

EUROPEAN COMMITTEE

Tuesday 14 January 2003
(*Afternoon*)

Session 1

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2003.

Applications for reproduction should be made in writing to the Licensing Division,
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by The
Stationery Office Ltd.

Her Majesty's Stationery Office is independent of and separate from the company now
trading as The Stationery Office Ltd, which is responsible for printing and publishing
Scottish Parliamentary Corporate Body publications.

CONTENTS

Tuesday 14 January 2003

	Col.
EMPLOYMENT AND CORPORATE SOCIAL RESPONSIBILITY INQUIRY	1813
SCOTTISH EXECUTIVE (SCRUTINY)	1841
CONVENER'S REPORT	1842
SIFT	1843
EC/EU LEGISLATION (IMPLEMENTATION)	1844

EUROPEAN COMMITTEE

1st Meeting 2003, Session 1

CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

DEPUTY CONVENER

Mr John Home Robertson (East Lothian) (Lab)

COMMITTEE MEMBERS

Sarah Boyack (Edinburgh Central) (Lab)

*Colin Campbell (West of Scotland) (SNP)

*Dennis Canavan (Falkirk West)

*Helen Eadie (Dunfermline East) (Lab)

*Mr Lloyd Quinan (West of Scotland) (SNP)

Nora Radcliffe (Gordon) (LD)

*Ben Wallace (North-East Scotland) (Con)

COMMITTEE SUBSTITUTES

Dr Winnie Ewing (Highlands and Islands) (SNP)

Tavish Scott (Shetland) (LD)

*attended

WITNESSES

Samantha Barber (Scottish Business in the Community)

Martin Bell (Scottish Council for Development and Industry)

Sandy Boyle (UNIFI)

Kyla Brand (Agenda: Social Responsibility in Scotland)

John Downie (Federation of Small Businesses in Scotland)

Stuart Duffin (Agenda: Social Responsibility in Scotland)

Rozanne Foyer (Scottish Trades Union Congress)

Tracey White (Scottish Trades Union Congress)

CLERK TO THE COMMITTEE

Stephen Imrie

ASSISTANT CLERK

David Simpson

LOCATION

Committee Room 2

Scottish Parliament

European Committee

Tuesday 14 January 2003

(Afternoon)

[THE CONVENER *opened the meeting at 14:06*]

Employment and Corporate Social Responsibility Inquiry

The Convener (Irene Oldfather): Good afternoon colleagues, and welcome to the first European Committee meeting of 2003. I have received apologies from Nora Radcliffe, who is in the north-east for an important meeting on fisheries. John Home Robertson, who is attending a meeting of the Holyrood progress group, will probably be along a little later. I have also received apologies from Sarah Boyack, who is unwell.

The first item of business today is further evidence gathering for our inquiry. I welcome our first witnesses, who are Martin Bell from the Scottish Council for Development and Industry, and Kyla Brand and Stuart Duffin from Agenda: Social Responsibility in Scotland. We are pleased to have you all with us. Thank you for the evidence that you submitted to the committee. Without further ado, I invite you to make brief opening statements—I do not know whether there is anything that you would like to add to the information that you have already given the committee—then we will move to questioning.

Kyla Brand (Agenda: Social Responsibility in Scotland): Thank you for your invitation to share thoughts and information with the committee today. Not surprisingly, an organisation called Agenda: Social Responsibility in Scotland thinks that the subject of the inquiry is important, and we are delighted that the Parliament is exploring it.

Agenda came into being 18 months ago to try to draw together the threads of activity that were on the ground, and to make connections between the individuals who are trying to make progress in a complex area. Stuart Duffin and I represent the many facets of corporate social responsibility. He promotes the interests of 7,000 businesses in what he calls the middle bit of Scotland, but comes from a background in the academic study of citizenship and poverty. I try to help organisations, whether they are in the private or public sector, to make a CSR journey, but come from a background in the Department of Trade and Industry, where I saw that if competitiveness is to

be sustained, it will depend on a spectrum of social as well as economic relationships.

We would like to make a few comments on our view of CSR and why it matters, on the relevance of public and voluntary bodies, as well as businesses, in the agenda, and on some of the successes and challenges in developing CSR in Scotland. We also have a couple of suggestions.

Why CSR? It is a horrible handle, but it is about the best term that we have to bring together the environmental, social and economic imperatives in what can otherwise be known as the triple bottom line. CSR is about how businesses and other organisations deliver their core purposes. It is about all that they do and how they go about doing it, from the level of the board director down to the customer complaint officer. It is about the terms and conditions of suppliers, as well as the terms and conditions of employees. Corporate social responsibility is not only, or even primarily, about what businesses do as a voluntary add-on; it is about core business. That is why it is so challenging. It is not about business as usual, but about being dynamic, and about openness to change and engagement with and responsiveness to others. CSR wraps up the key issues around the relationships between business and society.

Although social responsibility is not mentioned explicitly in "A Smart, Successful Scotland", we think that it will be one of the most important factors in the Scottish economy. It will position us higher in the value chain and will be of increasing significance to those who invest in Scotland.

I am aware that the committee has had some research carried out, but I wish to share with the committee a definition of social responsibility that we have come across, which draws together the perspective that I have been outlining. The definition reads:

"Social responsibility encompasses all the ways in which a business/organisation and its products and services interact with society, balancing the right to trade/operate freely with the duty to act responsibly. In the broadest sense it is an attitude of mind which informs behaviour and decision making throughout the company/organisation."

We came across that definition from Diageo—although one might not wish to quote Diageo above all other companies this week—but it brings the right perspective.

As for who plays a part in CSR, you may be aware that Agenda has drawn up a map to try to show the variety of stakeholders involved. Investors in particular are playing an increasingly major role in driving social responsibility. Others are often unaware or not confident about their role and their opportunities to make a difference. How often do consumers act on factors other than price? How many employees have the luxury of choosing an employer on the basis of their ethics?

Market and Opinion Research International—MORI—polls might be able to tell us about the averages on such matters, but, in practical terms, it seems that few businesses are yet really focused on such matters. I say “it seems” because we do not actually know: the most up-to-date evidence of the views of business leaders in Scotland on CSR—at least the last survey carried out at chief executive officer level—dates from 1998. There may have been some change or shift since then.

Public sector bodies, which are examples as well as regulators, have a central role to play among the mix of stakeholders. Where public bodies develop accountability and transparency in their practices, it is a tremendous lead for others. Where they do not, it is a great excuse for others to sit on their hands. The decision by the Parliament to implement social responsibility in its purchasing policy, for example, is an important signal.

Stuart Duffin will discuss the successes and challenges around CSR in Scotland.

Stuart Duffin (Agenda: Social Responsibility in Scotland): Part of the essence of the Scottish model is the fact that it is rooted in civic commitment, including among business leaders. A sense of doing the right thing remains a key component of our economic life. It may therefore be genuine when businesspeople say, “We do all this stuff anyway.” The problem is that, even if they do, very few of them know what they do or have access to any information that shows what they do.

At the heart of CSR lies openness, transparency and confidence. If we are really to have a sound practice of CSR, why do we know so little about it? A key challenge is to find sensible ways of gathering information and good practice. Mandatory reporting may not be the immediate answer, but incentives could play a useful role.

A further key feature in Scotland is the immediacy of the relationships involved—everyone knows everyone else. Looking across different sectors, however, that does not seem to be the case on all sides. We hear from business, local councils and voluntary organisations the view, “They don’t understand what we do.” To expand the relationship between business and communities, whether through community planning, the cities review or local economic forums, some new bridges and mutual understanding are needed.

