

Opinion of the European Economic and Social Committee on 'Establishing a European Social Mark' (exploratory opinion)

(2013/C 76/04)

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On 3 July 2012, in accordance with Article 304 TFEU, the European Parliament decided to ask the European Economic and Social Committee to draw up an exploratory opinion on

Establishing a European Social Mark.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 December 2012.

At its 486th plenary session, held on 16 and 17 January 2013 (meeting of 16 January 2013), the European Economic and Social Committee adopted the following opinion by 128 votes to 1 with 9 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the opportunity to give its opinion on the proposal from the European Parliament's Employment and Social Affairs Committee for a pilot project on a European social mark in 2013. However, the situation has changed since the opinion was requested, as the European Parliament's Budgets Committee text from 4 October 2012 was adopted without any reference to this pilot project.

1.2 In principle, the EESC supports the idea of boosting the social dimension in Europe and agrees that corporate social responsibility (CSR) should be recognised and encouraged. It is important, however, to stress that CSR must not under any circumstances be used as a substitute for social rights guaranteed in legal or international instruments, in which social dialogue has a central role.

1.3 It is therefore necessary, as a first step, to further clarify the added value, timing and focus of this proposal in relation to its policy goals. Those goals are important, but in the current circumstances they would be more effectively achieved above all by means of tougher and better-implemented social legislation.

1.4 The EESC would also point out that although the initiative is important, the proposal might be too complicated at a time when the EU is undergoing a crisis, with high unemployment and a rising number of bankruptcies. A social mark for CSR purposes only illustrates social activities that are voluntary, but these differ as a result of differences in legislation between Member States, because European legislation only provides for minimum standards. It would be undesirable to introduce additional commitments for businesses that risk at this point creating wider gulfs rather than increasing cohesion between different sized businesses and EU countries.

1.5 Account also needs to be taken of parallel initiatives such as social labelling in the field of social entrepreneurship (as referred to in the Social Business Initiative) to avoid confusion. In this connection, the EESC recommends waiting for the results of, and learning lessons from, the Commission's

forthcoming exercise to map social labelling in the field of social enterprise. Other overlapping initiatives such as the new CSR awards, social considerations in procurement, etc, should also be taken into account in relation to this proposal.

1.6 The EESC also feels that the credibility, legitimacy and feasibility of a voluntary social mark need to be better demonstrated. Building trust in and awareness of a new labelling system at European level requires a comprehensive accreditation and monitoring system, which needs to be weighed up against the benefits of an additional labelling system. In this context, before considering the introduction of a new European social mark, the EESC recommends exhaustively mapping existing labelling systems in the different Member States, identifying best practice and learning from non-successful ones. The EESC therefore rather recommends improving and expanding existing labelling systems to cover social responsibility (where they do not already do so).

1.7 Awareness should also be raised of the systems that already exist and of the businesses that use them, and other businesses should be encouraged to use them, instead of creating an additional system for consumers and businesses to deal with. In addition, a European communication action on the European labels should be considered, at least in the medium term, to build awareness among consumers and citizens.

1.8 However, if a label were to be launched at some point, in order to avoid distortions, a European social labelling should not deviate too much from internationally recognised standardisations, but it should add a typically European touch: the respect for social rights.

2. Introduction

2.1 The European Parliament's Committee for Employment and Social Affairs proposed a pilot project on a European social mark in 2013, but the European Parliament's Budget Committee text for 2013 pilot projects was adopted without any reference

to this proposal in October ⁽¹⁾. Given this new situation, this opinion will focus primarily on giving input on the proposed pilot project.

2.2 The idea behind the proposal is to help to create a more social Europe in which the existing minimum social and labour-law standards are enforced more effectively. The aim is to encourage job creation, support youth employment and combat poverty by introducing a progressive award scheme in the form of a 'European social mark'.

