The Social Responsibility of Firms

Anders Rosdahl
The Social Responsibility of Firms

Anders Rosdahl

July 5th 2003

Paper for the ESA Murcia Conference, Spain.
Economic Sociology.
Stream 7b: Civil Society, the State and the Economy.

Draft - please do not quote.

Anders Rosdahl
The Danish National Institute of Social Research
Herluf Trolles Gade 11, 1052 Copenhagen K, Denmark.
www.sfi.dk; Phone: +45 33 48 09 20. E-mail: ar@sfi.dk
Preface

The present paper has been written for the project “The Social Responsibility of Firms and Managers”, undertaken at The Danish National Institute of Social Research by senior research fellow, sociologist Anders Rosdahl. The basic aim of the project is to explain why some enterprises are more socially responsible than others. “Social responsibility” means in this context that the enterprise contributes to preventing marginalization in the labour market by retaining persons with low productivity because of e.g. sickness or old age and by hiring marginalized persons from the outside – for example long-term unemployed people, disabled and persons with reduced capacity for work. This conception of “social responsibility of enterprises” has been widespread in Denmark since the mid 90s where The Minister of Social Affairs launched a comprehensive campaign targeted enterprises. Since that time several new campaign activities have been issued and a number of other measures have been taken politically and in other ways to influence enterprises to become more socially responsible in the sense indicated. Thus, the concept of “social responsibility of enterprises” in this project is rather “Danish”, i.e. much more specific and limited than the very broad term CSR (Corporate Social Responsibility) used internationally.

The empirical basis for this project is standardised data from telephone-interviews with a representative sample of 3,000 Danish managers (including self-employed) at all levels in the private and public sector in Denmark. The data-collection was undertaken in November-December 2001. A report in Danish with some basic and broad analyses has been published in 2003 (cf. Anders Rosdahl & Hans Uldall-Poulsen: Lederne og det sociale engagement. København: Socialforskningsinstituttet 03:05. 184 pp). In addition to this report for a broad Danish audience, a number of other more in-depth, narrow and scientific oriented analyses will be undertaken. The present draft paper is the starting point for one of such analyses covering only private business firms and only external hiring of marginalized groups. The main content of the paper is a number of hypotheses derived from different perspectives within organization theory (organizational sociology/ economic sociology). I hoped to be able also to present the empirical analyses in the paper but due to time constraints this was not possible. Some main points from the empirical analyses will be included in my presentation in Murcia.

Anders Rosdahl
July 2003
1. Background and Aim of the Paper

Organization theory is a multi paradigmatic and interdisciplinary field\(^1\). One dividing line goes between rational and natural systems perspectives (Scott 1998). In research on firms’ employment decisions some type of rational perspective clearly dominates and it has often been documented how rational factors contribute to the unemployment and marginalization of low productivity people. However, we do understand much less well why some firms employ those people anyway. This question is the point of departure for a project based on interviews with about 2,000 Danish managers at all levels in the private business sector. The aim of the present paper is to formulate a number of hypotheses subsequently to be examined empirically. The paper does not present empirical analyses.

The types of behaviour focused on are:

- **Firms’ hiring** wage subsidised labour, i.e. persons assessed to have low productivity such as long-term unemployed people, social clients and people with reduced capacity for work.
- **Firms’ adoption of formal policies** giving priority to social responsibility in Human Resources Management (HRM), for example by hiring low productivity persons.

In the terminology of Danish public debate the topic of the project is some aspects of firms’ external social responsibility (Holt 1998).

From a purely rational system point of view firms’ employment decisions depend on the productivity and costs of labour. In this project **the main hypothesis to be elaborated and tested is that other factors than the ones related to the productivity and costs of labour influence firms’ behaviour and policy concerning employment of low productivity labour.**

The main hypothesis is elaborated on the basis of three (natural) theoretical perspectives: The resource dependence perspective, the (sociological) neo-institutional perspective and what we label the community perspective. The three perspectives focus on the relation between the organisation and certain of its environments.

The **resource dependence** perspective focuses on influences on the organisation from external resource suppliers (powerful stakeholders) of which the firm is dependent. For example, a private firm selling to public authorities could be more or less forced by the public authorities to exhibit some form of social responsibility in its HRM-policies.