As far as CSR policy is concerned, Scotland is uniquely placed in Europe, having a strong lead from the Department of Trade and Industry at Westminster yet considerable areas of discretion in national implementation. The Scottish mix is in

the process of being defined, but is not yet easy to discern. Our experience here is of interest to many others in Europe who are beginning to work with us and with local regional drivers on the CSR agenda. That is why Agenda has been asked to participate with other multi-stakeholder groups in a European Community-funded study to guide regional and local authorities in implementing CSR. We face that challenge and even before we think we know what we are doing, we are being seen as a leading example. What an opportunity for Scotland to be positioned as a leader in this area in Europe, especially with new member states coming into the European Union.

14:15

I turn to our suggestions for the future. From the work that Agenda has done so far and the varied views that have been expressed at events and through our mapping project, we see a clear need for straightforward information about CSR and for opportunities to make sense of it, not just for business but for consumers, investors, local authorities and others. The curiosity about social responsibility and the call for tools and information is not confined to business. Scottish Business in the Community and the Federation of Small Businesses might talk about the tools that they can make available for their members, but there is a matching need for awareness and channels of engagement among other stakeholders that has to be met on the same scale.

Agenda, in partnership with the Scottish Council for Development and Industry, is setting up informal inclusive conversations throughout Scotland. We are supporting the cross-party group on business, economy, environment and society in order to forward the CSR agenda. On-going web-based opportunities could complement and sustain that approach in terms of developing an information hub in relation to CSR. Clear advice and support from mainstream channels such as the business gateway could also be valuable.

There is undoubtedly a crucial role for elected representatives. The relationships of business and society in myriad forms are lived out in constituencies. Encouraging the discussion of our expectation of the widest role of business in society is a local, national and European issue.

We need something more concrete than debate. The CSR approach should form the basis of formal targets and agreements about the relationship of social and economic partners. Our vice-chairman, Robert Beattie of IBM, has been an advocate of a concordat that would help to define expectations of business and society. Such an initiative could help drive the CSR agenda in Scotland at all levels, from the neighbourhood level through the local authority areas to the national level.

Martin Bell (Scottish Council for Development and Industry): Thank you for inviting the Scottish Council for Development and Industry to submit evidence. You will be relieved to know that Stuart Duffin and Kyla Brand have taken a lot of my thunder, so I will just have a small rumble, if I may.

As many of you will know, the SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable prosperity. We have been doing that for about 70 years and we have always been a partnership of Government, business, trade unions, local authorities, churches and educational institutions—everyone with an interest in economic development in Scotland. Even when we were set up, it was recognised that companies have a wider duty to society and that sustainable communities will provide an environment in which business will prosper.

We believe that CSR is a crucial issue for economic development; that is why our international forum considered the issue last year. A couple of the speakers from the forum are here today. There were representatives of Scottish Business in the Community, Agenda and the author of the European green paper, Dominique Bé. All the presentations are on our website, should members want any more information.

As part of the run-up to the forum, we conducted a straw poll, rather than a formal study of our membership. We asked what members' attitudes were to CSR, what they knew about it and whether they thought that it was worth while. The results suggested that Scottish business sees CSR as an issue that is increasingly important and that will continue to be so. No one who responded to the survey said that CSR would become less significant for their business. Unfortunately, the survey suggested that few people know much more than that and that there is a widespread lack of understanding of CSR and how it can generate real benefits for business. That is a bit of a worry because, as with Governments, companies' activities are coming under ever-increasing scrutiny.

Society in general is becoming more conscious of the impact that businesses' activities can have on all our lives. Actions that are seen by the public as socially or environmentally damaging can significantly affect a company's profitability. While everyone can think of examples of that in the past year, there are also examples in which companies that have whole-heartedly adopted CSR have profited. Companies such as Ikea or Standard Life, a Scottish company, are very good examples.

I will detail the key points from our submission to the Commission's green paper. First, customer,

employee and investor pressure is the main driver for CSR. Secondly, that suggests that a voluntary, rather than legislative, approach to CSR will be most effective. Thirdly, fiscal and financial incentives should be used to encourage the uptake of CSR.

All that is based on the reality that CSR means different things to different people and that CSR is constantly changing and evolving. Although CSR is no less a useful concept for that, it means that the legislative route is not really appropriate because it would run the risk of fossilising outdated standards. In fact, legislation goes against the entire philosophy of CSR, which is all about going further than minimum standards.

I will finish with a couple of suggestions on what the Parliament might consider doing. Governments and Parliaments at all levels, whether they be in Europe, the United Kingdom or Scotland, can promote CSR by ensuring that the business support for which they are accountable steers companies along a responsible path. They can help to develop CSR audit standards that can be used by funders, investors and the general public to test the claims of business. They can also help by ensuring that their own house is in order, by embedding CSR in the way that the Government and its public agencies operate.

CSR is not about making companies choose between so-called responsible behaviour and making money. We believe that the two go hand in hand. Adopting CSR is simply better business practice. If the committee, through its inquiry, moves Scotland and Scottish business further down that path, it will have done very good work indeed.

The Convener: Thank you for those interesting presentations. Our questions will pick up some of the points that you raised.

Kyla Brand mentioned that consumers are motivated by price. I am interested in Martin Bell's statement that good business practice can go hand in hand with corporate social responsibility. Kyla Brand's submission said that there is limited information about CSR in the public domain. How can more information be generated? How can consumers and ordinary people become more interested in that?

Kyla Brand: That is a critical issue. UK-wide information is available, but there is a sense that many people in Scotland will not readily relate to it unless it is done within a Scottish sample. There are MORI polls that obtain the views of the general public, including their views on the consumer issue. Companies that invest in that research especially support those polls. There will be some new results quite soon.

There is still healthy scepticism about the ways in which questions are asked. As we all know, if we are asked a question in the street and it sounds like the right thing, it is very hard for a person to say that they would not boycott a company if they thought that it was really horrible. It is a question of being able to track things in slightly more detail. As far as I know, there is no particular project like that, but we are working with the Scottish Consumer Council on that.

There are two perspectives to consider. One is that it can be said that CSR adds cost, which would be to the disadvantage of poorer consumers and that CSR could therefore be seen to be a bad thing. We might want to investigate that. On the other hand, we want to investigate in more detail some decision-making processes and in what ways information about companies' practice and social responsibility can inform the decisions that consumers make. That work really needs to be done, and I hope that we can make a start on it.

The Convener: That is interesting. It reminds me of the Asda tickled pink campaign, which has been successful in raising awareness of breast cancer and of the profile of corporate social responsibility.

Colin Campbell (West of Scotland) (SNP): Kyla Brand mentioned that the public sector, too, was entering into CSR. Is the deal for the application of CSR to public bodies distinct from that for private bodies?

Kyla Brand: The general answer is yes. There is a different awareness of accountability. A sense of public responsibility is almost written into the rules of existence for public sector organisations. For private companies, shareholders have not hitherto demanded that.

However, in terms of what the two sectors can do, there are close parallels. For example, a city council can run an employee-volunteering scheme as well as a private company can. Purchasing policies can be devised to include explicit social responsibility criteria in either case. Where differences might arise is the way in which the two sectors report, express or measure what they have been doing. Common tools for both sectors are the equality tools and the European equality model, which are used equally by public and private sector bodies. If we want to identify what is being achieved, and what difference any of it makes, the equality model may be useful to consider.

Helen Eadie (Dunfermline East) (Lab): In view of the mapping exercise on corporate social responsibility, how much do you think that the concept has been embraced by Scottish organisations, and what are the major barriers to its more widespread use?

Kyla Brand: There is limited understanding of CSR at the moment, partly because its language is ghastly. It is hard for folk to work out what corporate social responsibility means for them. We have a way to go. We are trying to make progress in our small way to help people make sense of the concept. One of the key barriers to the concept's widespread use is a lack of understanding about the ways in which the vast umbrella term—CSR embraces everything from human rights to purchasing policies—can be made into a reality.

