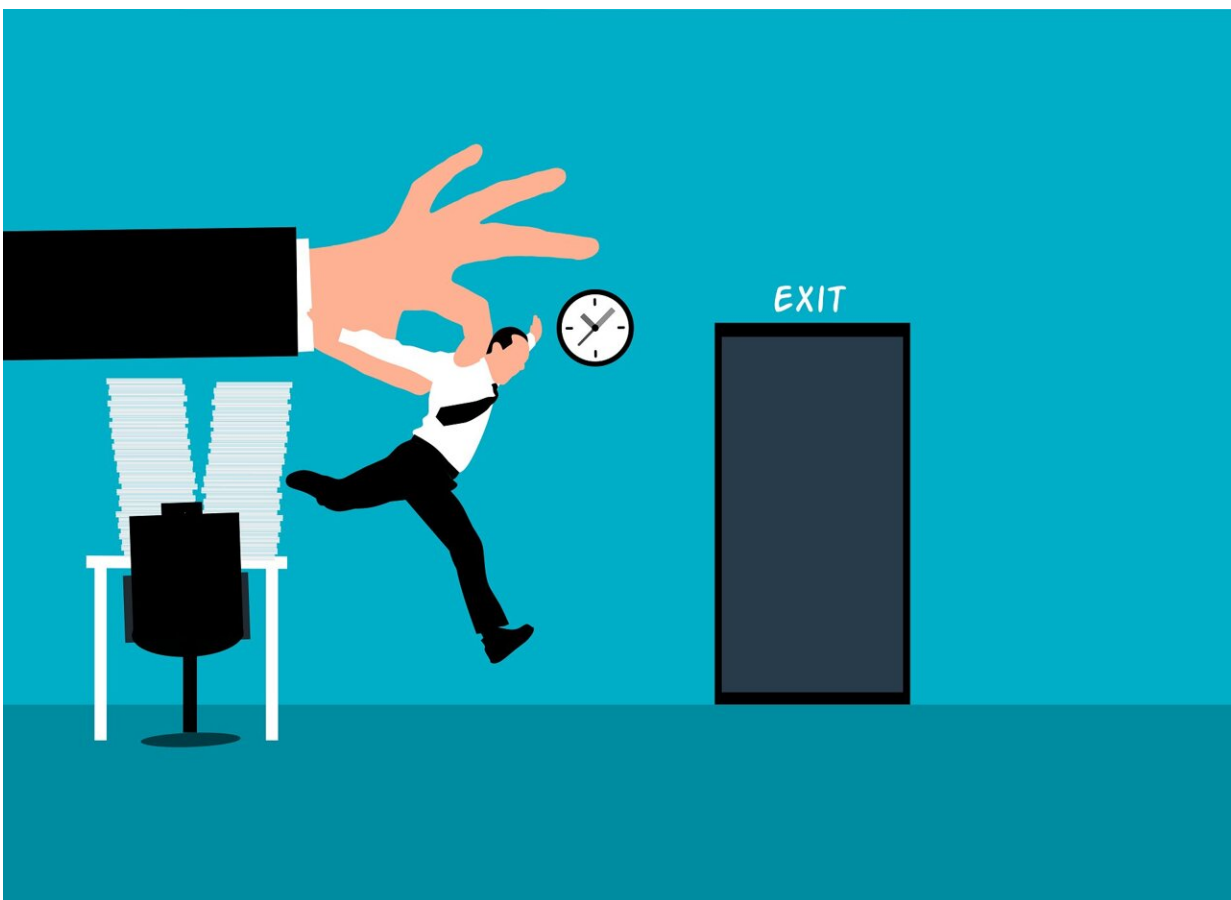


Socially responsible companies laid off more workers than their peers during the COVID-19 pandemic

November 4 2022



Credit: Pixabay/CC0 Public Domain

A good track record in corporate social responsibility (CSR) is not a guarantee that the company will continue to focus on CSR in times of crisis. According to a new study from the University of Vaasa, US companies with a history of high CSR laid off more employees during the COVID-19 pandemic than their peers.

Doctoral candidate Veda Fatmy says that the high level of CSR may not be a good indicator of job security during economic crises, such as the financial and unemployment crisis brought on by the COVID-19 pandemic.

"In fact, high-CSR firms were shown to have laid off significantly more employees in the U.S. in 2020. The number of laid-off workers was 1.5 times higher," says Fatmy, who defended her [doctoral dissertation](#) on Friday 4th of November.

According to Fatmy, this phenomenon may be due to these companies' higher resources and strategic agility, which improves the outcomes of complicated restructuring decisions.

"This new finding serves also as a warning that CSR may not always benefit workers and other vulnerable stakeholders. Employees should remain cautious about the effectiveness of CSR. While [social responsibility](#) is meant to safeguard the well-being of the employees and the community at large, during crises these values may be left by the wayside in pursuit of short-term gains."

Do companies and their employees benefit from CSR?

Veda Fatmy's doctoral dissertation focuses on contemporary CSR-related policies and how they shape stakeholders' expectations, corporate behavior, and financial outcomes. Companies with high levels of social responsibility are more likely to be inclusive and diverse, uphold a

higher standard of transparency, and offer higher benefits and compensation.

These features help attract highly [skilled workers](#), which contributes to the competitive advantage of the firm. However, it is not a good idea to rely blindly on the company's track record on [corporate social responsibility](#).

Fatmy has researched, whether CSR policies that support [sexual minorities](#) have an effect on the [company's](#) financial performance. The results show that LGBTQ friendliness has a positive effect on the profitability and value of US companies. The doctoral study also finds that LGBTQ-friendly companies are more innovative and produce more useful patents than other companies.

The positive effects of CSR are influenced by local socio-political factors

Local values may influence how socially responsible activities affect the bottom line. According to the dissertation, the effect of progressive LGBTQ policies on profitability and market value was weaker or non-existent for US companies headquartered in politically or religiously conservative regions.

Demographic and [cultural factors](#) not only transform the effects of CSR on firm performance but also help determine the extent to which a firm may engage in socially responsible practices. For instance, religiosity, factored in as both external influence from the community and internal firm culture, is positively associated with overall CSR. Specifically, firms that are more religious perform better at product responsibility, emissions reductions, and responsible use of resources.

Fatmy's doctoral research was conducted using a sample of publicly traded U.S. firms. The effects of LGBTQ-friendliness on firm performance are studied over the period 2003–2016, and on innovation over 2003–2017. Religiosity's effect on CSR is studied over the period 2012–2020, and the effects of CSR on COVID-19 layoffs are studied using data from 2012–2020.

More information: Dissertation: osuva.uwasa.fi/handle/10024/14603

Provided by University of Vaasa

Citation: Socially responsible companies laid off more workers than their peers during the COVID-19 pandemic (2022, November 4) retrieved 10 September 2024 from <https://phys.org/news/2022-11-socially-responsible-companies-laid-workers.html>

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