

## HOW TO DEAL WITH CORPORATE SOCIAL RESPONSIBILITY RELATED TO EMPLOYEES

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**Abstract:** *The aim of the paper is to examine an area which was not thoroughly researched until present. We refer on how Corporate Social Responsibility (CSR) practices are nowadays reflecting its actions to employees / labor force. This paper represents a theoretical research related to the latest developments in this field. We had documented our paper based on actual references on this matter. In order to make correct assessments, this material seeks firstly to examine the level of understanding in respect of internal CSR actions related to employees. It is very important to understand and to briefly describe how previous studies described the link between CSR actions assigned to own employees. Secondly, this paper focuses on presenting and commenting an idea prescribing that pyramids (i.e. the pyramid of Maslow's hierarchy of human needs and the pyramid of Carroll's corporate social responsibility) put together generate a clear feedback related to companies' reactions in respect of CSR for their employees. In a practical manner, it is assumed that each level on the pyramid of Maslow has a correspondent in the pyramid of Carroll and vice-versa. This model is then precisely reflected when looking at the employees and their needs reflected through CSR actions. Thirdly, this paper also emphasizes the importance of the labor unions for employees' CSR. We discuss about an out-of-the-box role for the labor unions, which should be engaged more and more in the employees updated wishes, one of them being about various CSR actions that need to be focused on employees. We assume that CSR efforts directed in the field of employees would make them more responsible, more eager to work and more productive in their day-to-day work.*

**Keywords:** *Corporate Social Responsibility; Employees; Labor Unions; Pyramids*

**JEL classification:** *M14*

### 1. Introduction

Financial crisis had spread around the world and many systems had to suffer. Thus, one of the consequences of the financial crisis was that occurred delays in paying wages and unreasonable disorders. Wages represent nowadays a method to maintain basic survival needs for employees and their families (Wei, 2013). In this respect, we consider that it should be more careful understood the way in which companies are capable to create an internal CSR practice behavior related to their employees. We may argue that until now this internal CSR component was not so much researched.

However, recent studies argue that a thoughtful relation should exist between the pyramid of Maslow's hierarchy of needs and the pyramid of Carroll's CSR. This relation is called as "double pyramid" thought and was considered to help creating a

better society derived from a good management of corporations' social responsibility for their employees. (Brammer, S., Williams, J., 2007 and Wei, 2013).

Another factor that may influence companies' attitude related to CSR for employees is the active presence of the labor unions in the market. In the past, it was believed that unions only responsibility was to mediate better working conditions of their members. In present times, we consider that it is important to observe the actual versus desired involvement of unionized labor to the so-called their social responsibility.

## **2. Internal CSR actions related to employees**

Internal CSR actions related to employees are not very researched and the level of understanding and its importance are not at an optimum level. We consider that it is important for each company to manage its business in order to show interest to its employees' wishes. It is true that nowadays crisis made a lot of companies to think twice before spending money.

However, it is well known that each company bears profit and loss and that profit is the motive power of business management. In many situations, companies are not interested in social responsibility for their employees. It is clear that generally speaking CSR actions are seen as external activities, even though specialists consider that own employees are part of the CSR stakeholders.

When we discuss about small and medium-sized enterprises and even about multinational corporations, there are generally two ways (Wei, 2013) to approach profit maximization:

- to save internal management cost, by speeding up the assembly line, lowering the piece-rate wage, increase daily workload and
- to reduce social spending as much as possible. Most of private companies only pay attention to corporate interests, neglect employee's benefits (i.e. endowment insurance, medical insurance, injury insurance, etc.) and do not carry out on the labor rights (i.e. extension of the working hours, etc.)

This attitude may not be helpful for companies because of the feedback received from employees and from the other stakeholders. We may only take the example of a company who intends to contract a loan from banks – this company may incur problems (i.e. refuse or higher interest rates) because of its internal issues (i.e. even CSR policy) with employees.

A correct approach would be that businesses to be managed by professional managers who understand that profits are not only belonging to owners, but also to all investors. Companies' interests and social interests are imparted and have influences on each other. Every company needs to have a common understanding related to a better treatment for employees, which may be seen by all the stakeholders as a positive CSR activity.