Stuart Duffin: Language and information are barriers, particularly to smaller businesses. In my capacity as chief executive of West Lothian Chamber of Commerce, one of my projects is to promote social responsibility within a small business environment and to take the heat out of that agenda. CSR can affect front-line impact and provide businesses with a competitive advantage, as well as make them more connected with the community.

Ben Wallace (North-East Scotland) (Con): How exactly does CSR make businesses more competitive?

Stuart Duffin: Working with the community and developing precise skill sets can help a business to become more competitive. I see that as a socially responsible employment programme or agenda. A successful programme would consider particular skills for particular sectors and connect businesses with disadvantaged groups. For example, in West Lothian, 16,500 people are on some form of incapacity benefit. It is important that we work with employers to develop those people's skills, competitiveness and promotion opportunities. That is a key element that affects competitiveness.

14:30

Ben Wallace: Forgive me, but many small or medium-sized enterprises do not compete with communities, but with other SMEs, perhaps from other countries, which might not be under CSR requirements. How does that help an SME in West Lothian to compete?

Stuart Duffin: The issue is the skills agenda. Although manufacturing jobs are being transferred elsewhere, we still have the skills to sell and market. We should work co-operatively with countries such as the Czech Republic to sell our skills and knowledge. The issue is part of the knowledge economy equation, which is what makes us competitive.

Kyla Brand: Increasingly, small companies—particularly those that are involved in business-to-business relationships—find that their larger purchasers or consumers want evidence that they behave responsibly, in relation to either

environmental or employment practices. Therefore, small or medium-sized companies that behave responsibly have a competitive edge when compared with the companies with which they compete. Like consumers, large companies regularly buy on price and we should not be fooled into thinking that they will suddenly choose suppliers simply because those suppliers have soft, cuddly elements in their business practice. However, such elements are increasingly found to be a differentiating factor and therefore a competitive advantage, even for small companies.

Stuart Duffin: There are two more elements to that. Responsible behaviour can enhance brand and image reputation and increase customer loyalty, which is important for SMEs.

Ben Wallace: How can the Scottish, UK and EU Governments help in the promotion of corporate social responsibility?

Kyla Brand: The lead that the DTI has taken is fairly unique within Europe. The DTI seems to have embraced the idea that it should demonstrate its practice, and practice throughout the Government, as well as encouraging businesses and others to adopt social responsibility. The DTI is taking on the exemplar role that I mentioned earlier, which is significant. The DTI also puts quite a lot of resource into information sharing. There is an issue about how to capture and disseminate good practice. It is one thing to have the stories, but how do we ensure that people access them or believe that it is important to read them?

Similarly, at the EU level, the multi-stakeholder approach, which reflects our approach, draws on the voices and experiences of the other players, whether they are consumers or investors, and brings together useful tools to make them available to other groups. Those are the ways in which Governments can have a useful role.

The Convener: Does Martin Bell wish to add anything?

Martin Bell: Not really. I made my points in my presentation. The key point about CSR is verifying companies' claims. That is the main area in which the EU could add value.

In Scotland, tools such as Investors in People are powerful in promoting CSR. A few years ago, while on a trip to the Western Isles to meet various businesses, I was struck by the number of businesses that had IIP plaques in their halls. That was because the local enterprise company made IIP status a condition for financial support. It is possible to use existing levers to steer change.

Dennis Canavan (Falkirk West): The SCDI's submission to the Commission states:

"A voluntary approach to promoting corporate social responsibility is more effective than compelling companies to act through legislation."

Elsewhere, the submission states:

"CSR cannot be seen as a substitute for regulation on social and environmental issues".

Where does the balance lie between a regulatory and a voluntary approach? Are there any areas, such as company reporting, in which a regulatory approach is acceptable, desirable or necessary?

Martin Bell: The two do not exclude one another. There is a regulatory floor in areas such as environmental performance and the way in which companies treat their staff—the minimum wage applies to every company, for example.

The concept is evolving and it is not possible for the Government to say what is socially responsible activity. Government can promote internationally developed standards for the use of companies that wish to be seen to be adopting socially responsible practices. That is why we mentioned organisations such as the International Labour Organisation.

Corporate social responsibility is about aspirations, not duty. In that sense, I am not sure that a compulsory requirement to report is necessarily that helpful.

The Convener: That is interesting.

Mr Lloyd Quinan (West of Scotland) (SNP): Towards the end, your written submission refers to a survey that you did in which

"75% of respondents did not believe that legislation requiring companies to disclose information on their social and environmental performance should be a priority for Parliament."

Does that mean that 75 per cent of people did not think that it would be useful, or that 75 per cent of them did not believe that it was a useful priority? I do not really understand that statement.

Martin Bell: That was in a report by PricewaterhouseCoopers.

Mr Quinan: Could you give me your definition of the sentence?

Martin Bell: It means that disclosing such information is not a priority, not that it is not useful. You must bear in mind the fact that the questions were asked of legislators.

Mr Quinan: Would you say, in that sense, that disclosure might not necessarily be a priority but would be extremely beneficial?

Martin Bell: It would certainly be useful.

The Convener: Thank you. Ben Wallace has the final question in this section.

Ben Wallace: How much is corporate social responsibility a luxury for some companies, especially those in the private sector? Companies in the public sector do not have shareholders. We are in an economic downturn, so how far up private companies' priority list is corporate social responsibility? How quickly do you think that it might be ditched, put to the side or turned into a token effort? How does that affect your view on whether it should be voluntary or regulatory?

Martin Bell: I have two points to make. First, in the survey that we carried out, we asked—for what it is worth—whether, in the event of an economic downturn, companies would reduce the resources that they devote to CSR. Fifty-five companies said that they would not and 23 said that they would. That is what companies said; I do not know whether the reality is different.

Secondly, if you believe that corporate social responsibility reduces a business's costs, the time to get into it is during a downturn.

Stuart Duffin: Research by the Canadian Chamber of Commerce has indicated that, in the longer term, the companies that rate the highest on ethics and social and economic responsibility are the most profitable companies in Canada. It is not just a luxury.

Ben Wallace: Were they profitable before they decided to adopt CSR or did CSR make them profitable?

The Convener: On that very interesting point, I thank our witnesses for attending the meeting and assisting our inquiry with their very frank presentations. Our deliberations on the issue will continue.

I invite Samantha Barber from Scottish Business in the Community and John Downie from the Federation of Small Businesses to join us. Thank you for attending this afternoon. If you have opening statements, the committee will be happy to hear them; otherwise we will go straight to questions.

Samantha Barber (Scottish Business in the Community): I thank the committee for its invitation to come and give evidence. Given that you have already received our submission, I wish to make only one or two remarks.

Scottish Business in the Community is a business-led organisation that works with more than 300 companies across Scotland and which examines the role and responsibilities of business in society. Although corporate social responsibility is currently a buzz phrase, it is not the case that companies had been doing nothing in that respect until we all started talking about it. Indeed, I am happy to leave some information packs with the committee. During last October's dialogues series,

which was hosted by Susan Rice, every stakeholder group we worked with indicated that the term "corporate social responsibility" was not helpful because it detracted from what the issue is really about.

We strongly believe that corporate social responsibility is really about business values and the values that a company chooses to operate by. It comes down to responsible business practice and having a positive and productive impact on society. CSR is not just a nice thing to have; it is not an add-on and it should not be seen simply as a tick-box measure. Instead, it relates very much to the way in which a company operates and how that runs through the veins of an organisation.

As far as employability and employers are concerned, a company needs a well-skilled work force. Moreover, any company wants to be an employer of choice in a competitive market; it wants to bring in highly skilled employees and wants them to stay where they are. Companies think about measures that will make them employers of choice.

