

## EMPLOYEE INFORMATION IN THE FIELD OF CSR AND DIAGNOSIS AND RESOLUTION OF THE LABOUR CONFLICT<sup>1</sup>

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**Purpose:** The aim of the article is to present the disclosed non-financial information in the area of employees on the example of the examined company and the strategy used by the management to diagnose and remove the employee crisis. In order to achieve the adopted goal, a research question was posed: what determines the increased turnover of employees. The article is a research study. It presents a solution to a specific problem in the examined company. In order to gain a deeper understanding of the main causes of employee turnover, a survey was conducted among employees. The survey covered 1000 respondents.

The study is in line with the authors' scientific interests in reporting.

**Design/methodology/approach:** The applied research methods are based on the study of the literature in the field of study and the analysis of non-financial reports in order to identify the reported employee issues in the examined company and the conducted surveys in order to resolve the employee conflict.

**Findings:** The article presents a solution to a specific problem in the examined company. In order to gain a deeper understanding of the main causes of employee turnover, a survey was conducted among employees. The survey covered 1000 respondents.

**Originality/value:** The constant evolutionary processes taking place in the economy stimulate economic, as well as social and environmental development, thus requiring the adaptation of enterprises' communication channels with the market environment. Information presented in a traditional way by financial reporting no longer meets the expectations of potential investors and broadly understood stakeholders who want to base their decisions on the full picture of the situation affecting a given company. This possibility is provided by combining financial issues with non-financial information, and there are still no uniform patterns in the literature regarding non-financial reporting. The implementation of Corporate governance is to secure the interests of the owner and the capital invested in the company, as well as the interests of other stakeholders. A very important additional non-financial information from the point of view of corporate governance is information on the employee area, reporting of which in non-financial statements is still insufficient. There is also little information on resolving employee conflicts.

**Key words:** CSR, corporate governance, non-financial reports, employee issues.

**Category of the paper:** Research paper.

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## **1. Introduction**

The globalization of financial markets has contributed to the on an international scale to undertake activities aimed at improving the process of creating and presenting information. Unrestricted access for investors to reliable comprehensible and comprehensibly provided material information relating to the issuer or financial instruments issued by it listed on an organised market is the basis for a well-functioning financial market.

Reports published by companies listed on the Warsaw Stock Exchange are the main source of information on the current condition and development prospects of companies. Therefore, they should support rational investor decisions. Therefore, it is important to create appropriate mechanisms and organizational solutions to increase the quality of published information.

Over the last decade, trust in reliable financial information has been significantly undermined, which has largely led to a change in the EU's disclosure arrangements. Due to the expectations of stakeholders, the scope of disclosures has been expanded. Additional disclosure obligations have been imposed on companies related to, m.in disclosure of non-financial information, including information on corporate governance, in particular information on social, employee, environmental and business model issues.

The aim of the article is to present the disclosed non-financial information in the area of employees on the example of the examined company and the strategy used by the management to diagnose and remove the employee crisis. In order to achieve the adopted goal, a research question was posed: what determines the increased turnover of employees. The article is a research study. It presents a solution to a specific problem in the examined company. In order to gain a deeper understanding of the main causes of employee turnover, a survey was conducted among employees. The survey covered 1000 respondents.

The study is in line with the authors' scientific interests in reporting. The applied research methods are based on the study of the literature in the field of study and the analysis of non-financial reports in order to identify the reported employee issues in the examined company and the conducted surveys in order to resolve the employee conflict.

## **2. CSR as a very important reporting area for stakeholders**

"The principles of responsible business define how the company's relations with its stakeholders (shareholders, contractors, customers, employees and directly and indirectly related environment) should be structured. And entrepreneurs are not forced to incur expenditures without obtaining real benefits in return, which would be visible on the company's balance sheet. It is simply about companies being guided by CSR ideas to create a better image

of their brands, offer customers higher quality goods and services, and offer honest relations and settlements to contractors and employees. Corporate social responsibility, or CSR, is not just philanthropy, contrary to what many entrepreneurs believe. It is primarily an activity that is supposed to bring profits to the company. It's just that with respect for the whole environment" (Horodecki, 2015). The literature on the subject is increasingly describing corporate governance issues and employee problems.

The concept of corporate governance: "corporate governance", "corporate governance", "control in a corporation" Dunlop et al. (Dunlop, 1998; Szajkowski, 2005; Fijałkowska, Krasodomska, Macuda, Mućko, 2109; Aras, Crowdher, 2106; Bek-Gaik, 2015; Czubała, 2019; Śnieżek, 2016; Chłapek, Krajewska, Jonas, 2018; Eccles, Serafeim, Krzus, 2011). The term corporate governance is used interchangeably with the term corporate governance. The word governance derives from the Latin gubernare, and as a noun it comes from the English verb govern, which means "to govern, lead, control" (Jeżak, 2010). Good (proper) corporate governance is intended to improve the decision-making process and the effective allocation of power exercised by executives, managers and supervisory board members. It should facilitate effective tracking of results, thereby fostering more efficient use of resources by companies (Mesjasz, 2010).

