

INSTANCES OF CORPORATE SOCIAL RESPONSIBILITY IN COAL MINING: AN EXAMPLE OF CHOSEN POLISH MINES

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Abstract:

The article presents exogenous and endogenous instances of CSR in the mining industry in the Polish mines on the basis of results of 1170 surveys (Research sponsored by the Polish Ministry of Science and Higher Education, Project: 4659/B/T02/2010/3, "The role of managers in the process of management of safety culture in coal mines in Poland") and companies reports. Among the endogenous factors of CSR, a special emphasis has been put on safety culture, because the majority of accidents in the mines, the human factor is to blame. The exogenous factors include activities, which mines undertake to improve the condition of the natural environment. Thus, two conclusions can be drawn: 1) There are alarming attitudes towards the work safety, and a correlation between greater work safety and social and economic benefits for the workers and organisations is not discerned 2) The increase in the importance of CSR can be observed mainly for PR purposes, though, internal CSR is not on the satisfactory level. The attitudes of the managerial staff towards safety differ from the attitudes of workers. The managers are pressed to achieve higher goals, which increases the pace of work and various hazards as well as stress. The research also revealed that in Polish mines we have a strong corporate culture, which impedes the introduction of changes in this area.

Keywords: CSR, safety, wellbeing, culture, environment.

1. INTRODUCTION

The idea of Corporate Social Responsibility of business has been gaining popularity since 2000, when the European Council acknowledged it as one of their strategic goals. In the relevant literature different definitions and concepts of CSR can be found. It can be generally assumed that Corporate Social Responsibility can be a part of long-term strategy of an enterprise in which high profits and ethical business conduct, as well as high safety standards and wellbeing of the employees can be reconciled. The concept of Corporate Social Responsibility (CSR) includes elements pertaining to both environmental and social issues as well as those connected to employees' health and life.

In practice many organisations, within the confines of the legal systems, treat the issue of health and security of employees as not worthy any serious discussions. Delios (Delios, 2010, pp. 25–36) who presents interesting theses on the issue, thinks that not all the organisations can afford CSR policy implementation in the global market. The main reasons are the costs, which weaken competitiveness of an organization. He points to the Chinese market, where in 2008 in Guandong province the authorities started to abide the Labour Code i.e. the employees were guaranteed minimal wages and compensations towards illnesses and accidents in the workplace. As a result, due to the increase in the costs, 3500 out of 5000 toy factories, were shut down.

Currently, in the majority of developed countries CSR has become trendy. What is more, the companies undertake activities connected to CSR not only because of trends but also because of the profits, which an organisation can have due to their implementation. Among them there are activities such as: sponsorship for the public benefit organisations, foundations, activities for protecting natural environment. As a result, the company can be regarded as an attractive employer and is also better perceived by the customers. On the other hand, there can be various activities inside an organisation aimed at improving working conditions as well as mental and physical health of the employees, which increases motivation and involvement of the staff and reduces costs of health protection of the employees. One of the pioneers in this area is IBM, which from the moment it was established has emphasized the value of CSR in leadership and culture, long before T. J. Watson in 1967 issued official regulations related to well-being of employees. Today these traditions are being continued. Many different studies show that organisations sensitive to the well-being of their employees make greater profit, as they are becoming more innovative (Ahlstrom, 2010, pp.10–23).

Some of the trades, and most of all those where work is connected with a big risk to health and life of the workers, and is also harmful to the natural environment, such as mining industry, petrochemicals or energetics have been scrutinized by various stakeholders from around the organisation and most of all, conservationists. As a result, due to the pressure of the environment, as well as changing regulations, they more frequently introduce CSR. Additionally, after industrial disasters from the 90's, which happened due to human error (Chernobyl or Bophal) more emphasis is laid on corporate safety culture. Thus, it has been assumed that in hard coal mines CSR should pertain to the inside of an organization as well as its surroundings. Within an organization safety culture is especially important. High safety culture is connected to great value attributed to health and human life as well as sustaining a reasonable gap between the necessary risk, which is an indispensable element of life and development, and ensuring security and protection from danger. Safety culture is the product of individual and common values, attitudes, perceptions, competences and patterns of behavior, which precondition involvement, style and efficiency of activities in managing

safety and health (Lee, 1996 in: Guldenmund, 2000, p. 228). Numerous studies show that actions aimed at improving safety culture in workplaces are profitable for an organization. There is a strong dependency between improving working conditions and increase in productivity as has been observed in Japan (Pecillo, 2005, p. 19). However, many reports point to the fact that a lot must still be done in this area. The total costs related to inappropriate working conditions in EU countries have been estimated at 2,8 % GNP (Pecillo, 2005, p. 19). In the case of mines their harmful influence on the environment has also to be noticed. Thus, it is necessary to increase involvement of extraction corporations in minimizing or eliminating these harmful activities.

