

# State Influence on Social Policy, Partnership and Responsible Business Development in the EU Countries

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## Introduction

The European Union has rich experience in developing social policy and using social partnership in various forms and at various levels: at enterprises, various spheres of economy, countries and in the EU. Social partnership is an experimental instrument of social policy, directly connected with the social structure of any society. All segments of people in every country during the process of community improvement tend to meet their own needs and welfare, and that is why they must correlate with each other.

The policy of social partnership was initiated by entrepreneurs, and trade unions, being their opponents, had to accept this innovation. Gradually, the social dialogue grew, solved and leveled those sharp social conflicts in labor relationship, which had existed previously, and partners positively evaluated the advantages and preferences of a dialogue. The representatives of capital and management made it quicker than trade unions. All in all, the latter learned to benefit it. With time the appropriate scale of values and balance of mutual concessions appeared. Despite the obvious success of European policy of social partnership, it must be admitted that confrontation between social partners has not disappeared, though it has transformed into other forms and revealed itself in other ways. Entrepreneurs and trade unions are equally interested in applying generally accepted forms of conflict settlement and social stress relieving without any detriment to production development.

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In this context corporate social policy is of exceptional interest. Against this background the previously determined interests of social opponents merge into a single unity. In Europe as on other continents, social shocks and misfortune are caused by the incompatibility of many modern situations and old social orders. The processes that determine the development of the modern world, and first of all globalization, have led to appearance of innovations and new technologies in many spheres, in particular in the social one.

To great extent they touched the problem of social partnership. The fair-sized activity of the enterprises, which have exceeded the national limits, is of special significance in economy development. The need to coordinate social and labor relationship on the international market level has appeared. The transnational corporations (TNC) better than other could grasp the point of innovations, including social ones, and therefore evaluate the potential of social partnership. And no wonder, as they act in global scale, and hence they have global vision of problems.

### **The Analysis of Recent Researches and Publications**

Recently in the EU and the EU member countries a number of documents, conventions and agreements in the EU social and labor rights have been adopted, many union contracts and other documents have been signed, social codes of enterprises,<sup>1</sup> which are of great interest for the study, have appeared. During the last years the study of social problems is in the focus of many researchers, in particular Russian<sup>2</sup> and

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<sup>1</sup> The Treaty of Amsterdam. European Union: the Past, Present, Future, Moscow 1999, p. 192; The Treaty on European Union (The Maastricht Treaty). The Collection of the International Legal Documents, Regulating Migration Problems. The International Organization for Migration, Moscow 1994, pp. 147–151; The EU Constitutional Acts (as Revised by the Treaty of Lisbon), H. DRUZENKO (ed.), – Kiev 2010, p. 536; Agenda 2000: for a Stronger and Wider Union: Document Drawn up on the Basis of COM (97) 2000 Final. EU, EC, Luxembourg 1997, p. 149; The Treaty on European Union (in the Original Version d/d February 7, 1992). T. K. Hartley, Fundamentals of European Union Laws. T. K. Hartley. – Moscow 1998, pp. 623–633; The Report on the Progress of the Countries of the European Neighborhood Policy in 2010. Ukraine (26 May 2011) [Electronic resource]. [http://eeas.europa.eu/delegations/ukraine/press\\_corner/all\\_news/news/2011/2011\\_05\\_26\\_01\\_uk.htm](http://eeas.europa.eu/delegations/ukraine/press_corner/all_news/news/2011/2011_05_26_01_uk.htm); V. V. KOPIIKA, *European Union: the History and Principles of Functioning: workbook*, V. V. KOPIIKA – T. I. SHYNKARENKO; L. V. HUBERSKYI (ed.), Kiev 2009, p. 751.

<sup>2</sup> M. K. HORSHKOV, *Social Situation in Russia in Focus of Public Opinion*, Sotsis, 12,

Ukrainian<sup>3</sup> ones. They wish to represent the new conceptual understanding of these problems from the position of various social sciences.<sup>4</sup> In the frames of political science literature the social problems are rarely appealed to, in particular these questions are analyzed by A. Silenko,<sup>5</sup> O. Skrypnyk,<sup>6</sup> N. Khoma.<sup>7</sup> But there is some uncertainty in interpreting social problems, which requires political analysis and solution.

