Reputation and Employer of Choice for Australian Business

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Introduction
Australian business is in a period of heightened transparency and accountability, driven by a growing global obligation for business to demonstrate corporate responsibility for their operations. Reputation and corporate social responsibility have become key determinants of a company’s performance. These two features of business operations are strongly influenced by an organisation’s employer of choice program.

In order for Australian organisations to effectively benefit from sound employer of choice programs, the concept needs to be widely understood. This paper aims to: define employer of choice for Australian business conditions, show the strong relationship between corporate social responsibility and employer of choice, and examine trends, regulation and legislation influencing employer of choice policies and practices for Australian Business. The paper also demonstrates how a “good” employer of choice program enhances reputation potential for Australian organisations.

Defining Employer of Choice for Australian Business
The term “Employer of Choice (EOC)” has typically been associated with recruitment and strategies to retain staff. Many other singular visions for employer of choice include company reputation, family-friendly work policies, employment awards and conditions and social and community practice (PWC, 2002; Hull & Read, 2003). EOC has many perspectives, including from a staff, an employer, the industry and the public’s perspective. Internally the employer’s perspective, (i.e. strategies safeguarding effective operations for a business), and the employee’s perspective, (i.e. strategies securing employees commitment to the business), can substantially influence the success of the business (Kahler, 2005, 24 August; O’Halloran, 2005, 21 April).

Employer of choice is the internal policies which ensure employers are corporately responsible for their operations and the resulting effects on all stakeholders, including customers, shareholders, government and their primary asset - employees (GRI, 2002: 2; Abbott, 2003: 6; Fels, 2003: 71).

One common theme associated with this variety of perspectives is that employer of choice represents the human development of human capital (Global Reporting Initiative, 2002: 2; Abbott, 2003: 6; Fels, 2003: 71). Human capital includes the unique capabilities and expertise that individuals bring to an organisation, and acquires on the job, through training and experience, and which increase that employee’s value in the marketplace. Human capital does not include material or physical assets (Investorwords, 2005; Moneywords, 2005).

In order to obtain a holistic definition of employer of choice for Australian business, this paper investigates contemporary research, studies, and surveys and awards related to the employer of choice theme. The relationship between corporate social responsibility and employer must be explored and understood in order to interpret information from these investigations.

Employer of Choice (EOC) and Corporate Social Responsibility (CSR)
Employer of choice and corporate social responsibility are intertwined. Corporate social responsibility is the external reporting of an organisation’s operations addressing its corporate responsible policies and practices. The employer of choice program is the internal policies
and practices an organisation employs to manage corporate responsibility. An employer of choice program is the “cause” and being corporate socially responsible is the “effect”.

CSR has evolved from earlier objectives focusing on the disclosure of an organisation’s environmental policies and performance to encompass those sustainable practices applied by an organisation to address environmental, social, community and financial achievements (Global Reporting Initiative, 2002; KPMG, 2002). The World Business Council of Sustainable Development (WBCSD) views CSR as the continuing commitment by business to behave ethically and improve the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD, 2000: 4). The WBCSD confirm the major stakeholder groups are now demanding disclosure on a wider range of issues. Key stakeholders include shareholders, employees, government and NGOs (Centre for Australian Ethical Research, 2004: 2).

The five pillars of CSR strategy are: business ethics, employee relations, human rights, community investment and environmental sustainability (ExperienceCSR, 2003). How these five pillars are applied internally make up the foundation to a solid corporately responsible organisation. This internal management is an organisation’s employer of choice program. “CSR is about how companies manage the business processes to produce an overall positive impact on society,” (Baker, 2004a).

Globalisation, corporate governance, accountability and citizenship are becoming part of mainstream policy and management as companies search for ways to understand the boundaries of their non-market accountabilities and responsibilities, and to engage with those stakeholders that matter to their business (Suggett & Goodsir, 2002: 8). Many Australian companies produce CSR/sustainability reports, post internet statements and/or circulate press releases to indicate their practices, policies and procedures relating to social responsibility, sustainability and employer of choice practices (Suggett & Goodsir, 2002). The Australian Government has taken a number of important steps to encourage the production of sustainability reports, through releasing publications, developing external programs with industry organisations, and by holding roundtable discussions (Department of Environment and Heritage, 2004:1).

The focus on transparency and accountability through external reporting has encouraged organisations to review their internal management policies and practices. It has also forced companies to develop human capital strategies, applied through employer of choice programs, in order to support their corporate responsibility agenda.

Associated Research into EOC

The concept of constitutional employee rights dates back more than 2000 years to soldiers in the Roman Army (Roman Empire, 2005). However, employee rights and unionism was fashioned by the European industrial revolution of the late 18th century (Rempel, 2005). In Australia, craft unionism dates back to the early 19th century. Arguably, the defining moment for the Australian labour movement was the 1854 Eureka Stockade uprising, where miners rebelled against oppressive bureaucracy and licensing fees (Department of Culture and Recreation, 2005). The Australian Labor Party emerged partly as a response to government trying to break up the craft unions in 1880. Subsequently, in 1927 the Australian Council of Trade Unions (ACTU) was founded as the unified means of giving working Australians a voice (Answers.com, 2005b; ACTU, 2005).

The concept of employer of choice has expanded beyond focussing solely on employees’ rights, to viewing corporate responsibility as a key driver of business and as a criterion for desiring to be associated with a particular company (IBM, 2005). Investigations into international reports, surveys and ratings addressing EOC provided a holistic position from which common criteria were drawn and applied to Australian situations. Global and Australian studies conducted by reputable organisations using reliable methodology and research processes were researched in order to pinpoint common criteria relating to a successful employer of choice program. The intentions of the studies were not to gain marketable advantage from the data but to obtain valuable information on criteria in order to establish best practice benchmarks for employer of choice.
Primary issues common to global surveys and international studies (listed below) relating to good human capital practices and corporate responsibility include: effective people policies for leadership and management, external relationships, occupational health and safety, learning opportunities, community involvement and environmental conscience.

