



OECD GLOBAL FORUM ON INTERNATIONAL INVESTMENT

NEW HORIZONS AND POLICY CHALLENGES FOR FOREIGN DIRECT INVESTMENT IN THE 21ST CENTURY

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Corporate Social Responsibility and Economic Development

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There are plenty of examples of idiot-savant development, where the economic is advanced and the social is primitive. Economic and social development can only be separated in the mind. That takes a lot of intellectual effort and training. It often requires years of study and discipline. In the lives of individuals and communities, the economic and the social cannot be separated.

The well being of the great mass of people ought to be an indicator of economic development. That may be an abstract concept, but no more so that the confidence of financial markets, a subject that has long fascinated economists and government officials. Development should mean the creation of good and decent jobs that offer futures for workers and their children and not the expansion of dead end, survival economic activity.

One should look at corporate social responsibility in terms of its relevance to economic development in a broad and sustainable sense. How can foreign direct investment or sourcing combine with CSR in order to contribute to an environment in which there is growing prosperity for the majority? And, how can it contribute to greater democracy and justice in societies without, at the same time, despoiling the earth? There are different approaches to CSR, some much better than others. The best form, sustainable corporate social responsibility, contributes to sustainable societies.

However, before looking seriously at the possible contribution of CSR, it is important to overcome the hype and exaggeration that often accompanies that term and to be realistic about what it can contribute, even in the best of circumstances. That is not to say CSR is not important, but it is rather to temper evangelistic excesses with a dose of reality.

CSR must be considered in the context of the competitive pressure to violate workers' rights mentioned earlier. Outside of garments and sporting goods and toys, in other words, industries where there are extensive supply chains and where consumer pressure exists, CSR is almost unknown. The

only major exception is extractive industries where consumer awareness of human rights and the environmental issues has created a degree of sensitivity.

The market environment and the downward pressures that are part of the global economy, particularly in certain industries, are one explanation of why there are so many more “win-win” situations in speeches than there are in real life. As long as comparative advantage can come from the most vicious exploitation of workers including the violation of fundamental rights, there will be limits on the power of CSR to have a positive influence on development.

CSR cannot be expected to replace governments. If it is seen as a privatisation of labour standards, it is bound to fail. It cannot adequately fill the void created by governments that are unwilling or incapable of protecting the rights of their citizens or are actively opposed to the exercise of those rights.

The history of development at national level demonstrates that binding rules are necessary to provide for the respect for workers rights even if those rights, within that framework, are further and effectively protected by voluntary measures like collective bargaining.

There is no reason to believe that globalisation will require anything less. And, there is no question that, sooner or later, such binding rules will come into being. The growing body of regulations and procedures that protect property rights at global level will require a social counterpart. It is time for governments and the social partners to begin serious discussions of binding social regulation that is workable and provides the necessary space for global social dialogue and agreement. This must be part of the global governance agenda.

The potential impact of CSR is variable. Its possible impact is not determined by whether countries are developed or developing. It relates, rather, to whether or not governments effectively protect labour standards. In countries where labour laws are good and enforced, enterprises will be responsible because they have no choice. Similarly, it will be difficult to evaluate the effects of CSR in countries where forming a free trade union is considered to be subversion.

But, in a large number of countries, while governments do not force companies to behave, they do not prevent them from doing so. That is the case in some partially democratic countries, but it is also true in the United States, for example, where the laws do not force companies to fully respect the rights of workers to organise and collectively bargain, but they allow them to do so.

The OECD Guidelines for Multinational Enterprises specifically address this situation. They call for good industrial relations policies and, in the case of opposition to union organising, mean that companies should take a positive attitude towards trade unions and, in particular, an open attitude towards the organisational activities of trade unions. The practices encouraged by the Guidelines go beyond simply obeying the law.

But there is another important difference between the Guidelines and other CSR approaches. Good corporate behaviour is an expectation of governments and there is a role for governments in the implementation of the Guidelines. Governments are required to establish National Contact Points and NCP's are required to handle and report on cases.

The Guidelines are not legally binding, but the principles are not voluntary in the sense that companies are not free to pick and choose among them. And, although the Guidelines can serve as a model or benchmark for codes, application of them does not depend on their adoption by companies. All companies are expected to honour them.

The test of the revised Guidelines will be the extent to which governments take them seriously. Companies will take them seriously if that message comes loud and clear from governments and if they become integrated into the full range of government policies related to inward and outward investment as well as to relationships in the supply chain.

There have been objections from employers to measures that encourage respect for the Guidelines by, for example, linking them to the receipt of public money made available to companies in the form of export credits. They claim that such measures violate the voluntary spirit of the Guidelines. This is in spite of the fact that no company is forced to apply for or accept such credits. For comparison purposes, one could look at other voluntary measures relevant to the world economy. An agreement, for example, between the IMF and a government on a structural adjustment programme is voluntary. Such an agreement might require slashing the public payroll, cutting wages, selling off state assets and many other measures. The government is free to reject the loan. By comparison, one could easily argue that export credits, although they may be important to a company, are, indeed, very voluntary.

