

# Study of the Social Audit and Standards for Social and Environmental Responsibility - Case Study of Bulgaria<sup>1</sup>

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## Summary:

This article presents some of the results of a conducted scientific research for the needs for implementation of social audit and application of standards for social and environmental responsibility in the Republic of Bulgaria. The aim of the study is to examine the needs to conduct social audit and implementation of standards of social and environmental responsibility in Bulgaria.

The goal was achieved by performing the following research tasks:

- ✓ Analyzing foreign and domestic theory and practice in the field of social audit and standards for social and environmental responsibility;
- ✓ Analyzing the current state of social audit in Bulgaria;
- ✓ Analyzing the current state standards for social and environmental responsibility in the Republic of Bulgaria and best international practices in this field ;
- ✓ Exploring the needs of the conduct of social audit in Republic of Bulgaria;

- ✓ Exploring the needs of the application of standards of social and environmental responsibility in the Republic of Bulgaria;
- ✓ Making concrete conclusions and recommendations based on the results.

The subject of this research is: scientific theory in the field of social audit and standards for social and environmental responsibility; good practice in the field of social audit and standards for social and environmental responsibility; legislation related to social audit and standards for social and environmental responsibility.

The contents of this research is consistent with the time frame (2014 - 2016 year) and comprises three main stages

The first stage is dedicated to an analysis of the scientific theory and practice in the field of the social audit, the standards for social and environmental responsibility. The second stage is dedicated to collection of information about the needs of social audit and standards for social and environmental responsibility of individuals, legal entities, the civil service of the Republic of Bulgaria and the trade unions. The third stage offers the main conclusions from the obtained results. The conclusions pertaining to the

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study's scientific and applied contributions are divided into three groups: related to social audit, standards for social and environmental responsibility.

The working hypotheses are three:

**First.** The social audit and standards for social and environmental responsibility are not sufficiently explored in the scientific theory of Bulgaria and are not sufficiently known best practices in this area.

**Second.** The application of social audit and standards for social and environmental responsibility in the Republic of Bulgaria will be beneficial not only for businesses and the government, but also for society as a whole.

**Third.** There is a need that legal amendments are passed so as to regulate and govern the conduct of social audit and implementation of the standards of social and environmental responsibility.

The first hypotheses is proved partly because as a theory, social audit and standards of social responsibility have not been studied, but the standards for environmental responsibility are already examined. The second and third hypotheses have been confirmed.

This piece of research has employed inductive, deductive methods and methods of analogy and analysis. Furthermore, applied quantitative methods were applied to collect information through the development and distribution of questionnaires.

The survey of the needs for conducting social audit and for the implementation of standards for social and environmental responsibility in the Republic of Bulgaria is dedicated to topical issues that have been examined in an international aspect as well. The interest in those issues is not accidental. Nowadays more than ever before is there a crisis in public trust toward employers and the state-funded projects and programmes. Cases of abuse against shareholders, stakeholders, resources, corruption and

siphoning off of budget funds have become a part of everyday life.

**Key words:** social audit, corporate social responsibility, standards for social responsibility, standards for environmental responsibility, human resource audit

**JEL Classification:** F64, F66, J7, J8, J15, J54, J81, J83, M42, M54, O44, Q01

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## **1. Introduction**

The main aim of the study is to study the needs to conduct social audit and to implement the standards of social and environmental responsibility in Bulgaria. The main tasks of the research are:

- ✓ To analyze national and international performance in the field of the social audit and standards for social and ecological responsibility.
- ✓ To analyze the current state of social audit standards of social and environmental responsibility in the Republic of Bulgaria as well as the best international practices in these areas.
- ✓ To explore the need to conduct a social audit and implement the standards of social and environmental responsibility in Bulgaria
- ✓ To make conclusions and recommendations based on the obtained results

The piece of research aims to study the need for social audit and standards for social and environmental responsibility.

The subject of this research are: Scientific theory in the field of social audit and standards for social and environmental responsibility. Good practices in the field of social audit and standards for social and environmental responsibility. Legislation related to social audit and standards for social and environmental responsibility.

The scope of the study includes all stakeholders – individuals, firms, experts from trade unions, experts on Public Administration in Bulgaria.

The basic method of gathering information is the interview.

We developed four questionnaires to various stakeholders. The common goal of the questionnaires is to find the answers to three groups of major issues: the needs for social audit, the need to implement the standards for social responsibility as well as the standards for environmental responsibility.

The study began with an analysis of the socio-economic situation.

#### **Socio - economic prerequisites for distribution of social audit and standards for social and environmental responsibility in Bulgaria**

Modern economy develops under the motto "the end justifies the means". Appropriation of more material goods is a key driving force in present-day economy. Lester Brown (Zagorov, 2010) was right to express doubts about whether such a society is able to carry out the transition to sustainable development. In his opinion, such a society is inevitably prone to suffering destructive trends, the most characteristic of which are the following: degradation of social capital and the lack of interpersonal trust; general decline of labour ethics and raising to a cult personal satisfaction and irresponsible hedonism; decreasing involvement in training and intellectual activity, ultimately resulting in a lower educational level.

To quote Joseph Stiglitz, "something has happened to our system of values when making more money justifies the means..." (Stiglitz, 2013). It is an undeniable fact that what has happened and is now happening in the modern world "may be described with the words 'moral misery'" (Stiglitz, 2013), and control has transformed into a "obliging, made to order, manipulative function of social governance" (Dinev, 2014). Degradation of values has reached „such levels that everything becomes possible and no one is responsible." (Stiglitz, 2013)

Socioeconomic prerequisites conditioning the need of implementation of the social audit and the standards for social and environmental responsibility in Bulgaria are: **overtime work, poor working environment, discrimination, delaying the payment of wages or non-payment thereof, use of child labour, air pollution.**

The most common violations in sea resorts are related to working hours and breaks, with the unregulated overtime and its payment (Chief Labour Inspectorate, 2015). The most frequent violation of the safe working conditions is in the sectors where there is a "black market" exists, without employment contracts, such as agriculture, construction, the field of services (hairdressers, cosmetic and massage services). The regular payment of remunerations is also a problem for our country (Chief Labour Inspectorate, 2016). Non-payment of wages, as well as their delay are a prerequisite for macroeconomic problems related to non-payment of taxes and social security contributions to the state budget, delay in the payment of credit instalments for repayment of employees' loans, impossibility for payment of water, electricity, central heating bills, and decrease of consumption with all the negative effects of those facts. Air cleanliness is also a problem. According to data of the World Health Organization, Bulgaria ranks second

in mortality cases per capita due to polluted air (Capital, 2016) .

In consideration of the analyzed problems of modern society and based on the analysis of the international scientific theory and the presented study, a definition has been made of the social audit representing its subject matter and the benefits of its implementation. Social audit is defined as a systematic process through which a competent person provides an independent evaluation on statements made by the organization with regard to the realization of its social objectives. Given this definition, the view is held that the key objective of social audit is to provide an independent opinion on the presence or absence of compliance between adopted standards for socially responsible behaviour and their implementation. There is an additional objective that distinguishes this type of audit from the other types: the evaluation of the impact of the organization's activity on all groups of stakeholders. The existing scientific theory in the field of social audit is supplemented by yet another effect expected from its implementation. Specific examples prove that social audit is a factor for the maintenance of good reputation and for sustainable development on micro-and macroeconomic level.