Table One – EOC associated studies (an expanded summary of these studies is attached as Appendix A):

<table>
<thead>
<tr>
<th>Title</th>
<th>Year</th>
<th>Research</th>
<th>Key Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>PriceWaterhouseCoopers Global Human Capital Survey</td>
<td>2002/03</td>
<td>Global survey</td>
<td>Effective people management policies</td>
</tr>
<tr>
<td>Good Employee Practices Are Good For Your Business - Report by Dep't of Labour, NZ</td>
<td>2003</td>
<td>Questionnaire survey</td>
<td>More competitive business through staff retention</td>
</tr>
<tr>
<td>The State of Corporate Citizenship in the United States - Centre for Corporate Citizenship</td>
<td>2003</td>
<td>Survey</td>
<td>Examination of attitudes, expectations, and commitment toward corporate citizenship</td>
</tr>
<tr>
<td>Strategic Plan for Addressing the Communication for Employer of Choice - University of Idaho</td>
<td>2000</td>
<td>Literature research</td>
<td>Criteria for “employer of choice” education</td>
</tr>
<tr>
<td>Management Challenges in the 21st Century – Ashridge Centre, UK</td>
<td>2004</td>
<td>Questionnaire</td>
<td>Management and organisational challenges, personal challenges for management, and learning development trends</td>
</tr>
<tr>
<td>The New Business Responsibilities – Ashridge Centre, UK</td>
<td>2001</td>
<td>Questionnaire</td>
<td>Personnel policies and practices, pay and benefits, recruitment, staff satisfaction and training</td>
</tr>
<tr>
<td>The IBM Global Human Capital Study</td>
<td>2005</td>
<td>Survey and interviews</td>
<td>Human capital practices for successful organisations</td>
</tr>
<tr>
<td>KPMG International Survey of Corporate Responsibility Reporting</td>
<td>2005</td>
<td>Standard questionnaire</td>
<td>Analysis of social issues in the workplace</td>
</tr>
<tr>
<td>Simply the best - workplaces in Australia - University of Sydney</td>
<td>2003</td>
<td>Field study and open-ended question checklist</td>
<td>15 key drivers were present in each of the leading workplaces</td>
</tr>
</tbody>
</table>

Forms for public communication relating to employer of choice already established are performance awards, ratings and citations. The criteria for these awards were investigated to establish common criteria used to assess successful employer of choice programs. Common criteria measured by these awards and ratings included: leadership and management, employee relations, company values and cultures, staff development, and employee policies.
Table Two – EOC associated Awards and Ratings (an expanded summary of these Awards and ratings is attached as Appendix B):

<table>
<thead>
<tr>
<th>Agency</th>
<th>Award</th>
<th>Country</th>
<th>Key Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Great Place To Work” Institute</td>
<td>100 best companies</td>
<td>US, UK and Europe</td>
<td>Relationship between employees and management, employees and their jobs/company, and employees and other employees</td>
</tr>
<tr>
<td>Hewitt and Associates</td>
<td>Best Employers</td>
<td>Australia and New Zealand, Asia, Canada, Europe, India and Latin America</td>
<td>Company and strategy, solid senior leadership, compelling promise to employees, alignment of people practices to support, high performance culture, and measurement and employee engagement</td>
</tr>
<tr>
<td>Australian Government’s Equal Opportunities for Women in the Workplace Agency</td>
<td>“Employer of Choice for Women” (EOCFW) citation</td>
<td>Australia</td>
<td>Policies for support of women in the organisation, and have rights and obligations in place regarding sex-based harassment, diversity, transparency, inclusive organisational culture, and people development</td>
</tr>
<tr>
<td>HR Awards – Human Resources Magazine</td>
<td>Employer of Choice Award</td>
<td>Australia</td>
<td>Employee-centric culture, career opportunities, marketplace success, the link between HR and business strategy, personal development opportunities, performance management and measurement processes, and recognition of people as a competitive advantage</td>
</tr>
</tbody>
</table>

One particular issue for Australian workers not given due consideration in the researched studies and awards regarding employer of choice criteria is concern for financial planning and wealth protection regarding Australia’s unique superannuation and retirement planning structures legislated by the Federal Government. The Superannuation Guarantee Act 1992 and the introduction of “Choice of Super” legislation which commenced on 1 July 2005 ensure that retirement saving through superannuation currently applies to more than 90 per cent of the Australian workforce (Rainmaker Information, 2003/4: 7). Making an informed choice on superannuation to ensure financial security and wealth protection requires a degree of fiscal sophistication. Employers have a responsibility to equip employees with accurate knowledge so they may make informed decisions regarding their retirement savings and financial protection (Bailey, 2005: 14; Simioni, 2005: 5; Wilkinson, 2005: 20-22).

In light of global and national surveys, recent research and industry awards, employer of choice strategies need to focus on the following criteria: leadership and inter-relationships, safety, wellbeing, staff development, opportunity, inclusion, community involvement, and sustainable practice. Australian businesses are also compelled to address education for financial literacy reflecting our unique superannuation scheme. “Today’s employees want their companies to possess a strong sense of social responsibility. They insist upon ethical business practices, financial stability, community leadership, fair treatment and a healthy working environment,” (Herman & Gioia, 2000).

Australian businesses have control over their employer of choice program via the policies, practices and values they choose to progress through operations of the business. A succinct definition for employer of choice is: an employer who has explicit and transparent processes for all aspects and operations of the business confirming for an employee this is the type of employer I want to work for.
EOC Related Government Legislation and Global Trends

An employer of choice program takes on an added significance for the current business climate, particularly when considering the existing focus on superior accountability and transparency. Increasing government regulations, international laws and trends, global industry membership, falling unemployment rates and employee burnout are driving the need for improved education and communication with regard to employer of choice strategies, policies and practices.

