

Module 1

Introduction to CSR:

The social and labour perspective



The

Labour Dimension of CSR:

from principles to practice

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Business and society

- ✎ Corporations have acquired a central role in society, rivalling countries in terms of productivity
 - ✎ Of the 100 largest economies in the world more than 50 are corporations
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- ✎ The expectations of society towards business are increasing
 - ✎ Concepts such as corporate social responsibility, sustainable development, corporate citizenship, stakeholder management, codes of conduct, and social and environmental management systems have diffused into the business world
 - ✎ Companies are increasing their implementing policies and strategies to work on social and environmental issues
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“93% of CEOs believe that sustainability issues will be critical to the future success of their business”

UN Global Compact, Accenture CEO Study, 2010

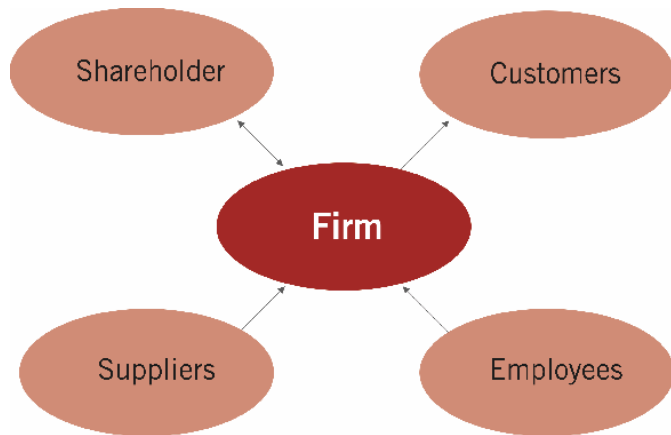
Stakeholder theory

- ✎ One of the most influential management theories to have emerged in the past years is the stakeholder theory (Freeman, 1984)
- ✎ Stakeholders: “an *individual or a group which either:*
 - ✂ is harmed, or benefits from, the corporation; or
 - ✂ whose rights can be violated, or have to be respected, by the corporation.” (Matten & Crane, 2005)
- ✎ Primary Stakeholders (usually internal) are those that engage in economic transactions with the business (e.g., shareholders, customers, suppliers, creditors, and employees)
- ✎ Secondary Stakeholders (usually external), are those who - although they do not engage in direct economic exchange with the business - are affected by or can affect the firm’s actions (e.g., the general public, communities, NGOs, and the media)

Stakeholder theory

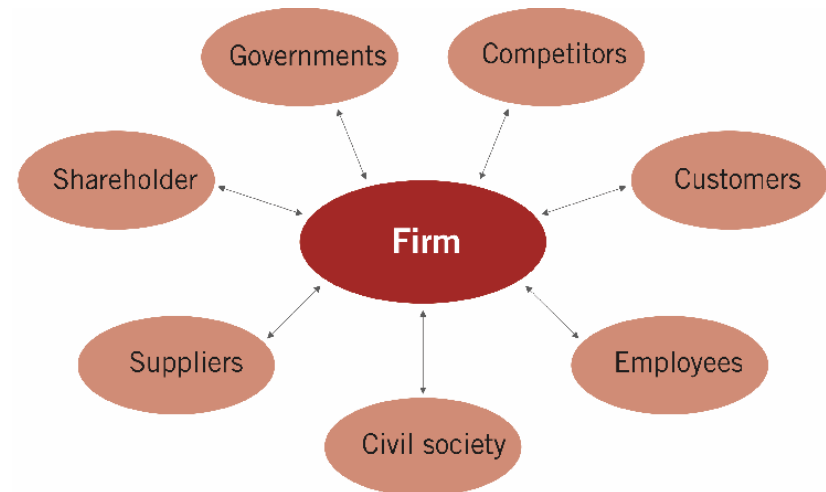
Traditional management model

The **traditional management model** identify four stakeholders for the company: suppliers and employees (provide the basic resources for the corporation), customers and shareholders (the owners of the firm)