Companies must also realise that the workplace is important for individuals, because the concept of community has changed. Decades ago, we worked in the same community where we and our family lived and where our children went to school, but that has all changed. Someone who lives in Stirling might work in Edinburgh, while their partner works in Glasgow and their kids are educated in Stirling. A healthy workplace that people can go to every day is extremely important for their—and society's—health and well-being.

I have a comment on legislation, which has caused a lot of debate among stakeholder groups. I notice that paragraph 13 of the committee's call for evidence says that CSR

"can also pose challenges to policy makers to develop or adapt policies and legislation, in order that they may support and promote the awareness of the business case for CSR."

I am concerned about that, because I do not think that it is necessary to introduce legislation to promote such awareness.

Perhaps I should leave the matter there and give the committee the opportunity to ask questions.

John Downie (Federation of Small Businesses in Scotland): We really have to put the CSR agenda into the overall context of the Scottish business community. After all, 98 per cent of businesses in Scotland employ fewer than 50 people and small and medium-sized enterprises employ 51 per cent of the private sector work force. As a result, the people in those businesses already live and work in the local community, and the businesses employ staff locally and recycle their profits. Good social and environmental

practices are not an extra; they are very necessary if people are to live and work in a local community.

Most small businesses have been practising CSR for many years. In fact, even the study that the Observatory of European SMEs recently carried out showed that almost two thirds of European SMEs are practising CSR. It is more prevalent in northern European countries than it is in Mediterranean countries, although that might be a question of awareness.

The key point about CSR is that small businesses service their local community: as I have said, they are locally owned and employ people from the community much more than their corporate counterparts do.

The direct impact on the local community at large cannot always be measured and benchmarked. Sometimes, defining the level of interaction is impossible without imposing a burden on businesses. Even a European Commission communication said:

"Because of their lower complexity and the strong role of the owner, SMEs ... manage their societal impact in a more intuitive and informal way than large companies."

That is the issue that we must examine.

The main issue relates to legislation. It is recognised that CSR goes further than legislation, because if it were just compliance with legislation, it would become red tape. It was heartening that, in a recent speech in Italy, the European commissioner for employment and social affairs said:

"For me, companies operate already in a well-defined legal environment. And we naturally look to them to respect legal rights and minimum standards on issues such as work conditions, health and safety, equal opportunities, anti-discrimination and the rest."

She also said that a concept of CSR was that companies should do better than they are legally required to do. That is the framework that the EU wants to set.

14:45

The commissioner said:

"We cannot expect to make the world a better place ... through legislation and sanctions."

If the EU adopts that approach to setting a framework, we will be more comfortable with it. We do not want CSR to become a burden for businesses, because the danger is that businesses will not be able to see the wood for the trees. Instead of spending time practising CSR, they will be answering surveys and questionnaires on it from Government agencies.

CSR in some form is inevitable, but we would like a framework that considers the differentials

between large, medium and small businesses, so that we can have examples of good practice and of reporting practices that enable small businesses to benchmark what they do in their local community. We want to make that simple and easy to implement. That is the way forward. The framework might be set at a European level, but we do not want a burden of CSR legislation, as it does not apply.

The Convener: One reason why we invited you to the meeting was that, too often, observers consider CSR to be driven by multinationals. It is important that the Federation of Small Businesses is here to contribute to the debate.

You mentioned the European Commission several times and you know that it is keen to develop the framework—the link between large companies and SMEs. How important are those links in the promotion of CSR and how could they be developed?

John Downie: Initially, our main concern with the Commission's approach was that the agenda seemed to be driven by the employment and social affairs directorate-general and DG environment, rather than by DG enterprise. At least in the initial stages, the emphasis was more on legislation. We have progressed from that. Samantha Barber and I attended a recent presentation in Brussels by Dominique Bé, who had moved away from the proposal that legislation is needed.

There are links in the supply chain, as a previous witness said. For example, one of our members works for a large retail DIY chain and was suddenly thrown when told that it had to comply with good CSR practice. The company supplied wallpaper that was produced from a managed forest, but it had no information to show that. As a result, when it next tendered, it was further down the list than it should have been, because it was complying with good environmental and social practice. If that agenda is being introduced, we must make small businesses aware of that. I would have difficulties with large companies imposing CSR down the supply chain.

Samantha Barber: Larger companies might have the resources and the desire to introduce their own frameworks, which they could use in co-operation with smaller companies. It would be helpful for larger companies to work with smaller companies on that. Through our business support group network, we have clusters of companies that work together in geographical areas. For example, in Craigmillar, in north Edinburgh, we have clusters of companies that work together. Within the group, large companies and SMEs work together in the local community. In that way, they can share resource and expertise. That does not

involve imposing a framework on any organisation or company; it is just a way of sharing resource.

Dennis Canavan: I would like to pursue a point that I raised with one of the previous witnesses. The Scottish Business in the Community submission states:

“Direct government legislation to encourage CSR may not be the answer.”

What should be the balance between the legislative or regulatory approach and the voluntary approach? Is there a role for legislation in setting minimum standards? I understand that the European Parliament rapporteur is hinting at legislation to introduce the compulsory reporting of CSR. Would you go along with that proposal?

John Downie: Although that might be appropriate for larger companies, it would not be appropriate for small businesses. As I said, it is difficult to define the interaction between small businesses and their communities. Sometimes people are so far down the supply chain that they are not always aware of the time line for the goods that they are purchasing.

Companies already apply minimum standards in areas including work conditions, health and safety, equal opportunities and anti-discrimination. The European Commission and the UK Government should set minimum standards through legislation in those areas, whereas businesses should aspire to a framework of good practice for corporate social responsibility. One of the previous witnesses mentioned that. We are talking about action that goes further than legislation.

We can see that the way for a company to improve productivity is to invest in its people. That investment could be part of a company's CSR practice. A lot of good businesses are investing in people and training because that is good for the people and the business. Businesses that train are the most profitable businesses in the country.

Most companies would say that training is an aspect of CSR. People are trained to give the company an advantage, but they are also being given a personal advantage for when they go for their next job.

Samantha Barber: When people talk about legislating for CSR, we need to ask the question, “Which bit?” As the committee has heard, CSR is not one thing; it is a concept that brings together different aspects, including environmental practice, human rights and so forth. Legislation for equal opportunities is in place in the workplace to protect people, but it is interesting to note that the application of equal opportunities policies is very much a tick-the-box affair. That approach does not necessarily translate into equal opportunities in the workplace.

One illustration of that is the Metropolitan police being pleased that, as a result of its equal opportunities policies, it was able to increase the number of applicants and recruits from ethnic backgrounds. However, two or three years later, the level of attrition among people with ethnic minority backgrounds who had joined the police force because of its equal opportunities policy was extremely high. There was no culture in the workplace to support the force's diversity policy.

I agree that it is important to have legislation in place at base level, as that gives people protection, but if companies want to go beyond compliance to introduce a culture in the workplace that respects and embraces diversity and allows people from different cultures and backgrounds to work together, that cannot be legislated for. We are talking about something that goes beyond that; we are talking about the willingness of individuals in companies to adopt the practices.

John Downie: We all know from the EU eco-management and audit scheme—or EMAS—that international environmental standards are difficult to obtain and are expensive, particularly for small businesses. In fact, recent research has shown that they are not always associated with improved environmental outcomes. Companies might receive awards, but that does not mean that their social and environmental outputs are improving.

Mr Quinan: I sense that both of you are resistant to legislation for different reasons. On the one hand, it has been argued that, if minimum standards are set, companies will only attempt to reach those standards. On the other hand, John Downie has pointed out that such standards represent a potentially huge imposition on SMEs.

