



CSR/SME

Promoting Social Responsibility
in Small and Medium Size Enterprises

CORPORATE SOCIAL RESPONSIBILITY

STATE OF THE ART
IN HUNGARY

2004

EDITORIAL

Title: Corporate Social Responsibility: State of the Art in Hungary 2004

Edition: LA VIDA OKTATÓ ÉS TANÁCSADÓ KFT
(Consultancy and Training Centre)

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Place of Edition: Budapest

Date of Edition: May 2004



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FOREWORD



This report aims to offer insight into the situation in the Republic of Hungary regarding Small and Medium Sized Enterprises and their current status on the strategic management tool known as Corporate Social Responsibility.

Corporate Social Responsibility (CSR) can be defined as the voluntary integration of social and environment concerns in the enterprises' daily business operations and in the interaction with their stakeholders. CSR can also be understood as the business contribution to sustainable development.

Since the fall of the communist regime in Hungary in 1989, the country has been continuously adopting a free approach to market activities. Before this time, the Republic had no experience with such questions as sustainable management and therefore had large amounts of ground to cover compared with its Western European counterparts, both in terms of policy and governance, and in gaining skills and experience in the market arena.

It was a question of necessity that before the political spotlight could be turned to long term environmental and social concerns, immediate and complicated economic issues were to be faced. Corporate Social Responsibility, itself a relatively new field, has taken a very back seat to the constant bureaucratic problems that have riddled this rising democracy.

Here we endeavour to define the level to which CSR is known and practiced in Small and Medium Sized Enterprises (SMEs) and some of the factors at play behind this picture.

EXECUTIVE SUMMARY

Since the fall of the communist regime in Hungary in 1989, the country has been continuously adopting a free approach to market activities. Before this time, the Republic had no experience with issues such as sustainable management and, therefore, had large amounts of ground to cover compared with its Western European counterparts, both in terms of policy and governance, and in acquiring skills and experience in the market arena.

It was a question of necessity that before the political spotlight could be turned to long term environmental and social concerns, immediate and complicated economic issues were to be faced. Corporate Social Responsibility, itself a relatively new field, has taken a very back seat to the constant bureaucratic problems which have riddled this rising democracy.

Leaders in today's Hungarian companies have had 15 years not directly under the auspices of the communist regime. At the beginning of this time it was possible to learn business and other techniques which enabled citizens to set up enterprises. They began to have more design and initiative in their own lives, and with it more social responsibility.

Economic sustainability has been a constant challenge for such individuals, and keeping out of the red has left little time or energy for going green. But more fundamentally, players in the markets of Hungary are typically not aware of the role they (would) play in achieving social goals, let alone knowing how to effectively support such ideas and remain profitable. CSR initiatives in Hungary seriously risk being seen as naive - the enemy of the bottom line.

Traditionally, companies in Hungary have neither shared significant information with the public and legislators beyond that which was required, nor operated specifically in ways to improve or alter social and environment issues.

There is no history of CSR in SME on a major or even organised scale in Hungary.

A study was carried out by the Hungarian Environmental Economics Centre in 2003 concerning 27 companies listed in the Budapest Stock Exchange. It is evident that, in general, CSR and its perspectives are not acknowledged and certainly not incorporated into everyday practice by these companies, which are the most internationally-minded and forward-thinking of the largest Hungarian companies. The mind-set is even less developed among their small and middle sized market companions.⁷

Likewise, the flows from SRI funds (Social Responsible Investments), which are gathering momentum elsewhere in developed markets, are not pouring into Hungary. Two reasons are listed in the report; one is the lack of CSR information from Hungarian companies. The second is a continuous mistrust of the stability of the emerging economies of Central and Eastern Europe from established funds and investors.

However, among the 27 companies researched 4 of them in particular are making great efforts to improve their CSR standards and to convey information about their progress – or regress – available to any person who may have an interest i.e. shareholders, future investors, NGO's, the press etc. Other companies are either following immediately after in their efforts or considering and planning how to improve their level of information and hence their processes.

Also, the Hungarian accession into the EU on May 1st 2004 should make it clearer to foreign investment funds that the economy is stable and that the political establishment will hold true to the ideas of market economy. Hungary was among the first countries in the former Soviet client states to adopt these ideas and provide a healthier business environment.

The above-mentioned survey conveys the following future indicators of trends in Hungary:

- to 70% of customers, a company's CSR activity is an important factor for buying;
- 20% of customers are willing to pay more at a company with CSR;
- 78% of employees prefer to work for a company with CSR for lower salary.

Most popular CSR activities of companies in Hungary have been identified as:

- Employee fringe benefits (training, financial loans, meal-tickets, internet access, language classes);
- Help for ex-employees;
- Donations to causes and churches;
- Supporting foundations, cultural events, artists;
- Supporting (non-profit) institutions established by the company;
- Opportunity for legal employment for foreigners and immigrants.



Based on the available information on CSR in Hungary today and the way companies, politicians and organisations communicate in fields related to CSR, it is fair to assume that the idea of CSR will spread and grow and that the related communicational culture will become an organic part of Hungarian corporate world with promising and dynamic perspectives. So far, the results are modest but the potential is substantial.

CHAPTER 1. INTRODUCTION

1.1. Country description

1.1.1. Population

Hungary, like some of its European counterparts, is experiencing a rate of growth in the population close to zero, and by some estimates it is diminishing. The latest figures show the inhabitants to number 10,117,000. This is in a land mass of 93,000km².

Sources state that 3,870,600 are employed, which represents 49.9% of people, excluding those on maternity leave (Label Force Survey data relating to 15-74 year old population) The rate of females in the workforce come in at 49%

1.1.2. Economic Performance

Hungary has a Gross Domestic Product (GDP) of \$5,500 per head of capita (National Statistics, 2004). This is near the mean of member states that acceded to the European Union in May 2004, but approximately one tenth of the Western European average. GDP figures for 2004 show to be 103.3-103.5% of 2003 calculations.

The Hungarian Central Statistics Office examined GNP data most recently in 2001. For that year it was 104.2% or HUF 1,409,030 (Euro 6,120) per head of capita. The GDP for the same year was 103.8% or HUF 1,484,900 (Euro 6,456) per head of capita.

Unemployment is currently 238,800 people of which females represent 42.2% persons under 25 years make up 23.7% and the permanently unemployed (one year or longer) is 44.7%. The total incidence of unemployment is 5.8-6%.

Inflation was very high during the beginning of the 90's but now is settling to around 6.5%.




1.1.3. Structure of the Corporate Sector

There are 882,503 companies registered in Hungary. This number is alarmingly high when seen with the population (one company for every 12th person) or against the working population (one company for every four or five people). One of the reasons for this is the high level of personal income tax. In order to evade this cost, many entrepreneurial Hungarians open small one or two person companies and work as consultants choosing to pay the more favourable company tax and personal income tax only after the minimum wage.

Micro, small and medium sized companies make up 44.8% of the country's registered operated in the following break-down:






The number of companies: is 882.503.

Relative weight of companies in employment: extra-small companies: 20%.