2.3 The European Parliament's request to the EESC specifically relates to (a) what impact and benefits the mark would have in different policy areas, (b) what types of business would be interested in it on a voluntary basis, (c) what the options are for establishing a progressive mark, (d) what criteria should be met to obtain the mark, and (e) what would need to be done to raise awareness.

2.4 The Employment Committee's proposed social mark is intended to be voluntary and free of charge. It is aimed at all businesses in the EU, but focuses in particular on SMEs ⁽²⁾ and VSEs ⁽³⁾. The aim is to create a more socially responsible Europe by guaranteeing high social standards in all businesses in the EU. The proposal also aims to harmonise existing labelling systems and to use a rating scale to identify potential improvements. The idea is to use a list of social criteria to rate each business's internal social responsibility by awarding different levels of the social mark.

3. General comments

3.1 In the EESC's view, efforts to strengthen the social dimension and social values in Europe are important, but the **added value, timing and focus of this project should be considered**, and account should be taken of ongoing initiatives in related fields. The EESC would therefore like too see clearer arguments for what added value such an initiative provides and for whom, and what it contributes to Community legislation.

3.2 The EESC recently noted, in its opinion on corporate social responsibility (CSR) ⁽⁴⁾, that CSR was a sustainable development approach. In the same opinion, it also highlighted the need to clarify terminology such as 'social responsibility' (only in the workplace) and 'societal responsibility' (activities beyond the workplace).

3.3 Based on these definitions, the Employment Committee's proposed social mark appears to relate to 'social responsibility'; as it is aimed at all businesses within the EU, account needs to be taken of the Commission's ongoing work on the 2011 EU strategy for corporate social responsibility ⁽⁵⁾, which already covers similar aspects.

3.4 It is important to stress, as the EESC has done in the past, that corporate social responsibility **must not under any circumstances be used as a substitute for social rights guaranteed in legal or international instruments**, which are primarily the responsibility of states and governments. Moreover, many businesses voluntarily take on more responsibility, and it is therefore important to underline that taking on greater social responsibility going beyond statutory requirements should be acknowledged and encouraged. The EESC believes that each business must find its own way of taking social responsibility in addition to the legal instruments. A mark for CSR purposes risks shifting the focus from social innovation to efforts to comply with certification requirements.

3.5 The idea of social labelling has been mentioned previously in connection with the Commission's work on social enterprise, with which the EESC has engaged actively in a number of opinions ⁽⁶⁾. The communication *Towards a Single Market Act* ⁽⁷⁾ refers to social labelling in relation to social entrepreneurship and social enterprise. This was later followed up as a key action in the Commission's communication on the Social Business Initiative ⁽⁸⁾, which aims to improve social enterprises' opportunities to operate, compete and grow under the same conditions as other enterprises. One of the proposals in this initiative was to create a public database of labels and certifications to raise understanding among stakeholders of and comparability between different forms of labelling of social enterprise within the EU. The Commission also intends, in the near future, to launch a study on social enterprise, mapping where social labels for social enterprises are in place and what form they take, as well as other specific features, rules and models for this type of enterprise.

3.6 The EESC therefore feels that the **forthcoming mapping exercise, as referred to in the Social Business Initiative, must be undertaken prior to, and separately from**, efforts to develop a broader definition of social labelling of enterprises. In the EESC's view, this ongoing exercise must be completed before a broader labelling system is considered, as mapping the existing social enterprise labelling systems could provide valuable input concerning the possibilities and benefits of a broader system. Moreover, other related initiatives such as social considerations in procurement, the new CSR awards and sector platforms in the area of social enterprise labelling should be allowed to mature before new activities are launched.

⁽¹⁾ European Parliament Committee on Budgets, 4 October 2012.

⁽²⁾ Small and medium-sized enterprises.

⁽³⁾ Very small enterprises.

⁽⁴⁾ OJ C 229, 31.7.2012, p. 77.

⁽⁵⁾ COM(2011) 681 final.

⁽⁶⁾ OJ C 24, 28.1.2012, p. 1 and OJ C 229, 31.7.2012, p. 44.

⁽⁷⁾ COM(2010) 608 final.