As a result, I have two questions. Would John Downie be happy if CSR legislation were formulated on the basis of turnover? After all, the various very profitable companies that operate with fewer than 50 people would fit into the SME concept. Perhaps Samantha Barber could also tell us about the research that she has carried out that leads her to think that people will only meet minimum standards. Surely any such research would inform us of the need for minimum legislation, because companies that meet only the minimum requirements set down by legislation are not doing anything about the issue at the moment.

John Downie: There is a continuing debate about whether we should define a small business by turnover or the number of employees. I do not think that there is a case for legislation on CSR. When we examine CSR, we find time and time again that the economic environment is constantly changing and is becoming more competitive. If CSR principles such as investing in people and in the product chain are important to businesses, they will follow such principles because they

realise that doing so will give them a competitive edge.

The problem is that the small business sector lacks a certain awareness. Although businesses practise CSR, they see it as part of their involvement in the local community rather than anything else. Perhaps we are putting the issue too high up the chain. It is about being involved in the local community and employing local people. We could certainly stipulate that businesses with a turnover of more than £5 million must comply with CSR principles; however, most of those companies are doing so as part of their public relations strategy rather than as part of a strategy to improve business.

Mr Quinan: You cannot make such statements in evidence without providing the research to back them up.

John Downie: CSR was driven by the fact that many large companies such as Nike, Starbucks, Enron and so on got into difficulties. Large companies are now going further. In a recent speech, Sir Peter Davis of Sainsbury's said that his company is now involved in 14 different CSR schemes which have to be monitored and audited for different research groups, the DTI and so on. He claimed that the company wanted to comply with CSR principles, even though the work was becoming a burden.

We need to find the right balance between showing businesses how to make their reporting mechanisms simple and easy to implement and ensuring that such mechanisms show effectively what they are doing. However, the first problem is how we define CSR in a changing competitive environment. Is it a matter of good social practice, staff training or something else?

The Convener: We will pick up some of those points with the Scottish Trades Union Congress in a moment.

Samantha Barber: I should point out that there are many different facets to CSR. In response to Lloyd Quinan, I have to say that we have no research that shows that all companies are interested only in meeting minimum standards. Indeed, I do not believe that that is true; I think that most companies want to go beyond the minimum standards. That said, some of them will focus on meeting those standards in the first instance, because they might find doing so a challenge.

One could spend a lot of time trying to meet many different standard or non-standard benchmarks. Our concern is that companies should make a difference and that change should happen. That is what we would encourage companies to focus on.

The Convener: Helen Eadie has a question about the role of Governments.

Helen Eadie: Good afternoon—it is nice to see the witnesses.

The issue is a difficult one. Having heard what you have said, we appreciate just how complex it is. How can interventions at the Scottish, UK and EU levels help to develop corporate social responsibility? What Government support do organisations such as yours require?

15:00

Samantha Barber: The most important thing is to have awareness. As I said at the beginning of my evidence, corporate social responsibility is a bit of a buzzword at the moment. People seem to think that it is something new, but it is not. We should demystify what it is about. We should make it simpler and clearer. We should be able to communicate to the wider domain what best practice is. In fact, we have compiled material on best practice for SMEs to make it simpler to engage.

When we work with companies, we ask them to understand where their starting point is—not to be confused or bamboozled by things that they are not doing, but to focus on what they are doing. The situation ought not to be made any more complex, whether through the Scottish, UK or European Parliaments. Any assistance in disseminating to the wider audience of stakeholder groups clarity about the implications and practice of responsible business would be of help.

John Downie: I agree with Sam Barber. The Commission's approach now involves a stakeholder forum and sets a framework that ensures that there are differentials between the compliance requirements for large, medium-sized and small companies. Scotland has a well-developed economic development network, which business advisers, through the small business gateway, should be making businesses more aware of, if that is deemed appropriate for their activities.

Another witness mentioned Investors in People. The principles of IIP are good, but there is a reason why less than 14,000 companies in Scotland have signed up for it. There are issues of compliance and re-compliance. The principles of the IIP scheme are extremely good, and IIP status helps businesses to grow, but businesses are not signing up and, more particularly, are not re-signing up, because of the compliance aspects. It is easy to introduce a scheme, but we want businesses to continue to practise what we have called CSR and not just do something to achieve the minimum standard.

Helen Eadie: You may have answered this question already to an extent, but you may wish to amplify. Your article in *Holyrood* magazine outlined many examples of the way in which small businesses promote corporate social responsibility. How do you view the role of organisations such as the Federation of Small Businesses in that promotion?

John Downie: We are happy to promote awareness of good social practice to our members, although I do not think that we would promote it as CSR. Most small businesses do not consider donating a prize to a local school or sponsoring a local school team to be “corporate social responsibility”; it is part of their involvement in the local community. We have to consider the levels at which businesses operate. What is appropriate for Sainsbury’s might not be appropriate for a small retailer in Drumchapel. The principles might be the same, but the way in which they operate might be entirely different.

John Downie: The biggest barrier would be if any new legislation was too onerous to comply with. As has been said, we can expect businesses to comply with employment, working conditions and health and safety legislation. That framework has been set. We want to encourage businesses to go further than that.

Earlier, the issues of productivity and competitiveness were raised. Investing in people is the best way of growing a business—it is the best way of growing the Scottish economy. As part of CSR, we should encourage more businesses to train and invest in their people—not just for the good of companies but for the good of individuals and the Scottish economy. That is the role of the Scottish Executive.

I do not foresee any other barriers. We are happy to see a framework for CSR, as long as the reporting mechanisms that are being developed for small businesses are easy to implement and comply with. Those mechanisms should raise awareness of what CSR means for businesses. In principle, the actions that businesses are taking are examples of CSR.

Samantha Barber: For all companies, especially SMEs, the biggest challenges at the moment are staying in business, making money and being able to employ more people and to grow. One possible obstacle is a lack of realism. We need to be realistic about the ways in which SMEs can be involved. Companies should not take on obligations that are not commensurate with their size. Some large companies may have fantastic schemes for X, Y and Z, but those may not be appropriate for an SME. We should start by establishing the base level of engagement for a company. Companies will expand that engagement naturally as they expand their

business. I appeal for realistic expectations of SME engagement with CSR.

The Convener: That concludes this part of our deliberations. I thank both witnesses. This is the first time that you have attended a meeting of the European Committee, although I know that John Downie attends meetings of the Enterprise and Lifelong Learning Committee frequently. Thank you for assisting us this afternoon.

Our next witnesses are from the STUC and UNIFI. Good afternoon, colleagues. Thank you for attending this meeting to assist us in our deliberations. We have already taken a considerable amount of evidence this afternoon and it will be helpful for us to hear your views on the issues that we are discussing.

The witnesses are Tracey White, Sandy Boyle and Rozanne Foyer. I understand that Mary Senior from Unison planned to join us, but is unable to attend this afternoon’s meeting. I invite you to make some briefing opening remarks. We will then move straight to questions. Sandy Boyle will speak on behalf of all the witnesses.

Sandy Boyle (UNIFI): I will keep my comments brief.

UNIFI, the STUC and Unison have already submitted evidence to the committee. We will be happy to discuss our submissions or other issues that members would like to raise.

I listened to the evidence that the previous set of witnesses gave. There is obviously a problem with the definition of CSR. We are not presenting the committee with such a definition. The former Minister of State for e-Commerce and Competitiveness, Douglas Alexander, defined CSR as a journey for business. We are happy to accept that broad-brush definition. For us, the concept of the journey is important. It includes a beginning, when the mode of transport is selected, the journey itself and a destination. That is how we see the concept of corporate social responsibility.

My union held a successful forum on corporate social responsibility, to which committee members were invited. It had a good uptake, but unfortunately a vote during the evening precluded members’ attendance. I mention the forum because a speaker that night, Susan Rice—chief executive of Lloyds TSB in Scotland—clearly stated that if a company is not covering all facets of corporate responsibility, that company is not covering it properly. The STUC and its affiliates subscribe to that view.