The **neo-institutional** (sociological) perspective deals with how the organisation is influenced by the institutional environments i.e. by the organization field. An example is that firms’ employment behaviour and HRM-policies may be influenced by professional standards and conceptions communicated to companies via professional associations, management magazines, seminars or campaigns of different sorts.

In contrast, the **community perspective** focuses on how behaviour of managers (as managers) is influenced by their non-work roles, socialisation and life histories. For example, managers with a handicapped family member may be more prone than other managers to take the needs of

\(^1\) An overview of predominantly, but not exclusively, sociological approaches may for example be found in Scott (1998), Jaffee (2000) and Thompson & McHugh (1995). Economic approaches to organisations are found in e.g. Milgrom & Roberts (1992), Lazear (1995) and Cascio (1991).
disadvantaged jobseekers into consideration when hiring employees. In a way the community perspective is more micro oriented than the two other perspectives.

The explanatory factors pointed at in the three perspectives are here labelled *institutional* although the “institutional factors” do not necessarily reflect the existence genuine institutions in the sense that e.g. Scott defines this concept\(^2\). We use the label institutional to emphasise the contrast to the productivity and costs of labour included in a rational system perspective.

Since 1994, it has been part of Danish public policy that both private and public enterprises should do more to hire and retain low productivity people, i.e. be more socially responsible (cf. Rosdahl 2001 for an overview of this policy). Comprehensive campaigns have been targeted enterprises, cf. section 2 below. To some extent institutional environments (cf. Scott 1998) of private enterprises have changed.

It is often assumed (cf. Scott 1998) that public sector organizations are more influenced by institutional factors than private business firms. We think this is generally correct - also when it concerns hiring low productivity labour in Denmark. For example, in contrast to public workplaces, private business firms are neither by legislation nor collective agreements obliged to exhibit external social responsibility in the sense indicated. For this reason we have chosen to delimit this study to *private business firms*. They have room for choice, and we want to study whether institutional factors influence firms’ voluntary decisions.

Several questionnaire-based enterprise surveys on Human Resource Management (HRM) have been conducted in Denmark\(^3\). In these studies the enterprise has been the unit of observation. Typically respondents have been top-managers (or HRM managers). If top managers had perfect information or if enterprises were one hundred per cent tightly coupled systems, such types of studies would be sufficient. However, enterprises are not always so tightly coupled, and the top-level does not have perfect information (Scott 1998). At least two research strategies can go deeper into the behaviour of enterprises\(^4\). One is qualitative studies, another is quantitative surveys where data is collected not only from the top-level\(^5\). In this project the second approach is taken. The project will be based on survey data including information from telephone interviews in 2001 with 2,007 managers in Danish private firms.

Depending on the kind and degree of empirical support for the main hypothesis of the project it will have to be discussed how a purely rational model may be modified so as include institutional influences also. Seen in a broader perspective this project is a contribution to research aiming at

\(^2\) According to Scott an institution is understood as “...cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour...” (Scott 1995 p. 33).


\(^4\)We define enterprise behaviour as behaviour of managers and employees involving use of their working time and other enterprise resources. Other definitions exist in the literature – for example that behaviour of an organisation is behaviour controlled by the organisation (Scott 1998). However, we reject this definition primarily because it seems to assume that an organisation is a tightly coupled system.

\(^5\)Only a few qualitative workplace studies in Denmark touch on the same themes as this project, for example Thaulow & Friche (2000) and Hohnen (2000), and only a few quantitative surveys deal with social responsibility of enterprises as reported by employees. The most important one is Høgelund & Kruhøffer (2000).
understanding institutional influences on firms’ human resource management policies and behaviour (cf. Storey 1995). As such it is also a contribution to research efforts to assess institutional influences on organisations in general (cf. Scott 1995). From a public social and labour market policy viewpoint the project will enhance our understanding of how private firms could be influenced to contribute to preventing marginalization and exclusion of low productivity persons from the labour market.

