

RESPECT FOR HUMAN RIGHTS IN THE BUSINESS SECTOR

RESEARCH RESULTS



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**Fostering Business and
Human Rights Principles**
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Business Confederation of Macedonia

KONEKT



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INTRODUCTION

The adoption of the UN Guiding Principles on Business and Human Rights (UNGP) in 2011 marked the beginning of an era of an enhanced dedication to the protection, respect and remedy of human rights in business operations. UNGP, in this context, constitute guidelines for the various relevant stakeholders for taking action with a view to respecting the human rights founded on the basis of 31 principles, as part of the framework of:

- States' existing obligations to respect, protect and fulfill human rights and fundamental freedoms;
- The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights;
- The need for rights and obligations to be matched to appropriate and effective remedies when breached.

Over the last seven years, the states throughout the world have also been exerting efforts for harmonizing the operations of the companies with the standards for respecting human rights. In the years after the adoption of the UN Guiding Principles on Business and Human Rights, many countries and businesses allocated substantial attention to the respect for human rights in the business sector by adopting and applying the guidelines arising from the UNGP. With a view to a more effective implementation of the framework, many countries adopted national action plans for the protection of human rights in business. Furthermore, there is a notable rise in the number of companies accepting the 10 principles of the United Nations Global Compact. In addition, more and more companies are harmonizing their internal policies and activities with the UNGP.

This executive summary comprises the results from the research conducted for the needs of the project 'Promoting the Principles for Business and Human Rights', implemented by the Konekt association and the Business Confederation, funded by the European Commission. The objectives of the research are as follows:

- define the levels of awareness, recognition and understanding on the part of the businesses in terms of the UNGP;
- identify the existing policies and practices aimed at the fulfillment of human rights in the companies;
- identify the challenges, the needs and the incentives for the companies to integrate the UNGP in their operation;
- map out the current context and the present condition at a policy level.

METHODOLOGY

The research was based on a combination of several methods. We conducted a desk research of the legal framework and the policies that pertain to the respect of human rights in business. Secondly, monitoring was performed of the online presence of more than 50 companies selected from the list of the largest and the most successful 200 companies in the country, in order to establish as to whether there are policies and measures in place aimed at protecting human rights, shared via the Internet with the public. In addition, a survey was conducted with more than 100 companies in terms of the identification of the various aspects of social responsibility and respect for human rights as a part of their policies and practice. In order to gain enhanced knowledge of the positions and perceptions of the various stakeholders, we conducted semi-structured interviews with relevant stakeholders: representatives of the civic sector (organizations for the protection and promotion of human rights and organizations for entrepreneurship development), representatives of trade union organizations, representatives of the business sector and legal experts, as well as experts in the sphere of implementation of the UNGP.

The digital monitoring included an overview of the online presence of 59 companies and an analysis of the contents presented on their websites. By means digital monitoring, the following aspects were subject to research:

- Whether the company has published any documents/declarations which pertain to the ethical principles in the operation;
- Whether on the website there are contents presented in terms of measures and policies related to the workers' rights (discrimination, safety and health at work, etc.), the consumers (discrimination, protection of privacy), protection of the rights of the citizens in the communities in which the companies operate (support for the communities, environmental protection);
- The existence of grievance mechanisms, contents that point to cooperation between the companies and the employees, the consumers and the other stakeholders;
- Compliance with the concepts of corporate social responsibility, the Global Compact and the UNGP; degree of presence of information and demonstrated interest by the companies in terms of the listed topics.

The survey comprised 105 companies of various sizes, regions of operation and sectors, wherein the focus was placed on ensuring an ample presence of companies from all sizes: micro, small, medium and large enterprises. The survey was administered electronically and via e-mail: for the most part, the responses to the survey were provided on the telephone; as regards companies where the participation in the research envisaged consultations of several departments (primarily, in terms of medium and large companies), the survey questionnaire was completed and submitted via e-mail. The survey comprised closed-ended and open-ended type questions. After the establishment of the database, part of the open-ended questions were closed and coded, thus alleviating the statistical processing of the data and enabling the obtaining of comprehensive knowledge in terms of the researched topics. The objective of the survey was to obtain answers in the following spheres:

- The existence of policies (documents), measures and activities related to social responsibility (policies and activities for the support of the local communities and relevant local stakeholders, environmental protection, providing trainings on social responsibility, observance of ethical operations by the suppliers);

- The existence of policies, measures and activities related to the protection of human rights (prevention of and protection against discrimination of workers, protection of consumer rights, conducting due diligence in terms of human rights and, accordingly, ensuring preventive and/or corrective actions, providing trainings on human rights for the employees);
- Recognition and compliance with the concepts of the Global Compact and UNGP.