International companies are beginning to make triple bottom-line reporting (i.e. social, environmental and economic reporting) standard practice in response to consumer and stakeholder demand. Corporate governance and responsibility is a global issue demanding up-front attention by corporations. In 2004, 45 per cent of the Global Fortune Top 250 companies published an environmental or sustainability report (CAER, 2004: executive summary). “No annual report is complete without pages trumpeting good governance, environmental awareness and initiatives befitting an employer of choice,” (Rance, 2005: 2). A number of countries have legislated for compulsory CSR reporting, including France, South Africa and Germany (UNEP Financial Initiatives, 2005: 7). A number of other international governments are strongly considering requirements for mandatory reporting on environmental/sustainability issues, including the United Kingdom (CAER, 2004: 3).

Many organisations are unifying triple bottom-line and/or CSR reporting with Balanced Scorecards, an internal tool used to support knowledge building and align values and visions with outcomes in an organisation (Crawford & Scaletta, 2005). “The Balanced Scorecard enables individuals to make decisions daily based upon values and metrics that can be designed to support these long-term cognisant benefits,” (Crawford & Scaletta, 2005). The scorecard focuses on a set of financial and non-financial indicators outlined on a performance metrics, which can be used as a clear indicator to employees of strategic planning, and as a motivator to improve decision making in line with company culture.

There are a number of international standards and recommendations which demand levels of business conduct in relation to working conditions and employee opportunities that organisations must abide by in order to conform to standards of conduct and/or observe membership requirements. “The borderless global economy requires equally borderless governance structures to help direct private sector activity toward outcomes that are socially, environmentally, as well as economically, beneficial,” (GRI, 2002: 2). Transnational companies have an obligation to uphold such standards in keeping with their membership commitment. Membership is a passport to trade agreements with international governments, along with building and upholding a good business reputation.

Table Three - International Standards with Associated Member Organisations (an expanded summary of these Standards/memberships is attached as Appendix C):

<table>
<thead>
<tr>
<th>Standard/Membership</th>
<th>Country Origin</th>
<th>Relates to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Labour Organization</td>
<td>Global</td>
<td>The Eight Core Labour Standards</td>
</tr>
<tr>
<td>(ILO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Nations Global Compact</td>
<td>Global</td>
<td>Ten universal principles in the areas of human rights, labour, the environment and anti-corruption</td>
</tr>
<tr>
<td>Organisation for Economic Co-</td>
<td>Global</td>
<td>Guidelines for Multinational Enterprises - recommendations that provide voluntary principles and standards for responsible business conduct</td>
</tr>
<tr>
<td>operation and Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(OECD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Accountability System</td>
<td>US</td>
<td>Useful international compliance tool for companies searching the recognition of their efforts in social accountability</td>
</tr>
<tr>
<td>SA8000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AccountAbility 1000 (AA1000)</td>
<td>UK</td>
<td>Improve accountability and performance by learning through stakeholder engagement</td>
</tr>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>Global</td>
<td>Reporting on the economic, environmental, and social dimensions of their activities, products, and services</td>
</tr>
<tr>
<td>“Sustainability Reporting Guidelines”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dow Jones Sustainability Indexes</td>
<td>US</td>
<td>Indexes tracking the financial performance of the</td>
</tr>
</tbody>
</table>
Currently, Australian companies lag behind international best practice organisations in managing their human capital (Pickett in Human Resources, 2005: 11). An international human capital management benchmarking initiative conducted in November 2004 by McBassi & Company involving 175 organisations around the world found that Australian organisations scored 3.1 overall in human capital management. The global average was 3.3 and best practice organisations scored 4.1 (Human Resources, 2005: 11).

Compliance for government and industry regulation is building, with the Australian government reviewing and implementing legislation regarding employer obligations to employees and corporate responsibility. This is supported by a number of associated industry requirements.

Table Four - Government and industry regulations and initiatives regarding employee management (an expanded summary of these regulations is attached as Appendix D):

<table>
<thead>
<tr>
<th>Title</th>
<th>Type of regulation</th>
<th>Relates to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth of Australia Joint Parliamentary Inquiry into Corporate Social Responsibility 2005</td>
<td>Government Inquiry</td>
<td>Proposed to encourage using the Principle 7 ASX Corporate Governance Council guideline as a vehicle for greater environmental and socially responsible behaviour</td>
</tr>
<tr>
<td>Australian Stock Exchange (ASX) Corporate Governance Council</td>
<td>Recommendations, must be addressed by ASX listed companies</td>
<td>Developed a set of 10 guidelines, Principles of Good Corporate Governance and Best Practice Recommendations</td>
</tr>
<tr>
<td>CLERP 9, the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</td>
<td>Government Act</td>
<td>Holds chief executive officers and board members more accountable for their business practices</td>
</tr>
<tr>
<td>Australian National Contact Points (ANCP) for the OECD &quot;Guidelines for Multinational Enterprises&quot;</td>
<td>Government Obligation</td>
<td>Australia’s obligation to ensure the effective implementation and promotion of the guidelines</td>
</tr>
<tr>
<td>Financial Services Reform Act 2000</td>
<td>Government Act</td>
<td>The inclusion of information relating to labour standards and environmental, social and ethical factors in the product disclosure statements (PDSs) of investment products (Policy Statement 168)</td>
</tr>
<tr>
<td>Occupational Health and Safety Act 1991</td>
<td>Covers all Commonwealth Government departments and business enterprises</td>
<td>An employer must take all reasonably practicable steps to protect the health and safety at work of employees</td>
</tr>
<tr>
<td>OHS State Acts (e.g. Victorian OHS Act 1985)</td>
<td>State Government Acts</td>
<td>Ensure the safety and health for all employees</td>
</tr>
<tr>
<td>Australian Competition and Consumer Commission (ACCC)</td>
<td>Independent Commonwealth statutory authority formed in 1995 to administer the Trade Practices Act 1974</td>
<td>Includes reference relating to EOC including: consumers, suppliers, personal injury, severability, breaches of confidence and competition</td>
</tr>
<tr>
<td>Industrial Relations Reform</td>
<td>The Australian Federal Coalition legislation</td>
<td>Introduce wide-ranging industrial relations reforms through Australian Workplace Agreements</td>
</tr>
</tbody>
</table>
Employee Choice and Burnout

Over the past 10 years Australian unemployment figures have dropped from around eight per cent to 5.1 per cent and are at their lowest for 30 years (ABS, 2005; WorkChoices, 2005). By the year 2016, people aged 45 and over may account for more than 80 per cent of growth in Australia’s labour force (ABS, 2005; Donaldson, 2005). These two statistics contribute to the employment market swinging back to the job-seekers advantage (Fracaro, 2005: 42). A job-seekers market allows the Australian workforce to exercise greater choice and to consider a broader range of criteria when contemplating employment.