There is a popular perception that CSR is about handouts for good causes. Although handouts may have a part to play in CSR, that is a simplistic and incorrect analysis.

My union sees CSR as having several key components. First, it must be embedded in an organisation's structure, and receive consideration in all decisions, whether they be socially or economically based. Secondly, CSR must respect the interests of stakeholders. That is particularly true of some organisations, such as those for which my union works. Sadly, mutuals are becoming rare indeed, and we are moving further towards a stakeholder-driven economy that is defined only by shareholders' interests. Although shareholders must be included where relevant, the concept of stakeholders must embrace customers, communities and the staff working in the industry. Thirdly, we would like CSR to embrace the consequences of business decisions, not just locally, but nationally and internationally—we would be happy to define that by example. CSR must be backed not only by rhetoric but by visible actions that are open to scrutiny. Two areas that are of particular interest in the current climate and which must find their place in corporate responsibility are equality of pay and provisions for staff beyond the age of retirement.

That is our broad idea of CSR. We stress that underpinning good CSR is the principle of social dialogue. Social dialogue can be defined in many ways, but integral to it is the European model. There, a strong and good-quality dialogue exists between employers and employees, and their representatives. I work in Europe a lot in my profession. The UK, including Scotland, lags behind many of our European counterparts on social dialogue. For example, let us consider Compaq and the disastrous loss of jobs in Erskine. There, the work force had no rights, for example to consultation. Yet a far less organised work force in France had far better rights to consultation and information. That is one of many examples.

Although the point has been raised, I will make our position clear on whether CSR should be voluntary or backed by legislation. Our position is that the minimum standards need to be enshrined in legislation, or we will not make any progress. Lack of legislation would merely perpetuate the situation in which the good examples exist, but the bad examples also continue. The reason why we are giving evidence is that the types of companies that we want to embrace the principles of CSR will need the jump-start of a legislative framework within which to work to enable them to move, we hope, beyond minimum standards. If those standards are not mandatory, no progress will be made on them.

I have tried to be reasonably brief and comprehensive. We would be happy to answer any questions.

15:15

The Convener: You have touched on a number of areas on which we wanted to ask questions. We might therefore be able to cut the questions down a little. I am sure that you are aware that the committee has previously shown its full support for the enactment of the information and consultation directive in the United Kingdom. It is important that we share with you our agreement on some of the points that you made.

Helen Eadie: It is nice to see Tracey White, Sandy Boyle and Rozanne Foyer again. We have a different subject to discuss with them this time.

I declare an interest as a Labour and Co-operative party member of the Scottish Parliament. I was pleased when Sandy Boyle mentioned the role of mutuals. A paper for today's meeting by Scottish Business in the Community talks about New Lanark, which is a monument to the way in which corporate social responsibility was recognised many years ago. We should constantly remind people that mutuality is another way of progressing some of the debate.

I have a question for all the witnesses, who can take turns at answering. The corporate social responsibility debate in the European Union is at a fairly early stage. An embryo policy has resulted from a green paper and a communication. What is the European Union's role in developing corporate social responsibility and what can Scotland contribute to the debate at EU and UK levels?

Tracey White (Scottish Trades Union Congress): It is important that the European Union play an active part in the debate. The EU can play a leadership role in CSR. Although you have just taken evidence from the Federation of Small Businesses in Scotland, whose membership is primarily indigenous Scottish companies, most people are employed by companies that act in Scotland, the rest of the UK, Europe and further afield. It is therefore not enough to tackle the regulation of business or the promotion and advocating of best practice for business at a Scottish level.

Scotland should aspire to be ahead of the game on the CSR agenda. The STUC is keen that the various aspects that feed into our corporate social responsibility agenda are taken seriously. In particular, given the constituency that we represent, we are keen to ensure that the good employment aspects of corporate social responsibility are driven forward. We are pursuing that with a range of employers organisations, the Executive and others. We look to the Parliament to support us in such work. However, we realise that labour standards are not only an issue for the domestic economy but one that must be tackled internationally.

Sandy Boyle: I am not sure whether we would be having this discussion now if it were not for an EU green paper. The UK's track record on embracing principles such as corporate social responsibility has not been terribly good. I gave the example of Compaq, but we could talk about loads of others.

I understand that the presentation of views on corporate social responsibility is reserved to the UK Parliament, but we welcome the tremendous opportunity that the committee is taking to debate the issue and put in the public domain the issues that relate to Scotland, the Scottish economy and how we can progress. The probable answer lies in European frameworks and negotiating what I would consider to be better deals, but it at least involves operating within the minimum standards.

I am not being parochial about that. In my introduction, I stressed that we do not consider corporate social responsibility to be only a local issue. We consider it to be a national issue in the UK and an international issue. An example of why the international aspect can be important is the Cape plc asbestos situation in South Africa. One of the major financiers that has enjoyed profits over the years from Cape plc and has been happy to deal with it financially is a Scottish bank, which now says that it will not provide the money to allow the Cape asbestos settlement. If a framework is to be put in place, it is important that it should have a European dimension and that we should try as best we can within its parameters to use it for our benefit in Scotland and for the broader benefit.

The Convener: I think that most committee members appreciate your perspective, with which I agree.

Rozanne Foyer (Scottish Trades Union Congress): We would welcome Europe taking a lead on CSR and providing some common guidance, definition or minimum standards—call it what you like. Even though Scotland might not have a responsibility to define CSR, the Executive and the Parliament have key roles in promoting the concept throughout business and the public sector, which will enable them to undertake CSR, understand its meaning and lead by example.

I think that the committee agrees that the Executive is responsible for a range of matters that corporate social responsibility covers, such as the environment, communities and promoting equality. The Executive and the Parliament hold those subjects at their heart. Europe has taken us far down the road of raising equality issues in relation to service provision and access to services and in relation to equality in employment. There is much room for equality to be part of the definition from Europe of what an organisation with corporate social responsibility needs to think about.

The Convener: Lloyd Quinan has a couple of questions about minimum standards.

Mr Quinan: The subjects of my questions are contained primarily in what we have heard from Tracey White, Sandy Boyle and Rozanne Foyer, and in resolution 92. My reading of that resolution is that the STUC says that corporate responsibility must begin with democracy in the workplace, which must be the prime driver. I think that we agree with that.

Unison's submission says that the Government could do more to define CSR. The witnesses have made it fairly clear that they are looking for guidelines at least. I like what Sandy Boyle said about guidance from Europe. I will turn that round slightly and refer to Compaq and our experiences of multinationals coming in and going out in many different circumstances. Do you believe that a firm commitment to CSR must come not just from the private sector but from the public sector and Government itself? If the Compaq inward investment—or the IBM, Chunghwa or Caterpillar inward investments—had occurred in France and if the deal had included the concept of responsibility, would consultation, which failed at Compaq, have been built in? Is the way forward for Governments, as well as business, to have to adhere to the guidelines to which you referred?

Tracey White: Given that our starting point on corporate social responsibility is an acknowledgement that companies are responsible for the social and environmental impact of their business decisions, it is not too much of a leap to accept that the biggest and most substantial impact in the first instance is on the people whom they employ. Internal aspects of corporate social responsibility are crucial. Sandy Boyle was alluding to the fact that because of how employment law is structured in the UK, the workers at Compaq did not have any right to be informed or consulted about the decision that the company took before it was announced publicly. Nor, for that matter, did they have many rights to consultation thereafter.

You can choose the approach that you want to take, but the bottom line for us is that workers in this country should have the same right to information and consultation as that which their European counterparts have. Companies can take a voluntary approach, which we would be prepared to support and advocate, but that is not enough, because experience has told us time and again that we cannot rely on it. We would encourage good employers to do better, but for those employers who are never going to behave in a way that we consider responsible to their internal stakeholders we need to have legislation in place.