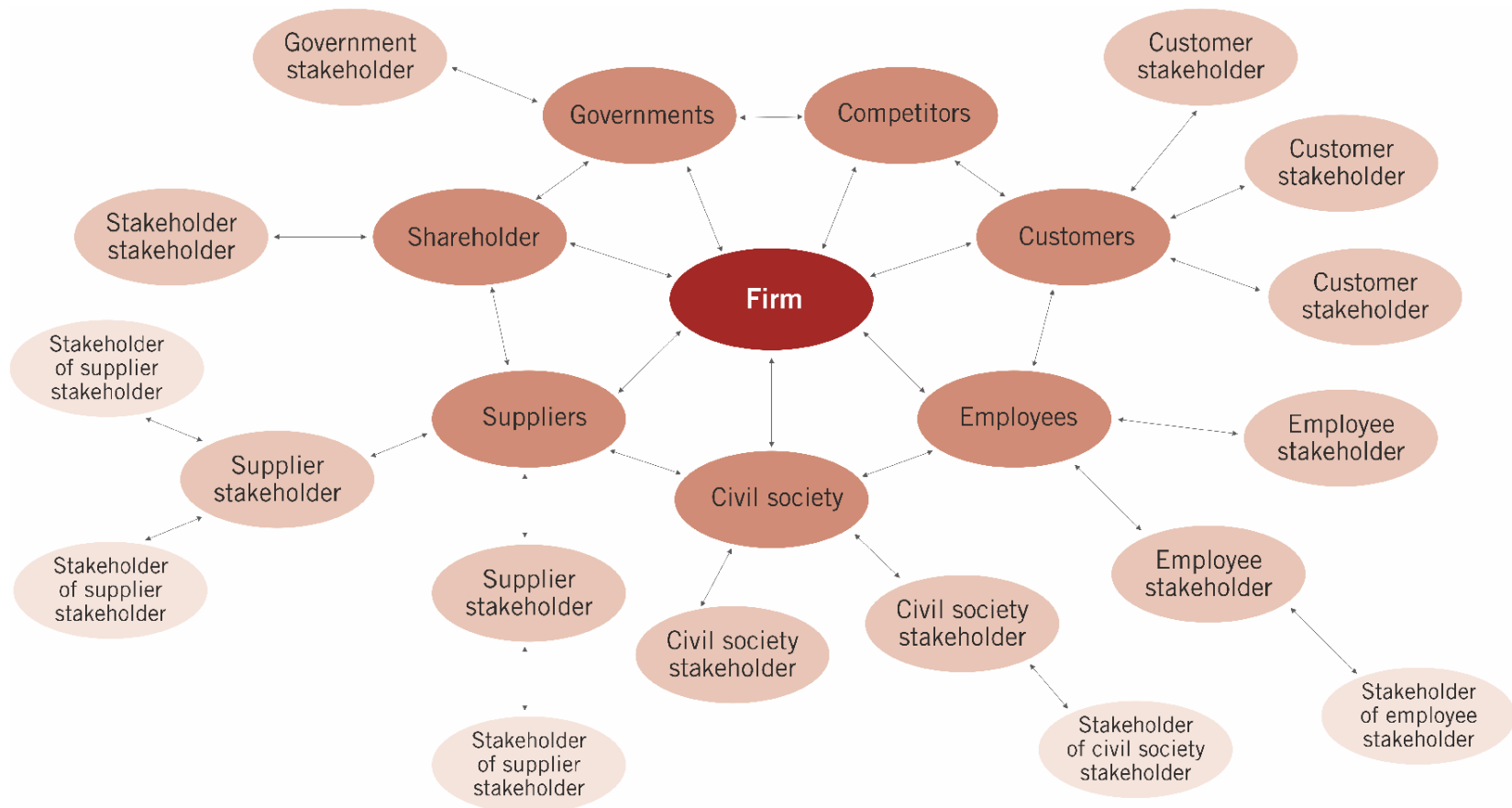
Stakeholder model

For the **stakeholder model**, shareholders are only one group of stakeholders. The company has several obligations to all the groups affected by or that can affect the firm's actions