2. The Institutional Context
As indicated above, it is primarily the concrete historical context in Denmark from mid-90s onwards that today makes it possible to study institutional influences on the social responsibility of firms and managers. Since 1994 a wide range of institutional pressures has increasingly been directed at private (and public) employers to employ low productivity persons. The background was, of course, the large number of persons on public income transfers outside working life - for example long-term recipients of social assistance. In 1994, Danish Government introduced a policy aiming at influencing enterprises to contribute to retention in work of employees with reduced capacity for work and integration of disadvantaged groups into employment. The instruments of the policy include campaigns targeting enterprises, economic incentives (e.g. wage subsidies) and certain changes in the organisation and contents of social policy - for example the establishing of Local Coordination Committees involving employers and both national and regional networks of managers (Rosdahl 2001). In terms of concepts from neo-institutional organisation theory (e.g. Scott 1995) one can argue that the policy has attempted to influence enterprises by coercive, normative and cognitive mechanisms. The coercive mechanisms (i.e. mechanisms involving material sanctions) include e.g. social clauses - similar to “affirmative action” programmes in the US (cf. Kelly & Dobbin 1998). The normative and cognitive mechanisms include appeals to norms of solidarity in society, production of material showing that e.g. big, visible and prestigious firms are in fact behaving socially responsible, seminars on social responsibility for managers and HRM professionals, and attempts to spread the idea that it is in a certain sense “natural” for firms to exhibit social responsibility, for example by hiring low productivity persons (Rosdahl 2001).

These central level initiated pressures have taken place together with institutional pressures at local/regional level. These pressures have several forms, for example local campaigns directed at firms or other initiatives from local authorities for promoting employment of social clients in the labour market. Without any doubt such pressures have increased in recent years (Rosdahl 2001).

In addition to these macro level pressures, there may exist a number of so-called micro level pressures. Such pressures, norms of solidarity, are the result of human interaction and socialisation. Pressures of that type are external to the firm considered in a rational system perspective. Managers making hiring decisions and formulating company policies may vary in the extent to which they have acquired norms of solidarity that influence their decisions as managers. Some managers may have a genuine wish to let social considerations influence their personnel decisions, cf. below.

As mentioned, the present project will study firms’ hiring low productive labour from the outside and firms’ adoption of formal policies concerning social responsibility. Although this is increasingly seen as desirable by at least part of firms’ environments, in Denmark private firms are neither by legislation nor by other general rules obliged to exhibit these types of behaviour, cf. above.
3. Research on Firms’ Employment Behaviour

In research on firms’ employment decisions some type of rational perspective clearly dominates. The rational approach to firms’ employment decisions is evident in economic theory on the firm’s labour demand and recruitment behaviour (cf. e.g. Milgrom & Roberts 1992 and Barron & Bishop 1985). The large number of investigations on recruitment within personnel management are also generally studying hiring from some sort of efficiency point of view i.e. how different recruitment and selection procedures influence the quality and stability of personnel hired (cf. e.g. Barber 1998 for an overview of such research). The HRM literature (cf. e.g. Iles & Salaman 1995) is, among other things, dealing with how recruitment, selection and assessment procedures depend on and are related to the overall business strategy of the firm and its market situation. The focus in the sociological literature is on description and explanation of hiring routines and strategies, selection criteria, and the consequences of recruitment behaviour for the employment situation of different groups (e.g. Windolf & Wood 1988, Cohen & Pfeffer 1986, Russo et al. 1997). The latter topic has also been dealt with in the literature on discrimination in the labour market (cf. e.g. Holtzer 1997).

Put simply, one assumption in prevailing theories and studies seems to be that in their employment strategies and behaviour firms (managers) do the best they can to hire labour most suitable to the perceived present and future demands stemming from the nature of tasks in the organisation and cost considerations. There is a sort of contingency theory (cf. Galbraith 1977) implied in this: The firm’s markets and technology influence the nature of tasks and required competences in the organisation which in turn, together with the labour market situation, contributes to explaining the employment behaviour of the firm.

From this we may derive a negative definition of institutional influences on firms’ employment and HRM decisions, i.e. institutional factors are factors others than the ones having to do with the productivity and costs of labour.

Such factors may be involved in a wide range of phenomena, for example non-bureaucratic behaviour such as nepotism, some types of discrimination, definition of ideal job-candidates and firm behaviour in response to legislation intended to regulate employers’ hiring decisions. This project is delimited to a study of institutional factors in firms’ behaviour and policies concerning external hiring of low productive labour.

