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## Government and Corporate Social Responsibility 2020 Foresight Brief No. 091

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### Purpose

While corporate social responsibility is increasingly requested in order to respond to current environmental challenges and threats to public health, the ISIS group of the Commissariat Général du Plan of the French Government (“The Plan”) analyses trends in corporate behaviour as well as regulatory principles underlying sustainable development and corporate social responsibility. Beyond this, the ISIS group explores future issues in different sectors in order to illustrate existing junctions and differences. Based on this prospective analysis, ISIS built four strategic scenarios for state intervention to make an inventory of tools to urge enterprises encompassing social and environmental issues in their schemes for economic development.

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### A New Challenge for the State

The ISIS project was launched in September 2004 in order to provide public authorities with an outlook on sustainable development and corporate social responsibility with a focus on the future role of the French government. Indeed, Corporate Social Responsibility (CSR) in France is, on the public side, an emerging matter since the French government does not have a long history of collaboration with private individual initiatives with regard to sustainable development issues.

The project explored different public strategies for integrating initiatives. This was based on an observation of CSR trends in four sectors - **chemistry, textile & clothing, logistics and eco-technologies** - and on the analysis of technological forecasts. The initiatives were expressed by the civil society and support incorporating social and environmental concerns into their development.

### Need for a Wide Range of Participants

Considering the large scope of the ISI project and the variety of perceptions of CSR’s relevance, the core team decided to implement a permanent group of stakeholders, gathering representatives of companies, unions, NGOs, public administrations and academic experts. Besides this continuous dialogue, the team relied on existing quantitative forecasts, especially for sectoral and environmental observations. Through the mix of deskwork and fieldwork, the team managed to elaborate technological roadmaps for the four sectors studied within this exercise. The project followed three phases.

During the first phase, several public hearings, involving nearly one hundred participants, took place, covering three wide topics:

- Competitiveness, environment and R&D,
- Social issues, governance and international regulation,



- Classification and labelling of negative substance and sustainable development.

These hearings aimed at drawing state-of-the-art current trends of CSR, including the sectoral level. During the **second phase**, the project targeted specific subjects and invited experts who had taken part in previous meetings to build scenarios. These experts were grouped within four sectoral workshops:

- Chemistry,
- Logistics and transport,
- Eco-industries and eco-technologies,
- Textile and clothing.

The following transversal issues were discussed in workshops as well:

- Social stakeholders positioning,
- Financial markets role,

- Labelling of negative substance and legislating in a view to regulate products having a negative impact on sustainable development,
- International and EU governance.

Several scenarios, built for those eight topics, made the drawing of potential “postures” for the French State possible. In the **last phase**, the team, with the support of external participants, elaborated different scenarios applied to the French State’s behaviour and provided recommendations on the most advisable public policies. Several experts, including two economists specialised in environmental issues, one expert in R&D programmes and one in social issues comprised the project team. The team was assisted by an external group of professors and consultants remunerated for one day per week spent on specific tasks such as the organisation and moderation of meetings as well as the writing of reports.

## Sustainable Development – An Issue for Business and Society

New models of governance have recently emerged in order to meet the current challenges of sustainable development, in a context characterised by the civil society’s health, environmental and societal concerns. Corporate Social Responsibility has emerged from the growing civil and political pressure on companies to operate in an economically, socially and environmentally sustainable way. To this respect, private firms have launched three types of voluntary actions to contribute to sustainable development goals, which are: environmental standards, social protection and ethical concerns related to prevention of child labour or safety at work for example.

### Corporations Need to Take Environmental and Social Responsibility Worldwide

Alongside climate change, a growing concern is to limit people’s exposure to dangerous substances. To this respect, the REACH regulation (Registration, Evaluation and Authorisation of CHEMicals) represents a major innovation. According to a study led by the European Commission, the full implementation of the REACH regulation would save about 4,500 lives per year plus the cost of healthcare, judicial procedures and compensations. Developed countries are endowed with solid legislations; developing countries and less advanced countries are not. As most large companies are settled all around the world, the impact of national or regional laws is more and more diluted because companies can, for example, delocalise polluting activities where legislation is less constraining. For this reason, large companies are asked to adopt internal rules to be enforced by all subsidiaries and stockholders.