We continue to advocate that the UK Government should take a different position on

that and we welcome the conclusions of the committee's report to which the convener referred. The debate has not closed; we are waiting for the information and consultation directive to mean something in the UK. Employers have a responsibility in this area and the Government can do something about transposing the directive into domestic legislation, which is key for us.

Mr Quinan: I fully agree that those structures should be in place courtesy of our employment law. However, my point is that we live in a country where there will continue to be inward investment and companies will be attracted by the inclusion of sweeteners in the deal—Chunghwa is a classic example of that. A responsibility, as laid down by the benchmarks that Sandy Boyle suggested should come from Europe, should be built into the inward investment deals so that our Government—Governments move and change all the time—would be subject to responsibilities that would not allow companies such as Caterpillar simply to up sticks and leave. Companies that the Government or the Executive attracts here should be subject to benchmarks that are not of their own creation, but which come from Europe.

Tracey White: Our view is that this is not just about inward investors. Any major organisation that is about to make a major change to the way in which it does business that would affect the work force would have to inform and consult the work force, regardless of whether or not the organisation is an inward investor. The Government puts certain constraints on inward investors when they are given public money, as they should. There is an issue about whether the Government goes far enough in that regard. The issue of information and consultation does not just relate to the behaviour of inward investors; it is about the behaviour of companies more generally.

Mr Quinan: Should the companies be subject to compulsion?

Tracey White: The STUC's firm position is that the information and consultation directive should be transposed at the earliest possible opportunity into domestic legislation.

Sandy Boyle: We should not wait seven years for implementation. We welcome the statements made by the convener about the importance of this area. We want the European model to prevail in the UK, rather than the North American Harvard Business School model, which bypasses trade unions, or any form of representation of the work force and goes directly to the work force without dialogue with its representatives. We believe that the European model should be enshrined, although we accept that we are operating within the constraints of employment legislation. However, from our perspective, it is a lot easier to operate than it was for the 18 years from 1979.

The STUC views very positively the memorandum of understanding that it signed with the Scottish Executive, which is a good example of some of the principles that underpin corporate social responsibility. The memorandum of understanding has many key elements which, if implemented, will lead to the type of openness, discussion and dialogue between the Government and the unions that sets an example for industries to follow.

15:30

Ben Wallace: Sandy Boyle will forgive me if I do not agree with his earlier comments. The countries in Europe with the greatest amount of social and employment legislation have the highest levels of unemployment. France might have more rights for its workers, but it has fewer people in employment.

I take the point about workers' rights to consultation. That issue will be resolved, though perhaps not in the time frame that Sandy Boyle wants, by the EU directive that the committee has considered. Therefore, legislation to counter those problems has been introduced.

Given that there is legislation on health and safety, human rights and employment, why is there a need to produce a framework on CSR? The concept is hard to define, and the proposals adopt a one-size-fits-all approach, might stifle opportunity and development and will result in a political argument about the ethics of CSR. That argument may not be referred to often, but it should be considered. As Sandy Boyle said, people talk about issues such as the South African asbestos case. Why, therefore, do we need to follow the line that has been proposed? Why not allow Government or EU-initiated legislation to deal with the issue?

Sandy Boyle: The simple answer is that companies that do not have good governance at the moment will not do anything unless it is mandatory. That is UNIFI's firm view. There are many examples. My industry, which includes the finance sector and banks, is underpinned by a reasonable industrial relations framework. I do not want to misrepresent the banking sector, but, if you were to consider the broader financial sector, you would not necessarily say that there were such good relations. The problems are the tip of the iceberg.

CSR legislation should not be too prescriptive, but it should lay down minimum standards, as we said earlier. The time has come for a debate to determine whether employees and customers of companies have at least a share equal to that of city analysts who, day in, day out, operate and create systems whereby mergers and takeovers, for example, are driven on economic grounds and do not take the social consequences into account.

Of course, the economy and economic standards are important. The issue always comes back to the three Es—efficiency, effectiveness and economy. UNIFI is for all three, but economy is not measured by how cheaply a job can be done, irrespective of the impact on the work force and the service that it gives. If standards are underpinned by minimum guidelines, the situation can be advanced in a favourable way.

It is possible to have such legislation, just as it is possible to have legislation in relation to enshrined rights. We argue that minimum standards are the way in which to take things forward because we recognise that the application of CSR might be different in small businesses compared with how one might aspire to apply it in multinationals. Although there is a difference of approach, the basics that make up the components of CSR are the same.

The Convener: That leads us on to Dennis Canavan's point.

Dennis Canavan: UNIFI's submission recognises the limitations of a voluntary code and proposes a combination of regulatory and voluntary initiatives. Will you expand on which areas would be voluntary and which would be regulated? How would the implementation of the code be measured, encouraged and, if necessary, enforced?

Sandy Boyle: I will deal with your last question first. We would link the issue into areas such as social auditing of companies. Our current priority is to win the argument that a voluntary code alone is not sufficient—that is what we are concentrating our efforts on. It is our view that it would not be appropriate to introduce regulation in a European forum. We think that, as in many other areas, it would be for sovereign Governments to implement regulation within their legislative frameworks.

We are prepared to discuss with bodies such as the Confederation of British Industry and small business bodies how best to implement regulation in a UK—and, if we are allowed to do so, in a Scottish—environment. We are not suggesting that we have a form of scrutiny to which we are absolutely committed; we are just saying that there must be a form of scrutiny.

Social audits are one of our suggestions. We are considering the idea that company accounts should address the social aspects. That is covered in our paper. I must be honest and admit that we do not have the conclusions about how to get to the nitty-gritty of that. All we know is that, if we do not have some form of monitoring and accountability, the process will not work. That is our key principle. We are more concerned about establishing the principle of the need for monitoring and accountability. Once we have done that, we can talk about the mechanism.

The Convener: That is interesting. What you have said will help us in our deliberations on our report.

Although we have come to the end of the session, I would like to take this opportunity to ask Rozanne Foyer about the pay gap between the genders. As she will know, part of our inquiry is about the European employment strategy. We have observed the equality gap in pay. In spite of the existence of employment schemes, training schemes and other work, the gender pay gap is still a problem. I believe that it is even larger in Scotland than in the rest of the UK. How can we address that?

Rozanne Foyer: The gender pay gap in Scotland, which stands at 17 per cent, is among the highest in Europe. Using European Equal money, the Executive, the STUC and a number of other key stakeholders have got together as a partnership and have put together training packages to encourage employers to carry out pay audits and trade unions and women workers to be more aware of pay gap issues. We want unions to put those issues at the top of the bargaining agenda and we want women to understand the equal pay laws, which do not seem to be making a significant impact on the pay gap, even though they have existed for more than 30 years.

The pay gap ties in extremely well with the whole concept of CSR. I feel that CSR is like a brand that companies sometimes choose to adopt as part of their PR strategy. In reply to Ben Wallace's question about why standards are needed, we should look at organisations such as the Royal Bank of Scotland, which has not engaged with the issue of carrying out equal pay audits. That organisation is operating in a financial sector where the pay gap is extremely wide in comparison with other industries. Nonetheless, the Royal Bank of Scotland grasps hold of the whole CSR brand. That is an example of why we need to examine issues such as the pay gap. We have known for many years that it is illegal to discriminate in pay systems, but there is obviously something going on. Companies must at least be prepared to investigate why such a wide pay gap exists.

I use that simply as an example; there are many other industries and companies across Scotland where such issues must be examined. That is why equalities must be a big part of the CSR agenda and why more work must be done on those issues by companies that claim that brand.

The Convener: On behalf of the committee, I thank Rozanne Foyer, Tracey White and Sandy Boyle for their time and thoughts on an important matter.

