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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies of enterprises in four European countries, which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. In Hungary the enterprises examined were Matáv (telecommunications) and Mol (petrochemicals).

**About Mol**

MOL is the leading petrochemical group in Central Europe and, according to its turnover, the largest firm in Hungary. With some nine thousand employees of the company and five thousand employees in the subsidiaries, the group was among the largest employers of the country, as of 2001. MOL Rt. (where Rt. means share company or joint stock company) was formed in 1991 from the national petrochemical public trust (OKGT). The shares of the Hungarian state were sold on the stock market in three waves. Currently, the state holds just 25%. Foreign institutional investors own 52.8% of the shares, while 16.4% is held in different funds. 4.9% is owned by Hungarian institutional investors; 0.5% by Hungarian private investors. The company itself has 0.3% of the shares.

The company began a dynamic regional strategy when it bought a share in the Slovakian petrochemical company Slovnaft, whose majority is to be bought in 2003. Intensive negotiations have also been taking place about the participation of MOL in the privatisation of the Polish PKN and the Croatian INA petrochemical companies. In Romania as green field investments MOL has begun to build up its own fuel station network. The company also has cooperation agreements in research and in production with Russian partners.

Currently the company has three main units that cover the whole country and the foreign units. The ‘upstream unit’ contains all mining activities, while manufacturing, supply and trade is concentrated in the ‘downstream unit’. The third unit is composed of the functional divisions of the company.

**The employment strategy of Mol**

The employment strategy of the firm had two basic targets in the nineties: the rationalisation of labour utilisation, and stabilising as well as upgrading the remaining personnel. Staff reductions and the development of internal social provisions were negotiated with the unions and the works’ council.

MOL started its internal restructuring in the early nineties when several activities were decentralised in subsidiary companies which were later sold in part or entirely. These activities were not related directly to its technological process and included certain internal services (for example, travelling, housing, resort houses). This move has to be distinguished from the company’s outsourcing strategy that means contracting with existing firms in taking over former internal activities. This happened in the case of its book keeping system that has been ‘outsourced’ to the Accenture Company, which is well known on the international market.

The radical rationalisation of employment began at the company in 1996. Since 1997, the build up of human resource strategy and of an internal labour market has also developed with a new and flexible system of firm-based social benefits. Currently the employees may choose from different benefits for 360 thousand forints a year. This sum is more than five times the monthly national minimum wage in 2001.
It can be immediately seen from the above two tables that, while the number of employees has been halved between 1997 and 2001, the level of social spending of the company has increased in the same period. Calculating with the level of inflation of around 10% in these years, the real value of social spending per capita is now higher than before. The structure of social benefits also shows a considerable change that is due in the new ‘cafeteria system’ based on the individual calculations and preferences of the employees. The more popular and thus increasing contribution of the firm to a voluntary health fund and to additional health services is due to the worsening level of public health services and growing insecurities of the public health insurance system.

The creation of an internal labour market requires the production of skills and competencies necessary for the functioning of the firm. MOL has a developed training system that contains the possibilities of life-long learning for its employees. It is partly based on agreements and cooperation with institutions at all levels of professional education and training, and partly on the internal training units. The knowledge base and the professional ‘space’ are extremely important for such a company (considering the level of technological development in its sector, and its ambitions of a leading regional role amid fierce competition in its world market). The remarkable spending on professional and scientific aims (see: table 3) also expresses well this need and objective.

The interviewed managers emphasised that the employment aim is not a ‘guaranteed life-time carrier’, but ‘life-time employability’. The development of training programmes is considered as the means to upgrade the labour force of the company.
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Responsibility towards its social environment

MOL is very visibly sponsoring several educational, professional, cultural and environmental activities.

Table 3: Social and cultural spending in 2001 (in million Hfts)

<table>
<thead>
<tr>
<th>Fields</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific-professional activities (museums, associations)</td>
<td>53.69 million</td>
</tr>
<tr>
<td>Health (hospitals, clinics, foundations)</td>
<td>25.85 million</td>
</tr>
<tr>
<td>Social care (foundations and help actions)</td>
<td>25.35 million</td>
</tr>
<tr>
<td>Public security</td>
<td>11.35 million</td>
</tr>
<tr>
<td>Environment (associations, national parks, actions)</td>
<td>9.5 million</td>
</tr>
<tr>
<td>Culture (Opera House, orchestras, concerts, festivals, publications, museums, etc)</td>
<td>2 million</td>
</tr>
<tr>
<td>Education (schools, foundations, courses)</td>
<td>2.7 million</td>
</tr>
</tbody>
</table>

Social dialogue within Mol

The company has a well-articulated system of bargaining and participation. Two of the larger traditional federations and a smaller one have units at the MOL group. One of the big ones belongs to the Miners’ Union Federation, the other is a union of the chemical sector. The third, smaller union (with 10% of the votes during the works’ council elections in 2001) is a new one especially established in the petrochemical industry. According to the Hungarian labour and employment laws (following the German model of the double structure of labour relations) the Works’ Councils also function as institutions of employee participation.

