nature of the results – whilst they provide indicative insight into the practices of specific companies across Europe, a larger sample size would be necessary to state implications that can claim generalizability. The current results provide some insight into the range and variation of practices, rather than their relative level of widespread establishment, but also indicate that to explore these issues, awareness of social sustainability must be raised and networks formed to increase the industrial willingness to participate. SO SMART aims to address the forming of such awareness-raising networks as part of its activities.

Through the explorative study, it is apparent that no clear, unified idea about social sustainability practices seems to exist among companies within the production industry. The survey results revealed an emphasis on areas like labour policies, health & safety measures, community involvement and social equity in the supply chain. There is recognition of the concept of social sustainability to a limited extent, however the practices in place appear to fully address only the fundamental hygiene factors of the workplace, many of which the authors feel have become common practice in the western world. Furthermore, it appears that less attention is being paid to practices such as job design for older and less physically able employees, exploiting the full potential of available technologies, wider talent management schemes and supporting the employability of women.

When comparing the results to the available social sustainability literature concerning upcoming challenges (e.g. Berlin et al., 2013 and EFFRA, 2013), it appears that most of the surveyed companies are not proactively equipped to tackle the upcoming demographics challenges, particularly the challenges concerning attracting and retaining the extreme ends of the workforce demographic (young and old). In light of such challenges, more companies would benefit from shifting their focus towards more comprehensive efforts to map and improve employee satisfaction, direct training at all employees (not just managerial personnel), adapt the workplace to old or disabled employees, increase practices known to attract a younger workforce generation and consider the levers related with the local community, other stakeholders and societal practices.

Having mapped a preliminary European landscape for social sustainability practices, the authors surmise that current levels of understanding and action do not overlap with the needs to address future challenges, indicating a research gap to be filled in order to provide companies with decisive guidance about how to address social sustainability.

5. CONCLUSIONS

The awareness and intentional action in companies regarding social sustainability is non-uniform across the surveyed companies, and somewhat limited in terms of clearly addressing upcoming social sustainability

challenges such as demographic shifts in the workforce. Although many report having a strategy in place for social sustainability, understanding the extent of that claim requires a much more complex inquiry, but the pilot results indicate that many of the reported practices appear to fully address only the fundamental hygiene issues of the workplace, rather than leveraging the social factors to address upcoming challenges and enable companies to successfully compete on the global market with powerful human capital and strong stakeholder relationships.

Identified social sustainability practices in European production companies were examined within the categories of *code of conduct for labour practices, human capital development, job design, work-life balance, talent management, employee turnover & satisfaction management* and *stakeholder and community practices*. The study confirmed that companies address aspects of comprehensiveness for practices concerning human capital development, job design and work-life balance, but efforts targeting future employability, adapting to a diverse workforce, talent management for all employees and practices targeting the local community and other stakeholders are much less widespread and deserve more attention. The study thus shows that the level of action across the 7 identified categories is not homogeneous and can be better profiled to address long-term staffing challenges.

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