The revised Guidelines offer an enormous opportunity for governments to be relevant to the social needs of the global economy. It is an opportunity that should not be missed through expedience, indifference or timidity.

In recent years, International Trade Secretariats (ITS), trade union organisations that group unions by industry and occupation, have developed social dialogue with a large number of their global counterparts, multinational enterprises, and, on rare occasions, employer associations. In one case, this has resulted in a full-fledged global collective bargaining agreement covering wages, hours, and working conditions between a group of shipowners and the International Transport Workers Federation, the ITF. In addition, there are 10 framework agreements between ITS and multinationals. These agreements most often consist of a limited number of principles, but they reflect a relationship that allows the resolution of conflicts and misunderstandings before serious problems develop. They have also provided the space for workers to organise without fear.

The OECD Guidelines address rights, but are clearly imbued with the notion of good industrial relations, in other words, employers recognising, respecting and dealing with the representatives of workers, their trade unions. Framework agreements and other forms of global social dialogue are intended to produce such relationships at the workplace, so that the workers can resolve their own problems.

The UN Global Compact, by encouraging global social dialogue, can help create the environment where constructive and pragmatic global industrial relations, still limited, can further develop. It also serves as a platform for global dialogue on important issues. Such a dialogue took place on complex questions related to zones of conflict. A new round of discussions is beginning on sustainable development in the run up to the Johannesburg meeting next year.

Another area of CSR, one that has received most of the attention even if it has not achieved very much in terms of results, is unilateral codes of conduct. These are policy proclamations by companies. They have provided considerable employment for public relations and social auditing firms, but it is not clear that they have produced much real change on the ground. There is no involvement of governments or trade unions, although international labour standards are often included in unilateral codes. In many cases, however, certain critical standards are missing, usually freedom of association and collective bargaining. And, interlocutors are not sought; they are created.

The nature of the different approaches to CSR determines their value in terms of development. Sustainable CSR is not taking care of or pretending to take care of workers by remote control through processes that do not implicate workers in determining the direction of their own lives. They may flirt with “empowerment”, but rarely produce real power for working people.

Unilateral codes do not necessarily change the balance of power at the workplace nor can they guarantee that social promises of companies are being kept. Particularly in the area of freedom of association, the key enabling right that allows other workers’ rights to be protected, outside inspectors will be measuring the freedom of workers to speak more than their real rights to organise. In addition, when the inspectors leave, in the absence of unions, there is no guarantee that even visible abuses will not return.

The interest of trade unions in CSR is related to the extent that that it provides an enabling environment for organising. It can, in the best of cases, open up the space for organising. However, in other cases, it can substitute top down processes for legitimate worker representation or produce a disembodied worker voice. At the political level, a parallel would be the replacement of free elections by polls and focus groups. In other words, marketing instead of democracy.

Sustainable CSR is based on creating a free workplace where workers can organise. Trade union organisation sustains the protection of workers' rights and benefits for workers.

Sustainable CSR is also of value to the company in terms of its own production as well as its reputation. Free trade unions at the workplace in the company's own facilities or in supplier work sites provide an opportunity for real worker participation in producing better quality goods. They provide workers with the independent power and capacity needed to have real co-operation with their employers. They can help build an environment where employers perform better and more honestly and credibly. Unions also guarantee that workers' rights are being respected, something that unilateral human resource management methods or third party approaches, no matter how sophisticated, cannot provide.

Sustainable CSR also can help power development. The establishment of diverse centres of power aids development. In addition, workers learn democracy at the workplace even if political democracy is not yet fully established or is weak. This helps change the nature of societies by building democratic forces and deepening popular participation in society beyond the usual elites.

Sustainable CSR can produce workplaces that are islands of freedom in societies that do not yet protect workers' rights. Trade unions, free to operate at the work place, help change the balance of power in society. Their numbers and economic power can create the space for other elements of civil society to emerge. A dramatic example of effective and sustainable CSR was the massive civil disobedience of employers, including many foreign-based multinationals, in South Africa, where many companies recognised black trade unions before it was legal to do so. Trade unions were strengthened and better placed to play a central role in bringing down apartheid and ensuring that post-apartheid South Africa would be a democracy.

Sustainable CSR, by allowing workers to organise, also begins to change the nature of globalisation. International trade union solidarity is a major force for justice that can help balance the global economy. Trade unions, through their international solidarity structures, work together to create broader observance of human rights of workers. In doing so, they, at the same time, strengthen the competitive positions of decent companies and decent governments. They begin to produce the type of global regulation and governance that encourages good social and economic development strategies at national and international levels and discourages a race to the bottom.

Sustainable development, participatory development, and rights-based development can be nice phrases or they can become much more. All require changes of a fundamental nature. Freedom of association enables workers to build free and independent institutions and is, therefore, a powerful force for real social and economic development. Sustainable CSR can help liberate the power of workers to protect themselves, change their workplaces and their communities, and live their lives in hope and dignity.