This study has also analyzed the good practices of Italy, France, Nepal, Russia, USA, UK, Belgium in the field of social audit and the standards for social and environmental responsibility, some of which may be applied in Bulgaria too.

The study poses the question for the preparation of social auditors. Based on analysis of the dissemination of the academic discipline it was established that the subject is taught in only three universities in Bulgaria. Furthermore, yet another problem has been identified. The

certified organizations authorized to prepare social auditors do not present transparent information on the websites regarding what is included in the process of preparation of social auditors. Therefore, for the purpose of achieving more transparency a recommendation has been made that organizations declaring that they perform training for qualification of social auditors should present detailed information on their websites about the stages of the process for certification of social auditors.

The study makes arguments about the need to introduce social audit to social enterprises and the organizations declaring themselves as socially responsible.

One of the main conclusions drawn is that the implementation of social favors the employers operating in the formal economy. For employers in the underground economy and the black market the social audit tends to be a problem and they will not support its implementation.

## 2. Theoretical background

The term social audit was first used by Theodore Kreps<sup>2</sup>. In the 1950s Bowen devoted a small part of one of his books to the issues of social audit. Humble has made a considerable contribution to the development of the theory of social audit (Humble,1975). Humble defines social audit as a service helping the management in the survival of the business. The essence of social audit is defined by Humble as an "assessment of the meaning of the human factor" (Humble,1975 ). Raymond Vatie is considered to be founder of the social audit in France in the 1920s. He believes that "the social audit is an instrument of the management for control, monitoring and assessment of the ability" (Nikonova, 2002). Social audit issues are also addressed by Candau, Couret and

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Igalens (Nikonova, 2002). Pierre Candau defines social audit as an independent activity encompassing the monitoring, analysis, assessment and provision of recommendations for the activity based on methodologies and employed methods that allow, in comparison to reference editions, to first identify the strengths and problems in the field of the use of personnel in conjunction with costs and risks. This makes it possible to diagnose and clarify the causes of the problems, evaluate their significance and ultimately make recommendations for taking particular actions that are not to be carried out by the auditor him/herself (Nikonova, 2002). Alain Couret and Jacques Igalens propose the following definition: "social audit is intended to analyse every risk factor and give recommendations for possible means for their mitigation" (Nikonova, 2002). The Green Paper of the European Commission linked social audit to a systematic evaluation of the social impact of the enterprise against certain standards and expectations (Green Paper on promoting a European framework for Corporate Social Responsibility EC, 2010). The publications of the United Nations Development Programme (Berthin, 2011), Centre for Good Governance, (2005), Pandey, A., B. Acharya, R., Tandon, (2013), Worthington, (2015), Open Society Foundation for South Africa, (2015), Kwantu, (2016), Framer, M., (2015) contribute to the interpretation of social audit as theory and practice.

Logically, the contemporary definitions for social audit in an international plan tend to promote the understanding that social audit is an instrument for public accountability and transparency. Modern scientific publications are ever more clearly distinguishing between the types of social audits that can be performed at the national (macroeconomic) level, at the local level and at the microeconomic level.

The understanding of social audit as a feature of democratic governance and a strategy for combatting corruption is increasingly imposed (Berthin, 2011).

The research of the national scientific theory shows that researchers, associations and trade unions have joined efforts to explain of the essence of social audit. The Integra Association – BDS has developed a guidebook for code of ethics and social audit (Integra Association – BDS, 2002). In 2007, the Institute for Social and Trade Union Research (ISETUR) with the KNSB/CITUB (Confederation of Independent Trade Unions in Bulgaria) made a review of the development of social audit and pointed out its advantages. Some publications have appeared in recent years that analyse the subject matter and the differences between social audit and human resources audit (Peicheva, M., Social audit and human resource audit, 2015). For the first time in Bulgaria, Miroslava Peicheva, Ali Veisel and Valeria Dineva study the triune and interrelation between theory, reporting and audit in the social responsibility of organizations (Peicheva, M., A., Veisel, V., Dineva, Corporate social responsibility – theory, theory, reporting and auditing, 2016). The monography makes a detailed analysis of the core of corporate social responsibility and social audit, corporate social reporting, application of the standards of the International Federation of Accountants for expressing confidence about the corporate social reporting, as well as the role of internal audit for the development of the corporate social responsibility.

In a national plan, the scientific theory in the field of the standards for environmental responsibility is more extensively covered and more developed. The problems of the standards for environmental responsibility are reflected in the studies of Haradinova A, D. Ivanova, E. Vasileva, (Haradinova A, D. Ivanova, E. Vasileva, Environmental

Management Systems and eco-innovations – the experience of the business in Bulgaria, 2015), Ivanova D., A. Haradinova, E. Vasileva, make researches for environmental management system in Bulgaria (Ivanova D., A. Haradinova, E. Vasileva, Environmental performance of companies with environmental management systems in Bulgaria, Quality – access to success, 2016). Other researches for environmental management system have been made from Vasileva E., D. Ivanova, B. Nikolov, (Vasileva E., D. Ivanova, B. Nikolov, The certification of management systems through the prism of Bulgarian producers from selected sectors. Development and implementation of the standards for management systems, 2012). Other authors who make researches for environmental responsibility are Harizanova, H. (Harizanova, H., Implementation of ISO 14001 in Bulgaria 2015), Stoyanova, Z., H., Harizanova, (Stoyanova, Z., H., Harizanova, Perspectives of development of Green jobs in Bulgaria, 2015). Other researches for environmental management and audit have been made from Miteva, A. (Miteva, A., The European scheme for environmental management and audit – an instruments for implementation of the standards for social and environmental responsibility in Bulgaria, 2015). Research pertaining to the choice of the "new user" were published by Elka Vasileva and Bogomil Nikolov in 2014 (Vasileva, E., B., Nikolov, Comparative Testings of Products as a Source of Reliable Information for Consumers, 2014). Other pieces of research on corporate social responsibility in Bulgaria have been made by Irena Slavova (Slavova, I., Corporate Social Responsibility and Public Policies: Focus and Trends in Bulgaria, 2013).

The aforementioned studies raise questions related to the significance of the standards for environmental responsibility, the benefits and the need of their dissemination in Bulgaria.

### 3. Practical background

The analysis of the foreign practice in the field of social audit and the standards for social and environmental responsibility shows that Charles Medawar (Medawar, Eavani, Nazari, Emami, 2012) is considered the pioneer, initiator of the social audit. In 1972, he launched the idea for development of a policy in the field of medicine in relation to the safety of medicinal products. Medawar also raised the question about the corporate, governmental and professional reporting and responsibility.

The practice of social audit started in the United States of America (USA). In the early 1940s social ratings were systematically conducted.

The social audit conducted in Nepal is considered a good practice (Neupane, 2011). What is typical of the social audit there is that the agents are both local and international non-governmental organizations. The social audit in Nepal is focused on the study of corruption in healthcare establishments, the quality of educational services, it assesses the funds spent on governmental programmes and provides an independent assessment of the presence or absence of embezzlement of funds under governmental programmes.