-  small companies:16,6%
-  medium companies:18.2%
-  large companies:43.2%

1.1.4. International Conventions Subscribed by the Country

With reference to the list of agreements that have reached full ratification, Hungary subscribed the following International Conventions:

-  ECHR - European Convention for the Protection of Human Rights
-  ICCP - International Covenant on Civil and Political Right
-  ICESCR - International Covenant on Economic, Social and Cultural Rights
-  CAT - Convention Against Torture Claims
-  CERD - Committee on the Elimination of Racial Discrimination

- CEDAW - Committee on the Elimination of Discrimination against Women
- CRC - Convention on the Rights of the Child
- National Minority Agreement



1.2. CSR History in Hungary

A dominating factor in perspectives on (social) responsibility in this Republic is the history Hungary has with Communism. Under this regime, all social tasks and provisions were unquestionably the sole responsibility of the state. This politic was upheld for the 41 years from 1948 to 1989, enough time for approximately two generations of working populations to be influenced by this dogma.

Leaders in today's Hungarian companies have had 15 years not directly under the auspices of this regime. At the beginning of this time it was possible to learn business and other techniques that enabled citizens to set up enterprises. They began to have more design and initiative in their own lives, and with it more social responsibility. (Noteworthy however, is the fact that no body of literature on local case studies exists to this day on any aspect of strategic management; neither those seen as important by Hungarian managers, nor on more 'peripheral' topics such as CSR.)

Economic sustainability has been the constant challenge for such individuals, and keeping out of the red has left little time or energy for going green. But more fundamentally, players in the markets of Hungary are typically not aware of the role they (would) play in achieving social goals, let alone knowing how to effectively support such ideas and remain profitable. CSR initiatives in Hungary seriously risk being seen as naive – the enemy of the bottom line.

Traditionally, companies in Hungary have neither shared significant information with the public and legislators above what was required, nor operated specifically in ways to improve or alter social and environment issues.

There is no history of CSR in SMEs on a major, or even organized scale in Hungary.

1.3. CSR Overview

1.3.1. CSR Situation in Hungary

CSR has been defined as part of a company's business strategy. During business activities a company must pay attention to social, economical and environmental aspects and support employees, sponsor cultural and social events, support the society (help integration of immigrants, agreements with government to take in unemployed or disabled people), and make donations.

Two important goal have been established for Hungary:

The social goal:

- a "business mentality" was established during communism that must be changed to support a new corporate culture in Hungary enabling more effective markets and businesses;
- we would like to establish a financially and morally strong middle class;
- awareness should be raised of the responsibility of business owners and managers.

The second one is the economical goal. We need to

- establish new workplaces;
- put money back in circulation;
- support and increase the standard of living through PR;
- ensure CSR is market orientated.

As we know, CSR in Hungary has yet to take off on a grander scale. Neither officials nor companies are fully embracing the mind set and the practicalities connected to CSR.

A study was done by the Hungarian Environmental Economics Center in 2003 on 27 companies listed on the Budapest Stock Exchange. It is evident that in general, CSR and its perspectives are not acknowledged and certainly not incorporated into everyday practice by these companies, which constitute the more internationally-minded and forward-thinking of bigger Hungarian companies. The

mind-set is interpreted to be even less developed among their small and middle sized market companions.

Likewise, the flows from SRI funds (Social Responsible Investments) that are gathering momentum elsewhere in developed markets are not pouring into Hungary. Two reasons are listed in the report; one is the lack of CSR information from Hungarian companies. The second is a continuous mistrust of the stability of the emerging economies of Central and Eastern Europe from established funds and investors.

However, among the 27 companies researched 4 of them in particular are making great efforts to improve their CSR standards and to make information about their progress – or regress – available to any person who may have an interest i.e. shareholders, future investors, NGO's, the press etc. Other companies are either following immediately after in their efforts or considering and planning how to improve their level of information and hence their processes.

Also, the Hungarian accession into the EU on May 1 2004 should make it clearer to foreign investment funds that the economy is stable and that the political establishment will hold true to the ideas of market economy. Hungary was among the first countries in the former Soviet client states to adopt these ideas and provide a healthier business environment.

1.3.2. Main Facts Related to CSR that Occurred in 2003

The event of 2003 relating to CSR was the Hungarian Environmental Economics Center study of 27 stock market companies. The follow-on effects that come in the wake of this event include:

- higher awareness of CSR at the 27 companies surveyed;
- higher press awareness of CSR;
- web coverage of the topic in Hungarian language;
- some of the first local case studies in the field;
- spread of these ideas to SMEs over time with movement of staff between firms.

1.3.3. Expected CSR Trends

The above-mentioned survey gives the following future indicators of trends in Hungary:

- for 70% of customers, a company's CSR activity is an important factor for buying;
- 20% of customers are willing to pay more at a company with CSR;
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Most popular CSR activities of companies in Hungary have been identified as:

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- Support of foundations, cultural events, artists;
- Support of (non profit) institutions established by the company;
- Opportunity of legal employment for foreigners and immigrants.

Based on the available information on CSR in Hungary today and the way companies, politicians and organisations communicate in fields related to CSR, it is fair to assume that the idea of CSR will spread and grow and that the related communicational culture will become an organic part of Hungarian corporate world with promising and dynamic perspectives. The results are modest so far but the potential is substantial.

Companies pioneering in this field function as benchmark examples and pull forward other companies. When Hungary joins the EU and has to compete with established EU companies, the practises and standards of that competition will eventually be assimilated into local business life, challenging corporate Hungary to be a modern and effective, as well as a socially and environmentally conscious entity.

CHAPTER 2. BUSINESS ETHICS



129 small and medium sized, and 80 large companies were involved in the survey of corporate social sensibility. It was examined how business ethics work in these companies' lives.

It was found that CSR can have a positive effect on a company's financial situation, but it is not the most important goal.

22% of the companies were not interested in ethical questions.

19% of the companies are interested in ethical questions but they do not know how to implement them.

60% of the companies consider that the adoption of ethical questions is a really important part of successful leading.

Altogether everyone expects to see growth in the role of ethics within companies.

Studies show that in most firms the reason ethical aspects are integrated is that various groups force them to be, or they are seen as a tool for successful operations. This considered, the ethics audit could be the most effective tool in integrating a perspective of ethics into corporate decisions, systems and culture.

2.1. Use of Written Statements

2.1.1. Vision, Values and Mission

Unfortunately in Hungary today, corporate ethics remain in the start-up phase. Vision and Values as well as Mission Statement documentation is used almost exclusively at multi-national organizations. As some of these have been operating in Hungary for some over a decade, workers have had a chance to acquire the skills needed to create such documentation. It has also given rise to an opportunity to see the benefit of such communication.

For micro and small firms it is often the perception that mission statements and value/vision expressions have primarily a communication function which pulls workers together in big organizations to maximize efficient practice. At multinationals, they are also used to build teams and raise morale – tasks that are simply not relevant to a one or two person company. Other benefits such as writing down goals as a marketing or PR tool, or in fact to keep the individual focus on his benchmarks are not regarded critical. SMEs typically do not partake in such formal activities.