4. Hypotheses

In this section hypotheses from three natural organisational perspectives are presented: The resource dependence perspective (section 4.1), the neo-institutional perspective (section 4.2) and what we label the community perspective (section 4.3). Each perspective points to some core variables explaining behaviour and policy concerning employment of low productivity persons. The statements about managerial behaviour in subsequent sections are hypotheses assumed to hold ceteris paribus even if this for practical reasons is not explicitly emphasised. The most important hypotheses to be examined empirically are given numbers, e.g. H1.2 denoting hypothesis no. 2 within perspective no. 1 (resource dependence).

4.1. The Resource Dependence Perspective

This perspective (Pfeffer & Salancik 1978) has close affinities to the positive versions of the stakeholder or coalition model of the organisation (Scott 1998, Mintzberg 1983). The point of
departure is a manager for whom the goal is the survival of the enterprise\(^6\). For its survival the enterprise is dependent on the inflow of resources from a number of stakeholders for example shareholders, employees, customers and suppliers. Each stakeholder delivers some resources to the enterprise, which delivers something in return. The more important the resources delivered to the organisation and the fewer alternative possibilities to get these resources, the more power the stakeholder will have. Thus, in this model managerial behaviour is determined by the relative power of stakeholders and their goals\(^7\). Therefore, to the extent that powerful stakeholders wish so, managers will have personnel policies and practices implying hiring low productivity persons (H1.1). Among the most relevant stakeholders are employees, customers and the public at large.

*Employees* will generally be interested in personnel practices favouring themselves, but they will be much less interested in the enterprise hiring low productivity persons from the outside (cf. also Holt 1998). The power of employees depends, among other things, on unionisation, other forms of collective action among subordinates (Lyşgård 1961) and the employment situation. According to Hickson et al. (1971) the power of units and employees is a function of their centrality, substitutability and their ability to cope with uncertainty.

*Customers* may demand some social responsibility from enterprises for example by issuing social clauses or in other ways. As social responsibility of enterprises is part of public policy one may expect managers in firms selling to the (Danish) public sector to be more prone to hire low productivity persons than managers in other enterprises (H1.2). The more public agencies are the only or the most important buyers, the more power the public agencies will have.

The significance of the *public at large* is emphasised by Fombrun’s (1996) theory of reputation. His thesis is that favourable reputations produce premium prices for products and services, lower costs of capital and labour and improved loyalty from employees. From this theory follows that large and visible enterprises and enterprises selling brands will be most prone to have personnel policies and practices favouring low productivity persons – provided that the general public considers this as a good thing, for example as “social responsibility”. Thus, the more managers think that social responsibility increases the reputation of an enterprise, the larger the probability that these managers will hire low productivity people (H1.3)\(^8\).

The transactions between the organisation and its stakeholders may produce organisational slack (Scott 1998), i.e. resources in excess of what is necessary for survival of the organisation. Other things being equal, the larger the organisational slack, the higher the probability that managers will hire low productivity labour (H1.4), because demands from powerful stakeholders will have a larger probability of resulting in such behaviour when slack is plenty. The size of the slack depends on the enterprise’s power relative to stakeholders i.e. on the resources that it can extract from them. Thus, for example, firms with market power either on their product markets or vis-a-vis suppliers will have a larger organisational slack (profit) than firms in more competitive environments (cf. also Ibsen 1999).

---

\(^6\) The kind of reasoning presented in this section also holds if the “organisation” is a “department” within an enterprise.

\(^7\) The resource dependence perspective assumes that actors are instrumental rational - in contrast to the neo-institutional and the community perspective, cf. below. However, the resource dependence perspective is not a rational, but a natural, perspective in the sense that Scott (1998) defines these concepts. In the terminology of Scott (1998), which we have adopted, a rational system perspective assumes that the organisation is a fully integrated means-end hierarchy i.e. a unitary actor.

\(^8\) Similar mechanisms are pointed at in the neo-institutional perspective (Meyer & Rowan 1977).
4.2. The Neo-Institutional Perspective.