RESEARCH RESULTS

Generally speaking, the results point to the conclusion that among the companies that participated in the research there is limited awareness of the framework and the principles of human rights in business comprised in the UNGP. The companies, at least declaratively, address human rights to the extent that is imposed by the legal regulations; nevertheless, the number of companies that made an actual effort to integrate the UNGP principles in their internal policies and that conduct human rights due diligence remains low.

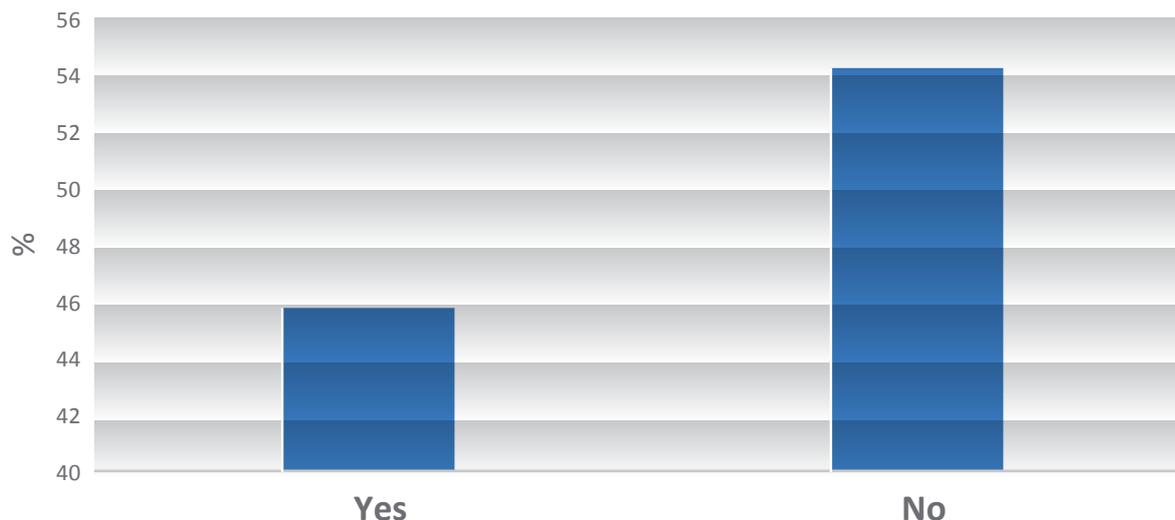
Results from the digital monitoring of companies

The selection of companies for the digital monitoring was made from amongst the 200 largest companies in the country, wherein also companies were included which operate as a part of multinational corporations and so, accordingly, some of them did not have a website available in Macedonian. Approximately 90% of the companies have a website in the country, while 10% are present through a corporate website (and presented globally). As regards the presence of documents that define the ethical principles in the operation, the results showed that around **one fifth of the monitored websites comprise a document on the ethical principles of the company**. The percentage of companies which on their website have some sort of a declaration regarding the ethical principles is significantly higher (71.2%): mission, vision and values of the company, corporate governance principles, etc. Within such contents, the workers' rights were mentioned with 55% of the companies whose websites were subject to monitoring. The most frequently addressed issue is the care for safety and health of the workers at work, while in a somewhat lower percentage (about half of the companies) a mention was made of the values/measures/policies for protection against discrimination of the workers/equal opportunities.