## The Reorganisation of Social Partnership

This issue is particularly relevant regarding social aspects. Delocalisation, sub-contracting and outsourcing have broken down businesses’ boundaries as well as former national social regulation models that were based on the Fordian labour compromise. Trade unions, who used to be key participants in the social dialogue, are facing major difficulties, because they still intervene in domestic frameworks with the support of national legislations. As a result, trade unions are somehow powerless with regard to the increasing demand from the civil society for production processes compliant with ethical and social standards.

### Sectoral Implications

The **chemistry sector** is facing criticism because it causes pollution and causes risks to human health, leading to regulations that are very restrictive. According to OECD statistics, production in the chemistry sector is likely to increase by 85% in the following 20 years. As a result, CO2 emission could increase by 66% in the OECD member States and by 165% in others.

Regarding the future of chemistry and environmental concerns, three scenarios have been elaborated for the ISIS project:

- In the first scenario, the chemistry sector focuses on research to cope with restrictive regulations so that **pollution diminishes in industrialised countries**. On the other hand, pollution in developing countries becomes non-sustainable and technology transfers are limited because of the willingness to keep the sector’s competitiveness in France and Europe.
- The second scenario forecasts a drastic **decline of the European chemistry sector because of a constraining regulation**, a lack of research and a difficult access to natural resources. In addition, following a major envi-

ronmental disaster, the population could reject establishment of those industries (“NIMBY regime”) or any further technological innovation like e.g. nano-technologies. One of the main consequences would be the development of this industry in Asia and an important increase in maritime traffic.

- The last scenario views a **strong collaboration between governments, NGOs and companies**. Environmental concerns are taken in great consideration and dealt with efficiently. However, the elaboration of agreements and the increase of administrative procedures slow down industrial exploitation and commercialisation of research outputs.

The **textiles and clothing** chain of distribution is characterised by a very strong international distribution of work. This distribution chain embodies the crucial question of sub-contracting and working conditions. Three scenarios can be considered according to a range of variables such as trade conditions, innovation and transport costs.

- In the first case, **environmental and social responsibility is promoted as a mean to protect domestic T&C industry**. Trade Unions focus on employment protection whereas NGOs try desperately to implement social and environmental agreements in developing countries.
- The second scenario predicts the **emergence of a certain corporate social responsibility compatible with free trade**. The T&C production is mostly concentrated in Asia - China and India. The extinction of the traditional T&C industry in Europe made the collaboration between Trade Unions, NGOs and governments possible so that global initiatives are launched. Social and environmental standards’ compliance is however difficult to validate because of mass sub-contracting.
- Another option consists of a focus on the development of preferential zones that may allow the textile sector to grow stronger and even to **“export” a European social model**, first in the periphery of Europe, than to other countries that may adopt a higher standard to break into the preferential zones’ markets.

The **logistic/transport sector** has emerged from the companies’ inclination to outsource storage and movement of goods and to re-focus on their core operations. Although the emergence of logistics was favoured by the international distribution of work and low costs of transport, the growth of this activity will necessarily be limited by the continuous rise in the

price of oil and by transports’ impact on the climate change and urban pollution. As a result, the future of logistics will depend on several factors: such as environmental pressure - regulatory or consumer-actors, technological advances, the price rise in hydrocarbons but also the developments within national and European specialisation, as well as the location of storage platforms in relation to outlet markets.

### Opportunities and Challenges: Eco-technologies and Corporate Social Responsibility

Development of eco-technologies is closely linked to the progression of environmental regulation, essentially originating from the European community. Currently dominated by incremental innovations for the past twenty years, the sector is today in a phase of international development that requires technological breakthroughs. Future innovations should concern recycling and product life cycle management (2007-2013), clean vehicles (2010), intelligent water treatment (2020) and new renewable energy (2020-2030).

As a matter of fact, **public and private financial bodies** as well as organisation and direction of environmental research in France and Europe will have a decisive impact on the sector’s potential. This type of research will only be well funded if financial markets integrate environment concerns in their profitability estimations. These actors still have a rather short-sighted perception.

**Ethical funds** are perceived as a way to support the development of eco-friendly economic activities and socially responsible companies. These funds are still considered as “niches” but could be generalised when considering the growing public pressure through the importance of household savings and private pension schemes in financial markets as well as the adoption of environmental and social criteria in public investments and procurements.

A last, challenge for the development of corporate social responsibility is the **participation of the civil society through NGOs and trade unions** (*Clean Clothes Campaign* for example). Groupings built upon the model of unions’ confederations could represent an efficient way to deal with transversal issues and directly negotiate with governments and international organisations.