### **State, Transnational Corporations and Social Innovations of the EU**

In the sphere of social partnership of the new type in the EU there are quite active TNC, which use it to improve the work of their enterprises. They strive for acquiring the

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2006, pp. 3–8; N. E. TIKHONOVA, *The Optimal of Social Policy in Mass Vision*, Sotsis, 12, 2006, pp. 9–10; V. RIMSKII, *Social Policy as a Method of Social Problem Solution*, ONIS, 5, 2006, pp. 92–96; Social Responsibility of Business: Actual Totice, S. E. LYTOVCHENKO – M. I. KORSÁKOV, Moscow 2006.

<sup>3</sup> A. KARVATSKYI, *Underclass and Culture of Poverty in the Hearth of Former State Agricultural Enterprises in the Context of Theoretical and Interpretational Discussions*, *Social Science*, in: Theory, Methods, Marketing, 1, 2005, pp. 36–65; N. V. KOVALISKO, *Stratificational Orders of Society: Conceptional Visions and Experience of Study*, Kiev 2008, p. 240; N. P. KOLHANOVA – YU. H. HNATENKO, *Poverty in Ukraine as Social Phenomenon. The Reform of Social and Credit System of Transitional Economy of Ukraine. The Collection of Scholarly Works*, Kiev 2000, pp. 139–151.

<sup>4</sup> I. H. YASAVEEV, *Construction of Social Problems by the Means of Mass Media*, Kazan 2004, p. 199; *Conceptualization of the Social Problem, Social Policy and Social Work in the Changeable Russia*, E. I. YARSKA-SMIRNOVA – P. V. ROMANOVA (ed.), Moscow 2002, pp. 28–37.

<sup>5</sup> A. SILENKO, *Some Tendencies in Social State Development*, in: *Pravo Ukrainy*, 8, 2005, pp. 106–110; A. SILENKO, *Social State: Territory of Changes*, Odesa 2000, p. 278.

<sup>6</sup> O. V. SKRYPNYK, *Social, Legal State in Ukraine: Problems of Theory and Practice: Commemorating the 10<sup>th</sup> Anniversary of the Independence of Ukraine*, Kiev 2000, p. 600; O. V. SKRYPNYK, *Social Functions of the Constitution and Its Realization in Ukraine*, in: *Bulletin of the Academy of Legal Sciences of Ukraine*, 4, 2005, pp. 68–79; O. V. SKRYPNYK, *The Problem of Human Rights Realization while Conducting the State Governing of Social and Economic Spheres of Ukraine*, in: *Bulletin of the Academy of Legal Sciences of Ukraine*, 4, 2006, p. 34.

<sup>7</sup> N. M. KHOMA, *Social Problems of Globalization (in the Context of Social State Reformation)*, in: *Comparative Law Researches*, 1–2, 2012, pp. 303–309; N. M. KHOMA, *Social Process in the Countries of the 5th Wave of Integration in the Context of Social State Development and Correspondence to the EU Social Standards (on the Example of Estonia, Lithuania, Latvia)*, in: *Derzhava i Pravo*, Is. 52, 2011, pp. 588–594; N. M. KHOMA, *Models of Social State: World and Ukrainian Experience*, Kiev 2012, p. 592.

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status of so-called European companies and take certain commitments in the sphere of social partnership, which are fixed in the legal documents. The EU legitimates formulary social innovations. Namely, in TNC, where administrations successfully cooperate with powerful trade unions, appear new forms and new levels of social partnership, which are connected with control functions.

It should be mentioned that the new phenomenon does not get accustomed to any place and any time. It must overcome business resistance, which is not always ready to admit the organizations of working population to get information as to enterprises' activity, management and planning. The deterrent role is often played by a state and its national traditions, which come into conflict with the all-European goals.