2. SOCIAL CORPORATE RESPONSIBILITY IN MINING

Social Corporate Responsibility is the concept in which enterprises voluntarily incorporate different ethical, social and ecological aspects into their policy. The enterprises operating in the contemporary globalized world and ever increasing competition should, apart from main economic goals, include also social and ecological goals. This issue is open for discussion and, as we know, not everyone agrees with such views i.e. Milton Friedman. However, in the era of the increasing social awareness and various legal restrictions, there is no other way of conduct. According to Porter and Kramer "social responsibility of enterprises can be something more than merely an extra costs, a duty or a good deed – it can be a source for opportunities, innovations and competitive edge" (Kramer & Porter, 2007, pp. 76–95). If strategic corporate social responsibility activities are to be understood in this way, they can be a source of significant social progress.

Due to the characteristics of practices undertaken in CSR we can distinguish the attitudes focused on internal activities of the organisation (endogenous) as well as external ones, known as (exogenous). It is very important in the case of mining industry. The specific, finite nature of coal, which is a non-renewable good, and the environmental impact associated with its extraction and use, in addition to the economic importance of mining industry (in some countries), as well as the social impact on the local areas, have led to the situation that the mining industry is amongst the most prolific disclosers of social and environmental information (Yakovleva, 2009, p. 9). Therefore, the main aim of this article is the analysis of CSR influence on the activity of mines. This influence is expressed most of all by introducing a long-term management strategies, owing to which mining enterprises can increase their competitive advantage, improve the quality of work and limit, at the same time, the risk of emergency situation. In the long run, it is connected to positive influence on the external environment in a broad sense of this word.

The CSR issue in mines has been publicized in many countries, which led to acceptance of Agenda 21 plan by the United Nation Conference on Environment and Development at Rio in 1992 (<http://www.un.org/esa/dsd/agenda21>, 2012, 23 March). The approved document is an appeal to undertake actions in accordance with sustainable development. Currently, many international coal mining corporations give employment to scientists from social studies area, anthropology or environmental protection in advisory capacity on good practices in CSR.

3. CSR IN MINING INDUSTRY – ENDOGENOUS PERSPECTIVE

Mines are very hazardous environments and the possibility of fire, flood, explosion and collapse has the potential to simultaneously affect a large number of people. Thus safety,

especially safety culture is an important issue. Armstrong claims that management is not directly involved in problems of preventing accidents and care for industrial safety and work, yet care for employees' health and reducing the risk connected with its losses is one of the duties of managers (Armstrong, 2003, p. 738).

On the basis of the analyses conducted by State Mining Authority it can be concluded that in Polish mines the majority of cases human errors are the main cause of accidents (80 % !). This alarming statistics has become a stimulus to conduct studies in three Polish mines. The sample included 995 employees, 169 managers, 6 safety and quality inspectors). The reports pertaining to the Capital Group whose the mines are a part of, had 76 % accident indicator happening due to the human error.

Accidents may have due to a variety of reasons, and they are also heavily influenced by corporate culture. The management has a great role to play in shaping the safety culture of work (Duarte, 2010, pp. 350–368). The research revealed that managers work are under great pressure from the Board to achieve higher targets. As a result, 67 % of the managers work under higher stress, because they feel great responsibility for the workers and the pressure for efficiency. Other cause is often the lack of staff (60 %). Subsequently, the need of carrying out the tasks in time (49 %) and faulty tools, machines, as well as lack of materials (55 %) was mentioned. Therefore, it means that the human factor and not technical conditions determine danger at work. Apart from the coal mines, very seldom any attempt is made at eliminating the stressful factors (overburdening with work is never eliminated in 5 %, and seldom in 48 % of cases). Actions minimizing the level of stress are seldom taken.

Most managers think that the most frequent causes of risky behaviours of their subordinates are bad habits and customs (83 %) as well as benefits for subordinates (e.g. faster carrying out of the task, social and technical factors – a great role in keeping safe working conditions is played by the regulations and work of industrial safety services). In this case co-operation with industrial safety services is on an average level. Some managers (23 %) think that industrial safety services seldom help them. However, as far as regulations are concerned, half of the group acknowledges that regulations are appropriate (54 %). Every third of them thinks that regulations are too detailed (32 %), and too strict (19 %). Opinions on this matter are connected with experience and size of the manager's team ($p \leq 0,05$ chi square). The shorter managing practice, the more strictly the regulations are perceived. Managers with teams up to 50 people on the lowest level of managing, complain most. This is the case probably because they have to solve operational problems most frequently.

