

## **SOCIAL RESPONSIBILITY VERSUS LEGAL OBLIGATION – EMPLOYING PEOPLE WITH DISABILITIES**

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### ***ABSTRACT***

*According to the Act on Promoting Employment employers in all segments of the economy are obliged to pay a rehabilitation fee if the average number of their employees is above 20 and the ratio of employees with disabilities does not reach 5%. The amount to be paid has been significantly raised from 177,600 HUF/year to 964,500 HUF/year as of 1st of January, 2010 in order to increase efficiency. My field research on agricultural and food industry companies reveals whether the strict quota-levy system really promotes the employment of people with disabilities in this sector. During the autumn of 2010 I conducted interviews with 22 agricultural and food industry companies to find out the impact of the legal restriction on the companies. According to the data gathered during the interviews, in 9 out of the 22 examined companies they had already employed people with disabilities prior to the introduction of the quota system. Only 5 companies decided to employ people with disabilities because of the higher rehabilitation fee. 8 companies still do not have any employees with disabilities. It means that less than 23% of the companies reacted positively to the legislation, while almost 41% was already engaged to the topic and acted socially responsibly towards people with disabilities living in their area and willing to work. This result keeps the question still open: is the restriction of the quota system the best way of promoting the employment of people with disabilities?*

Keywords: CSR, disability, employment, quote levy

### **INTRODUCTION**

When talking about CSR first of all a common definition is required in order to identify the framework of our thinking. The available definitions range from very broad: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (*The European Commission*, 2011) to very specific: “economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (*Reference for Business*, 2011). Without bringing all the available definitions – scientific and practice oriented ones – into this paper one thing is for sure: it is being either driven by the internal ethics of a company or by the expectations of the environment which it is operating in.

Certain governments – including the Hungarian government – apart from accepting and promoting the importance of CSR in business life try to actively encourage companies to act socially responsible by introducing a so called quota levy system in order to promote the employment of people with disabilities. In most cases the quota levy systems operate well and achieve their goals (e.g. in France, Germany)

(Thornton, 1998). In Hungary it was introduced in 1985 but only since the 1<sup>st</sup> of January 2010 has it received broad attention from companies. The reason for this is that previously the financial sanctions were set so low that they did not make any effect, while from the above mentioned date the amount of the rehabilitation fee - to be paid in case the average number of the employees is above 20 and the ratio of employees with disabilities does not reach 5% - was raised significantly.

This change in the legislation gave me an interesting opportunity to examine whether the CSR policies of the companies had more effect on the employment of people with disabilities or whether the legal requirements (together with economical interest) drive employers into hiring people with disabilities. Because the agricultural and food industrial sector of Hungary is in a very difficult situation, I decided to examine the effects of the legal change on that sector.

### **Agriculture – a suffering sector**

In Hungary - as in most of the transition countries – the place of agriculture in the national economy has significantly changed. Between 1990 and 2006 its contribution to the GDP has fallen from 12.5% to 4.3% and its employment rate has decreased from 14.2% to 4.9% (*Hungarian Central Statistical Office, 2007*). These changes happened partially due to the strengthening of other sectors but also because of the decrease in the agricultural production. In 2009 there were 173 500 employees in the field of agriculture which meant 4.6% of the overall number of people employed that year (*Hungarian Central Statistical Office, 2010*). Considering the above shown numbers it is easy to understand that any employment restriction affects the sector strongly.

### **Setting the Hypothesis**

Before starting my research my hypothesis statement set forth the following: Taking the current economic situation of the overall business world, and in specific, the agricultural and food industry sector into consideration – the significantly high amount of rehabilitation fee to be paid in case of not employing the legally set ratio of people with disabilities motivates the companies more than their previous ethical standards do. Meaning: the number of people with disabilities employed in the agricultural and food industry sector after the rehabilitation fee was raised is higher than the number of people with disabilities employed prior to the significant rise in the rehabilitation fee.

