

Sixteenth edition of Eurosif indicators for environmental and social performance of international companies, in partnership with five European newspapers

Salary policies become competitive

“Le Monde Economie” publishes the 16th edition of Eurosif/Le Monde indicators, in partnership with *Die Zeit Online* (Hamburg), *El País* (Madrid), *La Stampa* (Turin), and *Le Temps* (Geneva).

Multinational companies have to be more and more attractive, in terms of salaries and employee benefits, when recruiting qualified personnel. They compete to attract young graduates from the higher education sector, whose mobility and demands have increased at the same time as the general globalisation of companies. In 1950, 80% of these young graduates were North American and European, and in 1960 there were 13 million students. In 2000, there were 115 million students - with 160 million predicted for 2025 – and 50% of graduates in 2008 were Asian.

However, multinationals are now also competing with local job pools whereas, not so long ago, they practically had a monopoly on employment in a large company. Today, they have to share the workforce, especially when the workers have minimal qualifications, including those coming from emerging markets, or with local companies who are trying to increase the value chain of the workforce. Personnel costs have become a main concern for a number of companies, including those in countries with “low wage costs”, creating relocation movements, such as industries going from China to Vietnam or service providers going from India to the Philippines.

In addition, pressure from NGOs and international media to respect basic human rights – including for subcontractors – creates obligations, especially since their demands are picked up locally by social or political actors who are becoming more and more aggressive.

In view of these challenges, which also constitute a number of operational, legal or reputational risks, which investors are paying more and more attention to, according to Ernst & Young a small number of companies have adopted a coherent policy preferring to let their local or branch offices – often seen as being closer to the issues – take care of salary and employee benefit policies. The desire to closely supervise these policies, for example at Lafarge, Suez or Schneider (whose workforce are

too small to appear in our table) remain rare. “*Specific data figures concerning social aspects, and all the more on salaries, are more difficult to find for analysts*”, observes Jean-Philippe Desmartin, head of socially responsible research at Oddo. “*The information available is actually in decline*”, he regrets.

Antoine Reverchon

DATA

The data published in the table has been collected by Ernst & Young from different documents released by companies (annual reports, corporate social responsibility report, “corporate” websites). The data covers 24 international companies from Fortune 500 employing 150 000 employees and more, and established in over twenty-nine countries.

Companies	Number of employees	Information communicated on salaries (A)	Suppliers and subcontractors (B)	Profit distribution (C)	Retirement and employee coverage (D)
Wal-Mart (USA)	2 055 000	1	1	1	1
Carrefour (France)	490 042	2	3	0	0
McDonald's (USA)	390 000	1	0	1	1
IBM (USA)	386 558	0	3	1	2
Siemens (Germany)	386 200	1	1	0	2
Sodexo (France)	342 380	0	2	0	0
Volkswagen (Germany)	329 305	1	1	1	0
General Electric (USA)	327 000	1	3	0	0
Veolia Environnement (France)	319 502	2	0	2	0
ArcelorMittal (Luxemburg)	311 466	0	1	0	0
Nestlé (Switzerland)	276 000	1	2	0	0
Robert Bosch (Germany)	271 265	0	1	0	1
General Motors (USA)	266 000	0	0	0	1
Ford Motor (UK)	246 000	1	3	0	1
Metro AG (Germany)	242 378	0	0	0	0
PSA (France)	207 800	2	2	2	2
Fiat (Italy)	185 000	1	0	1	1
Unilever (USA)	174 000	0	2	0	0
Boeing (USA)	160 000	1	1	1	1
GAP (USA)	150 000	2	0	0	1

A - 0: No information communicated or no declaration of respecting ILO norms or no good conduct charter; 1: General information on salaries paid and number of employees per country; 2: Comparison of salaries of the group with minimum salary per country and per sector; 3: Comparison of minimum salaries of the group with average salaries per country and per sector.

B - 0: No information; 1: Application of supplier and partner approach; 2: Carries out social audits regarding salaries; 3: Number of social audits and/or number of non-compliance observed in terms of salaries.

C - 0: No information; 1: Employee savings plan, interest and participation, transfer of shares, bonus; 2: Data with figures (% of employees or % of countries covered).

D - 0: No information; 1: Employee benefits, social security coverage, retirement and pension systems in place; 2: Amounts of contributions paid, % of employees covered.

Source: Ernst & Young, based on information published by companies.

Thomas Bork, director of salaries at Lafarge: “An agreement with international trade unions committing to respect minimum wages”

Has the Lafarge group, who employs 90 000 employees in 76 countries, set up an international policy concerning salaries?



We have a general policy, which is more detailed for higher management. Lafarge does not have international salary grids, but elaborate grids for each country for this category. The basic salary depends on the level of responsibility and skills required, the person, etc. The pay is also based on the Hay evaluation method for positions. For directors in the same country, the salaries appear in national grids which are defined by the group. As for salaries for non-executive positions, they are defined in many countries by classification grids set up through collective agreements with branch offices or by law. When these grids don't exist, we apply our own evaluation system and our own grid.

Have you set up guidelines concerning other elements?

Yes. In all countries, and for all employees, we encourage a participation or bonus system. However, the “top 600” of the group [*the 600 most executive positions*] all have the same structure for their bonus: one third depends on individual performance, one third depends on the financial performance of their unit, and the remaining third is based on the collective performance of the group. The part linked to individual performance is made up of, for a third of the total, elements relative to work safety: number of accidents, audits on whether or not procedures were followed correctly, etc. We also use the results of surveys filled out by employees, in all countries, on various topics, including safety.

Do bonuses also concern non-executive positions?

In certain countries, yes. But the units have to take into account the cultural context in order to properly develop advantages. In countries where medical coverage is very important for families, it is up to the head of human resources to define systems in order to attract employees. The same holds true for company retirement plans: in certain countries; help from the family plays a very important role for retirement, and it is more advantageous for the employee to leave with a set

sum than to receive a monthly amount. We cannot define a global policy for this area.

Have you established rules such as for example, an obligation for branch offices to respect local minimum salaries?

Lafarge is an attractive company because we respect local standards. And, to my knowledge, our salaries are higher than average. Furthermore, in 2005 we signed an agreement with three international trade unions on our social responsibility and social relationships, which apply to the entire group. The commitments concern respecting fundamental social rights as they are defined by the International Labour Organisation and which include minimum wages.

Do you also have requirements for your subcontractors?

In the contracts we sign with them, we define what we expect from them, and in particular the respect of our values. This forces us to be selective in the choice of our subcontractors. I was recently in Vietnam where we haven't been able to put up our logo yet because we haven't found a partner who follows our rules. Audits are carried out with our subcontractors, which doesn't mean that there aren't problems here and there that I don't know about. But we have a strong desire to improve.

Interview conducted by Antoine Reverchon

CV

2008 Thomas Bork is the director of global salaries and social benefits at Lafarge since 2004.

1995 He is nominated HR director in international groups in Germany and in Austria.

1994 He is an organisation consultant at Gemini Consulting in Germany.

1991 Doctorate in management, he becomes assistant professor in organisation theory at the social sciences university in Munich.