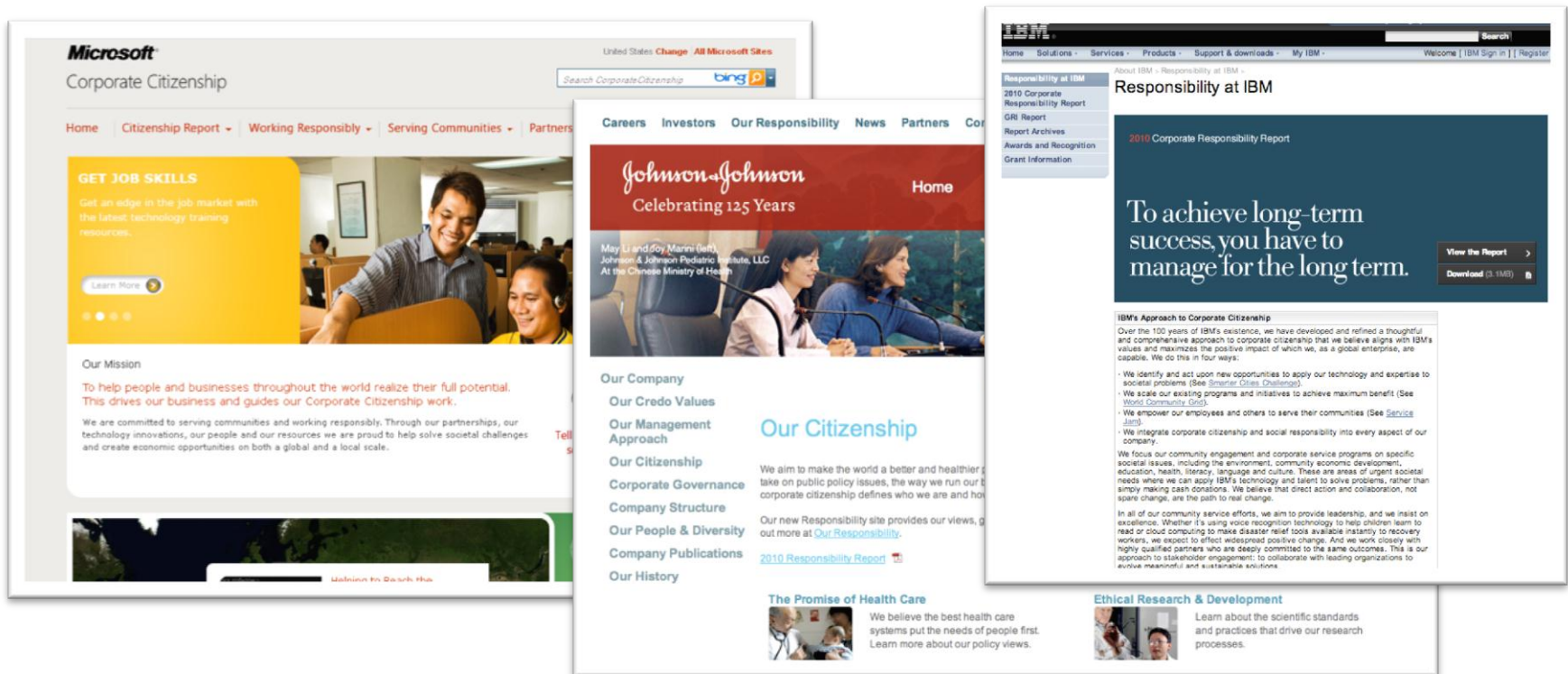
Stakeholder theory

 The **network model** of stakeholder theory suggests that firms have indirect relationships with a whole range of constituencies via their immediate stakeholders.



Corporate citizenship

✎ A number of companies use the term corporate citizenship to describe their social initiatives and their responsibility towards society



Corporate Citizenship



To help people and businesses throughout the world realize their full potential. This drives our business and guides our **Corporate Citizenship** work.



It's part of our values to make a positive contribution to our communities, which is why we're so committed to our **corporate citizenship** strategy.



We aim to make the world a better and healthier place through everything we do—the products we discover and develop, the positions we take on public policy issues, the way we run our business every day, and the programs and alliances we build and join. Our approach to **corporate citizenship** defines who we are and how we aspire to act in the world.