The concept of corporate governance has evolved over the years, moving from an approach based mainly on agency theory to an approach that also takes into account other interest groups, including the external environment. And so, A. Berle and G. Means, in their definition, emphasize the role of both internal and external mechanisms in mitigating conflicts between the principal and the agent.

K. Keasey and M. Wright emphasize the roots of corporate governance already in ancient times (Keasey, Wright, 1997). According to the authors, Homer in the *Odyssey* already described the problems associated with the separation of property from control.

However, the issue of corporate governance became a real subject of interest much later. Since the beginning of the 1990s, the international debate on the application of corporate governance mechanisms has intensified. In particular, institutions such as the European Union, the World Bank, the OECD, as well as governments and institutions related to financial markets were involved in it (Jeżak, 2010).

Taking into account the social responsibility and the purpose of the company's operations, the following models of supervision have been distinguished in the literature on the subject:

- financial model (model of shareholders),
- social model (Model Stakeholders).

In the financial model, the primary goal of a company's operations is, according to the agency's theory, to maximize value for the owners of capital – shareholders. This is related to the expectation of specific behaviors from the management that will appropriately shape the company's business results (Freeman, 1983). Therefore, the Management Board undertakes such actions that bring quick positive effects as shown in the periodic reports submitted by the

company. The capital market is the main mechanism of control and supervision over the company's operations in this model. In contrast to the financial model, in the social model the company is seen as a joint venture and its purpose is to meet the needs of all parties involved. The model of supervision associated with this approach is based on the participation of representatives of various interest groups in the supervisory board (Kołodkiewicz, 2000).

### 3. CSR and material issues of non-financial reporting

The obligation to report non-financial applies to large public-interest entities that meet the following criteria:- average annual employment of more than 500 people and- balance sheet total of more than EUR 20 million or net turnover of more than EUR 40 million.

Prior to the entry into force of Directive 2014/95/EU, few Polish companies voluntarily published reports on their CSR (Corporate Social Responsibility) policy (Samborski, 2011).

It enables reporting according to the rules chosen by the companies. As part of the new obligations, the company will provide a concise description of the business model, a description of the policies pursued in relation to the issues already mentioned and a description of the results of these policies, non-financial key performance indicators, and a description of the risk and how to manage risk in non-financial matters.

Table 2 presents the scope of disclosures included in the management report and the statement on non-financial information based on the provisions of the Accounting Act.

**Table 1.**

*Disclosures in the management report and non-financial statement*

The information contained in the management report	Information contained in the non-financial statement
<ul style="list-style-type: none"> <li>– events significantly affecting the entity's operations in the financial year and after its end, until the date of approval of the financial statements</li> <li>– anticipated development of the unit</li> <li>– major R&amp;D achievements</li> <li>– current and projected financial situation</li> <li>– own shares</li> <li>– branches owned by the entity</li> <li>– financial instruments</li> </ul>	<ul style="list-style-type: none"> <li>– a concise description of the entity's business model</li> <li>– key non-financial performance indicators related to the entity's operations</li> <li>– a description of the policies applied by the entity in relation to social, employee, environmental, respect for human rights, anti-corruption and a description of the results of the policies applied</li> <li>– a description of the due diligence procedures</li> <li>– a description of material risks related to the entity's operations</li> </ul>

Source: Author's own elaboration based on Błażyńska, 2018, p. 13.

In principle, the content of both types of reports – the one prepared by companies voluntarily and the report imposed by the directive – is similar.

While entities are required to disclose information on matters of key importance to them, while requiring some flexibility in choosing matters relevant to their business, FEE<sup>[11]</sup> believes that efforts should be made to ensure the highest possible level of consistency in the information

disclosed and the implementation of EU rules in Europe. However, flexibility and consistency cannot always be reconciled. Therefore, it could be a good idea to create a single set of KPIs that would be used by all units.

Better access to information, including non-financial information, means easier, faster and more reliable analyses for investors, i.e. a higher level of comfort in making investment decisions, which may reduce the cost of raising capital.