Transforming to meet the needs of time, the EU passed to the strategic planning of economic development and social sphere. Nowadays it positions itself as a "network country", implying the idea of the network principle in management and building the organizations, which are called to solve global problems with the assistance of all social partners. It is made possible by modern technical and informational means, and the development of the economy, based on knowledge, presupposes the availability of regular personnel, which can implement the ideas into life. That is the way how local networks, which ensured the connection between the local authorities and trade unions and their mutual activity, have been created. Having none of their own resources trade unions receive great access to municipal facilities and gain control over their expenses for the benefit of local communities.

On the other side there are international networks, which are formed outside the traditional system of the national states. They are based on cooperation between TNCs, scientific communities, non-governmental organizations, many of which are transnational. Such networks are widely developed due to the Internet. The non-official world system, created by them, contributes to the ordered and universal partnership. Many western experts appreciate that social partners adjust their organizations to the requirements of the new economy.<sup>8</sup>

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<sup>8</sup> M. CREPAZ – R. DAMRON, *Constructing Tolerance: How the Welfare State Shapes Attitudes about Immigrants*, in: *Comparative Political Studies*, Vol. 40. No. 3, 2008, p. 67.

### **Social Partnership and Political Power**

Under the modern conditions social partnership should be treated not only as a means of protection and security of group interests, but also as a possibility to consolidate social partners' efforts, concentrate them on the tasks, which are vital for any society. The allotment of work and the part of everyone's social responsibility, not only to those whom they represent, but also to the society in general, must be clearly outlined.

Social partners have different political and financial resources. And with the help of legislation all wish to strengthen their position and achieved results. But it is not so easy to get the access to it. To achieve this aim it is important to bear relationship to political power. That is why nearly all active civilian power strives for receiving support form society and state structures, especially executive bodies. This creates tendency towards strengthening of political and psychological aspects of corporate, state social policy and its active instrument's potential, namely social partnership.

The new model of social partnership is far from an ideal one. Social groups want to defend their own interests. But, many participants of this process, keeping in mind their interests, agree, that it is necessary to combine efforts and concentrate them on the tasks that are vital to overcome challenges, which are brought forth to society. Partners' readiness to achieve compromises, their ability to contribute to creation of stable social climate is highly appreciated under these circumstances.<sup>9</sup>

Among the trends that reveal themselves nowadays, there is a tendency towards the increase of the state's role in the system of social partnership and its influence on the development of the latter. It can be explained by the fact that a state owns huge administrative resource, budget, relevant legislation, various structures of executive authority and can effectively use them to achieve social compromises, support or, on the contrary, to deter some social partners' activity.

Most EU member countries are defined as modern social states. It should be stressed, that since the 2<sup>nd</sup> part of the 20<sup>th</sup> century they have implemented the practice of a social contract, which presupposes cooperation between main social partners. The social contract is a historically approved act, which demonstrates its potential

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<sup>9</sup> Ibidem, p. 66.

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at difficult stages of social development. Under the conditions of the world financial and economic crisis, the society inevitably faces its negative social consequences.<sup>10</sup> In the very moments the role of a state as a leading social partner, who is intended to make a crucial contribution to the way forward not only over the crisis, but also its painful social effects, must come into sight. In this respect, the forms of the state activity and its relation with its social partners change. The necessity for state functions strengthening concerning management, regulation and control over the market element increases.

The great extent has got the idea of the social state as a benefactor, who is able to support socially vulnerable strata of society. Thus, social policy is exclusively viewed as defense reaction of society towards the negative processes' consequences in politics and economics in general. However, this approach is one-sided as to the evaluation of social realia.

The challenges of the 21<sup>st</sup> century, reinforced by the financial and economic crisis, changing the determinants of social dimensions, induce to extension of social policy sphere of activity. The main task of the social state is to ensure stability in the state development and social protection of the citizens under the new conditions. At the same time the state must conduct its policy taking into account interests of all social strata and professional groups, which form any modern society. The state must regulate social and labour relations in the way to achieve the necessary compromise between social and professional groups; demonstrate the ability to balance rights and duties of various social strata; state's care must be felt not only by poor but also by more wealthy people, but naturally it is rather difficult.