A high percentage of 74.6% of the companies referred to care for consumer rights on their websites. Such contents primarily refer to the care for the quality of the products and the services placed on the market by the company, the observance of its contractual obligations and providing grievance mechanisms. The discrimination of certain groups of consumers is not perceived as a significant matter, while the care for consumer privacy is mentioned only in 16.9% of the cases. In an equally low percentage a mention is made also of the ethical operation of the suppliers. When it comes to the existence of a grievance mechanism, almost all companies have some sort of a grievance mechanism: a contact address, an e-mail address, a possibility for making contact through the website and customer care centers. In the context of this

issue, it is necessary to emphasize that a **relatively low number of companies have published substantial information regarding the grievance procedures, the bodies that make decisions upon the filed complaints and the measures for the protection of the rights of the relevant stakeholders**. A body competent for resolving complaints has been mentioned in about one fifth of the monitored websites. Only three of the companies included in the digital monitoring have a helpline for lodging complaints by relevant stakeholders accompanied with written rules on the grievance procedures and mechanisms.

Does the website of the company comprise information on communication with the public (with reference to the previous questions?)



Flowchart 1. Companies whose website comprises information reporting on activities related to social responsibility and protection of human rights, in percentage.

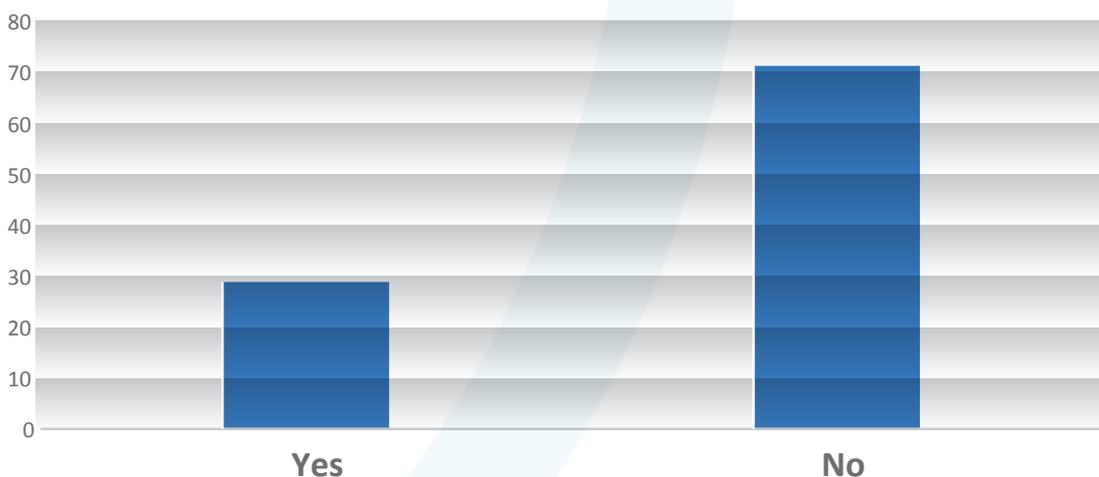
About two thirds of the companies whose websites were subject to digital monitoring emphasized that they care for the communities within which they operate, while there is a slightly lower percentage (59.3%) of companies which declared on their website that they care for the environment. In half of the monitored websites the companies presented information related to their activities in the sphere of social responsibility and protection of human rights. A significant part of the companies included in the digital monitoring have not presented any annual operations reports – still, in most of the cases when such reports are available on the websites, these documents include measures and activities in the sphere of social responsibility and protection of human rights.



Low awareness of the need to develop mechanisms for the protection of human rights

Nevertheless, more than one third of the companies have not published any information related to the respect of human rights on their websites. With additional 40% of them the presented information is minimal and primarily expressed in the form of declarative commitments to ethical operations, generally with a view to ensuring quality and customer satisfaction, without presenting any additional contents (policies, measures, activities, projects, risk analyses) which confirm the dedication to such commitments. In this respect the conclusion arose that **almost half of the companies do not present an image of showing an interest in human rights**. Namely, only about 28.8% of the companies informed that they are conducting risk assessments related to human rights, while only 13.6% of the companies included in the monitoring have established an approach in terms of crucial risks related to human rights. Due diligence in the sphere of human rights, i.e. regular monitoring and assessment of the impact of the companies' operations on the rights of the employees, the consumers and the citizens affected by their operations, constitutes one of the key segments of the implementation of the UNGP.

Based on the data on the website, has the company conducted due diligence and identified certain specific key risks upon human rights?