## **MATERIAL AND METHODS**

I put together the list of companies to be interviewed from different databases (agrárkapu, cylex database, databases of the different associations) as I did not find a single database with all the required information available. From the list created at this phase of my research I contacted 33 companies. Out of the 33 companies 4 had already been closed down and 7 appeared to be too small for the scope of the research (as the legal restrictions apply only to companies with 20 employees or more). So the number of companies with adequate data for the research became 22 (N=22).

When designing data collection first I was planning to send a survey to the companies. After checking the effectiveness of this method with three companies, I decided to make interviews with the companies in order to get valuable data. So in the final research I created a semi standard interview to be conducted either in person or via phone call.

I categorized the companies by field of activity, geographical location and size.

## **RESULTS AND CONCLUSIONS**

When analysing the data I have to note that there is a special case to be considered with great care. One of the companies earlier on had established a daughter company – without any legal obligation – to provide people with disabilities with sheltered employment. When the current legislation came into force they had to decide whether to integrate the daughter company into the mother company and in this way meet the new requirements easily, or to keep the daughter company as it was and start integrated employment in the mother company as well. The integration would have not met the high ethical principles of the company therefore they decided to build up their own employee base. Without this information the newly employed people with disabilities would indicate that the company was only doing it to avoiding the levy to be paid, however seeing the context in which they hired these new employees with disabilities suggests that they consistently honour their own CSR policy. Therefore, I decided to remove the data of this company from the analysis in order to avoid any misinterpretations. So further on N=21.

### **Overall Results**

The overall numbers show that before the regulation introduced by the legislation and the introduction of the significantly high rehabilitation fee 61 people with disabilities were hired by the examined companies. Only an additional 10 people were hired after the changes! This means that my hypothesis was highly inaccurate. To see behind the numbers hereby I am showing the set of data analysed by field of activity, geographical situation and size.

#### *The impact of the field of operation on social responsibility*

I divided the observed companies into the following operational categories:

- agricultural production (9 companies),
- agricultural service (7 companies) and
- food industry (5 companies).

*Table 1* shows the employment data by field of operation.

As the data shows, the willingness to hire people with disabilities changed only in the field of agriculture and within this in the production area. But even here the change is not significant. It is not surprising because the overall employment rate of people with disabilities at the agricultural companies is somewhat higher than at the food industry companies, too. It is interesting to see however that the food industry sector did not react to the financial restrictions at all.

**Table 1**

**Employment data by field of operation**

<b>Field of Operation</b>	<b># of People with Disabilities Employed Based on CSR</b>	<b># of People with Disabilities Employed Due to Levy</b>
Agricultural production	24	9
Agricultural service	27	1
Food industry	10	0
Total	61	10

*The impact of the regional location on social responsibility*

After analysing the data by field of operation the question raises whether the regional location – and with that the economical surrounding – has an impact on the level of employment of people with disabilities. Is it true that on favourable terms companies hire more people with disabilities? At this phase of my research I did not gather data from all regions of Hungary. My data falls into the following regional positioning:

- Central Transdanubia (4 companies),
- Central Hungary (9 companies),
- Northern Hungary (6 companies) and
- Western Transdanubia (2 companies).

Table 2 shows the results of the certain regions.

**Table 2**

**Employment data by regions**

<b>Region</b>	<b># of People with Disabilities Employed Based on CSR</b>	<b># of People with Disabilities Employed Due to Levy</b>
Central Transdanubia	42	0
Central Hungary	4	3
Northern Hungary	15	7
Western Transdanubia	0	0
Total	61	10

The above average employment ratio of people with disabilities in the examined 4 companies from the Central Transdanubia region is over the expectations as the economic performance of the region is only average. It is also interesting to see that all the employment is based on CSR reasons and not as a result of the legal changes (*Hungarian Central Statistical Office, Debrecen Directorate, 2007*).