Since Meyer & Rowan’s (1977) and DiMaggio & Powel’s (1983) now classical articles, the neo-institutional perspective in organisation theory has developed both theoretically and empirically. Several aspects of organisations’ behaviour and structures have been studied from such points of view (cf. overviews in Scott 1995, Scott & Christensen 1995, Tolbert & Zucker 1996 and Powell & DiMaggio 1991), e.g. the spread of specific personnel policies, organisational structures and procedures (e.g. management concepts and the M-form) and mergers/acquisitions. One general conclusion stands out from this research namely that institutional theory is of relevance in explaining a number of organisational phenomena. However, it is still far from clear how powerful institutional theory is in different areas compared to rational systems theories (cf. also Røvik 1998 and Abell 1995).

The neo-institutional perspective points to three basic mechanisms by which organizations are influenced by environments: coercive, normative and cognitive (DiMaggio & Powell 1983). To some extent there is an overlap between the coercive mechanisms (related to material sanctions) and the processes pointed at in the resource dependence perspective, cf. above. For this reason only the normative and cognitive mechanisms are dealt with in this section.

In this perspective the manager acts according to norms and taken-for-granted beliefs in institutional environments, i.e. what drives the manager is a search for *legitimacy* in these environments (cf. also Galaskiewicz 1991, Dobbin et al. 1988). From this angle the probability that managers employ low productivity people will increase if such behaviour is part of a management concept or the like imported into the organisation from its institutional environments.

Recent studies (e.g. Røvik 1998, Huczynski 1993) have dealt with the production, characteristics and diffusion of popular management concepts i.e. prescriptions for strategies, processes and structures in organisations. “Social responsibility” – as it has been promoted from 1994 by the Danish Ministry of Social Affairs’ campaign “Our common concern” (cf. section 2 above) and by some consultancies, business schools and large companies - have many similarities with the popular management concepts analysed in the literature. A core element of the ministry’s campaign is to influence enterprises to hire and retain low productivity labour, cf. above. The idea is that modern HRM implies social responsibility, and that it is “natural” or some sort of moral obligation for enterprises to take on social responsibility. The message of the campaign is that this will also be to the benefit for the enterprises themselves. According to Røvik popular management concepts tend to be authorised and legitimised by prestigious institutions. They are presented as having positive consequences for the organisation and everybody here. They are intuitively appealing but formulated quite vaguely thus leaving large room for individual interpretations by managers.

According to neo-institutional reasoning the adoption of a management concept depends on the manager’s training, expertise, experience, professional networks and exposure to campaigns and other types of communication on the subject. It also depends on how widespread the concept already is and among whom. The more a concept is adopted by organisations and managers regarded as prestigious, the larger the probability of further diffusion of a concept. Consequently, social responsibility may be expected to be most common among large enterprises, enterprises with a HRM department, high-level managers, professional managers (rather than owner-managers), and managers whose professional networks, training, experience and reading mean that they have acquired knowledge about social responsibility and related topics (H2.1).
A further hypothesis is that the stronger the institutional environments compared to the technical ones, the more the mechanisms just described will be of significance (Scott 1998). That is, *the larger the efficiency pressure on the manager and the unit, the less influence the institutional factors will have* (H2.2). Organisations may try to conform to expectations from institutional environments despite the fact that this conflicts with operational efficiency requirements. One way to solve this conflict is to decouple formal policies oriented towards the outside from the actual working of the organisation (Meyer & Rowan 1977). From this follows that *high-level managers will tend formally to exhibit more social responsibility than low-level managers do in practice* (H2.3).

**4.3. The Community Perspective**

In a certain sense the two perspectives just presented portray the formal organisation as an “iron cage”. Managers act as organisation men and women. But a manager has also a role in an informal organisation (Scott 1998) within the enterprise and is engaged in social relations outside. Behaviour in a formal managerial role and economic action in general are embedded in broader social relations (Granovetter 1985). Ideal typically, informal relations are spontaneous, foster solidarity between people and open communication. Actions are value-rational, traditional or emotional. Other persons have a value in themselves. The norms that characterise such relations are here labelled community norms.

From classical sociologists to the present day development of modern society has often been interpreted as a movement away from informal relations or similarly conceptualised relations or structures, cf. “from community to society” (Tönnies), Weber’s processes of rationalisation and bureaucratisation, Habermas’ expression “the system’s colonisation of the life-world” and Ritzer’s recent thesis on McDonaldisation (Ritzer 2000, Lee & Newby 1983). Following such lines of thought, one may ask to what extent community norms today influence or “colonise” work organisations.