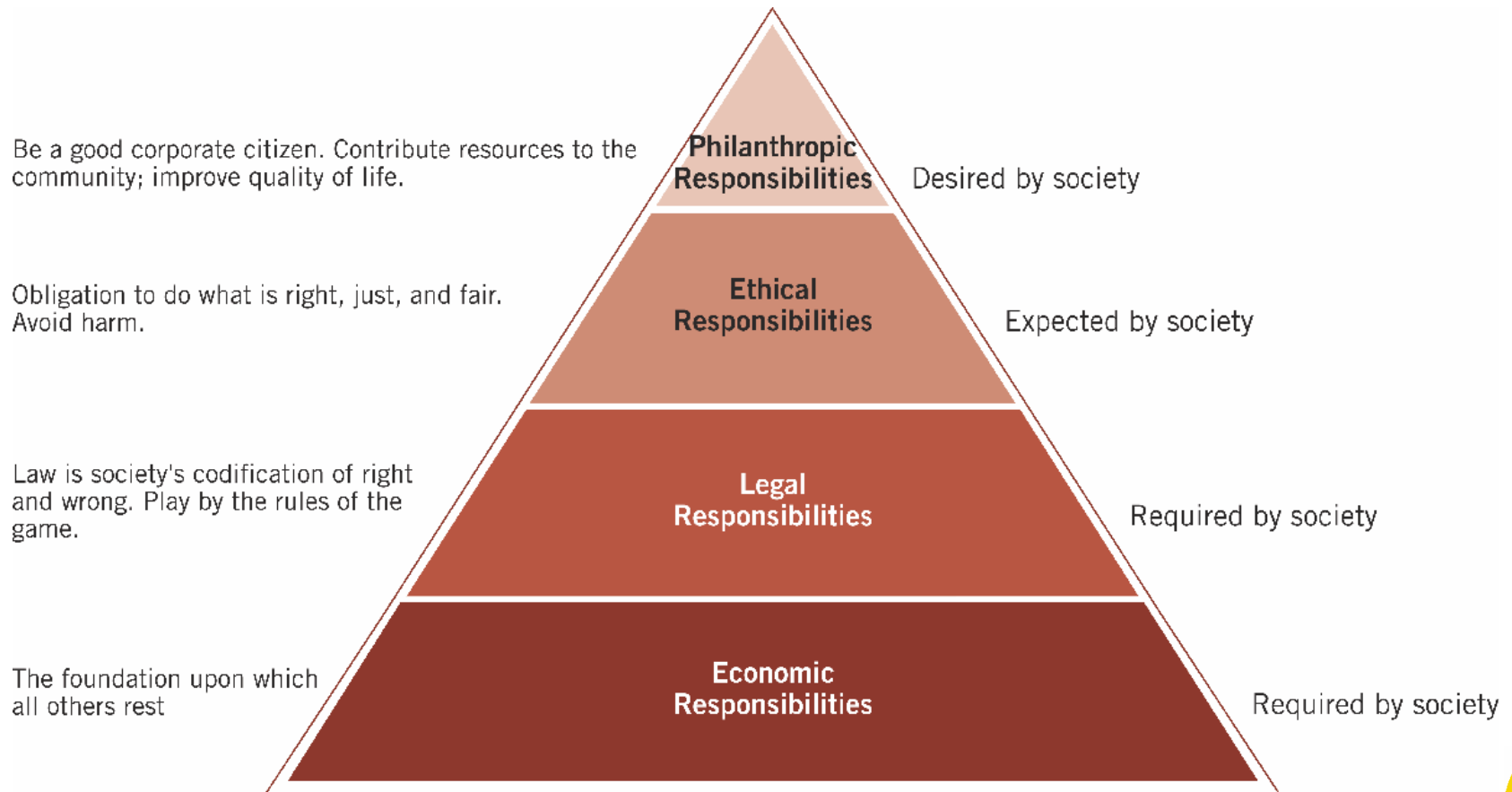
Over the 100 years of IBM's existence, we have developed and refined a thoughtful and comprehensive approach to **corporate citizenship** that we believe aligns with IBM's values and maximizes the positive impact of which we, as a global enterprise, are capable.

Corporate Citizenship

- ✍ According to the **extended view** corporate citizenship describes the corporate function for governing the citizenship rights for individuals
- ✍ This view is founded on a traditional liberal view. Accordingly, three fundamental rights are connected with the concept of citizenship:
 - ✂ **Social rights:** corporations can or cannot supply individuals with social services (corporations could provide or ignore)
 - ✂ **Civil rights:** corporations can support or constrain civil rights of citizen (corporations could enable or disable)
 - ✂ **Political rights:** corporations are an additional channel for the exercise of individuals' political rights (corporations can favour or block)

Carroll's pyramid

 The most established and accepted model of CSR (Carroll 1979, 1997, 2009) regards CSR as a multilayered concept.