Flowchart 2. Companies which have presented information on their websites regarding the conducting of due diligence in terms of risks related to human rights, in percentage.

With only one company included in the monitoring activities it was noted that it presents information regarding the existence of a practice of hearing out the employees, whereas low 5.1% demonstrated practices of hearing out the consumers. In this context, **an exceptionally low percent of the companies presented information on communication and listening to the needs of the relevant stakeholders**. Although the support for the professional development of the employees has been stated as a commitment by most of the companies, only in 15.3% of the observed cases the companies presented information on organizing employee trainings.

The concept of corporate social responsibility is mentioned in slightly less than half of the monitored websites. On the other hand, **the percentage of companies demonstrating awareness of and dedication to the UNGP and the Global Compact is exceptionally low**. In particular, the concept of the Global Compact is present in 13.6% of the websites, while the mention of the UNGP is in an even lower percentage – only 11.9% of the companies have

referred to it on their websites as a concept incorporated in their policies. A bit less than one third (28.8%) of the companies have mentioned the term human rights. The comparison of the data in terms of whether the company has its own website in the country or globally indicates that the companies that are present via global websites publish significantly more information on human rights, as well as show greater awareness of the concept of the Global Compact and the UNGP.

Results of the company survey

The survey results showed that almost all participants in the survey perceive themselves as socially responsible companies and an equally substantial majority (89.3%) has stated that they are taking specific measures aimed at social responsibility. About half of the companies, i.e. 44.5%, stated that they also have written documents which define the guidelines and the measures for social responsibility. Still, somewhat less than one third of the participants in the survey stated that they have organized trainings on social responsibility for their employees.

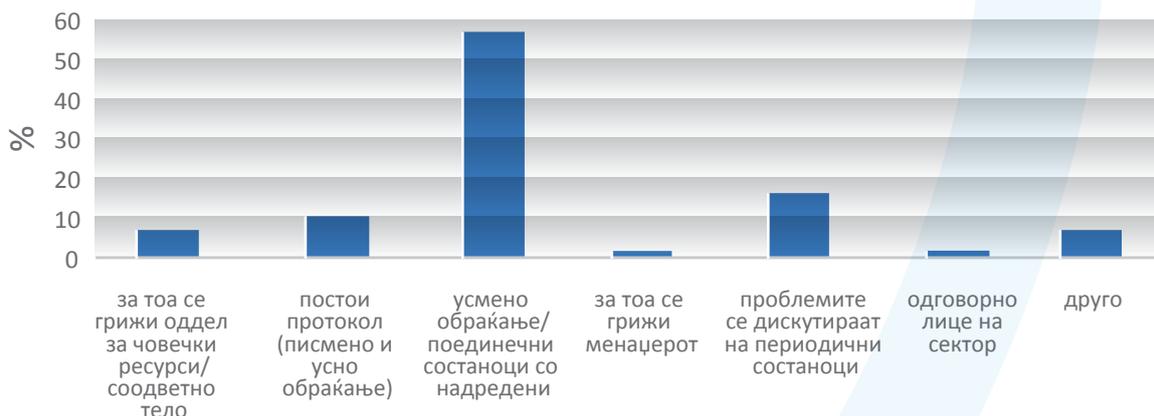
The care for environmental protection and the monitoring and decrease of any harmful impact on the environment as a result of the companies' operations constitutes a relevant aspect in terms of human rights protection not only from the perspective of the employees in the company, but also regarding the rights of the citizens in the communities in which the companies are located. In that context, **when asked whether they are applying environmental protection measures, the vast majority of the companies (83.3%) gave an affirmative answer.** Within this group of initiatives, there is a notable prevalence of waste management measures with 44.4% of the companies (waste selection, storage and recycling). Slightly less than 10% of the companies are taking measures for reducing the harmful impact on the environment (mechanisms for reducing harmful emissions in the environment, using filters, etc.). Around 7% of the participants are applying measures pursuant to the obligations for an integrated environmental license, while around 5% are applying energy efficiency measures and organizing/participating in actions for foresting and horticultural landscaping of the communities in which they are active.