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## Horizon 2020

### Four Strategic Positions for the State

Considering that different alternatives in private and public collaboration - or non-collaboration - could occur in France, the ISIS project team puts forward four scenarios for the French government: the adaptor, the integrator, the regulator and the follower.

In the **“regulator”** scenario, the government turns back to interventionist modes without necessarily having the power to do so. These modes are more prescriptive and in line with a centralising tradition that disregards private players and has little impact on market regulations and international authorities.

The **“follower”** scenario is based on a “business as usual” approach dominated by market regulations in which the state

is bypassed by private regulatory systems and those issued by other levels of intervention. As standards are only elaborated by big companies, necessary adjustments are however not effective. This can lead to ecological disaster or increased social tensions. Other players like regional states, especially local authorities, could take on the challenges of sustainable development.

Unlike the two previous strategies, the “adaptor” and “integrator” scenarios are seen as the most desirable. They imply that public authorities would have adjusted their intervention modes in order to promote sustainable development and integrated the notion of CSR. In the strategy of adaptation, the state catches opportunities initiated at other levels of regulation or by companies themselves. This strategy is relatively well adapted to the challenges of non-localised pollution like greenhouse gases, for which the solution must be worldwide and consensual. It is however less efficient with regards to social concerns, dealt at national levels.

In contrast, the position of the “integrator” state is also highly consensual in its interventions but pre-arranges and somehow predicts future regulations. Thus, standards are co-elaborated and the State promotes co-regulation of the CRSE governance. Adopting such a strategy would be more suitable for the challenges of localised pollution, social issues and less globalised sectors.

### Six Recommendations to Public Authorities

- **To call up social and civil dialogue:** The ‘integrator’ state orchestrates in advance a civil and social dialogue on corporate social responsibility. To this respect, it has to develop CSR agreements in public-owned - or partly owned - companies and to set out the challenges of CSR.
- **Promote socially responsible consumption, energy saving and green production processes:** While public purchases account for 15 % of the GDP, promoting social and environmental responsibility operates in particular by

fixing quotas and priorities in order to develop eco-responsible public purchases and investments. The state also uses its economic instruments to encourage the consumption of sustainable products and to bring forward the application of the polluter/payer principle.

- **Establish rules for financial markets and products standards that will facilitate sustainable development:** Financial markets’ regulation particularly requires strengthening of disclosure obligations for institutional investors.
- These obligations would specify how to take into consideration social and environmental criteria and how to make a compulsory social rating for all stock market flotation on the date due.
- **Co-ordinate a breakthrough in environmental R&D:** Directing research involves imposing on public/private technological platforms. Financing breakthrough innovations with high cost and uncertain gains needs state investment through public demands, mechanisms aiming at encouraging public loans and pool funding at European level or between member states.
- **Control and monitor the franchising of «sustainable development» claims:** The state strengthens its powers in the area of monitoring the market to avoid false declarations and litigation. To this respect, it draws up a precise list of terms and conditions for applying social or environmental labels or imposes a form of product labelling.
- **Promote existing standards within the European community with a no protectionist agenda:** In international and European community negotiations, the French state brings all its power and influence to bear with the aim of extending and deepening the Kyoto protocol in order to strengthen the French and European social and environmental model. To do so, the state first supports the establishment of a standardisation process in the Pan-Europe-Mediterranean with regionalised certification centres (Turkey, PECO).

## Results

Based on ISIS’ recommendations, a dialogue has been established between the chemistry sector, the ministry of industry and trade, the ministry of environment and unions. The automotive industry has also now the obligation to produce labels indicating the CO2 emission of each vehicle. This process should be extended to the building industry and applied to

each construction. In the long term, the ISIS project should contribute to the implementation of a “Climate Plan” including several measures and attestation procedures applied to energy suppliers. Some negotiations should take place in the future on development of ethical funds and on the implementation of worldwide Social and Environmental Responsibility standards, although the French State has limited power on those matters.

## Sources and References

<http://www.plan.gouv.fr>

**About the EFMN:** Policy Professionals dealing with RTD, Innovation and Economic Development increasingly recognize a need to base decisions on broadly based participative processes of deliberation and consultation with stakeholders. One of the most important tools they apply is FORESIGHT. The EFMN or European Foresight Monitoring Network supports policy professionals by monitoring and analyzing Foresight activities in the European Union, its neighbours and the world. The EFMN helps those involved in policy development to stay up to date on current practice in Foresight. It helps them to tap into a network of know-how and experience on issues related to the day to day design, management and execution of Foresight and Foresight related processes.