Thus, this perspective proposes that community or similar norms may influence managers’ behaviour. The manager may bring such norms into the organisation from life experience and social relations outside working life, or such norms may emerge from within the organisation.

If a manager or in particular a founder of a company has *certain personal convictions on social matters*, this may *foster managerial behaviour favourable to low productivity persons outside the company* (H3.1) (cf. also Heald 1970). Thus, other things being equal, one may expect *managers from families with a tradition for social engagement and managers interacting informally (outside working-life) with socially engaged persons to have a larger probability of hiring low productivity people* (H3.2).

From the point of view of the community perspective one might further expect *owner-managers and owner-managed firms to be the most socially responsible* (H3.3) because an owner-manager

---

9 Several management theories – from the Human Relations school introduced around 1930, over cultural management theories emerging in the 1980s to present days’ learning organisations, value management and related phenomena - have included prescriptions that formal organisations in one way or the other should become more community-like to increase the competitiveness of the company. However, the management literature does not say much about the extent to which community norms in the sense indicated actually above influence managerial behaviour. In the sociology of work literature there is a long tradition for studying informal and community-like relations among subordinates (cf. for example Lysgård 1961).
does not have any superiors, and the distinction between the company and personal assets of an owner-manager is blurred.

Social consciousness of managers may be most pronounced among managers who have close personal experience with social issues, for example managers with a handicapped family member and managers having experienced some type of human benevolence themselves. Thus, the managers’ life experience and socialisation may be of significance. As experience of age cohorts and men and women are different, gender and age may correlate with managerial behaviour. Among other things, we will expect managers having close personal experience with social problems to have a larger probability of hiring low productivity persons (H3.4).

The significance of community norms for firms’ personnel decisions may be expected to depend on the type of geographical area where the enterprise is located. The influence from community norms may, for example, be less pronounced in large anonymous cities compared to small rural communities where “everybody knows everybody else”. Among other things, we will expect that the stronger the social integration between the enterprise and the local area where it is located, the larger probability its managers will have to hire low productivity persons (H3.5).

Obviously there may be a conflict between community norms and the formal role of the manager (cf. Smelser 1976, Aram 1976). Therefore, one should expect that the stronger the efficiency pressure on the manager, the less influence community related factors will have on hiring low productivity people (H3.6).

5. Data

The hypotheses will be examined by analysing survey data from 2,007 Danish managers interviewed by telephone in 2001. 604 managers were self-employed and 1,403 managers were in wage earner employment in the private business sector. The managers are a stratified sample of all Danish managers defined as employed persons having at least 3 subordinates. The stratifying criterion was socio-economic status (5 strata)\(^ {10} \). Of the interviewed managers 29 per cent have 3-5 subordinates, 25 per cent 6-10 subordinates, 19 per cent 11-20 subordinates and 28 per cent more than 20 subordinates. 57 per cent are first line managers.

The dependent variables include:

a. Hiring low productivity people from the external labour market in the manager’s unit (in total 16 operational variables). – Of the interviewed managers 22 per cent reported that they had at the time of the interview at least one wage subsidised person employed from the external labour market.

b. Firm policy giving priority to social responsibility in HRM (in total 11 operational variables). – Of the interviewed managers 34 per cent reported that their enterprise/firm had a written HRM policy where social responsibility was an important element.

---

\(^ {10} \) A stratified sample of 14,461 persons was drawn from central registers covering the total Danish population aged 20-66. Interviews were obtained with 10,936 persons, i.e. with 76 per cent. Of these persons 3,000 reported that they were employed and had at least 3 subordinates in their present position. These persons are the managers in the investigation. They were interviewed in depth about their enterprises (size, type of industry, employment, HRM-policy, etc.), type of work, personnel practices and background. The length of each interview was about 30 minutes and each manager is characterized by about 250 variables. 2,007 of the 3,000 managers were employed in the private business sector whereas 993 were managers at workplaces in the public sector.
The methodological strategy is in the analysis to include more than one indicator of the dependent variables and, depending on concrete distributions, to construct composite measures of the dependent variables. Another point is that size has to be taken into consideration in working with the dependent variables under point a. Other things being equal, due to a sheer size factor the larger the size of the manager’s unit, the larger the probability of hiring low productivity people.