There is no legislative prescription on the documentation of vision, values or mission statements.

2.2. Corporate Governance

2.2.1. Codes of Conduct

Since the 1980's it has become visible in Hungary in increasing broader circles that companies possess codes of ethics. In those organisations where such codes are not published, the ethical norms are found within the *operational rules of the organisation*.

The reason for putting ethical norms into writing is that all facets of economic life must be governed with economic, legal or political tools. Ethical requirements, which are recorded by companies in codes of ethics, play an important part in all of this. Without a favourable ethical position the economy is paralysed. In the long term, honoring corporate ethics helps in staying on the market. The goal of the code of ethics is to define and enforce the norms of an ethical market. The code of ethics only governs in such cases where the law is not specific.

The code of ethics helps in:

- defining internal goals and values;
- forming and guarding a favourable image and reputation;
- designing a uniform stance in internal (workplace) and external (between organisation and environment) relationships;

- bringing about management decisions that give equal validity to organisational interests, technical, economic, human, ecological and ethical considerations;
- formation of a favourable work atmosphere;
- bringing about better work conditions and safety for staff.

2.2.2. Business Principles Statements

The code of ethics contains the major rules which are sensible for firms to keep in the business arena:

- appropriate information dissemination to consumers;
- honoring employees' basic interests;
- honouring competitors (prohibition of dishonourable market positions);
- respectful stance towards business partners prescribing the position on those belonging to the organisation's external contacts (This system of contacts includes relationships with partners, clients, competitors, as well as state, local government, social and civil organisations);
- an acceptable stance on rules we expect to find in the workplace.

2.2.3. Dialogue with Stakeholders

Hungary's companies are taking an increasingly more interactive stance to communication with stakeholders. Compulsory meetings at fixed periods are regulated by law to keep management in an acceptable reporting relationship with shareholders and owners. Dialogue is also on the rise with customers, mainly thanks to market forces taking advantage of better and better technology. Medium sized enterprises generally are contactable through the world wide web, and has formal means of encouraging such speak. Surveys are regularly undertaken, as can be demonstrated by the rise of telemarket-research and face to face efforts. Other stakeholders such as unions and the public (as represented by ministries) can expect no more than the minimum prescribed reporting. Companies are only just starting to see the benefits of positive communication with such organisations and the press.

2.2.4. Transparency

The extent to which SMEs remain transparent in internal and external communication is difficult to track and rate. Some indicators however, include the amount of information companies voluntarily publish, and of course a reflection of the corruption levels that are sustained.

It is often difficult to access information about companies' figures, although a minimum amount of data is required by law to be public. When it comes to internal communication there is a typical perception that giving out information risks a loss of power for the manager concerned, hence a guarded approach to transparency.

Hungary stood in 40th place on the 2003 International Corruption Perception Index. Taking a European perspective, 14 of the 15 pre-May 2004 member states are placed above Hungary with only Greece trailing behind in 50th place. Of the May 2004 acceding nations however, (9 of the 10 appear on the list) Hungary ranks 4th behind Cyprus (27th place), Slovenia (28th place) and Estonia (33rd place).

This corruption rears its head particularly in law enforcement and in healthcare. Presumably stemming from underpaid policemen and doctors, bribes to police officers and 'tips' to doctors have become an established practice. For SMEs this could mean higher but "black" costs attached to the compulsory annual medical examining of employees. The exorbitant sum that flows illegally into the healthcare system escapes taxation ensuring a vicious cycle of ill-provided healthcare.

2.3. Accountability

2.3.1. Financial Reports and Auditing

Companies of different sizes and types are required to provide the tax department with many many kinds of financial reports and declarations. Some examples are:

- Cash flow report;
- Performance Report;

- 🕒 Financial Balance sheet;
- 🕒 Dividend payouts;
- 🕒 Profit and Loss statements;
- 🕒 For financial institutions: reports to the Financial Organisations State Supervisory Board;
- 🕒 For SMEs of less than HUF 25 million annual income, they may choose the Simplified Enterprise Tax scheme were only single bookkeeping and no cost calculating is needed.



2.3.2. CSR Reports and Auditing

No formal report relating to CSR is required by law in Hungary. For those companies in possession of an ISO 9001 or similar certification, reporting is specified and maintained in order to keep the award. In the case that agreed reporting pertains to staff development or initiatives of social benefit, these could be loosely regarded to fall under this category.

2.3.3. CSR related Certifications

In Hungary just 690 companies have an ISO 14001 certification, and 2 companies have EMAS certification.

No company exists in Hungary that has an SA 8000 or an OHAS 18001 certification.

2.3.4. CSR Toolkits

Because of the importance of CSR we can rest assured that companies will realise its advantages. The Hungarian government must fully support companies' (mostly small companies) CSR activities.

The possibilities are mainly tax discounts and contribution to vocational training. 1% of citizens' taxes can be decided by the citizens where it goes. Specific toolkits to aid firms in CSR implementation are not (yet) in circulation.

CHAPTER 3. SOCIAL RESPONSIBILITY

A - INTERNAL DIMENSION

3.1. Human Resources Management

Human resources management today is receiving an increasingly important role in corporate life.

Within HR management the following areas are regarded as fundamental: labor force planning and recruitment, training and education, remuneration, health protection, safety, communication, consultation and the offering to employees of various services.

3.1.1. Lifelong Training

Quick economic growth depends on the extent to which knowledge can be capitalised on in the work sphere. Accelerated development requires the constant improvement of knowledge and skills in order for employers to remain competitive on the market.

Presently in Hungary adult education is at a relatively early stage and could not be called the norm. This said, its significance is beginning to be recognised, hence its frequency is growing. Unfortunately for our target group, this practice is still mainly seen among large companies.

The role of the institutions dealing with general education as well as the government is extremely important in the question of disseminating this new kind of vision. The state would have a particular role in defining an incentive system. The first step in this is the parliament's accepting a bill incenting life-long learning.

The method to motivate companies is first and foremost being able to reclaim training costs through tax reductions, thus making training a prime tax reducing activity. Public support and funding through tender applications would also be important. But besides all this, corporate tax financing is essential.

It is also important to mention the concept of the learning contract. The point of this is that workers being trained must stay employed at the company for a pre-defined period, otherwise the staff member must return the training costs. In this way, corporations try to ensure that the employees use the knowledge gained for the given company's enhancement.

On the other hand, we must remember that the activity of the training organisations today is unprofitable almost without exception, making state support important here too.

Today it is mainly language courses, personal development programs and basic Information Technology training that are typically assured by firms as on-going training. In those fields where change is more frequent (accounting, IT) the courses offered cover a wider scale. However, it would be important to develop the adult education system by:

- advancing in the area of personalised education;
- the improvement of distance learning techniques;
- the establishing of modular learning systems;
- starting a skill-building program (conflict resolution, tolerance, co-operative skills).

There would be a need to change perceptions and reorganise monetary routes in order for life-long learning to become part of everyday life.