Economic responsibility

For a successful firm it is important to:

-  Perform in a manner consistent with maximizing earning per share
-  Be committed to being as profitable as possible
-  Maintain a strong competitive position
-  Maintain a high level of operating efficiency
-  Be defined as one that is consistently profitable

Legal responsibility

For a successful firm it is important to:

-  Perform in a manner consistent with expectations of government and law
-  Comply with various federal, state, and local regulations
-  Be a law-abiding corporate citizen
-  Be defined as one that fulfils its legal obligations
-  Provide goods and services that at least meet minimal legal requirements

Ethical responsibility

For a succesful firm it is important to:

Perform in a manner consistent with expectations of societal mores and ethical norms

-  Recognize and respect new or evolving ethical/ moral norms adopted by society
-  Prevent ethical norms from being compromised in order to achieve corporate goals
-  Do what is expected morally or ethically
-  Recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations

Philanthropic responsibility

A firm may wish to consider contributing to one or more of the following:

-  Assist the fine and performing arts
-  Support managers and employees to participate in voluntary and charitable activities within their local communities
-  Provide assistance to private and public educational institutions
-  Assist voluntarily those projects that enhance a community's "quality of life"

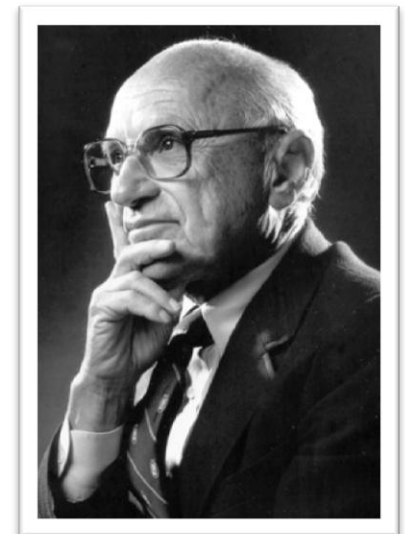
However, such contributions are not a substitute for ethical obligations.

A critical view

✎ Some scholars are critical of this vision and believe that the role of business is primarily to produce needed goods and services at prices that people can afford.

✎ Among these critics, Milton Friedman's view (Nobel Prize in 1976) is probably the most relevant and quoted (Friedman, 1970):

Corporate Executive *"responsibility... generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom"*.



"there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".

A view from development studies

-  *The CSR agenda can deal with some of the worst symptoms of maldevelopment, such as poor working conditions, pollution, and poor factory–community relations, but it does not deal with the key political and economic mechanisms through which transnational companies undermine the development prospects of poor countries.*
-  *Companies are being subjected to, and are responding to, increasing levels of activism and the convergence of disparate struggles and concerns... ‘the more the public domain is privatised, the more the private is politicised and becomes a matter of public concern.’*

Peter Utting,
United Nations Research Institute for Social Development

View from Public Policy

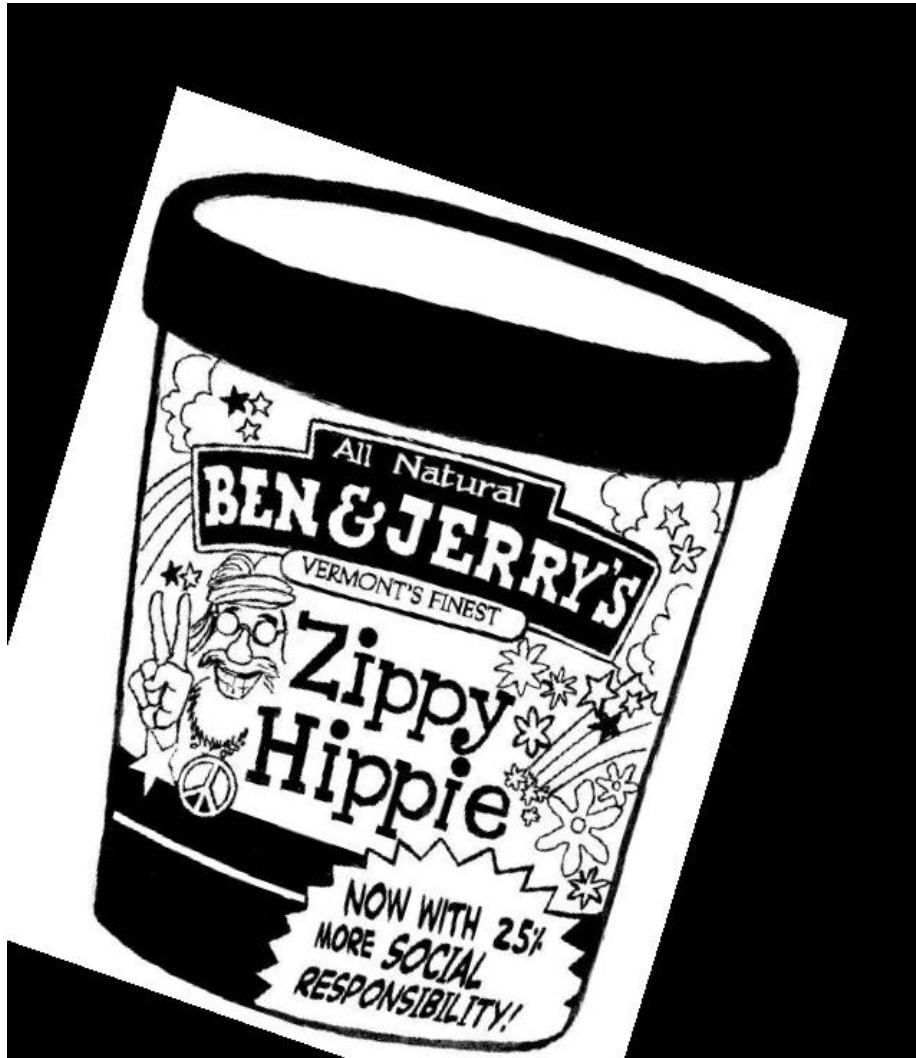
The new interest in so-called “Corporate Social Responsibility” is founded on a false notion of how much discretion a modern public corporation has to sacrifice profits for the sake of certain social goods, and that the promotion of corporate social responsibility by both the private and public sectors misleads the public into believing that more is being done by the private sector to meet certain public goals than is in fact the case.