Frequently, accidents happen during transportation as well as during operating machines and devices because workers enter the premises they should not. They do it often for their own benefit e.g. to do the task more quickly. Other factors include poor quality of training, bad organization of work as well as tolerating hazardous behaviours by managers. Unfortunately, the miners themselves in the majority of cases are responsible for the emerging dangers. The analysis of the research confirms it beyond any doubt. Moreover, increase in the number of accidents in mines due to the human factor (error) has been caused by closing down the mining schools, which was connected to restructuring of the coal industry in Poland. Additionally, closing down vocational schools which were preparing people for the miner's job led to further decrease in their qualifications.

Proper accident prevention consists of parallel activities aimed at eliminating threats resulting from the work environment, and it should shape workers conducts. Even the safest

technological solutions will not help if employees themselves do not want to work according to the accepted procedures (Viviers & Boulder, 2008). The whole system and the training methods need to be altered as well.

However, the changes will be difficult to introduce, as the surveyed workers feel very attached to their teams and coal mines exhibit very strong organizational culture (Cameron & Quinn Questionnaire has been used in the study, 2001, p. 28). There are two prevalent types of cultures: market and hierarchy. The results show that the mines prioritize effectiveness and results as well as procedures. The comparison of the results of managerial staff and workers in perceiving the existing and desired culture shows that the manual workers demand more interest and care from their superiors (currently the mines are undergoing changes). On the other hand, the management, due to responsibility for people and pressure from the Board to achieve better results, indicates that there is a need to order and introduce procedures, which will facilitate their work. The staff feels great pressure from their superiors to achieve higher goals. They would like to reduce the pressure and less emphasis on result.

However, without understanding the problems “on top” and without ensuring suitable tools to lower level staff, which would motivate them to change their attitudes, no change of culture is possible in these mines. Currently, one may have the impression that the situation is positive and is within the acceptable limit of accident statistics for the supervisory authorities. However, the analysis of costs for compensations and the amount of absenteeism due to accidents may lead to conclusion that the “top” does not discern the fact that appropriate shaping of high safety culture may be very profitable.

4. CSR IN MINING INDUSTRY – EXOGENOUS PERSPECTIVE

More and more coal mining companies in the world voluntarily or under pressure intend to introduce CSR strategies. H. Jenkins and N. Yakovleva (2006) carried out interesting studies on the issue, which included 10 biggest coal mines in the world. The studies concluded that the mines are very different from one another as to the level and scope of monitoring and reporting of CSR activities. In general, when taking into account the number of publications on the issue and factual actions one may have an impression that academics are much more interested in these issues than business or market organisations.

In India, which is the third biggest producer of hard coal in the world (after China and the USA), the environmental situation is very bad. Mining has caused displacement, pollution, forest degradation and social unrest. Additionally, the number of people is growing. The increasing economic development and a rapidly growing population that has taken the country from 300 million people in 1947 to more than one billion people today is putting a strain. In 2011, India has been ranked as seventh most environmentally hazardous country in the world (Brazil was the worst on environmental indicators, United States second worst, China – third) (<http://www.gits4u.com/envo>). So the Union government in India is considering to make it mandatory for coal mining companies to spend a part of their net profit on the welfare of local people affected by the activities. It is possible that government will make spending on Corporate Social Responsibility (CSR) by companies mandatory in the bidding policy (www.business-standard.com, 2012).

Similarly to China, the situation is bad not only in the area of environmental protection but also in human rights and health in many trades and also in the coal mining industry. Coal is fueling China’s economic expansion, but also leaving behind a trail of devastation. They are

currently the biggest consumer of the electrical power, which in 70 % is produced from coal. This consumption is expected to be growing. It is also anticipated that in the next few years energy consumption will grow by 50 %. At the same time China is breaking the records in the number of accidents happening in coal mines. For instance, according to the State Work Safety Supervision Administration in 2006, 4,749 Chinese coal miners were killed in thousands of blasts, floods, and other accidents (Reuters, 2007, January 11). Some western investors warn their Chinese business partners they will only sign joint venture agreements with Chinese companies if they can show a willingness to comply with Western standards on human rights, as well as environmental protection.

In Poland from the 90's the restructuring of the coal mine industry has been taking place. As a result, less profitable mines have been shut down and to the ones which are still operational new technologies are being introduced, which are supposed to ensure more efficient and safer work. Polish coal mining industry seems to be more interested in CSR, as for the last two years there has been more information on the planned CSR strategies. Especially in 2012 there is some information presented on initiatives in the area on the website of the coal mines and congresses. It can be inferred, however, that information related to CSR is in the majority of cases perceived as PR activities, and not as independent strategy of an entity. Only a few of the enterprises present information on specific successes in environmental protection (Górecki & Sermet, 2010, pp. 40–44).