In terms of other forms of social responsibility, the companies also answered the question as to whether and **how they are supporting the communities in which they are active.** Around two thirds of the participants in the research gave an affirmative answer to this question. Within this type of social responsibility there is a notable prevalence of donations (28.8% of the companies are taking actions for supporting the community) for various needs (from products to financial support of projects). They are followed by environmental actions and other forms of improving the environment in the local communities (13.6%); assistance for vulnerable and socially underprivileged categories (11.9%); as well as cooperation with the local self-government (10.9%). There is a somewhat lower percentage of support for sports and cultural events and organizations; construction and maintenance of the road infrastructure in the community, as well as activities for supporting education. About one fifth of the participants provide other, different forms of support to the community.

Low level of presence of formal procedures for supporting the employees

As regards the **relation with the employees and the existence of established assistance and support systems and procedures**, the companies that participated in the research were also asked whether there is a practice of discussing problems with the employees. A high percentage of 90.2% of the participants in the research gave an affirmative answer. With the majority of the companies that participated in the research (57%) such matters are addressed by orally approaching the employee and/or by organizing individual meetings with the employees. Around 16% of the companies organize periodic meetings at which they discuss, inter alia, the problems of the employees, whereas with around 10% of the companies there is a defined protocol for the employees to state their possible problems. With around 7% the human resources department is in charge of such matters. Approximately half of the companies have established grievance procedures (employees, citizens and consumers/service users). The results point to the conclusion that **with a significant part of the companies that participated in the research there are no formally defined procedures for providing assistance and support to the employees** in the event of any problems, which may have an indirect impact on the exercising of their rights.

Në cilën mënyrë i dëgjoni të punësuarit për nevojat e tyre?



Flowchart 3. Practices for hearing out the employees' problems, in percentage.

When it comes to the care for the consumer rights, a major part of 83.5% of the companies gave an affirmative answer. The answers pertaining to this issue were primarily related to the quality of the products/service, the meeting of contractual obligations, as well as the existence of mechanisms for responding to the consumers' complaints.

Around half of the participants in the research answered that they take consideration of **the ethical standards of their suppliers**. This is mostly implemented via requirements for compliance with relevant standards and possession of relevant certificates, observance of contractual obligations and conducting regular audits, as well as, in a minor percentage, the existence of a dedicated procurement office which continuously addresses such matters.

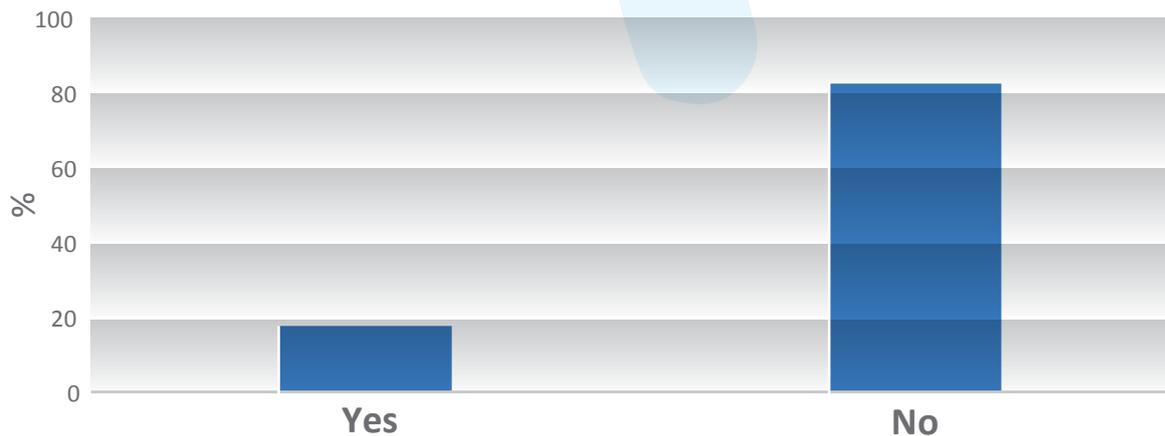
An important indication regarding the situation arose from the data on the relatively **low preparedness to communicate the activities in the sphere of social responsibility and the respect of human rights with the general public**. Namely, only 38.2% of the companies have an established practice of informing the public of such activities. In a significant part, the comments of the participants referred to the fact that the promotion of such type of activities is perceived as unnecessary publicity, which points to the conclusion that the social responsibility measures are perceived as unnecessary/uncalled for advertising, rather than an indicator of a responsible governance and a role-model for the other relevant stakeholders. The companies that have

an established practice of informing the public regarding such activities most often share such information through their websites or through the social media pages. On much rarer occasions they use the local and national media for informing the public.