3.1.2. Balance between Working and Private Life

Significant changes in reduced in the Twentieth Century have increasingly directed attention to the questions of harmonization of, as well as conflicts between work and private life. For example the entrance of women into mass work and strengthening economic competition point to this. Most managers still feel that if the interests of the employees win this damages the company. Creation of balance between work and private life today in Hungary is centred around achieving flexible work hours and introducing childcare leave. But these only represent solutions in certain cases and neither effect organisational culture nor change managers' attitudes.



We must however, take into account that while work time used to be equivalent with time spent in the workplace, these days the use of telecommunicational tools (e-mail, voice mail, telephone conferences) makes a far greater flexibility possible. The emphasis is progressively being replaced to the use of these.

Firms are yet to awake fully to the fact that taking into account private lives gives rise to better workplace achievements, or that work and non-work activities are not mutually inhibitive, but can be mutually reinforcing. If managers help staff to balance their work and private lives, workers will be more strongly bound to their place of work and in so doing, the energy invested into their work doubles – out of which the firm profits. Hence, in this field there remains a need to change perception. The goal is to introduce a method whereby work and out-of-work lives harmonize. But for this change to take place, active dialogue is needed between managers and their staff.

The method to achieve the above mentioned goal has been established on three principles:

- ① Being precise about individual and company goals – for the company it is the result reached that is important and not the way this is reached;
- ② Supporting the whole person – support of the person outside the company, the benefit of which being that knowledge gained outside the workplace can be applied to work life;
- ③ Continuous experimenting with work organisation – the work shopping into existence of new ways of working out of which not only the results grow but time and energy is freed up.

But in Hungary this new perception is not yet widespread and typically managers expect their workers to be present for 8-10 hours a day. This is because this constant presence signifies proof to managers that work is being completed appropriately.

3.1.3. Equal Opportunities

The question of equal opportunities is gaining an ever more important place in society and within this, in the work field. It is important to recognize that equal opportunities awareness is not restricted merely to discrimination on the basis of age. In the future it will be essential to spread the concept in thematic, (not just in equal treatment but when to give advantages) organizational, (local government, non-profit and for-profit organizations should all be brought into this school of thought) and target group areas (work opportunities should relate to other social groupings e.g. mothers of infants, members of large families, those whose ability to work has been affected, ethnic and religious minorities, etc)

The fundamental problems which typify the present Hungarian society in this field:

- ① Lack of commitment to help homeless into work;
- ② Lack of integrated training and employment of the unemployed and physically disabled (it is one of the most important goals to offer integrated employment);
- ③ Struggle with labour force market discrimination (women – men);
- ④ The significant lack of training support for those under disadvantaged circumstances;
- ⑤ Absence of putting and keeping the elderly in work;
- ⑥ Helping of the disabled into jobs.

The major problem is misconception, for example that disabled peoples workplaces need entire refurbishment or that infants of working mother are always going to be sick, etc. And starting out with these experiences, the employers think when such a person applies that „there will be lots of problems with this person so I am better off not employing them”. Overcoming this is the most difficult thing. Today in Hungary there is a tax reduction for employers taking on disabled staff but it seems this incentive is not enough. According to employers, all this does not compensate for the „inconveniences” caused.

It is worth pointing out some changes in the law presently before parliament:

1. Possibilities and Limitations of awarding advantage (12. § 2);
2. Special chapter on employment;
3. Equal Opportunities Plan.

(The Equal Opportunities Plan consists of an analysis of the occupational situation, salary, work conditions, professional pathways, training and benefits relating to the parental role and child rearing for the disadvantaged groups in a work relationship with an employers – that is especially women, those above 40, Roma, the disabled, parents of two or more children under 10 and single parents of children under 10).

The Methods for Equal Opportunities used by the Budapest Transportation Corporation:

- 🕒 **Respect of Age**
 - Body corporate regulations;
- 🕒 **Valuing of productivity**
 - Achievement is the basis: for everything achievement is the basis. It approaches equal opportunities from the other side in that it is prohibited to see anything but productivity;
 - Career paths (professional, hierarchical): We will try to introduce career opportunities on the basis of achievement;
- 🕒 **Organization of workplace, work time**
 - Flexible work hours: At the time we developed our strategies, we took on the realisation of a family friendly work environment;
 - Not 8 hour work days (part time work): The employment of part time staff is very significant.

The Budapest Transportation Corporation comments that the number of maternity services offered – which fathers may also receive at their company – is indeed an engaging question. The most important thing in their view is for work to start after 8 o'clock and finishes at 4-5 pm.

3.1.4 Voluntary Social Protection Charges

Costs relating to social protection of staff have legislated minimum standards that employers must follow. These pertain primarily to compulsory pension funds and health insurance. Apart from these laws, employers are stimulated through company tax reduction programs to offer on-going professional training, free travel and holiday opportunities for staff and families and technical, computer and software funds for staff personal use. These things, in small measures, are tax deductible expenses for the firm, but are not compulsory.

The growth of private insurance companies offering health, life and pension plans for companies demonstrates a corporate interest in voluntary social protection. These attitudes however, are not wide-spread among managers or their staff. Many workers do not feel at liberty to inquire about such benefits when applying for jobs for the fear that it will reduce their attractiveness as a candidate and reduce their chances of finding work at all. What's more, it is a common local maxim that all bosses are the same and there is no point looking for better work conditions if you are lucky enough to be currently employed. These attitudes compound the problem slowing the otherwise laboured progress that is made.

3.2. Health and Safety at Work

Health and safety at work in Hungary refers to three main aspects:

- 🕒 the development of healthy workplaces;
- 🕒 the provision of technological and hygiene requirements of employees;
- 🕒 work organisation, work time.

All companies have to develop modern technical solutions and tools, avert work accidents, increase transparency of injury incidents and prevent different kinds of illnesses which are closely related to the work – for example repetitive stress syndrome or occupational overuse syndrome.

In Hungary, work protection has old traditions. In 1984 the Hungarian Work Safety and Labour Organisation was established, which is responsible for work safety. Another organisation is ÁNTSZ which is responsible for labour health and hygiene.

3.3. Adaptation to Change



For Hungary's older generation, mobility within the workforce and coming up with initiatives to solve personal finance is a huge challenge. For the sick and for those already well advanced in their working lives, little help is offered to up-date skills, transfer knowledge or support change.

As mentioned in section 1, the structurally unemployed or, those unemployed for more than a year is now nearly half of those unemployed (44%). There is one body that deals with all cases; the Labour Affairs Centre (Munkaügyi Központ). Unfortunately, programs to offer help to the structurally unemployed are few and ineffective. This is particularly alarming for older members of the public who grew up in an age of total employment under the communist regime.

Aggravating the situation is an initiative to account for those on permanent sick leave and unable to work. With the help of a doctor's certificate (not forgetting that doctors live from the black market) sick leave cases are given a percentage that represents how ill they are. Whenever this figure is below 100% the citizen does not have to work full time and receives 65% of the former salary. In the case that the doctor finds the patient healthy enough to work, one day this person may lose his benefit and be forced either back into the system or to the Labour Affairs Centre to require the unemployment benefit. These cases are treated the same as all others at this office.