⁽⁸⁾ COM(2011) 682 final.

3.7 The EESC would stress that it is important to make a clear distinction between the Employment Committee's proposal (relating to corporate social responsibility) and the Social Business Initiative: they have different objectives and must therefore be treated differently. The EESC therefore urges the Employment Committee to consider using a different term in its proposal, in order to **avoid further confusion in terminology**. This suggestion is given further weight by the existence of recognised players within the social enterprise field who are already certified to use such a term as a label for social enterprise, as with the 'Social Enterprise Mark' ⁽⁹⁾.

4. Specific comments on the Employment Committee's questions

4.1 The aim of the proposed pilot project for a social mark is to encourage businesses to go beyond their statutory obligations in their efforts to be more socially responsible. This initiative is vitally important, but we wonder whether a European social mark might, in the current economic climate, be too complicated in comparison to its added value. The policy goals of the proposal are to boost job creation and youth employment and to combat poverty. All of these areas are of key importance for Europe, but the EESC believes that the link between them and a voluntary social label is too weak to be effective. Rather, it believes that these goals will still be more effectively achieved primarily by strengthening legislation on the subject and enforcing it better, and by renewing and reinforcing the open method of coordination in the social field.

4.2 The EESC also considers it important to point out that proposals in this field must start from the assumption that strong, competitive enterprises are the key to delivering economic growth and thus creating sustainable conditions for better social standards.

4.3 The proposal also features a stepped, progressive 'grading system' based on how well a business meets a variety of social criteria such as decent pay, social security, healthcare, gender equality, childcare, teleworking, etc. In view of the ongoing economic crisis and the major difficulties facing certain countries, the EESC is concerned that at this point such a progressive grading system **risks creating wider gulfs rather than increasing cohesion between different sized businesses and EU countries**. A progressive grading system will not be fit for purpose unless it is designed to be suitable not only for big multinational companies but also, and in particular, for SMEs and VSEs.

4.4 Furthermore, a label is only useful if it is known and recognised. Labelled SMEs and VSEs should therefore be the object of communication campaigns highlighting their commitment. What is regarded as social progress therefore needs to be discussed in detail with reference to subsidiarity in this area, and also with reference to different traditions and

models of national welfare and social security systems. This **dialogue must be held with the social partners and other stakeholders** such as consumer associations, at both EU and national level.

4.5 As part of the EU's efforts to make it easier to start up and run businesses, a great many simplifications and measures to promote growth have been introduced in an effort to avoid weakening corporate social responsibility, employees' social rights or businesses' opportunities to grow and compete. Although much remains to be done in terms of rights, the EESC is doubtful whether a voluntary system will be effective in improving social responsibility. It would also note that, even if it is free of charge, a labelling system will **require resources** that could be put to better use in businesses that are already under pressure in this crisis.

4.6 As part of efforts to improve social responsibility, it is also necessary to evaluate the number of levels in which a business is responsible for social rights, e.g. with respect to cooperation with suppliers outside the EU. Unless there is clarity regarding this responsibility, it will not be possible to generate trust and confidence in the mark. Attention should also be paid to the **possible impact on trade and importers**.

4.7 Another important question to raise is the **legitimacy of any standardised mark**. Previous experience has shown that top-down, relatively prescriptive initiatives of this kind generally have little impact among consumer movements or other stakeholders, which is a prerequisite if the mark is to have any effect. In this connection, Fairtrade ⁽¹⁰⁾ is a good example of the consumer sector itself taking the initiative to introduce a mark and could be a guideline. Examples of labelling schemes that are considered not to have worked properly should also be analysed in more detail ⁽¹¹⁾.