The activity of the social state is based on the social justice, social responsibility and social partnership. Implementation of the above-mentioned directions of activity and their realization usually depends on the extent of business social responsibility, and on the presence of civil society and the level of its organization.

Globalization, which reveals itself in intensification of competitiveness, makes entrepreneurs search for the ways of retrenchment. One of the ways is saving of

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<sup>10</sup> A. F. KHRAMTSOV, *Outlooks of the Social State: Europe and Russia*, in: *Sotsialno-humanitarnye znania*, 3, 2007, p. 133.

expense on labour force. But this causes recession in solvent demand and upsets social stability. So, the state faces a difficult task to ensure the effective cooperation with private entrepreneurship, which is necessary for priming of economy, not allowing the fall of workers' social protection.

In the EU countries many believe that in the period of crisis the state must reduce its financial expenses, including the expenses in the social sphere, sometimes shifting it onto its entrepreneurs. In comparatively small countries like Sweden, Denmark, with their specific development model, this method helped to achieve positive results and lighten a load that was on the state.<sup>11</sup> It's far more difficult to conduct such changes in countries with old statehood traditions and branched systems of social welfare (France, Germany). In these countries social protests break out rather regularly, and despite all the attempts of the states to simplify bureaucratic procedures, reporting and a number of tax remissions, the position of business representatives is practically the same. Those companies do not want to undertake any additional responsibilities.<sup>12</sup>

Under the new conditions the EU, building up its activity in the sphere of social integration, pays special attention to social partnership development and business social responsibility. Besides, it must be admitted, that in all documents the EU accentuates on the maintenance of subsidiarity principle and social unification in society.<sup>13</sup> Therefore, the participant of the Lisbon meeting (2000) appealed at the highest level for business social responsibility. Within the framework of the Lisbon strategy the agreement on making the economic growth and job creation the highest priority of the EU policy was reached. The strategy includes the regulations as to the necessity of exchange of experience and practice in coordination of actions with organizations, their equal participation in production development and social integration, which was not only addressed to the huge companies, but also was

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<sup>11</sup> A. P. SAFRONOV, *Inner Contradictions of the Sweden Model of "Welfare"*, in: Nauchnyi Ekspert, Is. 11, 2008, pp. 73–74.

<sup>12</sup> V. A. NAMCHUK, *Development of Social State in the EU countries: Actual Problems of State Management: The Collection of Scholarly Works*, Kharkiv 2011, 2 (40), p. 445.

<sup>13</sup> T. V. PANCHENKO, *The Idea of Overall Welfare as a Valuable Basis for Subsidiary Doctrine*, in: Bulletin SevNTU, Is. 112, 2010, p. 139.

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taken into consideration by them.<sup>14</sup> Principles of business social responsibility are implemented in various enterprises, including small and medium ones. But nevertheless big business is in the centre of this process. It is connected with the growth of the role of TNCs, which have got the status of European companies.

In 2001 appeared a special “Green Book”, the main regulations of which later were adduced in the “White Book” (2003), which was devoted to the problem of social responsibility of corporations in the EU.<sup>15</sup> In the United Kingdom in 2001 the Ministry of social responsibility in corporate sector was created. The Ministry for Social Affairs of Denmark worked out a special index of evaluation the level of social responsibility of the companies. Special articles in the legislative documents of France regulate requirements to the companies considering ecological and social consequences of their activity.

In the “Social Agenda 2001–2006”, adopted in 2000 in Nice the role of corporate social responsibility was accentuated.<sup>16</sup> This policy was carried on in the “Social Agenda 2006–2010”, approved in 2005 in Lisbon. The European Commission, which deals with putting forward the proposals of improving social standards and technical rules for establishing criteria of social responsibility of integrated management in the context of globalization into the European parliament and the European Council, has recently intensified its activity in this direction, as the main area of its work.

The aim of the corporate social responsibility strategy is to establish cooperation with those, who work with you: hired workers, consumers, non-governmental organizations etc. Interacting with various groups of society, companies “invest into future”, calculating the extent of possible concessions and taking into account the necessity of solving not only their own problems, but also their partners’ problems. Social investments are considered not as additional and social expenses, but as an

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<sup>14</sup> European Regional Policy: Inspiration for Countries non-members of the EU? Application of Principles and Exchange of Experience [Electronic Resource]. [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/international/external\\_uk.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/international/external_uk.pdf).