Robert Reich,
Goldman School of Public Policy, Berkley University

More recent views

Few people outside the public-relations industry can listen to the CSR mantras of « win-win » and « doing well by doing good » without grimacing.

The Economist, March 2011



“Ultimately, the corporation is only a reflection of consumers’ demands and priorities; true social change necessarily involves changes in consumers’ demands. Voluntary CSR is really nothing more than corporate advertising that makes consumers aware of new products with features for which they are willing to pay.”

Trade Unions and CSR

There is not always a “business case” for responsible behaviour. In today’s competitive business environment, “doing the right thing” can sometimes be a real liability. Instead of arguing that there must always be “a business case for CSR”, companies should recognise that CSR can not replace legal frameworks and regulations.

Business must not be allowed to unilaterally determine its social responsibilities.

International Trade Union Confederation

Trade Union views, cont.

Much of private CSR standard setting is self-serving and involves the wrong people who are, more often than not, self-appointed. The processes often involve unrepresentative organisations claiming to be “stakeholders.” Many of these organisations do not have any meaningful “stake” in any corporation. Others do have a “stake”, but only in the sense that they receive significant financial support from companies. Not surprisingly, many corporations find it more comfortable to engage in dialogue with these organisations than with other, more genuine, parts of civil society.

International Trade Union Confederation

Trade Union views, cont.

The most serious problems occur where already existing and clearly legitimate standards, such as those on trade union or other human rights, are reinterpreted or overlooked with a view to obtaining business support (“obtaining corporate buy-in”). The mere fact that it is possible for private initiatives to develop CSR tools for management does not mean that these initiatives have the legitimacy either to identify the interests of society or to determine what the relationship between business and society should be. Only democratic governments, or institutions such as the ILO, which have the most representative organisations as constituents, have the legitimacy to formally set the social standards that deal with these questions.

International Trade Union Confederation

Employers' Views

-  ***Business is the primary source of wealth creation, innovation and employment. Business is an integral part of society and is committed to operating in a responsible and sustainable manner, alongside other actors.***
-  ***CSR is a positive business-driven response to the business environment of today. CSR is not an add-on for business; it is increasingly being integrated into business operations, governance, management systems and thinking. It must therefore be seen within the context of the totality of a business today.***

International Organization of Employers

Employers' Views

-  **CSR is a multi-dimensional concept covering social, economic and environmental concerns, and is continually evolving within the diversity of the market.** *This diversity of the marketplace makes innovation a critical aspect in the development and implementation of the varied CSR initiatives. Efforts to regulate or standardize such an inherently dynamic process of voluntary action would stifle this very fundamental characteristic.*
-  **CSR is not an alternative to regulation.** *Governments must be responsible for the implementation and enforcement of national laws.*

International Organization of Employers

Employers' Views

-  *Any debate on social responsibility needs to also include a consideration of the responsibilities of other actors in society. The appropriate role of each actor needs to be understood and respected along with the limitations to their fields of action.*
-  *CSR is not just an issue for large multinational corporations. Its voluntariness, diversity and flexibility are vital to allowing all businesses, regardless of size or location, to consider how best they can respond to the realities of their marketplace.*

International Organization of Employers

To conclude...