The analysis of the data from the Central Hungary region provides us with further surprising findings. Although the economic performance of the region is –

historically – high above the country average (*Hungarian Central Statistical Office, Debrecen Directorate, 2007*) the observed 9 companies employ only 7 people with disabilities altogether out of which 3 are employed based on the legal regulations.

The data from Northern Hungary is exceeding the expectations knowing the hard economic situation of the region (*Hungarian Central Statistical Office, Debrecen Directorate, 2007*). More than twice as many people with disabilities were employed prior to the introduction of the raised amount of rehabilitation fee than as a result of.

None of the 2 observed companies operating in the Western Transdanubia region employ any people with disabilities based on the high economic performance of the region (*Hungarian Central Statistical Office, Debrecen Directorate, 2007*). It could however have been expected that they show a bit more social responsibility or at least try to comply with the legal requirements.

All in all we can say that the regional location and closer economic environment has no or even inverse influence on the employment ratio of people with disabilities.

*The impact of the company the size on social responsibility*

Analysing the data I made a comparison based on the third grouping criteria – the company size. The categories made by me are the following:

- small: 20-50 employees (8 companies),
- medium: 51-500 employees (11 companies) and
- large: over 501 employees (2 companies).

The summary of the data by company size can be seen in *Table 3*.

**Table 3**

**Employment data by company size**

Size	# of People with Disabilities Employed Based on CSR	# of People with Disabilities Employed Due to Levy
Small	1	2
Medium	35	8
Large	25	0
Total	61	10

Analysing the data by the size of the operation it can be said that the while small businesses highly respond to the financial restrictions, medium size companies show moderate interest in their legal obligations and are very rather socially responsible. Large companies simply disregard the changes and keep to their originally set – not really high – level of social responsibility.

**CONCLUSIONS**

After analysing the data by field of operation, regional location and company size we can say that apart from a slightly higher response rate from the agricultural companies and small businesses the introduction of a significant levy did not really raise the already

existing level of employment of people with disabilities. The number of originally hired people with disabilities was significantly higher than the number of the newly hired ones. Seeing the above shown set of data the question still remains: does the strict quota system bring real results? When it has such a low correspondence rate is this the best tool to promote the integrated employment of people with disabilities? Is it really a matter of willingness to employ people with disabilities or are there any other reasons for their so low level of employment in Hungary?

*Not sufficient qualification and lack of accessibility*

One of the most commonly cited problems in all sectors of the economy regarding the employment of people with disabilities is the low level of their education. Although there is a positive direction to be observed in this regard according to the last census of Hungary (conducted in year 2001), 32 % of people with disabilities have not completed their primary school education (grade 1-8).

39% of the people with disabilities have completed their primary education but do not have any further education. Only 25% of the people with disabilities possess a skill and 5% have a college or university degree (*Závoti, 2009*).

In order to investigate how much effect the lack of sufficient educational background has on the employment possibilities of people with disabilities in the agricultural and food industry sector I asked the company representatives whether they have faced the issue when recruiting people with disabilities. 23% of the observed companies do have a problem in finding people with disabilities with sufficient educational background. In most cases it meant skills education and in only one case higher educational background would have been needed in order to fill in the open position.

Another commonly mentioned topic in the Hungarian media is the insufficient support of the Regional Labour Centres in identifying and channelling the available people with disabilities to the open positions. During my field research I experienced just the opposite. Apart from one case, companies reported a very good relationship with the Labour Centres and their up to date set of information. The problem lies deeper in this respect. In most cases people with disabilities do not need to register at the Labour Centres. They only register in case they claim unemployment benefits or they are openly willing to join the working society. Unfortunately many times that is not the case. As one of the interviewed persons – himself sitting in a wheelchair – said to me: whoever wants to find a job now has all the possibilities to do so. All it takes is a bit of effort. He said that although the response rate to the legal obligation is very moderate, we should not forget that for people living with disabilities - who have been excluded from mainstream society for decades - any result is positive.

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