<sup>15</sup> Green Paper Promoting a European Framework for Corporate Social Responsibility (presented by the Commission), Brussels 2001, p. 8.

<sup>16</sup> M. FERRERA, *Open Coordination Against Poverty: the New EU “Social Inclusion Process”*, in: *Journal of European Social Policy*, Vol. 12, No. 3, 2002, p. 4.



earnest for the following success. In the frames of the corporate social responsibility strategy the inclusion of labour's representatives in production management is activated, their access to information concerning the enterprises' activities is widened, i.e. industrial democracy is intensified.

Comprehension of necessity and appropriateness of such actions was formed in 1989 in the 17<sup>th</sup> Community Charter of the Fundamental Social Rights of Workers in the Union and were detailed in the corresponding directive.<sup>17</sup> The decision of the European Commission (d/d 2006) to launch the project of creation the European Alliance in the sphere of business social responsibility achieved great recognition. The main principle of the Alliance's activity is partnership. This initiative took its definite shape in discussions with social partners, and the EU leaders suppose the fact that business social responsibility was put in the forefront (the name of the Alliance indicates that) was not accidental. It hugely consolidates the European way of life, influences the economic growth, its competitiveness and effectiveness, employment, working conditions and content, education development, prospects of the society.

The initiators of the project called all the enterprises for supporting it. The project presupposes its voluntary insertion into commercial and industrial activity of the enterprises, their relations with partners, offers social and economic measures, worked out together with civil society.

Following the regulations of the Lisbon strategy "The Green Book" about corporate social responsibility 2001, Special Report of the European Commission 2002, the decision of the European Council 2005, concerning the espousal of enterprises in developing their social responsibility, the multilateral Forum of the EU civil society representatives, backed up the idea of the Alliance creation, having appraised it as a new form of social partnership. It was foreseen that the Alliance would function on the basis of publicity and that social dialogue as an effective means of cooperation would help to exchange practical experience. The results of the Alliance's functioning must be felt by those who work at the enterprises and who live on the territories of their activity, consumers, local authorities, investors and young people.

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<sup>17</sup> Community Charter of the Fundamental Social Rights of Workers. Luxembourg 1990, p. 2.

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It must be mentioned that the Alliance's functioning (since 2006) has been evaluated as one of the instruments of the European social model realization. The initiators of the project did not stop on this; they decided to carry on and planned to expand their activity on the international level, relying on the Global agreement on business corporate social responsibility, proposed by the UNO, in cooperation with the ILO, OSCE and other international organizations.

In 2006 the European Commission, European Parliament, European Council and Economical and Social Committee published the Appeal *“to put partnership on service for the economic growth and resolution of employment problems, to make Europe an example in the sphere of enterprises social responsibility”*, in which they accentuated that *“the Alliance intends to search for and support novel methods of exchange of experience and spreading successful practice, taking into account interests of professionals, politicians, general public on all levels in Europe and beyond its borders”*. So, the EU institutions declare the necessity of basing on the complex state scientific researches, usage of the latest achievements in technologies and sciences, education development. In these frames it is highlighted that for successful functioning of the Alliance mutual confidence and social dialogue are vital.

The EU plans and hopes as to European business can be estimated from different angles, but apparently, the problems of social partnership and positions of socially responsible business are mutually related. Without their interaction, modern society and its economy will face numerous problems.

So there is a lot of work in this sphere. It is evident that trade unions will stay the defenders of workers' interests, will struggle for job places and employment, adequate payment and normal working conditions, worthy quality of life. Till there is economic and social inequality their defence function will be in demand. At the same time there is an objective need in active participation of trade unions in affairs concerning the increase in production effectiveness, planning and management improvement at all levels. Thus, social partnership must come up to a higher level and must be represented in new forms. However, it is necessary to break up outdated stereotypes.