Somewhat more than a half of the companies that participated in the research have a **written document on the ethical principles of the company** (code of ethics, good governance principles, etc.). This percentage is relatively low if we take into consideration the fact that the establishment of ethical principles in the basic documents and other internal acts of the company constitutes one of the basic steps in the integration of human rights in the company's policies and activities. Almost 80% of the participants stated that they are taking **measures for protecting the employees against discrimination**. Still, in the elaboration of the measures for the prevention of and protection against discrimination, the majority of the participants stated that there is a ban on discrimination of the employees on the basis of religion and ethnicity, which is limiting from the perspective of the wider range of grounds for discrimination defined in the legal regulations, as well as in the international documents. In this respect, there is a significantly lower percentage of participants that stated that the employees have received an explanation/education regarding (anti)discrimination and/or mobbing, as well as that such principles are embedded in the internal acts of the company. This leads to the conclusion that there is a prevailing **passive approach to this issue, as opposed to active measures that prevent a discriminating conduct**.

As regards the conducting of **analyses of the existence of risks related to human rights, a low percentage (17.6%) of the companies stated that they are implementing such activities**. Some of them stated that they have not identified any risks related to human rights, whereas in the cases where such risks were identified, they pertained to the relations between the employees and they were addressed with corrective actions (measures for vulnerable groups, adopting acts on safety at work, employee trainings). Approximately one fourth of the participants in the research conducted trainings for the employees on topics related to human rights. The results related to these issues point to the conclusion that risk assessment/due diligence procedures exist in an exceptionally low number of companies, usually the larger ones.

Has your company conducted due diligence and identified certain specific key risks in terms of human rights?



Flowchart 4. Percentage of companies that conduct an assessment of the risks related to human rights.

A bit less than a half (42.2%) of the companies that participated in the research stated that they are familiar with the concept of Guiding Principles on Business and Human Rights. Although the percentage of the companies that are familiar with the Principles is not low, still such data should be considered in the context of the structure of the sample, which is not representative in terms of the structure of the business sector in the country, which is dominated by micro and small enterprises. Fairly more than one third cooperated with civic organizations. In these cases the cooperation with the civic organizations primarily comprises donations for various projects and activities.



The size of the company as a significant factor for taking measures and activities aimed at respect for human rights

The analysis of the data according to **the size of the company** (micro, small, medium or large) has shown a trend of a greater awareness and measures related to social responsibility which is proportionate to the size of the enterprise. Such a tendency is also observed in view of the question as to whether the company has a written document on social responsibility (the percentage of the companies that have such a document increases with the size of the enterprise). This is not the case in terms of the issue related to the training of the employees on the topic of social responsibility, where the small enterprises are dominant with this practice. There are no significant differences between the medium and the large enterprises, while this practice is least present in micro enterprises.

In the sphere of implementing **environmental protection measures**, the percentage is high in all categories, wherein the large companies have pre-eminence (all of those that participated in the research implement environmental protection measures). The engagement of the local communities, via donations, cooperation with local relevant stakeholders and organizations of activities for supporting the communities, is marked with a growth tendency proportionate to the size of the company. This is actually expected to a certain extent, if we consider the fact that the dominant form of support are donations, wherein the larger companies possess more substantial resources for implementing such initiatives.

The same proportionate trend is also discerned in the context of **supporting the employees in the event of problems**, as well as in terms of the existence of grievance procedures. The cross-reference of the results in the context of this issue has shown that there are notable differences between the micro and the small companies on the one hand and the medium and the large companies on the other hand. In particular, less than 30% of the micro and the small companies have established such procedures, while more than 80% of the medium and the large companies apply such procedures in their operation.