#### **4. Employee-related disclosures in the audited company**

The audited company is an industrial and commercial establishment and an employer in Pomerania and employs over 1000 people. Its business and activities interfere directly or indirectly in the lives of almost all inhabitants of the region. In the long run, the company needs talented, educated and loyal employees to run its business. The job is demanding, and employees have to meet many more than just health requirements. The company strives to appreciate motivated employees by offering a wide range of financial and non-financial benefits, often exceeding the framework of statutory provisions. The company also places great emphasis on remunerating its employees fairly. The remuneration system is regulated individually for different jobs. Of course, the quantity and quality of the work performed are also taken into account when remunerating. Work continues on the unification and standardization of the remuneration system for all positions in the company. The company applies the principle of direct dependence on performance in combination with the achievement of individual and group goals. The Company's long-term goal is to ensure the safety and health of its employees as much as possible. Wages in the Company are determined either on the basis of the salary scale or, in the case of selected positions, employees are paid on an individual basis. The basic factors determining the amount of remuneration are, first of all, the employee's performance, the results achieved by the employee himself and the entire company (EBITDA). In terms of salaries, men and women have the same conditions. As part of improving cooperation and cooperation, employees are also involved in pro-social actions, i.e. collections for shelters, children in orphanages, cleaning the world or planting trees in city parks. The company also invests in the development of its employees through an employee training program, as well as equal opportunities and integration programs for employees.

In order to assess the company's compliance with the requirements for reporting non-financial disclosures in accordance with the GRI<sup>2</sup> Standards, financial reports from the last four years were examined. The employee area has been included in the reporting of employee issues (Furmańska-Maruszak, Sudolska, 2017).

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<sup>2</sup> GRI 101: Foundation 2016, <https://www.globalreporting.org>, 23.09.2023.

In the audited company, information on employee issues is presented in Table 3.

**Table 3.**

*Scope of non-financial information on employee issues in the audited company*

Indicator No.	Description of the indicator	2019	2020	2021	2022
G4-LA1	Total number and rates of employment and employee turnover by age group, gender and region	Yes	Yes	Yes	Yes
G4-LA6	Rates of injuries, occupational diseases, days lost and absenteeism from work, and number of work-related fatalities, by region and gender	Yes	No	Yes	No
G4-LA9	Average number of training hours per year per employee by gender of the employment structure	Yes	Yes	Yes	Yes
G4-LA12	Composition of supervisory bodies and staff by category of employees by gender, age, minority membership	Yes	Yes	Yes	Yes
G4-LA13	Ratio of men's basic salary to women's salary by position	Yes	Yes	Yes	Yes

Source: Own elaboration based on data from reports.

Within four years, an entity generally applies a uniform set of non-financial information on employee matters, which it discloses to the public. In two years (2022, 2020), it does not provide information on occupational injuries and diseases, as well as absences from work and fatal accidents. However, it always discloses information on the number of employees, salaries for men and women, the composition of supervisory boards, and the hours of training conducted. The information it presents is prepared in accordance with the GRI guidelines.

## 5. Employment dispute resolution – case study

Employee issues are very important for the proper functioning of any company. A properly functioning team of employees contributes to the success of the company. At the time of entering the market, the surveyed trader did not have a problem with competitiveness and staff, so it was able to increase its turnover and strengthen its position on the market. All fluctuations in the staff were constantly monitored by the company's management. Maintaining it at the level of 6-9% was considered a safe fluctuation. In 2021, the number of employee departures per 1000 employees was 248. The redundancy rate was therefore around 25%. This contributed to a decrease in the company's turnover. In the first half of the following year, this figure rose to 32%, of which only 12 employees retired. At that time, the company implemented actions to identify and solve the problem. The aim of these activities was to return to turnover as well as to retain and employ new qualified staff. The following actions have been taken to identify current problems:

1. An exit interview was conducted,
2. Anonymous employee surveys were conducted,
3. An employee ideas program was launched.

The first exit interview was about an employee who had given immediate notice. The HR department interviewed the employee and invited him to a meeting after receiving information from the HR department about the employee's decision to leave. The purpose of the interview was to clarify the situation and make changes to the company's policy in order to retain qualified employees.