The current employment market in Australia benefits the job-seekers (Fracaro, 2005: 42) resulting in EOC programs being crucial to attracting the best people (Wilson, 2004: 17). Employee options become elevated in importance for employers when employment opportunities are more abundant with job-seekers taking into account flexible family-friendly policies when deciding on employment (Ziguras in Rance, 2005: 4). Older workers are demanding greater flexibility in the workforce relating to working hours, compassionate leave and carer’s leave (Edgar in Donaldson, 2004). Simon Morgan (2005), group manager for public affairs at Aviva Australia, stated, “We are looking to attract new employees and retain our current staff on the basis that we offer similar remuneration packages to that of our competitors, but our benefits extend to making Aviva a family-friendly, safe and supportive environment to work in.”

Another trend that requires proper attention is employee burnout, which is eroding the bottom-line of Australian businesses and is generating serious implications for organisations. A recent Hudson survey of more than 7,800 employers found 32 per cent of managers are witnessing burnout among their employees and a 29 per cent increase in the number of sick days being taken. Burnout has also resulted in an increasing number of employees leaving organisations (Human Resources, 2005: 21).

Employee options that include a broad range of work-life initiatives, such as flexible working options, remote-working opportunities, tele-commuting, time-off policies and wellbeing programs, provide tools for coping with any extra work demands impacting on employees’ lifestyles. Future relevant issues might include religion in the workplace, employee privacy, HIV/AIDS, sexuality and benefits for domestic partners. In the ‘war for talent’ it is often argued that such issues can be crucial in attracting and retaining the best talent as companies strive to be seen as desirable places to work (Wilson, 2004: 17).

Reputation Management

Australian organisations with a firm understanding of the criteria essential for a successful employer of choice program that considers government legislation, industry regulation and compliance with global corporate trends have the capacity to attract excellent employees, increase business performance and progress status within the industry through reputation (O’Halloran, 2005, 21 April; Fombrun, 2005; Campbell, 2004). “Reputation... is a powerful form of economic control because it affects the likelihood that investors, customers, and potential employees want to be involved with your company – and so affects the bottom-line,” (Fombrun, 2005: 7).

A business’ reputation is determined by its notoriety for particular characteristics (Answers, 2005). Reputation can have a profound impact on business performance. “Reputation management, both the theory and practice, is increasingly becoming an important component of corporate communication,” (Campbell, 2004: 23). A strong business reputation as an “Employer of Choice” can have a profoundly positive effect on stakeholder opinion (GRI, 2002: 2).

A company's reputation is dependent upon a "good business image". An organisation's image is determined by external public reporting of employer actions (e.g. annual reports, media, industry awards and performance), and through internal reputation determined by employee opinions. "Organisational wealth is increasingly attributable to 'soft forms' of capital - reputation, trust, good will, image and relationships," (Post, 2004: 13). These “intangible” assets, which originate from the organisation's internal policies and practices, undeniably deliver value to the company according to 96 per cent of executives polled in an Accenture
European companies stated loss of reputation as the second biggest threat after business interruptions (Corporate Public Affairs, 2003: 15).

Media play a major role in the shaping of business reputation for businesses globally. Share values for international companies climb and fall overnight across the globe on a daily basis (DJSI, 2005). Media reporting on the “business image” heightens awareness in a positive or negative fashion for the organisation it targets. The media’s angle can be either as a watchdog or admirer and plays a determining role in the audiences' interpretation of the organisation’s performance. “The media are the megaphone broadcasting a businesses reputation throughout society,” stated Simon Morgan of Aviva Australia. Media have the power to embarrass big business into CSR compliance in order to maintain reputation (Hastings, 2005, 18 November: 10).

Business reputation in Australia is in need of improvement. A 2004 report titled “Insecurity in Australia” based on the 2003 Wellbeing and Security Survey found that 26 per cent of the Australian community has confidence in major companies, and only 22 per cent have confidence in banks. A previous survey conducted in 2003, the Australian Values Survey, showed major companies commanded 79 per cent, and banks 87 per cent, of the public’s confidence (Black, 2004: 4-5). Global markets place economic value on honesty and integrity, and good governance results in heightened trust, both internally for employees, and externally for the brand (Post, 2004: 13; Lindsay, 2004: 1)). An IBM study (Burns, 2004a: 19) supports the concept that commitment to corporate responsibility initiatives for the long-term through sustained performance and perseverance brings positive internal and external results.

“Socially Responsible Investments (SRI)”, which questions all aspects of a business, including ethics, human rights and employee conditions, is an investment strategy gaining momentum in funds management industry. Investment in ethical and sustainable funds grew by 70 per cent in 2005, as superannuation funds decided to adopt socially responsible investment practices (Wright, 2005: 39). According to a Monash University study, CSR will become a mainstream investment issue over the next 10 years (Gettler, 2005, 27 October: 3), and the reputation advantage to be gained through positive exposure from corporate responsibility will greatly impact on company performance. An AMP Henderson 2003 survey showed that 14 Australian mutual SRI funds outperformed the median over a five year period based on the S&P/ASX 200 benchmark (Baue, 2003).