There is a need to increase support of older workers, the sick and the structurally unemployed.

B - EXTERNAL DIMENSION

3.4. Local Communities

3.4.1. Sponsoring

Here are some examples of how Hungarian and multi-national companies are sponsoring different kinds of events and programs:

1 - Vodafone:

As a global company Vodafone is committed to playing a constructive, positive and socially responsible role in all the countries where it has operating companies. Here in Hungary Vodafone has established the Vodafone Hungary Foundation to give expression to this commitment. The Foundation came into being in February this year. Its objectives are simple but challenging: to help the sick and disadvantaged in society, especially children.

Vodafone sponsors disabled sportsmen.

2 - MOL:

MOL is one of the most generous sponsors among the country's companies and it was the first to receive the Aschner Lipót Prize founded by the Ministry of Youth and Sports, for its role in society.

Key sponsorship areas:

Sport:

- The Hungarian Canoe-Canoe Association
- Zoltán Veres, World and European Champion stunt pilot
- Újpest Football Club
- International Sailing Week at Lake Balaton

Culture:

- Madách Theatre: The Phantom of the Opera
- Zorán Tour 2003

3 - MATÁV (Hungarian Telecommunication Company):

This company is an outstanding sponsor of Hungarian cultural and public life. In the frame of its sponsoring activity Matáv takes part in the implementation of social initiatives in a manner and extent worthy of the economic role played by the company.

They appear as supporters primarily in events of classical music, jazz and quality light music, theater productions, mass sports events and leisure and family programs.

3.4.2. Corporate Volunteering

It is a really new idea in the Hungarian society. The corporate volunteering is the cheapest way of personal development and further vocational training and it is a really important PR tool as well. In our country the CTF Foundation established the "Szép Munka" (Beautiful Work) project which popularizes the realization of corporate volunteering. Unfortunately only multi-national companies applied for this project and no Hungarian company. There are some other organizations which try to popularize corporate volunteering, for example the Hospice Foundation and Kapocs Ifjúsági Önszolgálat (Kapocs Youth Self-Help Service).

3.5. Business Partners, Suppliers and Consumers

3.5.1. Development of Long Term Partnerships

Long term partnerships are a sign of loyalty to a company which signifies its stability and ability to fulfil promises. They can be between customers and suppliers, between strategic partnerships and other service providers or between any two players on the market.

Hungarian companies are taking advantage of ever more sophisticated technological solutions in keeping and keeping track of their customers. Databases are more and more popular, especially in their potential for internet and email campaigns.

At the organisational level, strategic partnerships between banks and financial institutions, supplier outlets and transportation firms and such the like have been the norm for many years now. A new trend however, is a rise in the interest of international partnerships. Many Hungarian firms which are giants at home are now facing the prospect of European level competition that could see them erased from the market. In these cases, companies look to join multinational strategic alliances in order to gain markets, market strength and remain competitive faced with new conditions.

3.5.2. Supply Chain Ethical Control / Responsible Marketing

There is no known statistic which characterises the weighting companies give to the ethical priorities of their suppliers. Nor has the marketing of a companies social responsibility been studied. It can be deduced that these ideas have not gained currency as important factors for the market.

3.5.4. Design for All

This represents a really big problem in Hungary, because we do not have any plans for making disabled people's lives easier. It means they can not arrange their everyday activities by themselves. Every post office or other offices have lots of stairs etc. Civil rights movements are trying to have their agenda heard in Hungary – with little success.

3.6. Human Rights

The Government generally respects the human rights of its citizens; however, there have been problems in the following areas:

- There are reports that some police use excessive force, beat, and harassed suspects, particularly Roma. In practice authorities may impose lengthy pretrial detention on suspects;
- Some local officials attempted to evict Roma from their homes and relocated them to other cities;

- ④ There are allegations of government interference in editorial and personnel decisions of state-owned media;
- ④ The Government continues to implement legislation on refugee issues and established seven regional centers to administer refugee processing;
- ④ Violence against women and children remained a serious problem;
- ④ Sexual discrimination in employment also continues to be a problem;
- ④ Anti-Semitic and racial discrimination persists and a number of racially motivated attacks, particularly against Roma, occurred during the year. Societal discrimination against Roma is a serious problem;
- ④ Trafficking in women and children for the purposes of prostitution and in men for forced labor remains a problem.



3.7. Social Labels

Social labels are words and symbols on products which seek to influence the economic decisions of one set of stakeholders by providing an assurance about the social and ethical impact of a business process on another group of stakeholders.

As established above, very little ground has been covered to notify and educate the public about the importance of such initiatives. The programs that do exist (recycling symbols, Made in Hungary, organic product) are little known and at the early stages.

3.8. Fair Trade Initiative

Aims to strengthen the economic position of marginalised producers in trading chains. The criteria for Fair Trade marked products differ between products but cover issues such as guaranteed prices, pre-payment and direct payment to growers or their co-operatives.

Fair Trading outlets have not yet made any significant appearance on the Hungary market.

CHAPTER 4. ENVIRONMENTAL RESPONSIBILITY

4.1. Management of Environmental Impacts and Natural Resources

4.1.1. Minimizing Environmental Impacts

The approach of a modern company is to accept that it should not be an observer of the environment, but an active participant whose readiness to act, its direction and strength are earmarked by its intention to improve and its role in the economy.

We would like to show some examples how Hungarian companies try to be environmentalists:

1 – MOL (Hungarian Petrol Company):

Key environmental projects:

- Resinous acid neutralizing project;
- Environmentally conscious drilling technologies;
- Environmentally friendly underground gas storage;
- Product filling technologies preventing hydrocarbon evaporation;
- Meeting the 2005 requirements of the European Union with regard to the MOL Tempo 98 petrol;
- Comprehensive assessment of HSE-risks;
- Development of HSE-performance indicators.

Innovation prizes awarded to MOL:

- Residue Processing Project at MOL's Danube Refinery (Grand Innovation Prize);
- Program package for the optimization of production related to natural gas marketing (Innovation Prizes awarded by the Hungarian Chamber of Commerce and Industry);
- Production of Environmentally Friendly Engine Fuels (Innovation Prize awarded by the Ministry of Economics and the Environmental Ministry);
- MOL 2000 environment protection program (Innovation Prize awarded by Ministry of Environmental Protection and Regional Development);
- Modern and environmentally friendly method of mixing petrol (Innovation Prize awarded by the Fund for the Technical Development of the Industry).

2 - Richter Gedeon:

Environmental aspects, with the emphasis laid on prevention, are key factors in their decision making processes. R&D efforts and the eco-efficient development of manufacturing facilities play a crucial part in their environmental policy.

Their environmental report first published in 2001 informs the authorities, partners and the general public on the company's environmental performance and long-term goals. In line with their role as a good corporate citizen, Gedeon Richter Ltd. organizes children's competitions on environmental protection and nature preservation in both the capital and the Dorog region to educate a notion of environmental responsibility.