The basic aim of the analysis will be to investigate to what extent the empirical results are consistent with hypotheses derived from the three theoretical perspectives cf. above. In the statistical models it will be important to include as independent variables also central factors pointed at in rational systems perspectives, cf. above and appendix 1. We will not elaborate on this but only indicate that the following variables will have to be included as controls in models dealing with hiring low productivity persons: Type of industry, increase/decrease in the firm’s employment within last year, composition of employment (e.g. fraction of unskilled), type of tasks in the manager’s unit and shortage of labour supply to the firm. The idea behind this can be illustrated by an example. As a large part of low productivity, unemployed persons are unskilled, the skill composition of the tasks in the manager’s unit must, of course, be taken into consideration when analysing the significance of institutional factors in the manager’s employment decisions.

6. Concluding remarks
The project may be seen as a Danish case study on how firms’ employment behaviour is influenced by institutional pressures of different sorts. Since 1994, it has been part of Danish public policy that firms should do more to hire and retain low productivity people, i.e. be more socially responsible. Comprehensive campaigns and other types of measures have been targeted enterprises. In terms of neo-institutional theory one can argue that the policy and other organized actors have attempted to influence firms by coercive, normative and cognitive mechanisms. But still, Danish firms are not by any legislation formally obliged to have socially responsible HRM-policies or to hire low productivity people.

The project raises the questions: What are the legitimate reasons for managers’ employment decisions? Are there signs that the (old) legitimacy in terms of productivity and costs of labour is changing towards legitimacies where some type social responsibility plays a role? From the exposition above one should expect that the answer to this question is “yes”.


Appendix 1: Some hypotheses from a rational perspective.

In this perspective the organisation is a tightly coupled system – a consistent means-end hierarchy (Scott 1998). The goal of the organisation and its managers is to perform its tasks as efficiently as possible.

If there is a market wage for different broad kinds of labour, which may approximately be the case in Denmark, managers will try to avoid low productivity persons. They will not be hired or they will, if possible, be fired if there are better substitutes available at the same costs. This means that the more labour demanded by an enterprise relative to the quantity of labour supplied to that enterprise, the more its managers will hire low productive labour (H1). As a large part of marginalized groups in the Danish labour market are low skilled, hiring low productivity persons will increase, the more unskilled the type of work in the enterprise (H2).

The larger the operational efficiency requirements in subordinate positions, the more important will it be for managers to avoid low productivity labour i.e. the lower the probability of hiring low productivity persons (H3). The operational efficiency requirements may, among other things, depend on the market situation of the enterprise. The efficiency requirements will also vary within an organisation. For example, the more central the job, i.e. the more other persons are dependant on the performance in the job, the more important will it be for managers to avoid a low productive person in the job.

The basic point of view is that managers calculate costs and benefits of their personnel management and choose the optimal alternative. For example, managers may avoid hiring low productivity persons into positions requiring enterprise specific qualifications because the return on investment in specific training may be lower for such persons than for high productivity people. Thus, managers of positions requiring a large amount of enterprise specific qualifications will have a relatively low probability of hiring low productivity people from the outside (H4).

Different public schemes are intended to reduce the costs of employing low productivity persons. One of the most important ones is the flexjob scheme where the employer typically receives a wage subsidy amounting to half of the minimum wage (Rosdahl 2001). The flexjob scheme does, in principle, not reduce the costs of a unit of work performed because the scheme assumes that the employer’s wage cost equals the work contribution of the flexjobber. If an employer demands additional labour corresponding to one full time person, the employer will obviously not hire two flexjobbers with subsidies but one person without because monitoring and other employment costs are lower in the latter case. However, if an employer only demands additional labour corresponding to half time the choice for the employer may be between a flexjobber and a part-time person ordinary employed. Thus, the incentive to use flexjobs and similar schemes only exists for managers demanding less than full time additional labour. Consequently, the more work operations are divisible into part time positions, the larger the probability of hiring low productivity people with subsidies of the flexjob type (H5).
References