Listed companies that rate poorly in terms of their reputation towards employees and social responsibility may be sold from portfolios supervised by major funds management businesses. Melbourne-based fund manager, Portfolio Partners, issued a survey in 2005 to the top 200 companies on the Australian Stock Exchange researching how each company uses “human capital” in a bid to measure the sustainability of company earnings. It is based on the premise that happy employees drive market returns of a business higher (Kahler, 2005, 24 August: 35).

An increasing amount of shareholders are equating poor corporate governance with devalued stocks due to businesses failing to see their community license to operate was firmly tethered to being a good corporate citizen (Burns, 2004a: 18). The world’s largest pension funds are realising the scope and influence they have over companies in which they invest (UNEP FI, 2005:11). Mercer Investment Consulting has announced it will research Australian superannuation fund investors on performance issues incorporating environmental, social and corporate governance as well as financial performance (Weekes, 2005, 4 November: 3). This is exemplified by VicSuper, which monitors carbon emissions of big business because penalties for excess pollution are likely to hurt their profits and reflect poorly in fund reports (Kahler, 2005, 24 August: 35).

Negatives Against Compliant Reporting

Not everyone agrees with the drive to legislate for tighter governance, formalised social commitment and increased transparency. As Baker (2004) pointed out, there are many counter-arguments to the benefits of increased reporting and compliance. Money poured into social responsibility and employee’s rights may be viewed as spending shareholder’s money without their consent; a topic of contention accentuated after the recent sizeable donations

from some of Australia’s leading companies to the 2004 Tsunami appeal (Beerworth, 2005: 16).

Increased reporting requires increased resources and work-hours that can strain a business’ shrinking profit margin more, as highlighted by the decline in financial adviser businesses after the deadline for the Australian Financial Services License (AFSL) passed, with many small operators stating the cost of extra reporting and compliance too prohibitive. In the US the Sarbanes-Oxley Act introduced in 2002, which addresses compulsory proxy voting and corporate governance, is suggested to be too prescriptive and burdens large companies with costs estimated at more than $35 million a year (Bright, 2005: 20; Fagg, 2005: 3). Many Australian companies with supposedly poor governance standards have substantially outperformed the sharemarket according to a 2005 study conducted by the Sydney Business School (Newman, 2005: 33). “Just as the benefits are difficult to quantify, so too are the costs,” states Bright (2005: 19).

Many employees do not understand the advantage of investing in corporate citizenship initiatives that are unrelated to their employer’s core business and remote from the interests of their stakeholders (Burns 2004a: 19). Some initiatives that divert business earnings away from primary operations of the business can be viewed negatively by employees who are witnessing staff consolidation and cut-backs on one hand, but considerable expense relating to reputation enhancement on the other.

Another angle on compliance and reporting is the point of view that legislated reporting is often too prescriptive and can constrain innovation, especially with regard to corporate social responsibility. Steven Muchenberg, General Manager Government and Regulatory Affairs, Business Council of Australia addressed the tele-convening conference on the Joint Parliamentary Inquiry into Corporate Social Responsibility (ACCPA, 2005). Consensus from the conference indicated that unencumbered by regulation, there is a huge diversity among many companies engaged in CSR programs. This sentiment is echoed by many big Australian companies, like BHP Billiton, Westpac, Coles Myer BP Australia and Insurance Australia Group (Gettler, 2005, 18 November: 2).

Self-regulation of social reporting and auditing is allowing market forces to raise the standard, whereas a more prescriptive legal requirement may decrease the current proactive role and erode initiatives with regard to social and community agendas. Some businesses may regress to reporting on the bare minimum in order to remain compliant.

Summary

Positive media is a marketable reputation-commodity enhanced through good results in EOC surveys, awards and compliance reporting (Lenagham & Eisner, 2002). The growing list of ratings and surveys on EOC has reinforced pressures and has created competition amongst companies to be seen as desirable places to work (Wilson, 2004: 17). Australian compliance and regulatory authorities have the structure and power to publicly list those organisations that fail to meet minimum compliance standards, which in turn damages reputation, especially within the industry (Fagg, 2005: 14). Non-government organisations (NGOs) also have the ability, and often the inclination, to publicly expose those business operations that fail to comply with international industry standards and recommendations.

Australian companies which embrace “good” employer of choice policies and practices and corporate responsibility are laying the foundations for ongoing positive reputation transmitted through their stakeholders. Companies with a strong and developing employer of choice program are well placed to reap the immense advantage associated with making their employees their reputation champions (Campbell, 2005).
Appendix A: Global surveys and international studies relating to good human capital practices and corporate citizenship

The PriceWaterhouseCoopers Global Human Capital Survey conducted in 2002/03, used information from 1,056 organisations in 47 countries, representing a combined workforce of over six million employees. (PriceWaterhouseCoopers, 2002). One of the objectives of the survey was to identify people management practices and outcomes which are linked to financial performance. Issues covered included: "effective people" policies such as: employee performance assessment systems, measuring employee satisfaction, CSR reporting, employee training and development opportunities, improved management of diversity, competitive employment conditions, OHS policies and procedures, productive employment relations, and support for migrant talent. The survey concluded, "Good people management has a positive effect on a range of issues, from increasing employee productivity and reducing absenteeism through to improving profitability," (PriceWaterhouseCoopers, 2002: 1).

A report prepared by the Department of Labour in New Zealand, “Good Employee Practices Are Good For Your Business 2003”, illustrated evidence from the updated Firm Foundations - Business Practices and Performance Study undertaken in 2001 (and previously in 1999 and 1994). This report was the most extensive and representative study of business capabilities in New Zealand (Department of Labour, 2003: 2). It set out to define key issues to consider in moving business to a more competitive position for attracting and retaining staff. A questionnaire survey was developed based on the structure and elements of the Business Practices and Performance Model, and was distributed to a random sample of 3,378 firms with six or more full-time equivalent employees, from a range of industries. A response rate of 82 per cent was achieved, allowing the researchers to be highly confident that the results reflect the underlying nature of the sample population. To supplement the survey responses, 48 site visits were also undertaken. Results demonstrated that business leaders in the community had a deep relationship with all stakeholders. Other factors contributing to business leadership included practices addressing: employee welfare, reward and recognition for staff, comprehensive values program, internal and external training and assessment of employee satisfaction (Firm Foundations, 2004).