4.1.2. Product Lifecycle Approach

This approach is, despite recommendations of environmental organisations, little known and implemented in Hungary. In terms of recycling, there is no house to house service and rubbish sorting is by far the exception rather than the rule.

Neither at large, nor at SMEs are recycling programs considered typical – papers are not collected, only in some cases glass bottles and hard plastic bottles. Hungary has a goal to reduce the amount of rubbish dumps it is running down to one quarter of the present number by 2008. This ambitious figure will necessitate an enormous turn-around in attitudes to become achievable.

4.1.3. Eco-labels

The first goal was with initiation of eco-labels to reduce environmental damages.

It can help orientate customers, it has a warning function and provide market benefits, and it helps to improve principles of modern environmental economy.

In Hungary about 100 products achieved a right to wear the eco-label sign. The Environmental Ministry in 1994 founded an organization which is responsible for awarding Hungarian eco-labels to companies and their products.

HUNGARIAN ECO-LABEL



The most important problem is that customers do not have enough information about this sign.

60% or more have no idea what the meaning of this sign is. The unsuitable marketing signifies the biggest problem.

4.1.4. Savings in Natural Resources Consumption

Our multinational companies are leading the way in this field as demonstrated at 4.1.1.. For SMEs however, the bottom line is still the leading and often sole decision making factor. Savings are therefore only made in the consumption of natural resources in the case that it leads to point blank economic savings from the outset. Unfortunately, specific information on resource savings and the real motivation behind them is unavailable.

4.2. Global Environmental Concerns

There are a large number of concerns that affect us on a global level. These include things like the high rate of population growth over time, the lack of fresh-water access to all, change in the climate and clearing of tropical rain forests. In many cases, local efforts need to be supplemented with global contributions.

Specific environmental problems tend to differ slightly in Hungary from these global issues. Population, for example is diminishing. This in itself causes economic problems affecting the well-being of those dependent on state support. But most of the matters at hand are universally applicable, such as pollution reduction, recycling promotion and nature protection.

In these cases Hungary struggles to hold its ground. The ambitious program mentioned above for increasing recycling efforts to lower rubbish production is indicative of the crisis management style approach taken to environmental concerns. Hungary can be categorised as a beginner in the environmental stakes, with great need of support and incentive from the EU and NGOs to reach minimum standards.

4.3. Sustainability Development Practices

In 1970 the scientists of Club Rome called our attention to limit the growth of production. They urged that we have to pay attention to the needs of the next generation.

The most important goals established include:

- to stabilize the number of population;
- using and developing environmental protection technologies;
- to sign international agreements;
- to involve under-developed countries.

Hungary is not experiencing overpopulation problems, but rather has issues relating to the inefficient disposal of waste and sewage of the existing population.

Development of environmental protection technologies is an activity almost exclusive to multinational companies and is not typical of SMEs. MOL, the Hungarian petrol giant, has developed award-winning environmental protection devices – in the wake of which we can hope SMEs will be influenced.

Since these above priorities were recognised, Hungary has agreed to dozens of international agreements. These pertain directly and indirectly to CSR and environmental matters.

As for the involvement of (more) under-developed countries, Hungary is prioritising its home concerns first.

CHAPTER 5. SOCIALLY RESPONSIBLE INVESTMENT (SRI)



5.1. Social Ratings, Ethical Funds, Companies Listed in Social Indexes

It has been mentioned above that the investments undertaken in some of our Western European counterpart nations are not happening in the Republic of Hungary. This is mainly due to the still developing economic stage that Hungary is at. As stability rises in the region, we can expect to see increased public interest in and awareness of CSR issues, forcing companies to present respectable social attitudes – funded also by external entities.

There are some – by and large multinational – companies that carry out social audits or similar internal processes. Unfortunately, these have not yet translated into a national index of social ratings. Because of this, we are unable to comment on ethical funds, social ratings and social indexes. No Hungarian SMEs were found on the FT4G, DJSI, or DSI indexes.

CHAPTER 6. CSR LEGAL FRAMEWORK

6.1. Health and Safety at Work

Guidelines are given by the Law of Work Protection, which was accepted on the 5th of October, 1993 and came into force in 1994. This law contains for example the responsibility of employers and training of employees. This law forced every company to establish work safety regulations.

Last year Hungary accepted the National Program of Work Protection. The most important goal of this program is to identify unfavourable working conditions and inhibit the development of these conditions. We would like to reduce the number of work accidents and illnesses and put the concept of "well-being at work" into practice.

6.2. Social Audit Reports

It is not common practice for companies to employ social audit reports. Of the few companies using them, only multinational and large companies are represented. Here is an example of the kind of report used:

VALUES	METHOD OF CHECKING
Helping individuals realise their potential (through the work we do)	Feedback from clients – questionnaire
Supporting communities and groups to help themselves	Feedback from clients – questionnaire
Fairtrade	Green housekeeping policy/delivery notes/receipts.
Treading lightly on the Earth	Green housekeeping policy/number of bags of paper to Paperchain, stock consumption.
Collaborative partnerships – working imaginatively, innovatively, mutually with honesty and integrity	Number of cooperatives engaged with. Questionnaire to key partners
Encouraging innovation and flexibility	Ideas Book and staff questionnaire.
Striving for quality in what we do	External and staff questionnaires
Enjoying what we do and celebrating what we achieve	Staff questionnaires, press cuttings, # social events or lunches.
Supportive of our peer team	Staff questionnaire or informal meeting to discuss what works and what doesn't

6.3. Staff Training

Some professions in Hungary require annual updates in training, for example to practice as a chartered accountant or to act as the body corporate representative for a building. It is common practice in these cases for the organisation to bear the costs of the training. Costs of other kinds of registered professional training can reduce the tax a company pays, and in this way, companies are stimulated to offer staff training.

6.4. Protection of Women, Minorities and Disabled People

Hungary does not have an outstanding tradition in these areas and is presently reforming laws to come in line with EU standards. Until recently, it was common to see jobs advertised for a middle aged woman or similar. Although this is no longer officially acceptable, the attitude persists among employers.

Disabled rights however are moving more quickly in a healthy direction. The Hungarian Civil Liberties Union (HCLU) found the following in their study of this area:

Hungary has received praise for its comprehensive disability legislation. Act No. XXVI of 1998 on The Provision of the Rights of Persons Living with Disability and Their Equal Opportunity was awarded by



the Franklin Delano Roosevelt Award in 1999. Under that Act, health care, education, employment, place of residence and culture are presented as target areas for the equalization of opportunity. Also established under the Act is the National Disability Affairs Council made up of government officials, people with disabilities and their representatives.

The Act also called upon Parliament to outline a program in which the above mentioned target areas would be altered. The National Disability Program was indeed designed to present the current social situation of people with disabilities and outline the tasks needed to bring about a change in social attitudes. The Program, published on December 10, 1999, also contains concrete deadlines for various target areas to ensure equal opportunity. It also requires that people with disabilities that are able to live independently be transferred from institutions to residential homes. It outlines the basic principles of disability policy including prevention, normalization, integration and self-determination. Positive discrimination or preferential treatment is argued to be an essential component in providing equal opportunity for people with disabilities.