The example of France is good, expressed in the requirement for publishing of non-financial statements for all companies with over 300 or more employees. Some of the criteria for preparation of the statement are the standards for social responsibility. Italy is also a good example. They have the largest number of companies certified under SA 8000. The reason for that is that the Italian government financially supports company certification (Georgieva, 2007).

Russia also has good practice in social audit. In addition to conducting social audit in private companies, Russia also brings forward the question for introduction of social

audit in the police. Different options are analysed for conducting external and internal social audit. The proposal is external social audit to be performed by the civil society, including by political parties, independent media, civil society organizations, as well as international social audits.

The idea for implementation of external social audit in the police in Russia is to establish whether police performance meets public expectations, and to identify the external and internal factors of the environment that impact their performance.

It is also suggested that internal social audit of the police in Russia should be introduced. „The purpose of this audit is to determine the nature of the motivation of police employees, to identify their satisfaction level; to identify the character of the vertical and horizontal relations in the official police teams" (Egorysheva, 2011). Of course, social audit in the police should have some specific features, given the structure, tasks and functions of these authorities. Expectations are that the introduction of social audit in Russia's police will improve their social effectiveness, raise their reputation and increase public confidence in law enforcement.

A good example in the development of social audit is Belgium, where in 1996 a law was adopted obliging state-owned and private organizations to submit social reports with minimum requirements stipulated in the law. This is how the Belgian government attempts to overcome the weaknesses in social protection.

UK is an interesting example. In 2005 the Department of Industry and Commerce took measures whereby organizations are obliged to provide non-financial information in the field of ecology, corporate governance and social activity. These actions were subjected to serious criticism by the Confederation of British Industry and as a result of numerous discussions this obligation was revoked.

Nevertheless Great Britain remained Europe's leader in Europe in terms of the dissemination of non-financial statements.

The analysis of the practice of social audit and the standards for social and environmental responsibility expose some of the main factors that have an impact on the development and distribution of social audit and the publication of non-financial statements: the increasing influence of **civil society and non-governmental organizations on the behaviour of the business, the increased demands of the organizations towards suppliers.**

**Under the pressure of civil society and non-governmental organizations** the company Shell is among the first to publish a non-financial statement. The reason is that in the 1990s Shell decided to place its oil drill in the North Sea. As a result, Shell's products were sabotaged by clients and sales plummeted. Greenpeace also undertook campaigns against the intentions of Shell. Due to the actions of Greenpeace and the large-scale public discontent, Shell gave up its original plans and carried out the more expensive option of dismantling the oil platform onshore (Centre for the Study of Democracy, 2011).

**Another example of the influence of civil society on the behaviour of the business and the dissemination of social audit** is the Body Shop company (for natural beauty products). In the 1990s, the company was known mostly for its ethical behaviour in support of numerous social causes. The reason why the company undertook the performance of social audit were the allegations that its socially responsible behaviour was used to conceal socially irresponsible actions. Allegedly the company declared its position against animal testing and experiments but did not disclose the fact it used other companies' findings obtained from experiments on animals. As expected, the initial reaction was defensive, however

subsequently the company itself demanded the performance of a social audit. Later on, in her autobiography the company founder Anita Roddick claimed the performance of social and environmental audit had made her feel more confident and strong.

A positive effect for the dissemination of social audit is also made by **the ever increasing demands of organizations towards vendors**. The practice of socially responsible companies to set requirements to their vendors for compliance with the principles of corporate social responsibility and socially responsible behaviour was established. Observance of the requirements is established after conducting social audit. Social audit provides the grounds on which organizations to make decisions to conclude a contract with a vendor. Thus, social audit has been expanding, regardless the lack of legal provisions of a binding nature.

The analysis of the practice of social audit in Bulgaria shows that it is underdeveloped. As of 2007 there were just two companies certified under the standard SA 8000 (Georgieva, 2007). By 2012 their number reached ten, mainly in the construction sector. There is no information about audits conducted by an external party or upon the initiative of the organization owners because there is no single information system. In 2014, the number of companies certified under SA 8000 increased and reached 52 (Association Club 9000, 2014). The companies are primarily in the construction sector. The reason for this increase is a requirement laid down in the criteria for participation in public procurement.

Having regard to the environmental responsibility standards, the companies certified under ISO 14001 standard are 616 (Capital market, 2014). As for the standard EMAS, the certified companies in Bulgaria as of 2011 are 3. In Europe their number exceeds 4,000 (EVER, 2005). Presently, there is no database showing the number of

EMAS-certified companies in Bulgaria.

In the study of the practice of social audit in Bulgaria an analysis has been made of the process of certification of social auditors. From the websites of the majority of organizations authorized to certify social auditors it was established that there is no transparency regarding the process of their certification. Certified organizations offer training for social auditors at prices exceeding the average salary in Bulgaria. Yet admittedly successfully passed training course does not necessarily suggest acquiring the expertise for social auditor. Information is saved that it is necessary to pass 20 training audits. Furthermore, usually the training companies select one or two individual among the trainees (10 or 20 people) to take part in social audit training. The selected people could be employees of the certifying organizations who are presently certified as auditors under other standards (e.g. ISO 9001-2000), however it is more advantageous for the company that they are certified under other standards because a company auditor could this way perform audits under different standards. After the audit training another examination follows. A part of this information is present on the website of the International Standardization Organization (ISO), however a majority of the people enlisting in those training courses do not even know about the existence of this organization. Of course, there are correct certifying organizations which were tested with telephone interviews and they explained in detail the conditions for obtaining social auditor qualification. However, despite this I believe that it is proper for the information about the stages of certification of social auditors to be also present on the websites of the companies training social auditors. Moreover, I think that it is a good practice the certifying companies to specify on their websites particular information proving their right to train and certify social auditors.



The results of the study of the practice of social audit in Bulgaria demonstrate that the organizations declaring themselves as socially responsible are preferred by the customers. Those organizations, as well as the social enterprises benefit from different privileges, however no social audit is applied to express an independent opinion regarding the presence or absence of correspondence between declared and real socially responsible behaviour.

#### 4. Methodology

The conceptual model of the study is presented in Table 1.

The aim of the research is to study the needs of performance of social audit and implementation of standards for social and environmental responsibility in the Republic of Bulgaria. To attain that objective three tasks have been achieved:

- Analysis of the scientific theory, the good practice and current state of affairs in the field of social audit and the standards for social and environmental responsibility in the Republic of Bulgaria and worldwide;
- Survey of the needs of performance of social audit and implementation of standards for social and environmental responsibility in the Republic of Bulgaria

Table 1. Conceptual model of the study

Conceptual model of the study		
Preparation of survey		
	Action	Results
	The aim of the study; tasks of study; the subject of the research; the object of the research; period of the research; main stages of the research; working hypotheses;	Planning the implementation of the study
First stage		
	Analyzing the current state of social audit in Bulgaria; Analyzing the current state standards for social and environmental responsibility in the Republic of Bulgaria and best international practices in this field	Results of theoretical analysis of social audit and standards for social and environmental responsibility
		Results from analysis of best practices in the field of social audit and standards for social and environmental
Second stage		
	Indication of respondents; developing a questionnaire; create online polls, work organization and distribution of questionnaires, analysis of the results	Results from the collected information and some main conclusions.
Third stage		
	Analysis by two-dimensional distributions	Results of the analysis by two-dimensional distributions and recommendations.