In the United States, corporate citizenship is the key term used to address similar employment issues. "Corporate citizenship encompasses commitment to the environment, treatment of employees, safe and reliable products and ethical practices, in addition to more traditional strategic philanthropy, employee volunteerism and signature community,” (Corporate Public Affairs, 2003: 13). The first ever survey of The State of Corporate Citizenship in the United States was conducted by the Centre for Corporate Citizenship at Boston College and the U.S. Chamber of Commerce Centre for Corporate Citizenship in 2003. The survey marked the most comprehensive examination of attitudes, expectations, and commitment of small, medium, and large business executives toward corporate citizenship. 515 executives representing a broad mix of companies of various size and industries were surveyed with regard to corporate citizenship and how to integrate it into businesses, (BCCC, 2004). Results showed 75 per cent of respondents believed internal corporate values were critical to business performance, 74 per cent acknowledge corporate citizenship was now a public expectation, 46 per cent placed great importance on employee resources and improving conditions. The existence of a corporate citizenship program improved bottom line profit according to 82 per cent of executives surveyed, (BCCC, 2004; Corporate Public Affairs, 2003: 13).

The University of Idaho in 2000 developed a “Strategic Plan for Addressing the Communication for Employer of Choice”. The university did extensive research into contemporary studies, surveys and industry opinion on the criteria for “employer of choice” education, both nationally and globally. Issues addressed were selected from the key headings of: diversity and human rights, communication methods, health and wellness, development programs, supportive working environment, safe and secure environment, and preventative risk management (University of Idaho, 2005).
In the United Kingdom, the Ashridge Centre for Business and Society completed research into developing a management index entitled "Management Challenges in the 21st Century, 2004". The objective of the study was to aid business and government deliver a balance between economic prosperity, environmental improvement and social justice. The study involved over 500 senior managers who attended programs at the Ashridge Centre over the past years. A questionnaire was distributed addressing four main sections: changes over 10 years, management and organisational challenges, personal challenges for management, and learning development trends. Results illustrated a strong sense of leadership, education and work-life are important factors in business policy (Ashridge Research, 2004).

The 2004 survey followed up the 2001 "The New Business Responsibilities" survey which concentrated on traditional human resources issues that identified key areas to “employer of choice”, such as: personnel policies and practices, pay and benefits, recruitment, staff satisfaction and training. There were almost 700 respondents, including 32 per cent being either, chief executive, chair, or company director. Emerging issues identified were: work-life balance, care of dependent relatives, inclusion, diversity, sexual harassment, organisational development and workplace culture.

The IBM Global Human Capital Study 2005 surveyed more than 300 organisations from 40 countries and included face-to-face interviews (carried out by human capital consultants) with more than 100 chief human resources officers (CHRO). The key findings from the 2005 study outlines trends and demonstrates the relationships between successful organisations and the leading human capital practices they employ. The study confirms the findings of the IBM Global CEO Study 2004. The key findings were: organisations that source and manage talent in line with their business strategy are more successful, organisations that hold leadership accountable for development and growth of people are more successful, organisations that utilise organisational knowledge effectively are more successful, organisations that run human resources (HR) like a business rather than a cost centre are more successful, and organisations that link HR results to business outcomes are more successful (IBM, 2005).

The KPMG International Survey of Corporate Responsibility Reporting 2005 researched company responsibility reports from the top 250 Global Fortune 500 companies and the top 100 from the N100 list, (including Australia). The analyses were conducted systematically using a standard questionnaire. One of the primary topics analysed was “Social Issues”. Significant criteria addressed in corporate responsibility reports included: 68 per cent for diversity, 61 per cent for equal opportunities, 51 per cent for human rights, 72 per cent for health and safety, 72 per cent for training, 62 per cent for working conditions, and 32 per cent for employee satisfaction (KPMG, 2005: 6-24).

One of the most comprehensive studies in Australia on “employer of choice” was conducted during 2001. "Simply the best - workplaces in Australia" by Hull and Read was published in 2003 by the Australian Centre for Industrial Relations Research and Training (ACIRRT) at the University of Sydney. The field study was based on 16 work places for 10 companies from a diverse range of industries, including: mining, hospitality, services, manufacturing, telecommunications, and finance. The field researchers followed an open-ended question checklist, (Hull and Read, 2003: 6). The study demonstrated that 15 key drivers were present in each of the leading workplaces, and all 15 had to be present to some degree to produce superior outcomes (Fary, 2004). The 15 key drivers are: the quality of working relationships, workplace leadership, having a say, clear values, being safe, quality environment, recruitment, pay and conditions, getting feedback, autonomy and uniqueness, a sense of ownership and identity, learning, passion, having fun, and community connections. "After assessing the results of our field research and interviews we concluded that ‘quality working relationships' represent the central pivot on which excellent workplaces are founded, underpinned by key variables such as good workplace leadership, clear values, having a say and being safe,” (Hull and Read, 2003: 3).
Appendix B: Global awards, ratings and citations relating to employer of choice

In Europe and the US an employee survey conducted by "Great Place To Work" Institute rates the 100 best companies to work for. Participating organisations are required to complete an employee attitude survey by randomly selected staff, complete a culture audit and supply any relevant supporting documentation. Criteria investigated by the survey include: the relationship between employees and management, the relationship between employees and their jobs/company and the relationship between employees and other employees, (Great Place To Work, 2005). Fortune magazine uses this rating to publish their top 100 workplaces. "Corporate citizenship has quickly become an important component of a company's reputation equation and increasingly impacts upon shareholder value," states Wall Street communications professional Ronald Alsop in his book 'The 18 Immutable Laws of Corporate Reputation' (Campbell, 2004: 22).