Successful corporations need a healthy society:

Social conditions	Business benefits
Education, health care, and equal opportunity	Productive workforce
Safe products and working conditions	Attract customers and lower the internal costs of accidents
Efficient utilization of land, water, energy, and other natural resources	More productive business
Good government, the rule of law, and property rights	Efficiency and innovation
Strong regulatory standards	Protect consumers and create a level playing field for companies

A healthy society creates expanding demand for business, as more human needs are met and aspirations grow.

Source: Porter and Kramer, 2006

What is CSR?

 CSR relates to the obligations of a firm to society ...but what are the nature and scope of these obligations? There are **many definitions of CSR**. We will adopt three main perspectives to investigate this concept:

Management theory “*Corporate Social Responsibility includes the **economic, legal, ethical and philanthropic** expectations placed on organizations by society at a given point in time.*” (Carroll & Bucholtz, 2009)

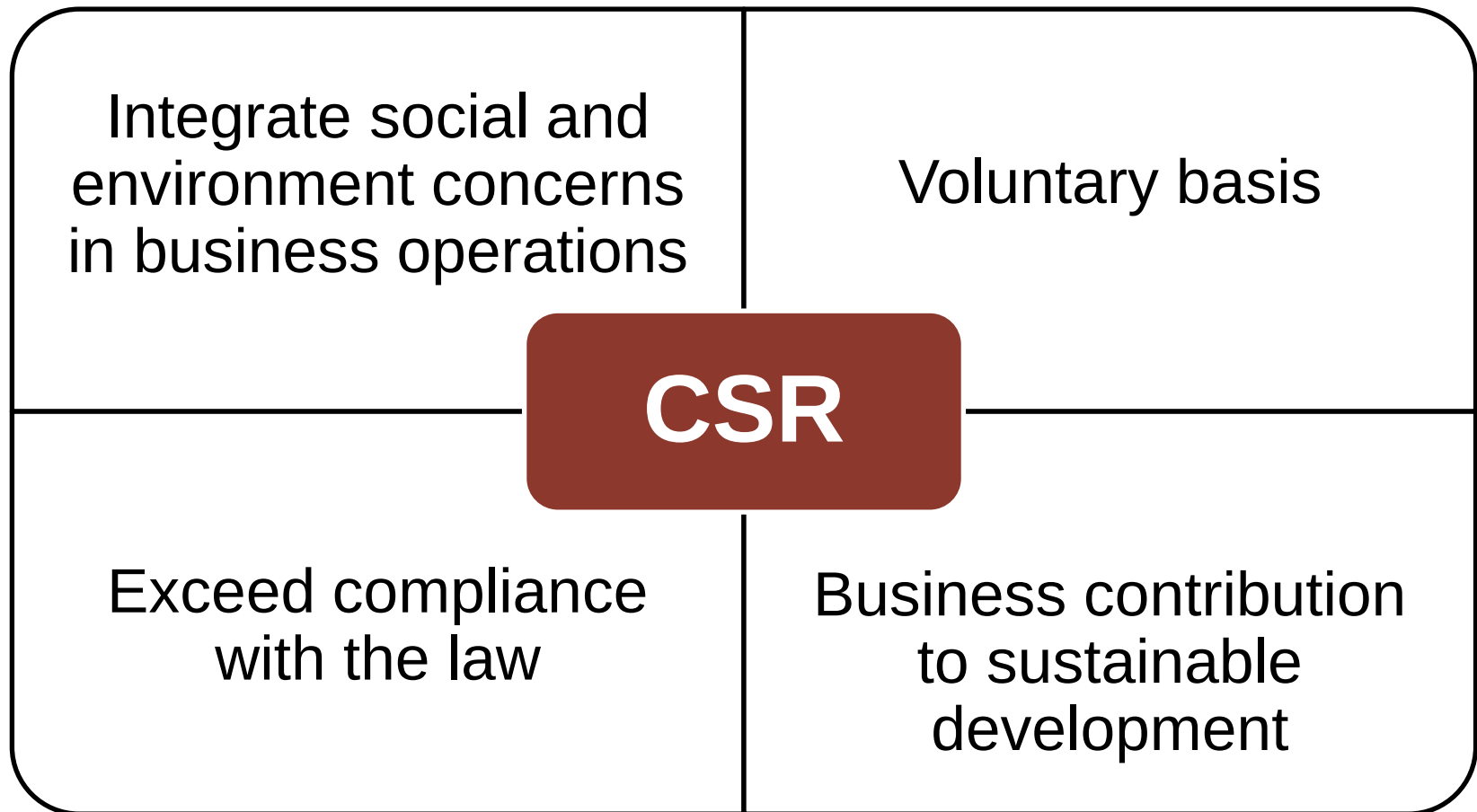
Management practice “*Corporate Social Responsibility is the continuing commitment by business to **contribute to economic development** while improving the **quality of life** of the **workforce** and their families as well as of the **community and society at large***” (WBCSD, 1998)