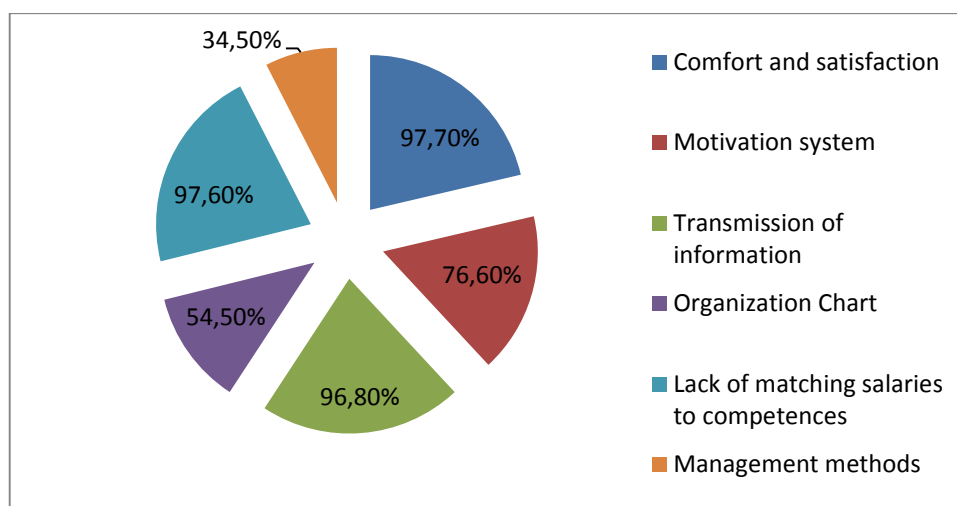
The next step was to conduct an anonymous survey by the HR department. Employees could identify more than one problem that affected the deterioration of their working conditions.

In an anonymous survey, employees responded to questions about the situation in the workplace. The result of the survey clearly indicated that the relationship with the supervisor of the Production Department is assessed negatively. According to the respondents, the Production Director is a person who causes conflicts at work and hinders the work of not only directly subordinate employees, but also other departments of the company. The problem is the lack of direct supervisors responsible for individual projects. All decisions are made directly by the Production Director.

The satisfaction survey indicated that several areas of the company's operation require improvement. The department that needs to be changed is primarily the Production Department, and in particular the resolution of the conflict with the Production Director. An in-depth analysis also showed that there is a lack of precisely defined competences and the flow of information between the management and other employees is limited, which results in bottlenecks in planning and production. The problem is a very complicated organizational chart, which makes the delegation of work chaotic and unclear and makes it difficult to perform the duties entrusted to it.

The problems indicated by employees cause the comfort and satisfaction of their daily work to be disturbed and this contributes to excessive turnover.

In the employee ideas program, the employees employed in the company proposed to improve the flow of information by updating the existing procedures, transparent division of competences and subordination. Among the submitted proposals to increase engagement, employees proposed the introduction of incentive allowances in the form of cinema and gym memberships and the introduction of integration events, e.g. a family picnic. There were proposals to change the Production Director. There have been proposals to promote an employee among the Managers who enjoys great respect among the staff due to his competence, professionalism and approach to co-workers. Problems reported by employees are shown in Figure 1.



**Figure 1.** Problems reported by employees.

Source: Own analysis based on surveys.

According to a survey conducted for employees, the main problem in the workplace is the lack of job satisfaction and comfort in the workplace, as well as the lack of adjustment of salaries to the responsibilities of the position held. Such a problem was indicated by 97% of employees. Almost the same number, i.e. 96%, pointed to a bad transfer of information regarding the duties performed.

**Table 4.**

*Problems identified by employees in surveys*

Problems reported by employees	Number of employees
Comfort and satisfaction	977
Motivation system	766
Transmission of information	968
Organization Chart	545
Lack of matching salaries to competences	976
Governance	345

Source: Own analysis based on surveys.

After such diagnostic activities, radical corrective actions were carried out in the examined company. As part of these activities, the following actions were taken:

1. The employment relationship with the Production Manager was terminated due to the inability to resolve the conflict between the manager and the employees,
2. Creating a new recruitment and employment procedure adapted to the number of implemented projects,
3. Internal recruitment for the position of Production Manager,
4. Transformation and simplification of the organizational structure,
5. Taking action to reduce employment fluctuation by changing the remuneration method and introducing an incentive system,
6. Concentration of production on the most profitable projects,
7. Strict supervision of financial flows in the company and introduction of centres of responsibility with the assignment of managers responsible for individual projects.



## 6. Conclusion

The considerations carried out in the article are only a substitute for the problems concerning employee issues occurring in business units, but it should be stated that they are very important from the point of view of the interests of each enterprise. The aim of the article was to present the disclosed non-financial information in the area of employees on the example of the surveyed company. This goal was achieved through the analysis of non-financial reports published by the business entity from 2019-2022.

The article also presents the strategy used by the management to diagnose and remove the employee crisis. Planned and carried out corrective actions allowed for quick diagnosis and determination of which areas in the company are not working properly.

The conflict between the Production Manager and the employees was diagnosed and resolved by creating a new recruitment and employment procedure, the method of remuneration was adjusted to retain valuable employees and attract new employees, the focus was on more profitable tasks and the employees were motivated by giving them responsibility for the tasks performed. All these activities strengthened relations between employees and contributed to the development of new solutions. Thanks to the quick actions of the management board and the implementation of corrective actions in the area of employees, this crisis has been resolved and the company continues to strengthen its position on the market.

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