The Hewitt "Best Employers" surveys conduct similar research on people management practices with various partners in Australian and New Zealand, Asia, Canada, Europe, India and Latin America. Hewitt claims, "The study provides a definitive benchmark for participating organisations to measure how effective they are in engaging the intellectual and emotional commitment of their employees," (2004). Global "Best Employees" studies have consistently identified common factors that differentiate the best employers from other organisations: a connection to company and strategy, solid senior leadership, compelling promise to employees, alignment of people practices to support, high performance culture, and measurement and employee engagement, (Hewitt Associates, 2004:13)

In 2004, 139 organisations participated in the "Best Employee in Australia and New Zealand"; including nine of Australia's top 20 organisations. The Australasian survey gathers information from a chief executive officer questionnaire, an employee opinion survey and a people practices inventory. Key criteria surveyed include: philosophies and principles employed to manage staff, alignment of values and practices to organisation's strategy, management and feedback mechanisms and opportunities for development. The Hewitt "Best Employer" survey was first conducted in Australia and New Zealand in 2000.

Australian-centred survey, "Employer of Choice for Women" (EOCFW) citation, is a prestigious acknowledgement first listed in 2001 by the Australian Government's Equal Opportunities for Women in the Workplace Agency. EOCFW organisation's need to meet certain criteria including policies for support of women in the organisation, and have rights and obligations in place regarding sex-based harassment Other criteria include policies and practices focussing on: diversity, transparency, inclusive organisational culture, and people development. In 2005, 115 organisations had been granted the right for citation, (Employer of Choice for Women, 2005).

The Australian Human Resources (HR) "Employer of Choice" award was inaugurated in 2001, and forms part of the annual HR Awards for business performance. These awards are designed to recognise benchmark practice and innovation in HR, with 18 award categories for recognising excellence across the entire HR spectrum. Judging was developed in conjunction with leading academics and professionals from the HR industry. For organisational nominations, assessments consisted of interviews with the chief executives and a random sample of managers and employees. Each organisation must address following essential criteria in the submission: employee-centric culture, career opportunities, marketplace success, the link between HR and business strategy, personal development opportunities, performance management and measurement processes, and recognition of people as a competitive advantage. Desirable qualities include: lived values hardwired into performance management systems, strong leadership, an inclusive management style, flexible work practices and demonstrable work/life integration, and reward and recognition program, (HR Awards, 2004).

Appendix C: International standards with associated member organisations

Since 1919, the International Labour Organisation (ILO) has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. Traditionally, the ILO has established international labour standards by formulating conventions, which are multilateral treaties that are binding on the countries that ratify them. Once a country ratifies a convention, it has an international obligation to implement the treaty in law and practice (International Labour Organisation, 2003). In 1995 the ILO identified eight fundamental conventions associated with labour. As of October 2003, 75 percent of the 175 ILO member nations had ratified seven or more of these eight conventions (International Labour Organisation, 2003). These eight conventions comprise the core labour standards (CLS). Core labour standards provide an important focus on the workplace and the conditions of work in the process of sustainable development (Howard, 2005). Global companies are often referring to CLS in their Code of Conduct and similar statements. The core labour standards are currently proposed to be adopted by the World Trade Organisation (World Trade Organisation, 2005), and are fundamental to workers rights.

The United Nations Global Compact became operational in July 2000. Membership to the compact is voluntary and financial fees are not applicable. The key objective of membership to the Global Compact is to bring companies, labour and civil society together with UN agencies to support universal environmental and social principles. Today, many hundreds of companies from all regions of the world, international labour and civil society organisations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labour, the environment and anti-corruption. The Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation (UN Global Compact, 2005).

The Organisation for Economic Co-operation and Development (OECD) “Guidelines for Multinational Enterprises” are recommendations addressed by governments to multinational enterprises. Many enterprises have responded to public concerns over their operations by developing internal programs, guidance and management systems that underpin their commitment to good corporate citizenship, good practices and good business and employee conduct. The guidelines aim: to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate, and to enhance the contribution to sustainable development made by multinational enterprises. They also provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The guidelines are part of the OECD Declaration on International Investment and Multinational Enterprises (Organisation for Economic Co-operation and Development, 2005).

The Social Accountability System SA8000, based on the ILO framework, developed by the non-profit US-based organisation Social Accountability International (SAI) is the useful international compliance tool for companies searching the recognition of their efforts in social accountability (Social Accountability System, 2005). The standards address a number of “employer of choice” issues, including: human rights, child labour and labour rights, auditing techniques, social responsibility reporting of companies, and management of large supply chains.

Launched in 1999, the AccountAbility 1000 (AA1000) developed in the United Kingdom is a framework designed to improve accountability and performance by learning through stakeholder engagement. It addresses the need for organisations to integrate their stakeholder engagement processes into daily activities. It has been used worldwide by leading businesses, non-profit organisations and public bodies. The framework helps users to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in overall organisational performance. The principle underpinning AA1000 is inclusivity. The building blocks of the process framework are planning, accounting and auditing and reporting. It does not prescribe
what should be reported on but rather the 'how'. In this way it is designed to complement the Global Reporting Initiative guidelines (AccountAbility, 2005).

The Global Reporting Initiative (GRI) guidelines are internationally recognised as solid indicators for business reporting against corporate social responsibility. GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable "Sustainability Reporting Guidelines". These guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI offers a mechanism through which an unlimited number of organisations can identify themselves as committed to the GRI mission. Companies that have used the sustainability reporting guidelines are encouraged to register on the GRI database. Database information on these listed companies is a powerful tool in reputation management. "The GRI format is becoming the most popular report format with Fortune 500 companies, with stakeholders contributing to the report content," (Burns, 2004: 12). The United Nations Environment Program endorses the GRI guidelines (Global Reporting Initiative, 2002:1-6).

