

CORPORATE ENGAGEMENT PROJECT

Issue Paper

Hiring Policies

This paper is one of a series of Issue Papers based on preliminary findings from the site visits and consultations carried out by the Corporate Engagement Project (CEP). CEP is a collaborative learning project involving multinational corporations that operate in areas of socio-political tensions or conflict.

Based on visits to companies' field site operations, CEP identifies and analyzes the challenges for corporations that recur across a wide range of different companies and contexts. From the patterns that emerge, CEP develops practical management tools to managers for supporting stable and productive relations in the societies where corporations work.

The Project is based on two fundamental premises:

1. Inevitably, corporations become a part of any context in which they operate. Companies' day-to-day activities have impacts on the societies where they work. These impacts can be either positive or negative, but, in a context of social or political tension, never neutral.

2. Most companies channel their interactions with local communities through community relations programs, often related to the objective of conflict management. However, daily operational interactions with communities such as compensation policies, hiring policies or stakeholder consultation are equally, if not more, important in establishing the terms by which communities view the impact of the corporation on their lives.

This paper is a working document, not a final product of the Project. Rather, its purpose is to elicit further thinking, experience, ideas and suggestions. Additional site visits and consultations are being carried out to encourage further engagement, challenge, and refinement of the ideas presented here.

More information on CEP can be found at <http://www.cdainc.com>.

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HIRING POLICIES

AN OVERVIEW OF HIRING AND EMPLOYMENT POLICIES

A company's presence in a community inevitably creates among the host population an expectation of job opportunities and income, particularly in resource-scarce areas. Company hiring policies, and informal hiring patterns that result, become a central concern to communities. These policies can therefore become a major source of grievances toward companies when communities' expectations are not addressed.

Companies are often unaware of the impact that their hiring and employment policies have on their host population. Hiring policies can reinforce divisions between conflicting parties and thus can feed into conflict.

Pitfalls of Common Hiring Policies

Most companies recognize the importance of having careful hiring policies and take deliberate measures to ensure their fairness. Despite this, such well intended decisions can have adverse side effects.

Hiring based on references of trustworthy staff: Company staff generally hire people that they feel they can trust. In some cases national company staff hire only those from their own ethnic background, claiming that individuals from their same group are the only ones whom they can fully trust. Most managers who follow this system are not deliberately trying to promote the interests of one ethnic group; rather, they know that such relationships include a loyalty to the manager and, by extension, to company interests. It is an effective strategy "to get the job done." This approach, however, produces an ethnically homogenous staff, perpetuating a closed system. If the sub-group being disproportionately hired is in conflict with other groups, ethnically-based hiring patterns can feed into inter-group jealousy.

Hiring based on geographical background: Often companies make an effort to hire "local people," from communities most closely located to, and affected by, the company site. This preferential hiring based on geographical background can feed into tensions between "local" communities and "outside" communities. Hiring mostly members of the local population can contribute to the perception by other communities that "all" local people benefit economically from a company's presence while others are comparatively disadvantaged. If the preferred group is of one identity and in conflict with groups that do not benefit from employment opportunities, such hiring policies will further exacerbate intergroup conflict. For example, members of one community that did not benefit from a company's hiring policy because of its geographical distance from the company site have warned that after the company leaves it will be "pay-back time" for those who live within the preferred area.

Delegating responsibility to communities to enforce policies: Often even with clear hiring policies in place, there is ambiguity about whether applicants meet criteria, particularly

geographical. Companies often work with communities to “self-police:” for example, some companies with geographical hiring preferences have established hiring committees comprised of local community members to verify whether a job applicant originates from the preferred area. The authority and legitimacy given to employment committees has created opportunities for corruption and bribery. Committee members can be paid by prospective employees to “verify” that they hail from the area of the company’s preference. Corruption has had two common negative results:

- Committee members’ access to cash via bribes reinforces their position of power within a community, and
- Bribes reinforce division between the “haves” and the “have-nots,” as those who are able to afford paying bribes have a better chance of obtaining a job.

Bringing in outsiders for skilled positions: Often companies feel that there is not sufficient local capacity for the highly-skilled technical jobs, and therefore bring in experienced staff from other parts of the country for those positions while hiring local staff for primarily lower-skill (and therefore lower paid and lower status) positions. If those that are considered “outsiders” and those that are considered “locals” overlap with the sub-groups that are already in conflict with each other, the effects of the corporate hiring patterns can exacerbate intergroup jealousy. That tension may be directed at the outsider individually, but it is often also directed at the company.

Hiring based on political affiliation: In some countries, political administrations compel companies to hire “politically screened” staff to ensure staff’s loyalty to the ruling elite. These administrations want to control the recruitment process of companies for the following reasons:

- a. They wish to hand out well-paid jobs to their own constituencies;
- b. They fear that a company’s resources and influence may support opposition groups;
- c. They fear that if opposition members are hired, it increases the risk for sabotage of company and government assets affecting the revenue stream.

In zones of conflict, a company’s affiliation with the ruling class can link the company to one side of the conflict and make it a “legitimate” target for the opposing side. In addition, especially for companies that have a long-term interest in a country, such policies risk backfiring if the existing leadership is ousted and the new leaders identify the company as an enemy of the new state.