- Analysis of the results obtained from the study, formulation of conclusions and recommendations

Working hypotheses are three :

**First working hypotheses.** The social audit and standards for social and environmental responsibility are not sufficiently explored from Bulgarian scientists and are not sufficiently known best practices in this area.

**Second working hypotheses.** The application of social audit and standards for social and environmental responsibility in the Republic of Bulgaria will be beneficial not only to businesses and the state, but also to society as a whole.

**Third working hypotheses.** There is a need for legal changes to regulate and govern the conduct of social audit and implementation of standards of social and environmental responsibility.

The first hypotheses was proved in part because as a theory, social audit and standards of social responsibility have not been studied, but the standards for environmental responsibility are already tested. The second and third hypotheses are confirmed.

This research made use of inductive, deductive methods and methods of analogy and analysis. The primary method for collection of information is the inquiry method. Four inquiry forms were developed, distributed both electronically and in hardcopy.

During the **first stage** of the project, more than 150 sources in the Bulgarian, English and Russian language as well as websites were surveyed for the purposes of this research. The analysis of the international scientific research showed that the theory of social audit dates back to the 1940s.

The collection of information was conducted during the **second phase of the study** – in 2015.

Initially they were distributed only in hardcopy, 10 inquiry forms to natural and legal persons as a pilot stage. The implementation

of the pilot project showed that the questions were difficult for the respondents because the latter lacked information and were not familiar with the terminology in the field of social audit and social and environmental responsibility. This required a revision of the initial version of the inquiries and the development of new ones, containing more detailed description related to standards for social and environmental responsibility.

Along with hardcopy of inquiry forms were prepared and inquiry e-forms. The electronic inquiry was active during the period 06.10.2015– 30.11.2015.

The size of **the actual sample is:** 482 natural persons, 461 legal entities, 5 representatives of trade union organizations, 83 experts and officials from the state administrations.

The inquiry e-forms to natural persons were disseminated informally within the social contact networks– LinkedIn and Facebook.

There are at least three reasons to choose inquiry e-forms. The first one is the budget of the project. Using inquiry e-forms is cheaper and socially responsible. It is cheaper because the only payable fee is for using electronic platform for two years. It is socially responsible because paper is spared. The second reason is that social networks include individuals from different age brackets and employers from different business spheres. The third reason is that most employers and individuals mostly use LinkedIn and Facebook social networks. That is why we posted the addresses of the inquiry e-forms for employers and for employees on our accounts in LinkedIn and Facebook. The inquiry e-forms were filled not only by our friends but also by people we do not know.

In the process of collecting information our project was supported by many organizations like Bulgarian network of the UN Global Compact; CSR Bulgarian National

Chamber of Crafts; Regional Chamber of Crafts, Branch Chamber of Industrial Bread Producers and Confectioners in Bulgaria, Association "9000"; Association: „Samaritans"; Foundation "Business Education".

The inquiry forms for the civil service, the trade unions and a part of the legal entities were accompanied by cover letters.

The information for the purposes of the study was collected by preparing and distributing inquiry forms for consumers, legal entities, trade union organizations and the state. Inquiries are both in an electronic version and in hardcopy.

- The inquiry for **consumers** contains 29 (twenty nine) questions.
- The inquiry for **legal entities** contains 26 (twenty six) questions.
- The inquiry for **trade union organizations** contains 15 (fifteen) questions.
- The inquiry for **the Bulgarian state administration** contains 15 (fifteen) questions.

The majority of questions in the questionnaires of the various groups of respondents are the same. The goal was to make cross analysis of results.

The formula that is used to calculate the stochastic error is that of Mita Georgieva [Georgieva, 2009, p. 118]. The following formula was used for calculation of the stochastic error:

$$\mu_p = \sqrt{\frac{p_i \cdot (100 - p_i)}{n} \left(1 - \frac{n}{N}\right)}, \% \quad (1)$$

$p_i$  – relative weight of the  $i$ -value of the attribute, %

$n$ - number of units in the sample.

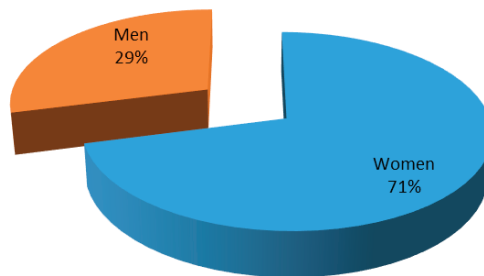
$N$ - number of units in the general population.

Limitation of the scope of the study: The standards subject of the study are: SA8000, ISO26000, EMAS and ISO 14001. The representatives of the two largest trade unions in Bulgaria have been interviewed:

KNSB (Confederation of the Independent Trade Unions in Bulgaria) and KT Podkrepa. The study was conducted in 4 structures (Council of Ministers, Ministry of Labour and Social Policy, Ministry of Economy, Ministry of Environment and Water) of the state administration.

### Profile of the participants in the inquiry General information about consumers (natural persons)

Figure 1. The profile of respondents by gender



71% of the respondents are women and 29% are men.

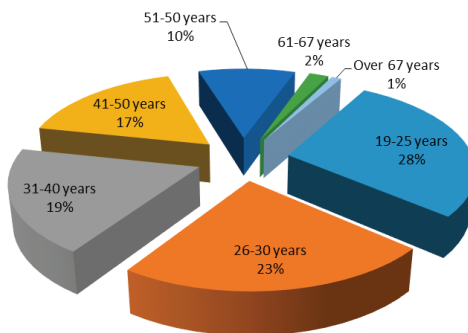


Figure 2. Profile of respondents by age

The largest is the percentage (28%) of respondents between 19 - 25 years of age, followed by 23% respondents between 26-30 years, 19% are the respondents between 31-40 years, 17 % are those interviewed between 41-50 years, 10% are those interviewed between 51-60 years, 2% are those interviewed between 61-67 years and over 67 years - 1%.

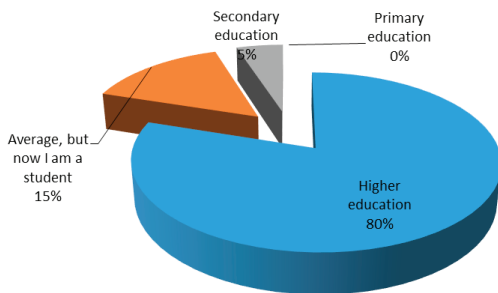


Figure 3. Profile of respondents by education

80% of the respondents are with higher education, 15% of the respondents are presently students at a higher educational institution, 5% are with secondary education.

**General information about legal entities**

Table 1. Economic sector where the legal entities operate

Sector	Percentage
Services	17%
Construction	16%
Information technologies	9%
Consultancy	8%
Education	7%
Commerce	6%
Finance	5%
Non-governmental organization (NGO)	5%
Accounting	4%
Transport	4%
Tourism	4%
Security business	3%
Energy	3%
Heavy industry	3%
Clothing industry	3%
Insurance	1%
Agriculture and forestry	1%
Medicine	1%

Of the companies that responded to the question, the largest share (31%) is the companies that have been in operation for more than 20 years. Twenty-one percent of the respondent companies have been operating on the market for up to five years. Some 18% of the companies that responded were in operation

between 16 and 20 years; 15% - for between 11 and 15 years. The same percentage (15%) of the companies that responded to the question existed for between 6 and 10 years.

72% of the interviewed companies have no foreign participation. 28% have foreign participation.

Of respondent companies, the largest percentage (47%) is that of companies with personnel of up to 10 people. Some 22% of the companies have personnel between 11 and 99 people. 12% have personnel of over 1001 people, 8% - between 100 and 200 people, 7% - between 501 and 1000 people. There is some 4% of the companies that have personnel between 201 and 500 people.

**General information about the experts from trade union organizations who filled in the questionnaire**

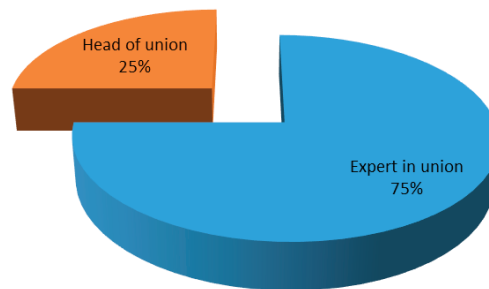


Figure 7. Position of the representatives of trade union organizations who filled in the questionnaire

**General information about state administration who filled in the questionnaire**

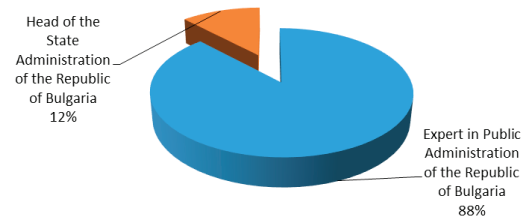


Figure 8. Position of the representatives of state administration who filled in the questionnaire

12% of those who filled in the questionnaire hold executive positions in the state administration. 88% of those who filled in the questionnaire hold expert positions.

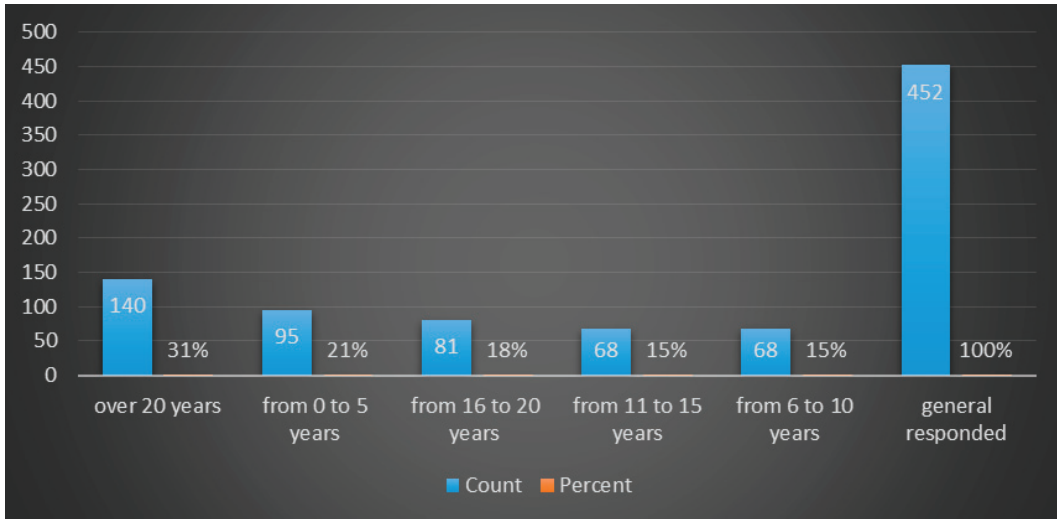


Figure 4. Duration of existence of the companies of the interviewed legal entities

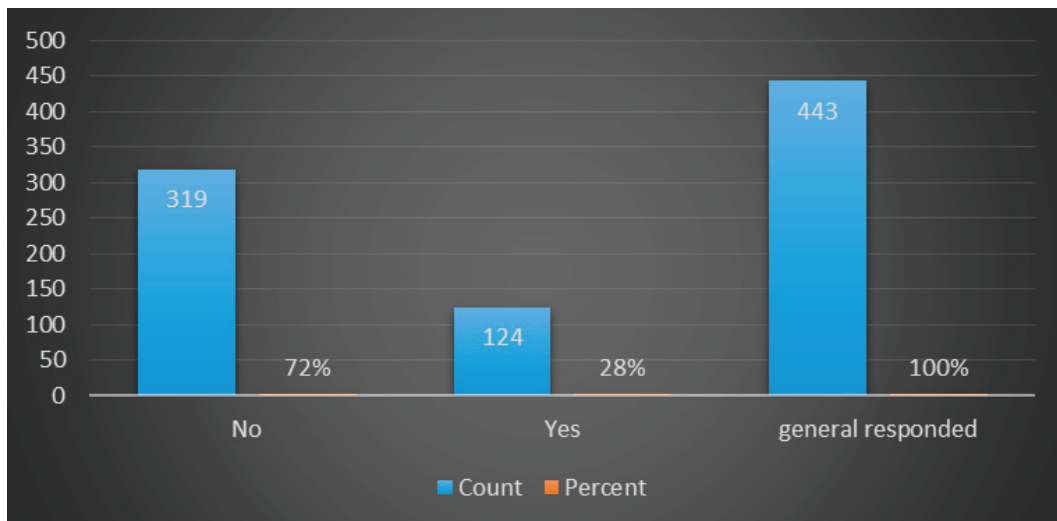


Figure 5. Foreign participation in the companies participating in the inquiry

## 5. Empirical results and analysis

**Main results about the needs for the legal entities (employers) to have social audit and implementation of standards for social and environmental responsibility.**

**Main results about the needs of the legal entities of social audit:**

These are the major conclusions with regard to the needs for social audit for legal entities.

Less than 50% of the interviewed employers are familiar with the term "social audit". 84% of the interviewed employers think that social audit should be implemented in Bulgaria. The interviewed employers think that if the social audit helps to distinguish the socially responsible from the socially irresponsible employers, such audit should be conducted in Bulgaria

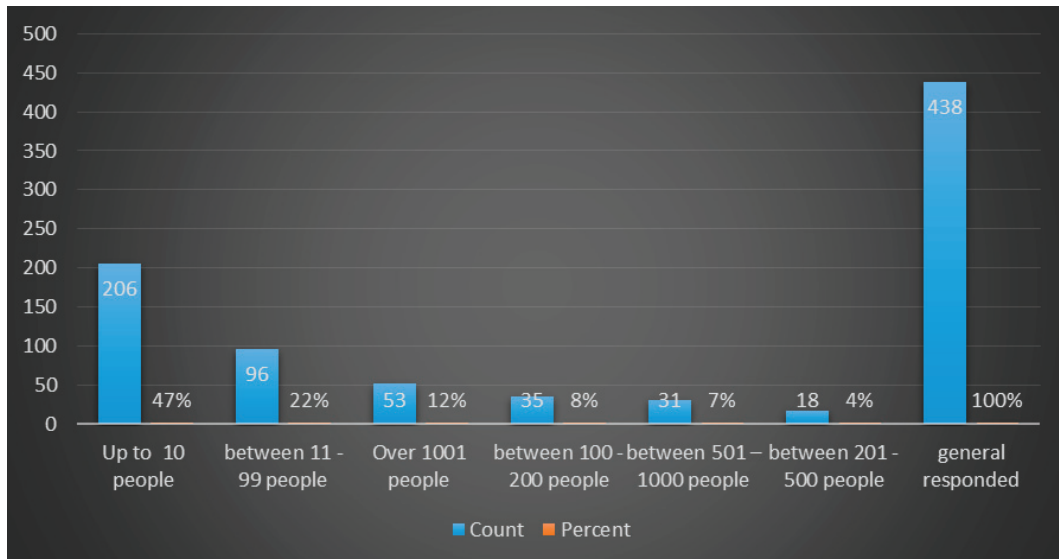


Figure 6. Number of personnel in the companies participating in the inquiry

- 90% think in this way. Less than 50% of the interviewed employers think that their social responsibility statements should be certified by social auditors. 75% of the interviewed employers think that there should be a law on social audit in Bulgaria. The benefits from the introduction of social audit according to respondents are: Distinguishing between socially responsible and socially irresponsible employers operating in the informal economy -21%; encouraging the companies toward socially responsible behaviour – 18% ; strengthening of control– 13%.

#### **Main results about the needs of legal entities of implementation of standards for social responsibility.**

Some 60% of the interviewed employers are not certified. 78% of the interviewed employers would get certified under standard SA 8000. 86% of the interviewed employers would declare that they work under ISO26000 standard. 92% of the interviewed employers would get certified under standard SA 8000 if they know that would bring them more customers. 90% of

the interviewed employers would declare that they work under ISO26000 standard if they know this would help them have more customers . 57% of the interviewed employers do not intend to get certified under standards for social responsibility in the next 3 years. 49% of the interviewed employers intend to declare in the next 3 years that they work under standard ISO 26000. 33% of the interviewed employers respond that the reason why they haven't got certified until now is financial. In this connection we can use the results of Krasimir Marinov's research (Marinov. K., Product Policy of Bulgarian Companies in Times of Economic Crisis, 2015). This research shows us that "in 86% of the cases the crisis had a negative or very negative effect on Bulgarian business". Probably this is the reason why the employers are not certified for standards for social and environmental responsibility.

Interviewed employers say that prevalent benefits from the certification of the standards for social responsibility are: distinguishing between socially responsible

that social audit should be compulsory. Respondents point out as main benefits from the introduction of social audit in first place the distinguishing between socially responsible and socially irresponsible employers operating in the informal economy (22%); encouraging the companies toward socially responsible behaviour (20%); strengthening of control (17%)

**Main results and conclusions about the needs of consumers of implementation of standards for social responsibility:**

91% of the respondents think that companies should be certified under SA8000 standard. 81% of respondents think that companies should declare that they work under ISO 26000 standard. The key benefits according to respondents from the certification of the organizations under standards for social responsibility are: encouraging the companies toward environmentally responsible behaviour - 16%, encouraging the companies toward socially responsible behaviour- 16%, distinguishing between socially responsible and socially irresponsible employers operating in the informal economy -16%. In the selection of a commodity or service 55% of the respondents are influenced by whether the company is certified under standards for social responsibility. In the selection of a commodity or service, 62% of the respondents are influenced by whether the company is declare that they work under ISO 26000 standard.

In the choice of employment in a particular company, 77% of the respondents are influenced by whether the company is certified under standards for social responsibility. In the choice of employment in a particular company 83% of the respondents are influenced by whether the company has declared that they work under ISO 26000 standard. Some 95% of the respondents consider it important that the companies should comply with the

and socially irresponsible employers operating in the informal economy - 17 %; encouraging the companies toward socially responsible behaviour – 15 %; strengthening of control– 12.

**The main results about the needs of legal entities of implementation of standards for environmental responsibility:**

Some 60% of the interviewed employers are not certified. 76% of the interviewed employers would get certified under standard ISO 14000/EMAS Scheme (application of the scheme). Some 92% of the interviewed employers would get certified under standard ISO 14000/EMAS if they know that would bring them more customers. Interviewed employers intend to get certified under standards for environmental responsibility, as follows: 18% would like certification under ISO 14000 standard, 11% - under EMAS (application of the scheme). Some 33% of the interviewed employers say that the reason why they have not got certified until now is financial. Interviewed employers respond that prevalent benefits from the certification of the standards for social responsibility are: Distinguishing between socially responsible and socially irresponsible employers operating in the informal economy - 17 % ; encouraging the companies toward socially responsible behaviour – 15 % ; strengthening of control– 12

**Main results about the needs of consumers (natural persons) of social audit and implementation of standards for social and environmental responsibility.**

**Main results about the needs of consumers (natural persons) of social audit:**

42% of the respondents are familiar with the term "social audit". 96% of the respondents think that social audit should be conducted in Bulgaria. 81% of respondents think there should be a law on social audit. 77% of respondents indicate that in their opinion Bulgaria should create its own social auditors. 58% of respondents believe

criteria set out in ISO 26 000. 97% of the respondents consider it important that the companies comply with the principles set out in SA 8000.

**Main results about the needs of consumers of implementation of standards for environmental responsibility**

According to 93% of respondents, companies should be certified under ISO 14000. The key benefits according to respondents from the certification: encouraging the companies toward environmentally responsible behaviour - 16%, encouraging the companies toward socially responsible behaviour – 16%, distinguishing between socially responsible and socially irresponsible employers operating in the informal economy -16%. 74% of the respondents are influenced in the selection of a commodity or service by whether the company is certified under standards for environmental responsibility. 63% of the respondents are influenced in the choice of employment at a particular company by whether the company is certified under standards for environmental responsibility. 93% of the respondents consider it important that companies comply with ISO 14000 standard. 35% believe that employers should implement practices to reduce electricity. 30% believe that employers should establish practices for reducing water, 27% believe that employers should establish practices reduce thermal energy, 8% indicated otherwise. For 97% of the respondents it is important that organizations work in a manner not contaminating the environment. According to 44% of the respondents, the hindrances preventing consumers from buying goods from companies that have implemented ISO 14000 or another environmental management system is the lack of market for such goods. 56% of respondents in the near future they will turn to buying goods from companies that have implemented ISO 14000 or another environmental

management system. Respondents tend to buy mainly the following groups of products certified under ISO 14000 or another environmental management system: Foodstuffs -18%, Cleaning materials – 16%, Textile and clothing – 15%

**Main results about the needs of social audit and standards for social and environmental responsibility in the Republic of Bulgaria according to the experts of trade union organizations**

**Main results about the needs of social audit in the Republic of Bulgaria according to the experts of trade union organizations:**

100% of the respondents state that they are familiar with the issue of social audit. 80% of the respondents state that social audit should be conducted in organizations. 80% of the respondents state that social audit should be conducted, especially if such audit can distinguish the employers who pay all their liabilities from the employers in the informal economy. 80% of the respondents think that the organizations that have declared themselves as socially responsible should certify the statements. 57% of the respondents state that the service "social audit" should be paid by the client of the audit. 100% of the respondents state there should be no law on social audit. As an additional comment 40% of the respondents have stated that it is necessary to have a law on social audit but in the near future. 80% of the respondents think that Bulgaria should create its own social auditors. 60% of the respondents think that social audit should be optional.

**Main results about the needs for standards for social responsibility according to the experts of trade union organizations:**

60% of the respondents think that companies should not be certified under SA 8000 standard. 100% of the respondents think that companies should declare that



they work according to the principles of ISO 26000. 25 % of the respondents state that the benefits from certification of the companies under standards for social responsibility are encouraging the companies toward socially responsible behaviour;

**The main conclusions about the needs for standards for environmental responsibility according to the experts of trade union organizations**

60% of the respondents think that organizations should be certified under ISO 14000/EMAS (application of the scheme). 100% of the respondents state that they consider it important companies to operate so as not to pollute the environment. 25 % of the respondents state the benefits from certification of the companies under standards for social responsibility are encouraging companies toward displaying a socially and environmentally responsible behaviour.

**Summarized results and conclusions about the needs of social audit and standards for social and environmental responsibility in the Republic of Bulgaria according to state administration officials and experts**

**Main conclusions with respect to the needs of social audit according to state administration officials and experts:**

38% of the respondents are not aware of what social audit means. 95% of the respondents think that social audit should be conducted in the organizations. 98% of the respondents think that social audit should be conducted in Bulgaria. 89% of the respondents think that if the companies have declared themselves as socially responsible, they should certify their social statements. 45% of the respondents think that the social audit service should be paid by the client of the social audit. 61% of the respondents state that there should be a law on social audit in Bulgaria. 69% of the respondents state that Bulgaria should

create its own social auditors. 39% of the respondents think that social audit should be compulsory. 24% of the respondents say that social audit encourages companies toward socially responsible behaviour

**Main conclusions about the needs for standards for social responsibility according to state administration officials and experts:**

78% of the respondents think that the organizations should be certified under SA 8000 standard. 82% think that the organizations should declare that they work under ISO 26000 standard. 21% of the respondents think that the benefits from the standards for social and environmental behaviour encourage the companies toward socially responsible behaviour.

**Main conclusions about the needs for standards for environmental responsibility according to state administration officials and experts:**

73% of the respondents think that the organisations should be certified under ISO 14000 /EMAS (application of the scheme). 99% of the respondents state that they consider it important organizations to operate so as not to pollute the environment. 21% of the respondents state that the benefits from the certification of the organizations under standards for social and environmental responsibility are encouraging the companies toward socially responsible behaviour.

## 6. Key conclusions

**Some key conclusions related to scientific and applied contributions of the study of social audit are:**

- **Definition of social audit.** A definition has been drawn for social audit which includes the specific characteristics that distinguish this type of non-financial audit from the financial audits. These differences are associated with the object of audit (the social objectives of the organization). In this

sense, the object could be the corporate social responsibility, the standards for social responsibility, the codes of ethics of the organization. It is highlighted that social audit is a systematic process which means that its implementation proceeds in a logical sequence. This sequence includes the stages: preparation, conducting and completion of the social audit. Another significant feature of social audit has been also pointed out; the fact that it provides an independent assessment. This feature is derived from the principle of independence of the auditor's profession. Furthermore, a purpose of the social audit is to evaluate the impact of the activity of the organization on all stakeholders. The existing scientific theory in the field of social audit is supplemented by one more fact expected from its implementation. It is proven that the social audit is a factor which not only assists for the maintenance of good reputation but it is also a factor for sustainable development on micro- and macroeconomic level. For example, the delaying of the wages of factory and office workers is an insignificant problem only at a first glance. But if we trace the consequences of the delay in the payment of remunerations, we will find that it results in the non-payment of current expenses and debts of an individual or a family (expenses for water, electricity, central heating). Servicing of loans gets complicated. All this creates problems for many institutions, the state budget is not serviced either because no taxes are deposited from the income of natural persons and social security contributions. Taking into consideration that the payment of remunerations is one of the objects of social audit, I believe that it can be also defined as a means for the timely identification of similar problems and the prevention of the risk of unsustainable development.

- **Insufficient theoretical training of social audit.** In connection with the theoretical training of specialists in social audit, analysis of data shows that as of 05.12.2014 there are 51 functioning higher education institutions in the Republic of Bulgaria. As shown by the survey results would be better for more people to be educated about the nature of social audit. Unfortunately, the analysis revealed that the discipline "Social Audit" is taught in 3 of them (two private and one state university)<sup>3</sup>.
- **Distinguishing between the socially responsible and the socially irresponsible employers in protection of hired labour.** Employers who comply with the regulations and operate in the formal economy are in an unfavourable position against those working in the underground economy and on the black market because the calculation of all labour expenses increases the prime cost of the production/service, respectively the end price of the product. Hence the socially responsible employer is placed in a disadvantaged position against the socially irresponsible one. Social audit where inspections are performed without a prior warning to employers is a method to distinguish between the socially responsible and socially irresponsible employers. Hired labour is also thus protected because social audit exposes in a timely manner the irregularities instead of the need for raising the alarm by a company employee (which does not often happen over fears of dismissal) for discrimination and/or non-payment of the remunerations.
- **Need for dissemination of the social audit discipline in universities.** The theory and practice of social audit are underdeveloped in Bulgaria. It is therefore recommendable that broader dissemination of the discipline in universities be considered, since facts

<sup>3</sup> University for National and World Economy, VUZF, New Bulgarian University

show that there is a shortage of university graduates - specialists competent in the field of social audit, and this in turn hinders the recruitment of experts in the field.

In this connection, a recommendation was made in 2016 that the master programs should provide for the identification of the problems and for dissemination of knowledge in the respective field. Furthermore, the programs should prepare specialists with competences which, as the findings of the survey (and not only) show, will be useful for business and for the certifying organizations alike. Unfortunately, the master programs were not accepted, which gives grounds to assume that a part of the scientific community is yet unaware prepared of the gravity of the problem.

- **Implementation of the social audit at the macroeconomic level, in the social enterprises and the organizations that have declared socially responsible behaviour.** The analysis of social audit in Bulgaria shows that it is yet prevalent. Mainly social audits by a second or third party are applied in private companies. The analysis of the survey's findings shows that there is a real need for a broader implementation of social audit in Bulgaria. All participants in the survey think that social audit should be carried out in Bulgaria. In this respect, it is worth considering the dissemination of social audit not only in private companies but also in governmental programmes, education, and healthcare.
- **Introduction of good examples in the practice of social audit.** The analysis of the international practice in the field of social audit shows that there are good examples across the world that should be more thoroughly investigated in Bulgaria so that the extent of their adequacy for implementation in Bulgaria is established.
- **Implementation of social audit to ensure sustainable development both**

**at micro- and macroeconomic level.** The analysis made of the problems in the field of labour (poor working conditions, overtime work, work done without regulated employment relations, delay of remunerations and/or non-payment thereof) gives us grounds to concede that the implementation of social audit will promote sustainable behaviour at a microeconomic level, and accordingly - at macroeconomic level.

- **Need for media support.** The pilot application of inquiry forms showed that there is inadequate awareness about issues related to social audit. Therefore, more media support is needed for the dissemination of the benefits of social audit.
- **Social audit may be performed in business organizations, as well and in governmental structures and state programs.** The analysis of the scientific theory in the field of social audit shows that there is a prevalent understanding that social audit applies more to private organizations. As a matter of fact, social audit may be conducted in civil service, in the structures of the police, as well as in state-funded projects.

Some main conclusions about the **standards for social responsibility:**

- **Socially responsible behaviour is attractive for the consumer.** The analysis of the results shows that the certification of companies under standards for social responsibility is essential to in customers' choice of commodities and services.
- **Lack of unified information database about organizations certified under standards for social responsibility.** The analysis of the theory and practice in the field of the standards for social responsibility in Bulgaria showed that there is no unified information system with a database for the companies certified under standards for social responsibility. Thus, stakeholders are

hindered in making their choice for working with a socially responsible company, for example, or for realizing an intention for the purchase of goods from socially responsible organizations. Good experience and an example of the maintenance of such database is the Association Club 9000. The creation of a unified information system where the companies are obliged to represent their current status in relation to the certification under standards for social responsibility should also be considered.

- **Implementation of the good practices in the field of the standards for social responsibility.** The analysis of the practice in the field of the standards for social responsibility shows that there are good foreign practices in the area of certification of companies under the standards in question. It would be useful to implement these practices in Bulgaria.
- **Need for media support for explanation of the benefits from the implementation of standards for social responsibility.** The pilot application of inquiry forms showed that there is inadequate awareness about the issues related to the standards for social responsibility. Therefore, more media support is needed for dissemination of the benefits of certification in the field of social responsibility.
- Some main conclusions on **the standards for environmental responsibility:**
- **The benefits from implementation of standards for environmental responsibility both for business and society at large.** The theoretical analysis shows that the standard ISO 14001 is an internationally adopted standard that describes the most efficient method of managing a business with respect to the environment where it operates. It is intended to help the enterprises to remain economically viable despite their environmental responsibilities. The certified environmental management systems under ISO 14001 minimize the risk

of environmental incidents. This provides for lower insurance premiums, boosts investors' confidence and ensures a stable presence on the European and global market.

- **The high price of the certification under the standards for environmental responsibility is a problem for the companies in Bulgaria.** The analysis of the practice and certification under standard ISO 14001 in Bulgaria reveals that mainly large companies resort to such certification, given that the procedure is still rather costly and the certificate's renewal is required in every three years.
- **The implementation of standards for environmental responsibility improves the image of companies.** The benefits from the implementation of the environmental management systems and the responsible environmental management take the form of the company's improved image among consumers, assistants and employees, and its increased attractiveness for investors; environmental companies are considered less risky for insurers and may be granted more advantageous insurance conditions, reduction of costs for penalties in the event of violation of the environmental legislation, use of tax relief for the performed environmental-friendly activity, team building and achievement of team spirit.
- **Lack of unified information database for the organizations certified under standards for environmental responsibility.** The analysis of the theory and practice in the field of the standards for environmental responsibility in Bulgaria showed that there is no unified information system with a database for the companies certified under for environmental responsibility. The efforts of Association Club 9000 are worth noting as a good example for the maintenance of an information system for the registration of the companies certified both under ISO 14001 standard and under other

ISO standards. It would be a good option to consider the creation of a unified information system where the companies are obliged to present their current status with respect to the certification under standards for environmental responsibility.

- **EMAS – a scheme with strict requirements for evaluation of environmental results.** The theoretical analysis shows that the main features of EMAS are subject to strict requirements with respect to the measurement and evaluation of environmental results; compliance with the environmental legislation; strong participation of factory and office workers; application of environmental indicators; provision of information to the general public through the environmental declaration and registration by a public body.
- **Poor dissemination of EMAS in Bulgaria.** The dissemination of EMAS in our country is on at extremely low level, and the major reason is companies' poor awareness; the underdeveloped promotion of the benefits of its implementation; the slower and bureaucratic procedure for its implementation; the higher requirements related to the publication of the environmental declaration and its update.
- **Environmental protection becomes a part of the strategy for corporate social responsibility of the organization.** The issues related to the protection of the environment become increasingly topical and have become an integral part of companies' strategy for corporate social and environmental responsibility, and as a result, the number of companies registered under EMAS is increasing.
- **Implementation of the good practices related to environmental responsibility in Bulgaria.** The analysis of the practice in the field of the standards for environmental responsibility shows that there are good foreign practices in the area of certification of companies under standards for environmental responsibility. It is useful

that these practices be more thoroughly investigated in order to be implemented in Bulgaria. Considering the data already published by the World Health Organization (*Kapital*, 2016), according to which Bulgaria ranks second in terms of deaths per capita caused by air pollution, it is urgent that companies are certified under the standards for environmental responsibility.

- **Need of media support for promotion of the benefits from the implementation of standards for environmental responsibility.** The pilot application of the inquiry forms showed that there is inadequate awareness about issues related to the standards for environmental responsibility. Therefore, more media support is needed to disseminate the benefits of certification in the field of environmental responsibility.

## 7. Conclusion

This paper presented the key parts of the analysis (without the correlation analysis) of the results obtained from a study of the needs of conducting social audit and implementation of standards for social and environmental responsibility in the Republic of Bulgaria.

The conclusions related to scientific and applied contributions of the study could be divided into three groups: related to social audit, standards for social and environmental responsibility:

The main objective of social audit and the standards for social and environmental responsibilities are really to improve the „lives of all" (Penchev, P, 2014). We hope that these social ideas will promote „the abolition of the crimes against humanity" (Penchev, P, 2014), such as discrimination and traffic of people for sexual and labour exploitation.

Social audit and the standards for social and environmental responsibility are not a panacea able to solve all problems of society but they are a step forward to a fairer world.

## Appendix

Key words	
<b>Social audit</b>	A systematic process through which a competent person expresses an independent evaluation of statements made by the organization with respect to the achievement of its social objectives
<b>Standard ISO 26000</b>	The standard ISO 26000 is a standard for social responsibility. This standard is not intended for certification. Organizations can declare that they are in accordance with the principles for responsible behavior towards society and the environment.
<b>Standard SA 80000</b>	The standard SA8000 represents policies and procedures for protection of the fundamental human rights of workers and minors. SA 8000 is comprised of the following elements Child labour, Forced labour, Health and Safety, Freedom of association and right to collective agreement, Discrimination, Disciplinary practice, Working hours, Remuneration, Management systems
<b>Standards ISO 140000</b>	ISO 14000 is a standard for protection and preservation of the environment. ISO 14001 „Environmental Management Systems— specification and guidance for use.
<b>EMAS</b>	EMAS is a standard for environmental management systems. EMAS follows the model of planning, execution, check and action PDCA (Plan-Do-Check-Act). EMAS is a developed specification for voluntary systems for companies operating in the European Union for environmental management

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