4.8 It is important to consider how to build trust in a new mark. From the perspective of consumers, the current situation is already confusing: there are a variety of labelling systems, many of which are difficult to understand, and it is impossible to keep up with them. Adding another new system and asking consumers to make informed choices could be expecting too much of them. Instead of introducing a new social mark, it would be worth **considering expanding existing labelling systems to cover social responsibility** (where they do not already do so). The same applies to the mark's ability to increase investor confidence. The Commission will use, for example, initiatives relating to social investment to develop guidelines for improving the reporting of social outcomes achieved by these efforts; the EESC highlighted this approach as essential in connection with investment in social enterprise ⁽¹²⁾, and it should also be taken into account in this initiative.

⁽¹⁰⁾ <http://www.fairtrade.net>

⁽¹¹⁾ Such as the Belgian social mark and the French social and environmental mark.

⁽¹²⁾ OJ C 229, 31.7.2012, p. 55.

⁽⁹⁾ <http://www.socialenterprisemark.org.uk>

4.9 Attention should also be paid to the difficulties involved in establishing a complex system at European level, particularly in social, technical and practical terms. There are already various certification systems for different types of social labelling, the majority of which have improved the visibility and importance of social issues within businesses⁽¹³⁾. In connection with the Employment Committee's proposal, particular attention should be paid to ISO 26000⁽¹⁴⁾, which covers the majority of the criteria included in the proposal and which many businesses have already signed up to. There are also a variety of other established international standards⁽¹⁵⁾. The pilot project should therefore evaluate whether there is value in creating another new labelling system, or whether it would be **better to increase awareness of and encourage businesses to use the existing systems** and to strengthen them, for example through improvement indicators.

4.10 In order to avoid distortions, a European social labelling should not deviate too much from internationally recognised standardisations, but it should add a typically European touch: the respect for social rights.

4.11 Many of the proposed criteria for the social mark are covered by **social dialogue**, by areas of negotiation where the social partners decide, or by applicable national legislation, which means that it would be inappropriate to grade these criteria. The EESC points out that social dialogue has also promoted good practice and developed guidelines in the field, as corporate social responsibility contributes to and supplements social dialogue.

4.12 It is a complex and challenging matter to create a list of social criteria that suit all business types, national situations and circumstances. There are currently a variety of national systems and traditions regarding many of these social benefits alongside Community legislation, such as systems for childcare, parental leave, healthcare, the minimum wage, etc. The pilot project

should therefore **take account of the subsidiarity issues** that arise, as well as the proposed criteria, in assessing the usefulness of the mark.

4.13 To build trust in the mark, it is necessary not only to work to raise awareness among businesses, investors and consumers, but also to establish an effective **monitoring system**. A mark only provides a snapshot of how well a business met the criteria at the point when it submitted its application. Without an independent body responsible for certification, monitoring and timeliness for the mark, it will not be possible to generate the sought-after trust or social progress. In this respect, account must be taken of the risk of abuse and irregularities, and of the procedure for excluding businesses. The development of a suitable monitoring procedure will require resources and bureaucracy, and it is therefore important to weigh up the anticipated added social value against the increase in bureaucracy and complexity.

4.14 The EESC questions whether it is reasonable to create a labelling system covering all sectors and Member States in Europe. There are significant differences between businesses in terms of their ability to achieve the proposed targets, and there is no way to design the assessment body to be fair to them all. Therefore, we instead suggest **developing a facet of a broader CSR concept** in which the mark relates to various activities and processes, rather than to the business itself.

4.15 The EESC would therefore stress that, if a pilot project is undertaken in this area at some point, the **target group for the mark** should be involved in designing it. A study would be useful to clarify the key elements of the social mark, such as monitoring, validity period, withdrawal of the mark, assessment intervals, improvement indicators, etc. A pilot project should also aim to determine whether a European social mark is viable and useful in achieving the desired results.

Brussels, 16 January 2013.

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of the European Economic and Social Committee
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⁽¹³⁾ For example Global Compact, EMAS, Business Social Compliance Initiative, Global Reporting.

⁽¹⁴⁾ <http://www.iso.org/iso/home/standards/iso26000.htm>

⁽¹⁵⁾ OECD guidelines for multinational enterprises, ILO tripartite declaration, UN Global Compact.