Scottish Executive (Scrutiny)

The Convener: I note with regret that not all documents have been provided on time, especially the pre-council briefings. However, I understand from the clerks that one reason for the delay relates to the Greek presidency finalising agendas. One office—the fisheries group—was able to take the initiative and send us material in anticipation of a likely agenda. The committee will warmly welcome and commend that initiative. I will ask the clerk to contact the officials in the Executive to see what can be done in relation to the other matters.

We turn to the recommendations. The pre-council briefing on the economic and financial affairs council—ECOFIN—was late, and there is a footnote about the difficulties that I mentioned in relation to the Greek presidency.

On the agriculture and fisheries council, as I said, we shall ask the Executive to keep the committee informed of discussions about the cod recovery measures and the mid-term review of the common agricultural policy. Do members agree?

Members indicated agreement.

The Convener: On the general and external affairs council, we also had difficulties that relate to the Greek presidency.

We turn to post-council briefings. The recommendation is to note the briefings on the general and external affairs council, the environment council and the justice and home affairs council. The briefing on ECOFIN was late. Members will recall that there is illness in the department—we have had some difficulties there. However, I know that the clerks are chasing the matter up.

On the agriculture and fisheries councils of 27 to 29 November and 16 to 20 December, the recommendation is to note the briefings. However, information was not provided in accordance with the agreed schedule. The clerk informs me that we are being written to separately on that. Are members happy to note the information that we have in relation to those agendas?

Members indicated agreement.

Convener's Report

The Convener: I understand that we now have a date for the visit by the Greek ambassador. Members will recall that we had to postpone his visit as he was recalled to Athens. I believe that the visit will be on 30 January. Perhaps the clerk could tell us more about the programme for that day.

Stephen Imrie (Clerk): You are correct: the ambassador has agreed to come up on Thursday 30 January. The public meeting, when he will brief the committee on the Greek presidency's proposals, will take place between 12 and 1 o'clock in committee room 1. I will ensure that everyone has details about the programme. I hope that members will be able to attend the briefing.

The Convener: I ask colleagues to note that information in their diaries. We will keep committee members posted if there are any changes but, at the moment, that is the time at which we anticipate the meeting will be held.

The second issue is a letter from Douglas Robison on two EC directives that affect herbal medicines. I understand that he has also formally petitioned the Parliament, but that the Public Petitions Committee has not yet discussed the petition. In anticipation of that discussion, we may wish to consider the European Committee's position on the matter. I would be happy if a committee member produced a short report for the committee. Does Helen Eadie, who is a member of the Public Petitions Committee, have further information?

15:45

Helen Eadie: Yes. If the committee agrees, I will volunteer to produce a report. I would be happy to do so, because the issue interests me and I have read a lot about it. I believe that I told colleagues that the issue was in the pipeline.

The Convener: Okay.

Mr Quinan: I have had meetings with a number of interested bodies—that is the best way to describe them. As convener of the cross-party group on autistic spectrum disorder, I am aware that the directives have a major effect on certain, as yet unapproved, treatments that parents are using at home to mitigate the effects of the disorder. The circumstances affect an awful lot of people and the directives could be extremely dangerous.

I have also had meetings with representatives of the cross-party group in the Scottish Parliament on ME and with a couple of retailers. The concerns of the retailers who have written to me and whom I

have met have little or nothing to do with their businesses. In a strange way, they appear to be more driven by the fact that they know that people who desperately need some of the supplements that are targeted by the directives will simply not be able to get access to them and that the quality of life of those people will diminish as a result. We need to examine the issue, treat it as a high priority and reach an opinion.

The Convener: The committee has agreed to proceed in the way that I suggested. Perhaps Helen Eadie could liaise with you.

Mr Quinan: I am more than happy to assist Helen on those issues.

Helen Eadie: I am happy to do that. Both Lloyd and I were at this morning's meeting of the Public Petitions Committee when a petition on autism was discussed, for which I had a lot of sympathy.

Sift

The Convener: Item 4 is the sift of EC and EU documents. We are asked to note the paper and to forward to the committees involved the documents to which it refers. Is that agreed?

Members *indicated agreement.*

EC/EU Legislation (Implementation)

The Convener: Item 5 is our scrutiny of the state of play of the transposition and implementation of EC legislation in Scotland. We asked the legal adviser to produce a report for today's meeting. I am happy to note the report and the recommended actions. If colleagues would like to discuss them in detail, they may wish to place the item on a future agenda. I invite members to share their views.

Helen Eadie: I would value the opportunity to discuss this item at a future meeting. We have had a heavy work load of reading and a heavy committee meeting this week and there have been a lot of important debates in the Parliament, so there has been a lot of behind-the-scenes work to get through.

Ben Wallace: The paper is good and detailed but it cannot have been the most interesting paper to put together. It highlights a significant worry, from our scrutiny point of view, about the late transposition of EC directives. We will be fined if we do not deal with EC directives on time—the Treasury is happy to pass that on to us. I do not know whether it is naivety on the part of the Executive or whether it is on purpose—I hope that it is the former—but the reasons that have been given for late transposition are not justifiable and do not stand up. It is important that the Executive learns that those justifications do not hold up. I would be grateful if we could examine the issue at a future meeting.

The Convener: I am happy to do that. I drew to the legal adviser's attention the fact that I felt that we needed further information on late transposition. We are all agreed that we would be happy to continue this matter—

Ben Wallace: Could we have a briefing note on what the Commission does when it sees that a directive is late? What is its usual timetable? For example, is it 20 months? Is there an automatic fine? I am not sure what happens, so a briefing note would be helpful.

The Convener: We will add such a note to our discussion on the report, which will probably be on the agenda for the next committee meeting. That will give us the opportunity to afford the issue the attention that it merits. I agree with Helen Eadie that this afternoon's meeting has been lengthy. I know that members have taken a considerable time to read all the background papers for our inquiry.

I thank committee members and members of the public for their attendance this afternoon.

Meeting closed at 15:50.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, 375 High Street, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Monday 27 January 2003

Members who want reprints of their speeches (within one month of the date of publication) may obtain request forms and further details from the Central Distribution Office, the Document Supply Centre or the Official Report.

PRICES AND SUBSCRIPTION RATES

DAILY EDITIONS

Single copies: £5

Meetings of the Parliament annual subscriptions: £350.00

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WHAT'S HAPPENING IN THE SCOTTISH PARLIAMENT, compiled by the Scottish Parliament Information Centre, contains details of past and forthcoming business and of the work of committees and gives general information on legislation and other parliamentary activity.

Single copies: £3.75

Special issue price: £5

Annual subscriptions: £150.00

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at the Document Supply Centre.

Published in Edinburgh by The Stationery Office Limited and available from:

The Stationery Office Bookshop
71 Lothian Road
Edinburgh EH3 9AZ
0131 228 4181 Fax 0131 622 7017

The Stationery Office Bookshops at:
123 Kingsway, London WC2B 6PQ
Tel 020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
Tel 0121 236 9696 Fax 0121 236 9699
33 Wine Street, Bristol BS1 2BQ
Tel 01179 264306 Fax 01179 294515
9-21 Princess Street, Manchester M60 8AS
Tel 0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
Tel 028 9023 8451 Fax 028 9023 5401
The Stationery Office Oriol Bookshop,
18-19 High Street, Cardiff CF1 2BZ
Tel 029 2039 5548 Fax 029 2038 4347

The Stationery Office Scottish Parliament Documentation
Helpline may be able to assist with additional information
on publications of or about the Scottish Parliament,
their availability and cost:

Telephone orders and inquiries
0870 606 5566

Fax orders
0870 606 5588

The Scottish Parliament Shop
George IV Bridge
EH99 1SP
Telephone orders 0131 348 5412

sp.info@scottish.parliament.uk

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers