Working for the local community; accounting for substantively broader and geographically narrower corporate and social responsibility

Alan Sitkin
Regent’s University London, Inner Circle, Regent’s Park, London, NW1 4NS, UK.
sitkina@regents.ac.uk

Abstract: Academics and practitioners have long debated the justifications for corporate social responsibility (CSR), as well as its areas of impact. Many of these discussions highlight CSR’s social, environmental or corporate governance aspects but neglect another focus that is even more important to populations on the receiving end of a company’s actions, namely the macro-economic effects on a specific population in a particular locality. This paper fleshes out CSR’s substantive and geographic characteristics and contributes in this way to the sparse current corpus (Albareda et al 2008; Fox et al 2002; Happaerts 2012) on sub-national level impacts.

Keywords: Corporate; Social; Responsibility; Local; Community.

Biography: Alan Sitkin is a Senior Lecturer in the Faculty of Business & Management at Regent’s University London and has published research on a variety of business, management and pedagogical matters. He teaches on international business modules and supervises dissertations at undergraduate and postgraduate levels. Alan is also an active elected Councillor for the London Borough of Enfield.

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1. Introduction

Notwithstanding voices past and present opposing the very concept of Corporate Social Responsibility (Friedman 1970; Karnani 2010), CSR has become more widespread than ever, as evidenced by the fast rise in the number of corporate reports featuring versions of ‘triple bottom line’ reporting (Elkington 1984) intended to demonstrate a company’s growing concern for society as a whole. The new framework is still in the process of being formalised, an effort that plays out on several levels, including the question of whether listed corporations must offer CSR (or ‘sustainability’) reporting as a matter of course; what items should be measured; and the extent to which any such filings might be standardised internationally. This latter ‘country-to-country’ debate is redolent of international business discussions about the convergence of corporate governance behaviour (Pauly and Reich 1997), particularly in the wake of the late-2000 recession (Brumana and Delmestri 2012). In the specific field of CSR, however, the debate assumes a whole other dimension that is only starting to be addressed (Misani 2010). Specifically, this literature raises serious questions about how broadly a company should define the social outcomes for which it is responsible, and the geographic area where this responsibility should be calculated and assumed.

The problem is that whereas international standards generally accept that multinational enterprises consolidate subsidiaries’ accounts at a national level, the effects of CSR (or the absence thereof) tend to be felt on a sub-national plane (EC 2011). This can create aggregation distortions that can either over- or under-represent the local effects of actions itemised in national accounts. In the case of a report over-egging a company’s contribution to a local community, the question becomes whether this inaccuracy is intentional or not. There is a huge corpus of literature documenting “greenwashing” cases (Sitkin 2011) where companies intentionally use CSR as “cotton candy” (Reich 2007) to distract public attention from the negative externalities that their business causes even as they seek “insiderization” status (Ohmae 1991) to mitigate potentially negative perceptions and allay useful criticism. These are situations where accounting is specifically used for purposes other than providing an accurate picture of a company’s behaviour or impacts. They are reprehensible.

In less regrettable scenarios, misleading representations of this kind are clearly unintentional. One example is the ‘green training centre’ that UK utility company British Gas has opened at Tredegar in South Wales, an eminently commendable initiative providing a number of young Britons with an opportunity to develop useful competencies as energy-efficiency assessors or renewable energy installers. The problem is that the centre’s somewhat eccentric location makes access more or less impractical for most unemployed persons living, for instance, 172 miles to the east in London Borough of Enfield. Thus, although British Gas can truthfully report Tredegar as the concrete example of a CSR initiative that it has taken in the UK, there is little real effect for vast swathes of the UK population. We may (and do) commend British Gas for its attention to two leading CSR categories (society and environment) but the centre’s distance means that its existence cannot reasonably be used to argue that the company is fulfilling all of its macro-economic social responsibilities in Enfield itself. Even if British Gas’s definition of CSR is sufficiently broad on a substantive level, in geographic terms it is not specific or narrow enough.

This is a crucial distinction, because geography is more of an issue for some areas than others. It is highly relevant, for instance, to Enfield, a de-industrialising locality in North London suffering from higher than average unemployment, largely due to the difficulty for the children and grandchildren of fired factory workers to find replacement jobs. The social consequences of this dislocation have been devastating. Solutions will be harder to find if substantively and geographically inaccurate CSR reporting create the impression that the companies doing business in the borough are contributing more to its regeneration that they really are.

The situation is particularly galling given that Enfield’s 310,000 strong population constitutes a large and relatively solvent consumer market that has translated, based on extrapolations contained within this paper, into substantial operating profits for the large national and international corporations doing business here – without any of these companies employing many if any staff locally. In turn, this means that the local economy is suffering strong net capital outflows, a significant disbenefit dwarfing
the infinitesimal local CSR spend by the companies in question. Not only does this aggravate Enfield’s ongoing de-industrialisation trajectory but the agents of this process are not being held to account, in part because their aggregated national accounts do not provide an accurate image of their true local footprint.

The article starts with a brief theoretical discussion setting the stage for an investigation of this problem. The first aspect, largely rooted in international business literature, puts forward a macro-economic argument that local (sub-national) hiring outcomes do in fact qualify as a bona fide category of CSR. The second aspect, which is more accounting-oriented, reviews current thinking about how CSR should be represented in geographic terms, and the influence that different institutions might have on such reporting (Tschopp et al 2012). The main section of the article follows with findings comparing the operating profits that leading corporations generate within London Borough of Enfield versus their current local CSR actions. The conclusion refers to some of the more political actions that are being engaged following this recalibration of our CSR understanding, in line with the economic re-localisation agenda that has dominated UK policy in recent years (HM Treasury 2007). Note that the paper has a purpose that is more than academic in nature. In addition to lecturing in a business school, the author is an elected councillor sworn to represent the interests of constituents in London Borough of Enfield. In the absence of true accounting providing a more accurate image of the net value that non-Enfield companies extract from the borough, there is every chance that many of the population’s core business dealings will leave it disadvantaged. Even worse, overregulated claims of CSR-based altruism might be seen as a smokescreen impeding understanding of residents’ real economic prospects and distorting policy-making. It is this state of unreality that the present article seeks to address.

2. Theoretical background

There is a substantial corpus on the different ways in which partial, skewed and incomplete CSR reporting can be used to create a misleading account of the balance of social, environmental or other benefits that a population derives from its dealings with a particular company (Sikka 2010; Jones 2010). The logical response to this critique would be to raise the accuracy of a company’s CSR reporting by covering broader range of substantive topics and detailing them at a more local level of geographic impact. Determining which topics can be dealt with via CSR depends on a variety of factors, including the standards of social responsibility institutionalised within a particular space through regulation or norms (Campbell 2007); managers’ ideological representations of CSR (Mäkelä and Lane 2011); the missions of the different parties involved in CSR strategizing (Windsor 2007); and their cultural and ideological motives (Aguilera and Jackson 2003), which can often vary along national lines. From the perspective of a public authority accountable for constituents’ total welfare, for instance, a company’s social responsibility necessarily includes the full impact on the local population of the economic organisation that the company is imposing. Contained within this vision is a sense of the way in which its actions have affected the sub-region’s net balance of payments, i.e. whether the business leads to a net outflow or inflow of capital between the local vs. the national or international economy. The question is particularly poignant in the wake of recent research (Erturk et al 2012) ascertaining differential growth and foreign direct investment performance between, for instance, high-flying Central London and its hinterland, starting with the borough of Enfield, which is only 8 miles north of London intramuros. Much in the way that traditional macro-economic aggregates need to be deconstructed to avoid national performance statistics masking certain regions’ markedly lower standard of living (Williams 2012), a sub-national breakdown of accounts would also vastly improve the usefulness of company reporting for stakeholders with an interest in the geographic space where the company is operating – and, in a particular analysis, from which it is extracting value. This then becomes the level where substantive and geographic modifications in CSR accounting work together to enhance accuracy.

2.1 Macro-economic outcomes as a CSR indicator

Alongside CSR’s environmental and corporate governance chapters, the social responsibilities that tend to be attributed to multinational enterprises (MNEs) and other large companies are specified
inter alia in the United Nations’ 2010 Business and Human Rights Initiative, generally referred to as the UN Global Compact “Ruggie framework”. For historical reasons largely rooted in the accusations levied at certain leading MNEs during the 1990s, the social issues that many large companies tend to highlight in their CSR reports are limited more often than not to topics such as working conditions, union relations and training policies. A very few companies, such as France’s Regie Autonome de Transports Parisiens (RATP), also delineate explicit CSR objectives aimed at enhancing the employment prospects of the local populations in the zones where they operate. By definition, however, this orientation might tend to be viewed as more relevant for a company whose activities are almost entirely contained within a specific geographic space (i.e. for the RATP, the region covered by the Greater Paris transport network). On the other hand, de-territorialised MNEs (Scholte 2000) and even large national companies might have an interest in not itemising local employment as a CSR category, if only because this would tie their hands at a time when many companies’ competitive advantage is based on moving production to cheap but distant locations.

In pure financial terms, these long-distance supply chains have had some positive effects for the foreign workers who are now producing the goods or services in question. Above all, they appear to benefit shareholders harvesting the profits that accompanies this kind of “fragmentation” (Froud et al 2012). Conversely, gutting the industrial fabric in the home country or sub-region where the activity had been originally run is very negative for the local body politic. Not only does the capital outflow reduce the aggregate funds circulating within the local economy but there is also a tendency for certain neighbourhoods to suffer disproportionately, creating enormous ancillary social alienation problems. In the case of Enfield, this has mainly involved the parliamentary constituency of Edmonton (NPI 2011). In large part, this can be conceptualised through the idea that the outsourcing of employment has generally negative implication for immobile workers left behind and lacking sufficient local alternatives (Krugman and Venables 1995; Rodrik 1997). These abandoned workers (and their dependents) may be able to pay less for cheap imports than they would have done with locally produced goods, but this one benefit pales in comparison to the lost employment prospects.

There is no room in the present article to provide a full review of the centuries-old debate between neo-liberal and neo-mercantilist trading systems. In broader terms, however, asserting that globalisation is good or bad is a wholly inadequate way of conceptualising the merits of today’s dominant open border paradigm. The simple reality is that globalisation has been good for some – and bad for others (Sitkin and Bowen 2010). Many of the unemployed residents of London Borough of Enfield fall into this latter category. Often the children and grandchildren of factory workers who were fired in the 1980s as the borough de-industrialised, these are populations that have struggled for different reasons (NPI 2011) to find replacement employment, to the extent that whereas according to the Office for National Statistics overall UK unemployment in February 2012 was around 8.4%, 10% in London, the number for Enfield was 11%. Even worse, regarding the unemployment of youths between the ages of 16 and 24, the same source came up with a whopping figure of 22.2% for the borough. Similarly, in late 2011, Job Centre Plus statistics also found that more than 20% of all Enfield youths are unemployed, with one segment (NEETs: not in education, employment or training) having more than doubled over the previous 12 months. Whatever the causes of rising unemployment in Enfield, there is no doubt as to the acute nature of the problem.

Of course, much in the same way as intra-national statistics are often misleading, the same can happen with intra-regional snapshots. For instance, whereas Enfield’s green and leafy Western neighbourhoods, largely inhabited by suburban commuters to Central London, have remained no more than a point or two away from full employment through late 2012, jobless rates in Eastern zones like Edmonton – situated next to the old Lea Valley industrial district – are around 15-17%, with one neighbourhood even coming in above 50%.

With a minimum of solvency funded through part-time work and/or welfare provisions, these are populations that continue to consume energy, telecommunication, food and usually some banking services. By definition, however, they are no longer employed by the companies providing these goods and services. It is this contradiction that ties the macro-economic situation of a local population to the micro-level strategies of large national or international companies exporting goods
and services into its market. The direct implication is that if companies' CSR accounting is to provide an accurate picture of all the externalities associated with their dealings a particular region, they must broaden the measurement of their footprint - in Enfield's case, extending it to include local recruitment patterns.

2.2 The localisation of CSR

Whether in response to the proliferation of CSR guideline and audit programmes drafted by local governments (Paget 2012) concerned “that local companies are not sufficiently contributing to social development” (Mahadeo et al. 2011), or because they are under pressure from NGOs such as the Revenue Watch Institute to contribute to a greater inter- and intra-national distribution of wealth, an increasing number of companies are starting to report on CSR’s sub-national formulation and/or implementation. The first stage in this process seems to involve growing awareness within companies’ of CSR’s potentially local dimension, as exemplified by French bank BNP-Paribas’s mention of “regional coordinators [taking] local factors into account in deploying the Group’s CSR strategy” (2011). At a deeper level of localisation, companies like British American Tobacco report on the integration of subsidiary and headquarter perspectives, based for instance on “a small number of local audit and CSR committees [supporting] the embedding of CSR and sustainability principles across the Group… in order that materials and issues which are presented and raised at regional level may feed into Board level discussions, and vice versa” (company website, 2011 Group CSR governance page). Lastly, the most advanced stage of CSR localisation is exemplified by a company like British Telecom (BT) that goes as far as to publish statements on its actual direct and in-kind CSR spending in each of the regions in its home market (BT 2008). Note that BT also quantifies the number of staff members employed as well as its “supplier spend” and “financial impact” in each UK region. In this way, it comes close to achieving full macro-economic and geographic disclosure. A local authority such as Enfield Council would still require further specification from BT, whose lowest reporting level is the London region, meaning that Enfield would still have to compete with 32 other boroughs for the company’s CSR spend. This would, however, be a far more straightforward negotiation for the Council than trying to tap into a CSR programme that a company dictates out of its national headquarters.

This remains the practice with many companies, for whom there are still a number of very strong reasons not to break CSR down to the most local level. Research has uncovered, for instance, situations of “power asymmetry” where large MNEs unilaterally dictate centrally decided CSR programmes to weak local authorities in the knowledge that they lack the same bargaining strengths as their national government might wield (Calvino 2008). At a more personal psychological level, subsidiary managers who feel a greater need to demonstrate adherence to group policy than to gain legitimacy in the eyes of their local counterparts might also be reluctant to adapt their CSR programme to the most local level (Yang and Rivers 2009). Indeed, in a certain analysis, the move towards a sub-national management and measurement of CSR is less the doing of managers themselves than the result of pressure from non-market actors with a more political and less economic commitment to decentralisation. These include the European Union, which in 2012 invited member states to submit plans for sub-national CSR accounting: the International Organization for Standardization, with its 26000 Guidance on Social Responsibility (published in 2010); AccountAbility's 2008 “AA1000 standards designed to put the voice of stakeholders at the heart of the [sustainability reporting] assurance process”; or the IFC/World Bank’s 2012 Performance Standards specifying criteria for community involvement and engagement. Above all, there is the idea of “project-by-project” reporting formulated as part of the Extractive Industries Transparency Initiative (http://eiti.org/), translating the sector’s desire to calm its often fraught relationships with civil society stakeholders, especially in countries where central and local authorities struggle to achieve an equitable sub-national allocation of revenues. Such conflicts can exacerbate MNE subsidiaries’ difficulty in ascertaining the legitimacy of smaller local stakeholders’ legitimacy for demanding a frontline CSR spend (De Groot 2012). The relational uncertainty that ensues is yet another impediment to the localisation of CSR.
Many of the arguments used in the growing corpus highlighting the difference between “local” and “corporate” understandings of CSR (Brueckner and Mamun 2010) resemble well-known international business conundrums. Thus, whereas “local policies may be more responsive, they may also cause fragmentation … whilst a global policy might be efficient and of higher standard, it is not locally owned and hence local managers may not be fully committed” or proactive (Muller 2006). There is some concern at this level that breaking CSR down to the local level might cause some “dilution” of CSR (Jamali 2010), particularly where weaker governments in developing countries are concerned. This caveat is less relevant, however, to self-aware and interventionist-minded politicians such as the Labour group that took over Enfield Council in 2010. Our Administration understands that one of our main missions is to help all constituents to maximise their total advantage (and minimise their total disadvantage) of dealing with the large national and international corporations that sell goods and services into Enfield. To companies’ self-interested CSR purposes, we oppose our own sense of “power, legitimacy and urgency” (Mitchell et al 1997). To some extent, it is our political ambition for constituents that determines the social responsibility we might expect companies to account for locally.

3. Methodology

The question then becomes how to measure CSR at the local level given the impossibility of a comprehensive measurement in the absence of exact capital outflow figures. In response, this next section will introduce a proxy indicator. It would be unreasonable to allege any great precision in the data being presented here, if only because of the many postulates required to compile the figures. This in no way detracts from the usefulness of the exercise, however. To repeat, none of the providers being analysed here runs any particularly significant operations locally, i.e. all export the product of their local sales to remunerate production factors situated elsewhere, at a scale that dwarfs their local CSR actions.

3.1 Choice of indicator

To be completely accurate, any determination of the full distribution of advantage between the companies exporting into a local area and the local population necessitates advanced data that is basically impossible to compile. Ideally, for instance, there should be analysis of how the income generated through the companies’ local business breaks down between remuneration of capital (requiring statistics on how many shareholders live in the area) and labour (requiring statistics on how many local residents work for the company locally or elsewhere and what they are paid; and on the extent to which the company sources inputs from suppliers operating locally or elsewhere). In the absence of this kind of information, the decision was made to focus this paper on locally generated operating profits, because this indicator already incorporates the corporate spend on material inputs (thereby including whatever spend might have filtered into Enfield supply chains); operational charges (including whatever spend might remunerate local service providers); and above all, labour.

This latter factor will have had a variable effect on companies’ net capital flows in and out of Enfield, depending on the sector in question. With one small exception (the E-ON power plant at Brimsdown employing ca. 28 people), large utility firms selling energy or telecommunications into Enfield field no local operations. Some Enfield residents will be employed by them as either managers or operatives, but initial interviews with the leading utilities led to the discovery that they do not maintain statistics on employees’ place of residence. It is therefore impossible to ascertain with any precision to what extent utilities’ locally generated revenues are filtering back into the borough through wages. The calculation is especially complicated by the fact that some utilities service local customers through an inhouse workforce whereas others intervene via first tier contractors who may or may not run Enfield-based operations.

Where the retail and banking sectors are concerned, on the other hand, the big national and international companies selling to Enfield clearly do employ people in the borough. The net impact on the total local spend remains just as uncertain, however, without access to information about the...
addresses of employees working in branches both inside and outside of the borough. There is also no data on wages paid to Enfield staff as opposed to the corporate average - although it might be surmised that local pay is lower since none of the corporations in question has its headquarter in Enfield (although Tesco’s HQ is in neighbouring Broxbourne). Just as inconclusive is the effect of local residents giving their custom to non-Enfield branches, or non-Enfield residents being served by local branches. In the end, and much the utilities sector, it seems safest to opt for a single indicator - operating profit - which as aforementioned, already incorporates all running costs and does best at translating the capital that the company in question extracts from the Enfield economy to attend to financial uses elsewhere.

Of course, some of these uses clearly involve funding productive assets that the company needs to sell goods and services into Enfield. To that extent, it would be wrong to calculate companies’ extraction of value based on a simple comparison between total operating profits and local CSR spend. Having said that, the relative dearth of direct investment in Enfield itself means that a disproportinate part of companies’ locally generated operating profits are used to fund productive assets and activities benefiting regional/sub-regional economies other than Enfield - a capital outflow that has exacerbated local de-industrialisation.

3.2 Sample

The decision was taken to focus on the three broad sectors of activity where Enfield residents have regular dealings with large national and international corporations. Thus, by definition, the sample is incomplete and understates the extent to which capital flow out of Enfield. For instance, non-local insurance companies clearly generate substantial operating profits from their dealings in the borough. It might be hard, however, to justify a prorata allocation for these companies given the lack of available data on the breakdown of operating profits among their different business lines, and on the prevalence in Enfield of certain forms of insurance, each producing its own margins. Thus, for simplicity’s sake, the decision was taken to produce figures from three sectors only.

The first is utilities, mainly energy companies but also two leading telecommunications providers (BT and BSKYB). Note that Virgin Media would ideally also have been part of this latter data set but figures on the company’s UK performance were unavailable.

The second sector involves supermarkets. Note that a number of assimilated companies might also have been included in this survey to provide a fuller picture of the capital flowing out of Enfield. This includes petrol stations like BP (not included because of many drivers’ habit of filling up far from home) and leading furniture or appliance stores such as Ikea or Curry’s (whose customer base is also geographically difficult to ascertain).

Finally, the third sector is banking services. The UK’s main financial groups all have high street operations in the borough and deal directly with its businesses and surviving industries. Given the lack of data, it would be specious to arbitrarily break locally generated profits down between commercial and private customers, or adjust the raw data to account for differential profit margins in these two areas. For clarity’s sake and to avoid over-stating our case, the decision was taken to only include in this survey retail banking operations’ net operating income. Note the greater use of banking services in affluent West Enfield as opposed to the struggling East - where a number of residents not even hold bank accounts. However, given that the proximity between average Enfield and UK incomes, there is some justification for applying the proportionate coefficient method to the whole of the local population.

3.3 Adjustments

To exclude variabilities caused by companies’ international exposures, the decision was made to focus on UK operating profits alone. However, even within this data set, adjustments were needed to account for Enfield’s share of the national total. Given large corporations’ strong tendency towards fragmented value chains (itself a major factor in Enfield’s deindustrialisation) one logical
postulate for allocating companies’ UK operating profits to the Enfield economy - at least for retailers and banks running local branches - might have been to take the number of local branches and divide them by the number of branches UK-wide. The problem is that this approach overlooks non-Enfield purchasers visiting branches inside the borough and Enfield purchasers going outside. Hence the decision to apply the same population-based coefficient method to the banking and retail sectors as the one used for utilities. This involves allocating operating profits based on Enfield’s 2011 population of 310,000 accounting for almost exactly 0.05% of the UK’s total population that year of ca. 61 million. Given that average earnings in Enfield are close to the national average, this assumption seems reasonable.

A second adjustment involved the earnings reporting period. Given the great variability in the date and frequency of companies’ financial publications, the decision was taken to extrapolate an annual figure from whatever data was available for four consecutive quarters prior to spring 2012, when Enfield Council officers conducted their latest inventory of local CSR actions. Wherever possible and for most companies, this involved FY2011, but the range varied from 3Q2010-3Q2011 to 2Q2011-2Q2012, depending on companies’ own filing behaviour. Note that whereas almost all raw data came from company reports, for a few the source was a press release (sometimes relayed via media outlets), due to some companies’ use of these vehicles to expedite data publication.

It is accepted that staggering the data sets accord might cause small inconsistencies. To increase robustness, however, all uncertainties about applicable data - relating, for instance, to the company’s attribution of operating profits to the United Kingdom - has been dealt with with by applying whichever figures under-state the argument being put forward here. It is paramount to remember that rather than specifying corporate performance over the period in question, the paper’s goal is to produce orders of magnitude. Moreover, single year accounting data is always fraught with the possibility of distortion, if only because figures from a particular period can deviate exceptionally company’s long-term trend. This is particularly true for data published slightly before, during or slightly after calendar year 2011, one when the British economy as a whole was performing poorly and double dipping back into recession, without reaching the depths seen in the wake of the 2008 subprime crisis. Having said that, UK economic actors’ fortunes varied widely in 2011. Even as unemployment and income inequality rose (and aggregate demand contracted), corporate profitability was strong with many national companies accumulating huge war chests (Hawkes 2012). Indeed, it is this anomaly that gave rise to the paper’s research question.

4. Findings

What the statistics below show is a disproportion between the huge operating profits that the large corporations comprising our sample produce in Enfield, and their comparatively minimal local CSR actions. To repeat, there is no question but that some surplus value is to be expected to remunerate the production factors enabling the companies to provide their products and services in the first place. The sheer scale of the disproportion indicates, however, that something is very wrong with the existing accounting of companies’ full social responsibilities.

4.1 Utilities and telecommunications

The total for this category would have been much greater had it included Thames Water, which has a quasi-monopoly in its sector. The company’s ca. £1 bio operating profit would be adjusted by an exceptional allocation coefficient of 0.2, representing Enfield’s share of its potential 13.6 million population in the South of England. In turn, this would have led to the calculation that Thames produces an operating profit of £20mio in the borough. Having said that, the company is currently embarked on a huge redevelopment of its local sewage plant (Deepham’s), one due to cost up to £300 million. The project’s financial aspects are unknown but in all likelihood it will appropriate most if not all of the surplus funds that Thames Water generates locally. This is unique compared to the accounts of the other companies assimilated into this category, and explains Thames Water’s exclusion from Table 1.
Table 1: Local CSR extrapolations for the utilities sector.

<table>
<thead>
<tr>
<th>Utilities Sector</th>
<th>Pre-tax UK operating profits, extrapolated for 12 months over period in question</th>
<th>Pro-rata annual operating profits extracted from Enfield (conversion factor 0.005)</th>
<th>Local CSR actions inventoried by Council officers in spring 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Electric</td>
<td>£1.7 billion (b) <a href="http://www.sse.com/uploadedFiles/Controls/Lists/Press_releases/Press_release/2012/FY1216May.pdf">link</a></td>
<td>£8.5 million (m)</td>
<td>No specific indications found.</td>
</tr>
<tr>
<td>EDF Energy</td>
<td>£1.6 b <a href="www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls">link</a></td>
<td>£8.0 m</td>
<td>No specific indications found.</td>
</tr>
<tr>
<td>E.On UK</td>
<td>£1 b <a href="http://pressreleases.eon-uk.com/blogs/eonukpressreleases/archive/2012/03/14/1799.aspx">link</a></td>
<td>£5.0 m</td>
<td>School visits, helps with curriculum. Donated £1,000 (k) to LBE Volunteering Event. ‘HeatStreets’ energy efficiency; free tests.</td>
</tr>
<tr>
<td>Scottish Power</td>
<td>£1 b <a href="www.consumerfocus.org.uk/files/2012/02/Big-6-profits.xls">link</a></td>
<td>£5.0 m</td>
<td>No specific indications found.</td>
</tr>
<tr>
<td>British Gas (as domestic arm of Centrica Group)</td>
<td>£610 m <a href="http://www.bbc.co.uk/news/business-18994178">link</a></td>
<td>£3.1 m</td>
<td>Swimfit - sponsored national campaign. ‘Green streets’ £2m nationally (£10k LBE?). Support for MIND in Enfield.</td>
</tr>
<tr>
<td>+ BT Retail</td>
<td>£1.4 b</td>
<td>£7.0 m</td>
<td>BT Age and Disability Action (products and services for older and disabled customers).</td>
</tr>
<tr>
<td>+ BSKYB</td>
<td>£1.2 b <a href="http://corporate.sky.com/about_sky/key_facts_and_figures">link</a></td>
<td>£6.0 m</td>
<td>No specific indications found.</td>
</tr>
<tr>
<td>Sub-total for utilities and ancillary</td>
<td></td>
<td>£46.1 m</td>
<td></td>
</tr>
</tbody>
</table>

Above all, it is worth recalling that with the exception of E.On’s power station at Brimsdown located near the borough’s northeast corner, none of the utilities doing business in Enfield operate any permanent administrative or operational structures here. Depending on the company, technical services are either fulfilled by inhouse staff dispatched to Enfield on an ad hoc basis to carry out delivery, installation and/or repair missions, or else have been outsourced to first tier contractors. These parties will then organise their workforces in different ways: some employ “flying teams” for the whole of the North London region; a few (like Morrisons and Murphys) run an Enfield service team depot. It remains that the local spend for each of these operational organisations will already have been included in the above figures.
4.2 Supermarkets

Unlike utilities, supermarkets do run local operations that will clearly employ at least some local residents. Moreover, a number of companies (such as Asda) run borough distribution centres that very probably employ some local residents in the kinds of upstream supply chain functions that enable a particular geographic location to appropriate a greater share of the value added created within a branch. As aforementioned, however, the list below only includes food chains and excludes the many other large retail sectors (including furniture and household appliances) whose leading corporations sell into Enfield yet run few if any of their productive operations locally. Including this latter category would have further increased the net outflow calculation.

<table>
<thead>
<tr>
<th></th>
<th>Pre-tax UK operating profits, extrapolated for 12 months over period in question</th>
<th>Pro-rata annual operating profits extracted from Enfield (conversion factor 0.005)</th>
<th>Local CSR actions inventoried by Council officers in spring 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tesco</strong></td>
<td>£2.5 b</td>
<td>£12.5 m</td>
<td>Community toilet scheme. Charity fundraising stalls. Schools and Clubs scheme.</td>
</tr>
<tr>
<td><strong>Asda</strong></td>
<td>£998 m</td>
<td>£5 m</td>
<td>“Wants to play an active role”. Edmonton store donated £26k, but to Starks Field Primary School. Occasional litter clean up days.</td>
</tr>
<tr>
<td><strong>Morrison’s</strong></td>
<td>£973 m</td>
<td>£4.9 m</td>
<td>Charity partner – North London Hospice. Hosts fundraisers.</td>
</tr>
<tr>
<td></td>
<td>[<a href="http://www.morrisons.co.uk/Corpor">http://www.morrisons.co.uk/Corpor</a> ate/2012/annualreport/financial-statements/5-year- summary/Default.aspx](<a href="http://www.morrisons.co.uk/Corpor">http://www.morrisons.co.uk/Corpor</a> ate/2012/annualreport/financial-statements/5-year-summary/Default.aspx)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sainsbury’s</strong></td>
<td>£789 m (total)</td>
<td>£3.9m</td>
<td>Each Sainsbury’s store chooses a local charity to help with fundraising i.e. Highlands Village - Chickenshed.</td>
</tr>
<tr>
<td><strong>Waitrose</strong></td>
<td>£261 m</td>
<td>£1.3 m</td>
<td>“Community matters”, i.e. Enfield Chase gives £6k/yr to 36 causes.</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/financials/annual%20reports/john_lewis_plc_annual_report_and_accounts_2012.pdf">http://www.johnlewispartnership.co. uk/content/dam/cws/pdfs/financials/a nnual%20reports/john_lewis_plc_an nual_report_and_accounts_2012.pdf</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-total for supermarkets</strong></td>
<td><strong>£27.6 m</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Local CSR extrapolations for the supermarket sector.

Given its proximity, there is every chance that Tesco’s headquarters in nearby South Hertfordshire employs a relatively large number of Enfield residents. Through this recirculation of wages, it might therefore be argued that this one retailer contributes more to the borough economy than its competitors. Having said that, Enfield does not host any of the driver pools or repair services associated with the lorries that deliver products to its streets 365 days a year. Above all, it must be remembered that the accounting indicator used here (operating profit) is an intermediary result that already accounts for running costs incurred locally.
4.3 Banks

The same argument applies when analysing wages paid to Enfield residents by the banking sector. Moreover, although some Enfield commuters receive wages paid out in the City of London, most local retail banking jobs are paid at immeasurably lower levels. The net effect is expected to be comparable with other London commuter boroughs.

<table>
<thead>
<tr>
<th>Lloyds Banking Group</th>
<th>Pre-tax UK retail operating profits, extrapolated for 12 months over period in question</th>
<th>Pro-rata annual operating profits extracted from Enfield (conversion factor 0.005)</th>
<th>Local CSR actions inventoried by Council officers in spring 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>£2.1 b</td>
<td>£10.5 m</td>
<td>Sponsored 2008 &amp; 2009 Enterprise Enfield ‘Innovative business of the year award’. Support for Wooden Spoon rugby charity. Enfield Children in Need match funding</td>
</tr>
<tr>
<td>Santander UK</td>
<td>£2.1 b</td>
<td>£10.5 m</td>
<td>Social Enterprise Development Award - available in Enfield.</td>
</tr>
<tr>
<td>RBS</td>
<td>£2.0 b</td>
<td>£10.0 m</td>
<td>NatWest Community Force: 2011 - New roof for Enfield Scouts.</td>
</tr>
<tr>
<td>HSBC</td>
<td>£1.7 b</td>
<td>£8.5 m</td>
<td>No specific indications found.</td>
</tr>
<tr>
<td>Sub-total for banks</td>
<td></td>
<td>£53.5 m</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Local CSR extrapolations for the banking sector.