Hiring based on merit: In an effort to eliminate preferential hiring of any one ethnic or racial group, some companies have developed what they refer to as “ethnically-neutral,” or merit-based hiring policies. These policies give preference to individuals based solely on their qualifications as related to the jobs available. In practice, however, merit-based hiring policies are not always entirely neutral. In many cases, certain ethnic or racial groups have been historically privileged over others with regard to access to education and economic opportunity. In these cases, more privileged groups tend to possess necessary job skills in greater numbers than more marginalized groups, giving those with privilege more “merit” in greater numbers. The result is that only those with economic privilege are hired, while those who have been historically excluded and politically marginalized continue to be denied opportunities. If those who have less access to skilled jobs are those who live in the communities immediately impacted by company

operations, and “outsiders” with greater education and technical training get the high wage jobs, hiring reinforces these lines of inequality and can result in conflict.

Hiring based on language skills: Often companies favor staff who speak the language of the international company management. They may prefer to recruit staff who have received an education in a “Western” language (often with an emphasis on those who have been educated abroad and have returned). In countries where divisions between groups follow a divide in language, or in language skills, preferential hiring based on language can feed into inter-group conflict. This is especially the case if a company is located in an area where the surrounding population does not speak the company’s preferred language; the company’s staff will be therefore composed predominantly of “outsiders” who are nationals of the host country, but who are not a part of the local community. For example, an Anglophone company operated in the French part of a country with two national languages, English and French. The company hired most of its staff from the English part of the country seeding resentment among the local French-speaking majority.

OPTIONS AND ALTERNATIVES

Consider quality of positions as well as quantity of position: Companies often measure the success of their hiring policies solely on the number or percentage of local or national employees. For example, one company proudly announced its goal to hire 70% of staff from the local population, but it did not specify what wage-level these employees would have, which groups might benefit from this policy and which groups might feel left out, or whether staff would have any opportunities for training or advancement. While actual numbers are one important measure of successful hiring policies, other factors should be considered that address their actual impact on inter-group relations. Even if numbers of employment are increased, standards of living may not improve, and divisions between elites and more marginalized groups may be reinforced.

Analyze the consequences of hiring policies: Some companies seek to avoid ethnically- or racially-preferential hiring by implementing merit-based policies, only to find that they wind up hiring from one ethnic or racial group regardless. Companies may benefit from working toward hiring a staff that represents the diversity of the population.

Operate with transparency: The more information community members have about how hiring policies will be designed and implemented, the more they feel a part of the process of determining their community’s future and the more they can accept the fact that they may not obtain a job. Transparency about even the most basic details of hiring schedules, numbers, and procedures can identify issues that may be of concern to community members before they grow into conflicts. Often conflicts are based on misunderstandings; sometimes grievances based on myths and rumors can be avoided by providing communities with facts about what to expect. For example, some companies use quarterly public hearings to provide communities with information about hiring criteria, vacancies, promotions and other facts.

Do not create false expectations: Expectations about job opportunities are often raised even prior to the start of company operations. For example, in an attempt to buy land from

communities for company operations, authorities may suggest to communities that when the company arrives, it will provide jobs for all. Regardless of whether this is based on real commitments made by a company or are simply created by authorities for their own ends, expectations are put into place that the community will measure the company against. A company can find itself entering a community in which expectations have been raised, at no fault of its own.

The company may benefit from organizing public hearings to inform the population about what to expect before operations start, rather than as problems arise. The company can also assess areas of tension or conflict at this point, recognizing which groups have been historically marginalized and which groups may have been in conflict with one another.

Provide apprenticeships: Most communities have long-term interests. Formal education in company operating areas is often sparse and of poor quality, particularly in rural communities. Even for those with access to education, employment can be difficult to find. Communities have consistently told us that they would value apprenticeships to gain experience and better position themselves for future opportunities. Some companies have seen that providing learning opportunities is a win-win situation; it provides them with relatively cheap labor, and it is also an effective tool for showing its concern for the future prospects of communities.

Go beyond hiring: Often it is not possible for a company to address a community's employment needs, even with its best efforts. When this is the case, the company can consider how to include those disenfranchised workers in a broader development plan for a community or region. The company may explore how it can address the needs of community members beyond employment. It may support existing local capacities in economic or social development ventures that will be sustainable in the long-term.

ANOTHER PITFALL OF AN EMPLOYMENT POLICY: NATIONAL VS. INTERNATIONAL STAFF

Some companies use starkly divergent wage scales for local and international staff, or they provide special facilities for expatriates that are not provided to local employees. In contexts characterized by a dramatic disparity between rich and poor, a company can feed into existing grievances against the wealthy of that society. Even though the company is not responsible for the disparity or for the level of poverty, it can become an easy target for expressions of grievance.

A difference in treatment between expatriate staff and national staff can even be a direct trigger for violence. In some cases local staff are hired on a contract basis, without any retirement plan, healthcare, housing, or other benefits enjoyed by expatriate employees. International staff are generally well cared for; they typically have access to electricity, water, and other amenities even when the surrounding population lacks them. They may even have helicopters fly-in drinking and bathing water or have compounds with swimming pools. These differences can lead to troubled relations between national and international staff. Frustration over these disparities has even been cited as the cause for disgruntled national staff to provide information to outsiders seeking to kidnap "rich" expatriate staff.