## **3. "Double Pyramid" thought**

As Wei (2013) have mentioned in his paper, each enterprise should not only realize the profit maximization, but also to meet the individual needs of employees. All enterprises should not only undertake financial responsibility, but also undertake social responsibility. In a word, those enterprises that their employees' personal needs and social welfare are all brought into the enterprises' agenda, can have the favorable development, and will grow much bigger and stronger (Wei, 2013). Thus,

as a strong argument, the design of Maslow and Carroll pyramids was to offer an idea on how to positively cope to the success of employees' CSR.

### 3.1. The Pyramid of Maslow's Hierarchy of Human Needs

Maslow's hierarchy of needs was mentioned for the first time in the field of psychology and was created by Abraham Maslow, in his paper "A Theory of Human Motivation (Maslow, 1943: pg370)." After initial issue of the paper, Abraham Maslow extended the idea to include his observations of humans' innate curiosity. His theories parallel many other theories of human developmental psychology, all of which focus on describing the stages of growth in humans. He had used the terms such as physiological needs, safety needs, love and belongings, esteem, and self-actualization needs, as his objectives were to describe the pattern that human motivations generally move through (Wei, 2013). The physiological needs are the largest and most fundamental level of needs at the pyramid bottom of Maslow's hierarchy needs. The self-actualization needs are at the pyramid top of Maslow's hierarchy needs (Maslow, 1943).



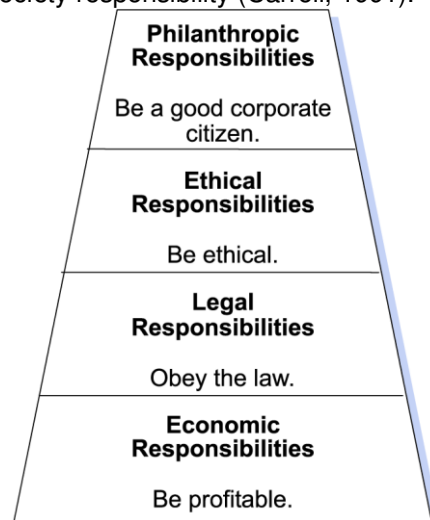
**Figure 1:** The pyramid of Maslow's hierarchy of human needs  
Source: (Maslow, 1943)

As a short notice on the content of the pyramid, *Physiological needs* are obvious - they are required for human life, as the human body simply cannot continue to function well. *Physical needs* are active when individual's safety needs take precedence and dominate behavior. *Safety* needs include personal security, financial security, health and well-being, safety net against accidents and their adverse impacts. After physiological and safety needs are fulfilled, the third level of human needs which is interpersonal and involves feelings is *belonging*.

All human have a need to be respected, and they have *self-esteem* and *self-respect*. *Esteem* presents the normal human desire to be accepted and valued by others. *Self-actualization* is the level of need pertains to what a person's full potential is and realizing that potential. Maslow describes this desire as the desire to become more and more what one is, to become everything that one is capable of becoming. This is a broad definition of the need for self-actualization, but when applied to individuals the need is specific.

### 3.2. The Pyramid of Carroll's Corporate Social Responsibility

Carroll studied the responsibilities of enterprises and finally managed to create a pyramid of corporate society responsibility (Carroll, 1991).



**Figure 2:** The pyramid of Carroll's corporate  
Source: (Carroll, 1991)

Carroll considers that *economic responsibilities* are the base of the CSR pyramid, the beginning of a fair and just social responsibility while *legal responsibilities* are the next layer of the CSR pyramid and it merges with the economic responsibilities. The third layer of the CSR pyramid is *ethical responsibilities* in respect of standards, expectations and norms that are seen as fair by all entities involved, such as the community, consumers, shareholders and employees. These are the agreed-upon moral obligations of the business. The top of the CSR pyramid is *philanthropic responsibilities*, which reflect the expectations of corporate citizens, encouraging the promotion of concern and well-being of the community.

### 3.3. "Double Pyramid" concept – instrument for managing CSR related to employees

"Double Pyramid" concept derives from the pyramids described above. The essence of the concept relates to the fact that employees' needs should follow Maslow's hierarchy of needs while corporate management should follow Carroll's CSR pyramid.

There are important arguments that present the pyramids relations. First argument is that contractual obligations are relationships of labor and capital. The basic economic responsibility and legal liability are ethical bottom lines for getting labor resources (Cianci, R., Gambrel, P.A., 2003).

Another argument would be that companies not only pursuit profit maximization, but also meet their employees' physical and security needs. Labor is one of the key elements of business development. Only with safe working environment companies may retain and expand its business (Tang, T. L. P., Ibrahim, A. H. S., & West, W. B., 2002).