In short, the sum total of the operating profits generated by these 18 corporations through their dealings within residents within London Borough of Enfield - and after accounting for the remuneration of labour, including locally - can therefore be conservatively measured as approximating an annual outflow of £127.2 million over the recent period. Of course, this total must then be adjusted to account for the outlays that operating profits help to fund. For instance, accounting firm UHY Hacker Young has calculated that in 2011, the average FTSE 100 company paid a marginal tax rate of 26% on pretax profits. In most cases (particularly in the banking sector, which has had to itemise numerous and sometimes significant exceptional losses in recent years), this is much lower than operating profits, meaning that the actual taxes paid represent far less than 26% of this latter aggregate. Nevertheless, applying the same rate to the ca. £127.2 million that have left Enfield over the last year due to the actions of these 18 companies, the outflow still reaches £94.1 million.
What remains then is an assessment of the extent to which this sub-total covers the companies’ cost of capital for running the industrial and administrative operations that allow them to serve the Enfield market. In the absence of (usually highly confidential) analytical accounting figures detailing each company’s allocation of internal functions to this one borough, it would be specious to pretend to judge this question with any degree of confidence. Suffice it to say that at a time when “business investment in Britain [was] heading for its lowest level on record” (Aldrick 2011) - and with UK corporations consistently featuring amongst the highest dividend payout ratios of any OECD country - it is fair to assume that a significant share of the net £94.1 million that the 18 companies in question took out of Enfield over the time period in question has been used remunerate shareholders who, for the most part, would not be reinjecting the funds back into the local economy. In other words, the companies’ own work organisation, and the financial flows associated with this, will have had an immiserizing effect on Enfield. At that point, it becomes easy to argue that the non-Enfield parties driving these financial flows (and benefiting from them) bear responsibility for its socio-economic effects - to a degree that exceeds immeasurably the few overt CSR actions that have been recorded locally.

5. Conclusion

Taking the broader view, the problem is not that the companies covered in this paper are not doing CSR in London Borough of Enfield, but that the scale of their local contributions pales in comparison with what they are doing elsewhere. An initial search has discovered, for instance, that RBS sponsors a community setting up an entire eco-tourism centre in India; BP offers technical skills training programmes in Egypt; and that Tesco funds 107 schools of extended education in South Korea, capable of seating a total of 940,000 students.

This latter action is particularly eye-catching. On one hand, international business literature often discusses “obsolescing bargaining” situations where multinationals are willing to undertake social investments in a new host country to please the government and receive market entry permission - but much less willing to do so once operations have started. Clearly, British corporations looking at a London borough authority do not feel the same pressure to please as they do when investing a foreign market. Yet from our perspective, these non-Enfield interests are foreign to our community interests much in the same way as British companies are foreign to the countries where they invest. Moreover, the disproportion between the huge operating profits they realise in our borough and their very small local spend, it is meaningless to us that these are British as opposed to non-British companies. Future research might do well to look into the differential scale of CSR actions being undertaken in the UK by national as opposed to foreign corporations. There is arguably a link to be explored here between CSR and the notion of economic patriotism.

Alongside this one aspect, at the local authority level there is also the practical question of building social capital. Analysis of the UK’s post-industrial plight tends to be divided between regeneration actions aimed, on the job creation side, at attracting foreign direct investment (including inwards investment from non-local national sources) and, on the other side, incompatibility between job opportunities and human capital (Sitkin 2012). This labour supply problem has become particularly acute in recent years due to certain weaknesses in the UK’s vocational “further education” system and, above all, due to many companies’ post-Thatcherite abandonment of the longstanding British industrial custom of offering school leavers formal workplace apprenticeships translating as often as not into concrete career opportunities. The evisceration of what used to be viewed as a common business responsibility has gutted the social fabric of former industrial strongholds like Enfield, undermining career prospects for large segments of our population. That being the case, it is particularly galling as a councillor to attend conferences where British industrialists lambaste young generations’ supposed lack of competency for entering, for instance, engineering and assimilated industries, even as these very same senior managers are the ones who have taken the decision to demolish the programmes that used to support workforce entry. This socialisation of costs is economically inefficient, because it allows corporations (and above all, their shareholders) to free ride on public investment in education; myopic from a business perspective, because it means that
companies are complicit in the alienation of their future workforce; and unsustainable socially and politically, because governments have fewer and fewer resources to pick up the pieces - especially given ongoing shareholder value-driven pressures to lower corporate tax payments.

Accounting can help out to reframe this argument by promoting a more accurate portrayal of the public outcomes of private actions. The tendency in CSR reporting is to offer qualitative descriptions of what companies do without trying to quantify the broader consequences. To some extent, this stems from the growing divorce between business and society, caused in no small part by the narrative that the business of business is business, neglecting the very real interactions between a company’s behaviour and the well-being of the local population in the areas were it operates. The few CSR reports specifying local youth training and hiring performance go some way towards filling in this vacuum. The first recommendation of this paper is that they be generalised.

This is a relatively straightforward proposal. The second is more complicated. To further improve understanding of companies’ real effect on local societies and economies, metrics should be developed establishing baseline correlations between national or international companies’ spend within a local district (directly on labour but also indirectly via supply chains) and the health of the area economy. This latter aggregate could be assessed via economic indicators such as per capita GDP or sub-regional trade balances, and/or via qualitative measures of social well-being. It would be a very ambitious undertaking requiring co-operation between macro-economists, sociologists and business specialists, all looking to bridge the gap between macro and micro level analyses. This is a price worth paying, however, to ensure that future CSR reporting provides a truer picture of what companies are actually doing for, or against, the local communities in the areas where they operate.

6. Bibliography