The main divisions of the company have their works’ councils (seven, altogether) that are coordinated at company level by the Central Works’ Council. The unions negotiate and sign the collective agreements with the management, while the works’ councils are informed about and participate in discussions of different issues of company decisions. The 2002 Collective Agreement at the MOL Rt assures higher levels of benefits in all areas than the national standards. The employees elect ‘work and safety representatives’ also, according to the Hungarian Labour Law. These representatives form ‘work and safety commissions’ at division level. At company level, the Central Work and Safety Commission is made up of their delegates. These commissions control working conditions and examine accidents at the workplace.

The employer voluntarily handles all employment rationalisation steps at the company as ‘mass-layoffs’, which are regulated by more severe norms (higher severance pays, re-training obligations, obligatory job-offers, etc.). Severance pay is assured even when the employment relation is continued at a subsidiary or in an outsourced form. An early retirement scheme for the older generation of employees is also stimulating withdrawal from work. Former employees of the company are favoured as subcontractors. This attitude, considered ‘socially responsible’ by the firm’s management, was favourable during the nineties for reducing the numbers of personnel without conflicts.

Special commissions of placement and of employment rationalisation are set up at MOL according to the Employment Act to take decisions about employment reduction and to carry them out. Unions’ and works’
council representatives as well as management representatives form these committees. This occurs not only at the level of the divisions to handle the rationalisation process, but also at lower level, where work groups communicate directly with the employees and deal with all individual cases.

The cases of employment rationalisation might require the transfer of the employee to the subsidiary company or to the subcontractor with severance pay, or it might require mobility within the firm. MOL has an internal placement system that offers re-training and financial support (towards housing and relocation). In localities where MOL is the only employer, the company cooperates closely with public labour market services to support the reintegration of the laid-off staff.

At the beginning of 2000, the management and the unions concluded an employment policy agreement that is controlled quarterly. Interviewees from among the managers and from among the employee representatives agreed that the severance payments and the early retirement schemes are more attractive for many people than to accept internal and/or regional mobility within the firm. The support offered by the management to such changes cannot balance the supposed or real insecurities generated by such changes for many employees who prefer the definitive solutions of severance pay and early retirement.

The perception of CSR activities as such

The high level management of the firm is familiar with the expression of CSR, though until now they prefer to deal with the issue under the terminology of “value system of the company” or “philosophy of the firm”. These values and this philosophy are laid down in different documents, such as in a publication on the “Ethical Engagement of the MOL - 2002” or in a publication entitled “The MOL Rt. and Society 2001”. The Director General of the company mentioned four dimensions of corporate responsibility.

The company has a responsibility towards:

- the shareholders, to ensure profits;
- its clients and customers to offer valuable goods and services;
- its employees to assure employment conditions for their career plans as well as for their financial aims;
- the outside community, and society.

Similar statements can be found in the different company documents, but defined as values and philosophy and not as CSR. Documents presenting the above values were widespread throughout the firm on its website home page and in print. However the management remains very critical about the results. According to them, at lower levels of the company the employees are less acquainted with the ‘messages of the new company culture’.

The above philosophy and the responsibilities formulated by the Director General showed the double engagement of the firm, not only towards the direct shareholders but towards the stakeholders as well. Mentioning the customers and the community reflects a management strategy based on the involvement of stakeholders whose attitude towards the firm may ensure positive market acceptance of its goods and services. This involvement may also encourage labour, knowledge, and investment possibilities, as well as favourable social and professional relations. The strategy might be labelled as ‘social marketing’. However, during the period of a series of radical social and economic changes, as has occurred in Central Eastern Europe, such a
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CSR is probably a strategy to ensure a certain level of security in certain segments of the company’s social environment.

CSR as an approach to rationalise, build up and develop its internal labour market is a sensible human resource tool. At the same time MOL’s CSR towards external stakeholders expresses not only its direct interest in cultivating good community and professional relations. Different civil organisations exercise intense public pressure on affluent economic actors, like MOL, to find financial support for social care, for health, for cultural and for other public needs that have become endangered by the CEE transformations.