Business owners should respect and meet employees' social needs and right (e.g. holidays, vacation, birth and maternity leave, etc.) and grant employees' the right of insurance, welfare, education and training.

These can make them wholeheartedly work for the enterprises without any trouble back at home. All those can also arouse employees' work enthusiasm. They will contribute their ideas and efforts to firms' future development.

By taking into consideration Maslow's hierarchy of needs and Carroll's CSR, the essence of the "two pyramids" concept is that business owners and their employees should be harmoniously coexistent, mutually beneficial to each other while developing. In a market economy, every company with its specific operations needs labor production elements for its uninterrupted development. On the other side, employees are in position to be remunerated for work rendered by the employer. Even though in a financial crisis period the employees may find difficult to find easier new jobs, it is known that companies should still meet basic survival requirement and improve employees' rights for the long-term development. Only in the harmonious environment the employees would offer maximum potential of their capabilities. In modern society, different people do different things because of division of labor. People devote themselves to all kinds of affairs, and they undertake different responsibilities. Although employees work for enterprises in order to gain wages, enterprises should also offer safe working environment to ensure their lives (Wei, 2013).

Each business enterprise should provide equal promotion and education opportunities for his employees. Every employee should not be discriminated due to gender, age, race, color or faith. The enterprise should also create favorable working conditions for employees, and improve their scientific and cultural levels at the same time, which will promote the employees' development and perfection. In addition, the enterprise should respect employees' needs and pay attention to employees' opinions and demands. Therefore, the "double pyramid" concept may be accomplished through employees' self-worth and companies that achieve the enterprise's economic benefits at a maximum level.

#### **4. Labor Unions – supporting institutions for CSR related to employees**

Starting from the history, labor unions had the objective of securing the best possible working conditions for their members. However, unions may be defining working conditions too narrowly. Since union members usually live in the community in which they work, concern for the welfare of the workers should not stop at the end of the work shift. Local unions need to be involved in their local communities to insure that the non-working environment provides the best living conditions possible for their members. Such unions may give a helping hand to the employees by promoting their interests in order to be better served through CSR actions organized by their employers.

The national or international unions, of which the local is an affiliate, should also be involved in the broader state and national communities to insure that the cultural, physical, educational, and political environments do not negatively impact the members' living conditions. Since unions are not part of a political party they are in a position to lobby both sides of the aisle for meaningful legislation for the welfare of their members and hence, the common good (Carroll, 2010). Labor is more sensitive

to social responsibility issues as corporations expand their scope of stakeholders to the social sector (Marchand, R. (1997).

Social responsibility is a dynamic concept. What is considered socially responsible depends on the expectations of society and this evolves over time in response to changing circumstances. In respect of the labor unions in both the private sector and the public sector, it is probably advisable that unions may also have their social responsibilities and may help to promote the employees' wishes. Some of the union areas of responsibility are in contributing to full-employment, preparing members for other work, contributing to the quality of education in the community, supporting issues that involve improving life in the local and national communities, and supporting members in meeting the new social contract. (Carroll, 2008).

To be effective, the union has to represent a significant percentage of the labor force because this makes it possible for the union to have a strong bargaining position and may have better impact on companies. Unions, whether strong or weak, could emphasize the competitive advantage of undertaking social responsibility initiatives, encouraging their employers to see these as an element in their corporate competitive strategy. Unions could partner with other social groups, national unions could partner with international unions and Non-Government Organizations to work for better global labor practices. The local unions could work with local and state school boards to raise the general educational and skill level of the population (Carroll, 2010).

Labor union may represent an institution that can serve as a promoter for CSR related to employees.

## 5. Conclusions

It is important for each company to manage its business in a way in which to be able to also show interest to its employees' wishes. Even though the financial crisis made a lot of companies to think twice before spending money, the approach and interest of companies should increase when referring to internal CSR actions related to their employees.

When an interest for CSR actions related to employees was generated, we observed that we have in front of us a double win situation, according to the idea prescribing that pyramids (i.e. the pyramid of Maslow's hierarchy of human needs and the pyramid of Carroll's corporate social responsibility) put together generate mutual and positive feedback related to companies' and employees reactions in respect of CSR. We may also conclude that companies' attitude related to CSR for employees may be "affected" by the active presence of the labor unions in the market. Such labor unions may trigger better mediation that may improve the impact on employees' social responsibility.

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