Article 70/A of the Hungarian Constitution is Hungary's non-discrimination clause. It is not a general anti-discrimination provision because it prohibits discrimination only with regard to constitutional rights. But it has the potential to be interpreted by the courts expansively. This was tested in 1995 by a male wheelchair user who sued a bank which was only accessible through stairs. In a landmark case which set the precedent for future disability discrimination cases, the court held in favor of the litigant, arguing that it is discriminatory to fail in providing architectural accessibility. Finally, Hungary recently passed a law that allows class action law suits to be heard in court. It is now possible for national organizations representing disabled people and the National Council of Disabilities to bring a case before the court. This right is no longer dependent upon an identifiable disabled person proving that he or she was victim of discrimination.

These legal developments notwithstanding, the social and institutional practice did not undergo a satisfying reform yet. Let us summarize the main findings.

Institutions

To these days, 18000 people with a disability are staying in nursing homes, while there are only 2000 disabled living in their own house and receiving day-care. There are no care centers in any significant numbers where disabled people could find temporary shelter. As a consequence, those persons with a disability who are not institutionalized, are taken care of mainly by the their family, and the majority of such families do not find any assistance other than coming from a hospital.

Half of the nursing homes are of such a poor quality that they could not obtain any official license other than temporary. At the same time, disabled people make long lines to get into one of these homes; half of those waiting for admission applied for it more than a year ago.

The institutions for children with mental disabilities admit of 110 inmates on the average, the per capita room often falls below the legally mandated 6 m².

This is the starting position from where one ought to reach the target, set by The National Disability Program, to replace the large institutions for the disabled by small living homes until 2010.

Education

The National Disability Program prescribes that people with disabilities should have the opportunity to participate in an integrated educational environment. The National Disability Council funds an information center (Student Services) for students with disabilities attending higher education institutions. Nevertheless, to these days, of 250000 students enrolled in the higher education only 320 were disabled in the year 2000. That is less than 1 for 800. At the same time, there are about 500000 citizens with disabilities in Hungary for about 10000000 inhabitants. That is approximately 1 for 20. The disparity between the disabled people's education participation rate and their rate of participation in the population at large is enormous.

Another example of the gap between the incipient measures and the target to reach is related to elementary school education. In 1997, the Government created a public fund to assist the disabled schoolchildren in closing up with their healthy peers. In 1999, another public fund has been created for the rehabilitation of the disabled (Public Fund for the Chances for the Disabled). Still, 30% of children with a disability fail to finish their elementary school studies up to these days.

Employment

According to the census of 1990, the economic activity rate of the Hungarian population at large was 43.6% in that year, that of the disabled was 16.6%. The total activity rate decreased, since that time, by about 10%, that of the disabled by more than 10%. Thus, the gap was wide at the time of the transition from communism to democracy, and it widened further in the first decade of the new regime.

Structural accessibility

The Parliamentary Commissioner on Civic Rights recently issued a report based on a comprehensive inquiry about people with physical impairments. It analyzed the current status of structural accessibility in Hungary. The report argued that In the year 2000, people with disabilities were still voicing complaints of the massive barriers they have to face in their every day living. According to Act XXVI, the structural environment must be accessible by the year 2005. However, at the current pace, it will take at least 50 years before reaching that target.

Poverty

People with disabilities still make-up a large portion of the population living under the poverty line. Recently, the Parliament decided that allocations to severely disabled people are to be raised from the former 50% to 65% of the minimum pension. The reason for the higher percentage is that the former figure amounted to a total less than the current child support. The rise, of course, a move in the right direction. At the same time, its justification shows that the people with disabilities continue to be perceived by the political decision-makers mainly as dependent family members, on a par with the children, rather than citizens who need to be provided with the conditions of independent life. Even if a person with a disability was able to live on his or her own, with a personal assistant, economic limitations would force them to remain in the family

Source, HCLU policy papers.

<http://www.c3.hu/~hclu/publ-7.htm>.

6.5. SRI and Pension Funds

In Hungary the construction of pension fund exists. Employees have to choose a pension fund and pay 8% of gross salaries into this fund. Please see explanation for details:

- First law: 1928.
- Current law: 1997, implemented 1998 (private pensions).
- Type of program: Social insurance (old) and private insurance systems (new).
- Note: New entrants to the labor force must join the new system.
- Employees within 15 years of retirement age choose between the old and new systems.

Coverage

- Employees, members of handicraft and agricultural cooperatives, artisans, self-employed, apprentices, independent farmers, artistic performers, and lawyers; recipients of unemployment benefits.

Source of Funds

- Insured person-old system: 8% of gross earnings for social insurance.
- New system: 2% for social insurance and 6% for private pension fund (voluntary, up to 4% additional).
- Maximum earnings for contributions purposes: twice average earnings.
- Employer: 22% of payroll.
- Government: Any deficit to cover old system.

Qualifying Conditions



- Old-age pension: Age 60 (men) or 57 (women); reduced for unhealthy work. Age gradually raised to 62 by year 2009 for both men and women (reduced for unhealthy work). Until 2009, 20 years of service for full pension and 15 years for partial pension. Age 60 (men) and 55 (women) and 38 years of service. Reduced pension, age 60 (men) and 55 (women) with 15 years of service.
- Disability pension: 67% loss of working capacity and improvement not expected within one year. Either not working or whose income significantly less than prior to onset of disability.
- Survivor pension: Insured was pensioner or met employment requirement for disability pension at death.

Old-Age Benefits

- Old system: Old-age pension: 43-74% of earnings since January 1, 1988 depending on pension contributions and years of service, from 15-36 years. Additional 1.5% of earnings over 36 years. These rules will be changed in year 2013.
- Partial pension: 33% net earnings, if 10 years coverage, rising in steps to 51%, if 19 years coverage.
- Minimum pension: 15,350 forints a month.
- Adjustment: Semi-annual adjustment according to estimated change in national average wage levels.
- New system: Old-age pension: Insured's contributions plus accrued interest. At retirement, insured purchases annuity. Lump sum payment available if 15 years of contributions.

Source: United States Social Security Administration.

<http://www.ssa.gov/policy/docs/progdesc/ssptw/1999/hungary.htm>.

CHAPTER 7. NATIONAL SUPPORT INITIATIVES ON CSR

7.1. Financial Support to Social and Environment Certifications

Official support with the goal of achieving social and environmental certifications is not available – or only in an indirect way. It is important to be an accredited institution in some fields in Hungary (E.g. education) as this way, your customers may get tax discounts. In order to get the accreditation as stipulated by government, it is sometimes taken into consideration what other certification the company is in possession of. For example, the 3 step process to accreditation for a training institute becomes a two step process and considerably cheaper in the case that the organisation has an ISO 9001 certificate. Unfortunately, to get the original certificate there is no outside financial support.

7.2. Fiscal Exemptions on Donations

It is possible to reduce the company tax paid by donating to registered charitable causes to a certain percentage of total income (depending on company size etc). Another incentive program popular in Hungary relating to donations is that both private individuals and companies may state a charitable cause or a Church to whom they would like 1% of tax to directly go.