We believe that certain role in this situation can be played by the European Labour Advice (ELA), created on the initiative of trade unions with the support of leading EU institutions on the European-wide enterprises. They were introduced in 1994<sup>18</sup> and repeatedly were supplemented, widening and specifying accessibility of members of workers' association to information concerning the enterprises activity and their participation in production management.

On December 17, 2008 the new European Commission Directive on increasing the role of the ELA appeared. It described the change in the legislation concerning the ELA, as to maximum adoption of their activity to changes in situation. Besides, the Directive foresaw the arrangement of education for workers' representatives and ensuring the conditions which would contribute to their activity.<sup>19</sup> In 2008 the number of companies, where the ELA were implemented equalled 820. They employed 14.5 million workers. The special directive concerning the "status of the European company" determined the criteria, which the applicants had to accord in order to get this status, including the level of business social responsibility. In 1999 35% of the TNC, which acted in Europe, published the reports on social policy and social responsibilities. Later, their number reached 45%.

Throughout the years under the aegis of the European Commission the spring Forums of social policy, with the assistance of interested social partners, have been carried out and their positive effects on ratifying strategies of corporate social responsibility raise no doubts. A part of entrepreneurs and their organizations oppose to this movement. Thus, the Paris Chamber of Commerce absolutely negatively appraised the policy of informing and consulting workers in the frames of the social dialogue, initiated by the European Commission. French entrepreneurs called it an encroachment on the principle of subsidiarity and stated that they could evaluate the need and the extent of workers' inclusion into production management by themselves.

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<sup>18</sup> Commission Regulation (EC) No 2332/94 of 29 September 1994, Official Journal of the European Communities, 1994, pp. 254–255.

<sup>19</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Digital Agenda for Europe [Electronic Resource]. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0245:FIN:EN:PDF>.

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They were supported by the “Euro commerce” association, who claimed that it was the prerogative of entrepreneurs, who, on the basis of the developed practice and tradition, could decide what kind and extent of documentation must be disclosed. The association stood against the EU efforts, aimed at harmonization of norms and rules of workers’ information on the EU level. Entrepreneurs from Business Europe and representatives of the Public-Enterprises Workers’ Centre (PEWC) in April 2008 even addressed to the European Commissioner for Employment, Social Affairs and Equal Opportunities V. Spidla for help and assistance in organizing the negotiation table with the European Trade Union Confederation (ETUC). The ETUC refused to conduct negotiations concerning revision of rights, appointed to the European Councils for Labour by the special directive, and in its turn appealed to the European Commission to follow the already adopted documents and to resist encroachments of entrepreneurs on the workers’ rights, and this was supported by the EU governing bodies.

So a great number of companies and associations start realizing principles of social responsibility and partnership in their corporate relations, laid in the basis of the European social model, demonstrating their comprehension of the fact that modern economy more and more depends on the quality of human resources, intellectual capital, which is able to ensure high-tech production, innovations, competitiveness of enterprises, that such labour force needs special treatment, and economies on social expenditures do not lead to entrepreneurs’ additional profits, but to the increase in social tension and the decrease in companies’ competitiveness.

Thus, the importance of business in political, social and economic development of any country is out of the question. Socially responsible business is a part of civil society, which demonstrates its activity in the states’ development. It is clear that trade unions and other non-governmental organizations intend not only to defend the interests of the groups, which they represent, but also to control their partners’ activity. The answer to the question whether (and how quickly) the European Union will be able to form a well-organized “European Citizens” requires long time and much carefulness.

**Abstract**

The paper deals with the states' influence on the development of social policy, social partnership and socially-responsible business in the EU activity. Business circles start realizing principles of social responsibility and partnership in their corporate relations, laid in the basis of the European social model, demonstrating their comprehension of the fact that modern economy more and more depends on the quality of human resources, intellectual capital, which is able to ensure development of modern societies. Civil society, and socially-responsible business, which is a part of it, plays an important role, displaying activity in the states' development.

**Keywords**

Social State; Social Policy; Social Partnership; Socially Responsible Business; European Union; European Committee; Transnational Corporations