In 2009 the first Polish coal company LW Bogdanka (the most modern coal mine in Poland) was listed on the Warsaw Stock Exchange. In 2011 another company Jastrzębska Spółka Węglowa, a significant producer of coke in the EU was listed. Browsing websites of different coal companies, these two can be distinguished as having their CSR strategies stated clearly (access from 2012, March 23). In other coal mines the situation is a bit worse. It can stem from the fact that in Poland currently the campaign for CSR ideas in coal companies is being launched. In 2012 CSRinfo and Polish Association of Stock Exchange Issuers began partnership in the campaign for promoting responsible business among stock exchange companies. In 2012 partners are to undertake together a series of activities popularizing the idea of CSR in this environment. Probably due to this fact in February 2012 two major capital groups almost simultaneously proclaimed their overall CSR strategies (one of them is LW Bogdanka and the other is still not listed). It can be generally assumed that major activities are planned in three Polish companies, two of which are listed, and the third being the company, where the authors conducted their study (although its name will not be revealed).

On the website of Jastrzębska Spółka Węglowa there are many recommendations and activities from 2005 including environmental protection (such as land rehabilitation and redevelopment of areas of mining activity), health and safety (in 2010 the Management decided to introduce remuneration system rewarding safe work, the system for monitoring dangers was introduced, and counselling services were provided), actions for the region and sports. There are no reports as to the practical application of these intentions.

Bogdanka LW at the beginning of the year has adopted an overall strategy of CSR for 2012–2015, where the goals and prospects were specified, which the company intends to attain on the road to sustainable development in areas such as: ethics and transparency of communication in practice in business activity, safety and development of the employees of the company, innovative and active influence on the environment, attaining business goals. They committed themselves to constant monitoring of all the indicators of undertaken activities as well as public social reporting of the involvement of the company e.g. in

sponsoring of sports and culture, environmental protection or improving safety and development of the employees. The mine has the Ethics Code, employs a spokesperson for Ethics and they also published a report “Environment Impact Report”, as well as information on money donated to charity. Unfortunately, the data and the report include only 2009 i.e. the year when the company was listed.

The capital group, where the study has been conducted¹, as the second Polish mine has Ethical Code and similarly to Bogdanka there is a post of a spokesperson for Ethics (in other mines there have not been such actions). Although in this capital group there is no clearly specified CSR strategy on the websites, a description of many socially responsible activities can be found there. It is an example of an organization, where CSR activities are being carried out as separate plans and individual projects. It seems though that soon enough we can expect changes towards formalizing this strategy. The director of the studied coal mine company in 2012 at one of the congresses made a speech on the rules pertaining to managing this group in the context of social corporate responsibility of business (<http://szkolaeksploatacji.pl/node>).

More and more activity can be observed in the CSR area in the Polish mining industry, but it is difficult to assess how these declarations work in practice. So far, only one mine, LW Bogdanka, published on its webpages an abridged report on its activity in CSR.

5. SUMMARY

In order to ensure better functioning of the coal mining industry ecological and social aspects are becoming increasingly significant, including health and work safety aspects. It can be concluded that there is awareness in the Polish mining system of the necessity to undertake actions compliant with sustainable development and social responsibility. Especially from 2012 it can be observed that CSR is becoming an important part of mining strategies. It can be suspected, however, that it happens largely due to pressure from the environment such as the fact of being listed on the Stock Exchange. Thus, it is difficult to assess in many cases whether the declared activities are in fact being implemented. Up to this point only one company published its report on the issue albeit in the abridged form. Nevertheless, it was not a standard report understood in CSR categories.

In mines a great emphasis is laid on results, which leads to a great stress burden as well as breaking the regulations if it involves some kind of benefit. The data that 80 % of accidents are caused by the human error are alarming. The surveys and reports from three mines prove that the top management does not discern a relationship between high level of security and other variables such as compensations, health and wellbeing of employees. In Poland the costs of stress are not calculated either as opposed to other European countries. The middle level management is pressurized by the top to achieve better results, and as a consequence they do not always perform their duties in organizing, motivating and supervising properly. The supervisors themselves quite often turn a blind eye on breaking the regulations. The support of the top managerial staff would be very useful to improve the situation e.g. they could set up rewards for safe work. The overall safety level is not that bad. The existing strong organisational culture in the mines can be one of the main barriers in introducing changes in this area. In the research it has been observed that there is a co-existence of two strong subcultures: »managerial« and »mining«, which are different from each other in many respects.

¹ The name of the company will not be revealed.

It is necessary for mines to consciously incorporate social responsibility into activities both in the external and internal environment. Considering the material collected here it can be concluded that in both these areas the current level of activities in coal mining companies is satisfactory. The results from surveys, reports from health and safety regulations' courses and accidents as well as public information on website seem to prove it. On the positive side, from 2012 there has been an increase in the practical education area (congresses, conferences). Nevertheless, it seems that there is a lot to be done to see the effects of these activities in practice.

To sum up, we can notice that both internal factors (miners themselves) as well as economical situation (competition, new trends, privatisation, emphasis on profit) do not make this task any easier.

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