There were also substantial differences in the answers to the question about paying attention to **the ethical operation of the suppliers**. Only 30% of the micro companies have such procedures, as opposed to about a half of the small and medium enterprises. A high percentage of 83.3% of the large companies have established systems and procedures for monitoring the operation of the suppliers.

A similar tendency has also been discerned in view of informing the public of the activities related to social responsibility and human rights protection. Fairly more than one fifth of the micro enterprises foster such practice. For comparative purposes, it is implemented by less than a half of the small and medium enterprises and 56.3% of the large enterprises.

On the other hand, a significantly lower percentage of the small enterprises have measures for protection of the employees against discrimination. As regards the issue of identifying risks related to human rights, the medium enterprises stand out by representing the lowest percentage (8.3%) of companies conducting such assessments. There were no remarkable differences in terms of the education of the employees regarding human rights. It is also peculiar to note that the large enterprises are actually familiar with the concept of the UNGP in the lowest percentage. With reference to the cooperation with civic organizations, the large companies pre-eminence.

Opinions of the stakeholders

The participants in the interviews pointed out that the level of awareness of the need for respecting human rights is still low and **it does not go beyond the legal obligations of the companies**. It was emphasized that it is necessary to continuously build the awareness and the capacities of the stakeholders in the business sector in terms of the objective benefits arising from the respect of human rights. There is still a **low level of awareness and education with the workers as regards their rights**. Due diligence mechanisms are applied with a limited segment

of the companies and they constitute a process that demands investing substantial resources and dedication. Some of the participants in the interviews expressed their doubts as to the capacities of the micro and small enterprises for implementing due diligence procedures related to human rights. Furthermore, the need was emphasized to strengthen the capacities of the lawyers for an effective response to the needs of the citizens when their rights are endangered by the operations of the business sector. A positive assessment was given for **the impact of the economic and social councils**, both at a central and a local level, in the creation of room for developing a dialogue between the various stakeholders in terms of the issue of respect for human rights in business.

The participants in the interviews were almost unanimous regarding the **ineffectiveness in the implementation of the existing legal framework**, which was assessed as generally harmonized with the international standards. A relevant problem arises also from the lack of support for the citizens in their efforts to obtain effective protection in cases when their rights were violated. **The non-judicial mechanisms**, according to the opinions of the majority of the interviewed stakeholders, remain to be insufficiently used under circumstances when the damaged parties are faced with the issue of lengthy court proceedings and expenses, which contributes for many cases of human rights violation to remain unreported.

CONCLUSIONS

The results of the monitoring and the survey impose the conclusion that there is a **relatively low level of awareness of and compliance with the UNGP among the companies**. This does not imply an absence of mechanisms for respecting human rights – numerous legal acts and policies regulating the operations of the companies ensure a wide framework for respecting human rights. Nevertheless, several challenges have been identified in relation to the implementation of the laws, as well as the provision of effective judicial and non-judicial mechanisms for protection and indemnification in the event of violation of human rights, and such challenges impose the need for a systematic approach in terms of encouraging business operations that incorporate respect for human rights.

A noteworthy **flaw is the fact that the state does not have a defined strategy for promoting the respect for human rights in business through action plans**. The research results point to the need of greater sensitization regarding the problem also with the civic sector and education of the companies in terms of the implementation of human rights due diligence procedures. Furthermore, the authorities could also show some support for these principles, by fostering cooperation with companies that evidently and continuously work on respecting the human rights pursuant to the UNGP.

The implementation of the UNGP, in this respect, to a large extent depends on the creation of auspicious conditions for the businesses to embed these principles in their policies and operations. This implies **greater proactivity of the state authorities in terms of the definition of a strategic approach in the promotion of the Principles**; alleviating the access to effective legal remedies in the event of violation of human rights; as well **as support for the businesses applying these principles** through cooperation with companies that notably respect and protect human rights (whose internal policies and mechanisms of operation provide a framework for respecting human rights and that continuously implement procedures for human rights due diligence procedures).

Continuous efforts are required for raising the awareness and the capacities for implementing the UNGP with all the relevant stakeholders (the state authorities, the businesses, the employers' and workers' organizations, the civic organizations and the citizens) for the purposes of creating a climate of transparency, accountability and responsibility in terms of the impact of the operations of individual players on the human rights.



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