7.3. CSR Awards

The ministries award prizes yearly – also for environmental achievements and CSR related topics – but these have gone exclusively to either multinational agencies in Hungary, or to the largest of the Hungarian companies. For example, MOL – the Hungarian petrol giant – received an award for the design of an environmentally friendlier petrol mix that it pioneered at home. It can be expected over time that such innovations make their way through public thinking to SMEs and individuals themselves.

7.4. Social Index

As stated above, Social Indexes are yet to make inroads into Hungary.

7.5. Regional or Local Initiatives

A survey of Local Governments in Hungary did not give light to significant CSR initiatives for SMEs. The notable exception was the regional council of Budapest with the following initiative.

Three years ago the local government of the capital city decided that it would initiate a program in the interests of equal opportunities.

In May 2000 the program accepted by the Capital City Public Meeting represented a complex that the city's approach on the unemployed till that point (crisis management in nature) simply needed to be completely overhauled to become a system of high quality perception, based institutionally and capable of concentrating on target group problems and situations.

The May meeting brought about 12 individual decisions, and then a few months on published the "40+" Code of Ethics. This group of decisions – seen together – represents the Regional Council's employment policy program which has since been built into Budapest's City Development Concept.

The documents of the equal opportunities internal regulations are:

- Collective Contract;
- Human Affairs Regulations;
- Code of Ethics and Behavior;
- Work Safety Regulations;
- Internal Instructions.



CHAPTER 8. OTHER CSR INITIATIVES

8.1. Cause Related Marketing

Statistics have not come to light about cause related marketing in Hungary, but it has some presence on our markets. Multinational French Hypermarket chain Cora has been donating to children's causes and advertising this in its slogan, "Save Money, Live Well, Help Children" (own translation). OTP bank and McDonalds also use donation boxes at their checkouts and counters, boosting their image as entities for public good. Known examples among SMEs are not as prolific.

8.2. Research on CSR (2000-2003)

YEAR	NAME / DESCRIPTION	TYPE	ENTITY
2003	"Report on a survey of Corporate Social Responsibility of the largest listed companies in Hungary"	Survey results	MAKK (Hungarian Environmental Economics Center)

8.3. Organizations Dedicated to CSR

YEAR	NAME	TYPE	# MEMBER COMPANIES
1998	Hungarian Environmental Economics Center	Non-profit	-
1994	Hungarian Civil Liberties Union	Non-profit	-
1992	United States Agency for International Development	American gov	-

8.4. Main CSR Events during 2003

DATE	TITLE	ORGANIZER	# PARTICIPANTS
August	Report on a survey of Corporate Social Responsibility of the largest listed companies in Hungary	Hungarian Environmental Economics Center	27 companies from the stock exchange

8.5. Press Coverage of CSR during 2003

Press coverage of specifically CSR topics is not trackable according to our research. It can be said that some growth – or rather an entrance – was felt relating to the work of the Hungarian Environmental Economics Center in its survey.

CHAPTER 9. OPPORTUNITIES AND OBSTACLES FOR CSR



9.1. Main Reasons and Motivations for Companies to be Active in CSR

Due to factors such as the political consumer, well-organized and well-funded NGO's, companies' considerable wealth and political clout as well as an increasing interest from the mainstream media, companies are increasingly forced to communicate more openly, produce in a more (socially and environmentally) responsible manner, share profits with others than the direct owners etc.

Shareholder value is being replaced by stakeholder value by companies adding more strategic goals to the uniform „increased efficiency and profit optimization“. Business success (survival) and satisfying all stakeholders are intimately tied to the adoption and implementation of high standards in business ethics and conduct. Attracting investment, whether that's SRI's, foreign investment, governmental or any other type, will increasingly depend on the companies behaviour in society, towards its employees, the environment etc. making it essential for every company, regardless of size and industry, to focus on CSR.

9.2. Identified Business Benefits

The major benefits for companies focusing and providing information on their CSR efforts are:

- Increased goodwill with employees, the public, the press, NGO's authorities, investors etc. (improved brand image);
- Becoming eligible for SRI's;
- The possibility of raising price on products or services;
- Better financial performance.

Other statistics from CSR-surveys (that eventually also will apply to the situation in Hungary):

- 70% of consumers believe that a company's social responsibility is an important factor in their decision to buy or not (CSR Europe/MORI 2000);
- 20% of consumers are willing to pay a higher price for products from a company with a SR (CSR Europe/MORI 2000);
- 78% of employees prefer to work for a SR company than getting a higher pay somewhere else (The Cherson Group, 2001);
- 94% of CEO's believe that a CSR-strategy can benefit the business (Ernst & Young, 2002);
- Companies with a SR-profile are better performers in 3 out of 4 financial measures (London Business School);
- Their financial results are 18% better than the average (London Business School);
- Companies that focuses on all their stakeholders have a growth 4 times that of companies that solely focuses on their shareholders (London Business School).

9.3. Existing Barriers to CSR Involvement

In Hungary it is still an issue that people don't seem to see the importance of an increased awareness of social and environmental issues. It will take a change in attitudes before CSR truly will take off.

Also, there has to be done more from legislators to promote incentives to get involved with CSR. The government and politicians in general play an extremely important role in spreading the mind set and practice, first and foremost by being good examples and providing the necessary legislation.

Hungarian companies must also learn from companies elsewhere in the world and engage themselves fully in the global competition. That is sure to promote measures that will increase the competitiveness of Hungarian companies.

NATIONAL CSR KPI's (KEY PERFORMANCE INDICATORS) 2003



KPI- KEY PERFORMANCE INDICATORS		
1	ISO 14001 Certifications ¹	690
2	EMAS Registrations ²	2
3	OSHAS 18001 Certifications	0
4	SA 8000 Certifications	0
5	CSR reports published ³	-
6	Case studies listed in Smekey CSR Europe site ⁴	-
7	Social labels / Fair trade labels	1
8	Fair trade commerce volume; # stores	-
9	European Eco-label products	-
10	Local Organizations dedicated to CSR; # member companies	-
11	Relevant CSR events; # people involved	-
12	Relevant community involvement initiatives	-
13	Univ. Doctorates, Masters and Post-Graduations	-
14	Overall research on CSR	-
15	Media coverage of CSR	-
16	CSR Awards	-
17	Consultancy companies offering services on CSR	-
18	% of permanent contracts	-
19	% of women in total workforce	49%
20	Average weekly working hours	40h
21	Incidence rate of labour accidents (<i>per 1000</i>)	-
22	%of health and safety costs on total labour costs	29%+4%
23	Average training hours per employee per year	-
24	Incidence of staff involved in training	-
25	Weight of supplementary social protection charges	-

¹ Source: www.ecology.or.jp/isoworld/english/analy14k.htm

² Source: www.ecology.or.jp/isoworld/english/analy14k.htm

³ Source: www.corporateregister.com

⁴ Source: www.smekey.org/reports/default.asp

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Leonardo da Vinci Pilot projects

This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

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