Launched in 1999, the Dow Jones Sustainability Indexes (DJSI) are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and Sustainable Asset Management (SAM) they provide asset managers with reliable and objective benchmarks based on economic, environmental and social criteria in order to manage sustainability portfolios (Dow Jones Sustainability Index, 2005).

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies. Transparent management and criteria alongside the FTSE brand make FTSE4Good a leading index of choice for the creation of Socially Responsible Investment (SRI) products (FTSE4Good, 2005).
Appendix D: Government and industry regulations

The Australian government aims to address corporate governance through the Corporations Act Amendment Bill. The Corporations Act of 2001 is being amended in light of the international law and the evolving legal environment for corporate social responsibility. The bill was introduced to the House of Representatives on the 2 June 2005 for comments (Parliamentary Library, 2005). The Ministerial Council for Corporations (MCC) will review the act, with attention given to new legal and social implications, for tabling in Federal Parliament. The amendment intends to place greater accountability on directors and chief executive officers of companies towards all stakeholders, including: employees, government, shareholders, community and consumers/clients (Monash Governance Research Group, 2005).

The Commonwealth of Australia Joint Parliamentary Inquiry into Corporate Social Responsibility called for submissions from the public, including corporations, in September 2005. The Australian Parliament's resurgence in interest in corporate social responsibility reflects the global drive for increased awareness of corporate citizenship. A public meeting regarding the inquiry results is expected to be held late in 2005. One initiative proposed by the government is to encourage using the Principle 7 ASX Corporate Governance Council guideline as a vehicle for greater environmental and socially responsible behaviour. Principle to suggestions is that companies establish systems of risk oversight and management, and internal control (Corporate Public Affairs, 2005:1).

The Australian Stock Exchange (ASX) Corporate Governance Council developed a set of guidelines, “Principles of Good Corporate Governance and Best Practice Recommendations” issued on 31 March 2004. This document articulates 10 core principles that the ASX Corporate Governance Council believes underlie good corporate governance. The ASX “best practice” recommendation for disclosure is a set of guidelines, not a prescription for reporting. Under ASX Listing Rule 4.10 companies are required to provide a statement in their annual report disclosing the extent to which they have followed these best practice recommendations in the reporting period (ASX Corporate Governance Council, 2004).

CLERP 9, the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004, became law on 1 July 2004. Companies must put in place adequate measures, processes and procedures to meet the new obligations of the act, especially regarding auditing and company financial reporting. Chief executive officers and board members can now be held accountable for their business practices and the affects on stakeholders.

The role of the Australian National Contact Points (ANCP) for the OECD “Guidelines for Multinational Enterprises” is part of Australia's obligation to ensure the effective implementation and promotion of the guidelines. ANCP principally provide the advice and support to companies desires to comply with the non-binding recommendations addressed by the Australian Government (ANCP 2005). These organisations are required to operate in accordance with the core criteria of visibility, accessibility, transparency and accountability in accordance with the principle of “functional equivalence”. ANCP’s obligations are achieved through: publicising the service charter, seminars and consultation sessions on the guidelines, contributing formally to the resolution of issues, responding to enquiries about the guidelines, and ensuring that the guidelines are accessible to interested parties (Australian National Contact Points, 2005).

The Financial Services Reform Act 2000 resulted in fundamental changes to the Australian financial services industry leading to unprecedented levels of customer disclosure requirements and reporting to the corporate regulator, the Australian Securities and Investment Commission (ASIC). On 17 December 2003, ASIC released final guidelines for the inclusion of information relating to labour standards and environmental, social and ethical factors in the product disclosure statements (PDSs) of investment products (Policy Statement 168). As from 11 March 2004, financial product issuers are required to comply with the guidelines for all PDSs (ASIC, 2005).
The Occupational Health and Safety Act 1991 section 16(1) provides that "an employer must take all reasonably practicable steps to protect the health and safety at work of the employers' employees", (OHSrep, 2005). The act covers all commonwealth government departments and business enterprises. There is a separate Commonwealth Act for the maritime industry. Other workers are covered under their various OHS state acts, e.g. Victorian OHS Act 1985. State OHS acts are constantly being tightened to ensure the safety and health for all employees. The Victorian OHS Act, as a result of the Maxwell Report 2004, has recently been amended to incorporate greater governance accountability and higher fines for employers that breach the act. The report also recommends implementing a system of incentives and rewards for employers who comply with OHS obligations. These incentives and rewards may include premium discounts, awards and public recognition (More & Grover, 2004).

The Australian Competition and Consumer Commission (ACCC), an independent Commonwealth statutory authority formed in 1995 to administer the Trade Practices Act 1974 and other acts, may legally investigate businesses for contraventions of the Trade Practices Act (ACCC, 2005). The act includes reference relating to EOC including: consumers, suppliers, personal injury, severability, breaches of confidence and competition. Only a court can determine whether a contravention of the Act has occurred and make orders against offenders. The ACCC’s role is to bring matters before the courts, so they can rule on whether contraventions have occurred and order suitable remedies and deterrents. The ACCC commences proceedings under the act in the Federal Court of Australia (Australian Competition and Consumer Commission, 2005).

The Australian Federal Coalition gained control of the Senate on 1 July 2005, and has endeavored to introduce wide-ranging industrial relations reforms to the workplace (WorkChoices, 2005). The government has canvassed to remove all unfair dismissals from a state system to a federal system, remove the powers of the Industrial Relations Commission to set minimum wages with the replacement of a specialist body and create a stronger focus on dispute resolution between employer/employee with mediation. Increasing use of Australian Workplace Agreements, particularly as legislation, is likely to facilitate workplace agreements rather than the current system (Human Resources, 2005). Potential employees may now consider broader determinants including company work ethics, health and safety factors and employee opportunities when considering a workplace agreement (Lindsay, 2004: 1).
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