Agencies and policy-makers “*Corporate social responsibility is the responsibility of enterprises for their impacts on society*” (EC, 2011)

ILO approach to CSR

- ✎ Integral part of company management
- ✎ Systemic, not occasional
- ✎ Linked with sustainable development
- ✎ Not a substitute for the role of Government
- ✎ Not a substitute for collective bargaining and industrial relations.

To sum up...

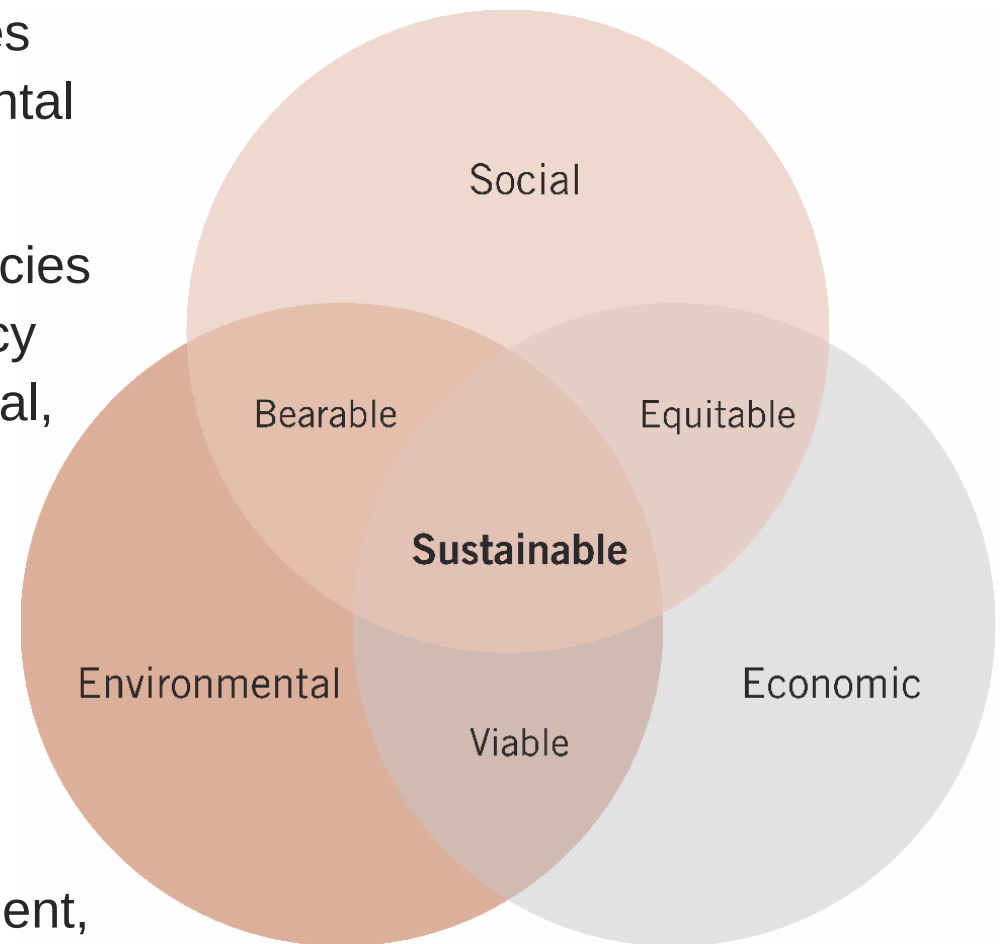


Multiple dimensions of CSR



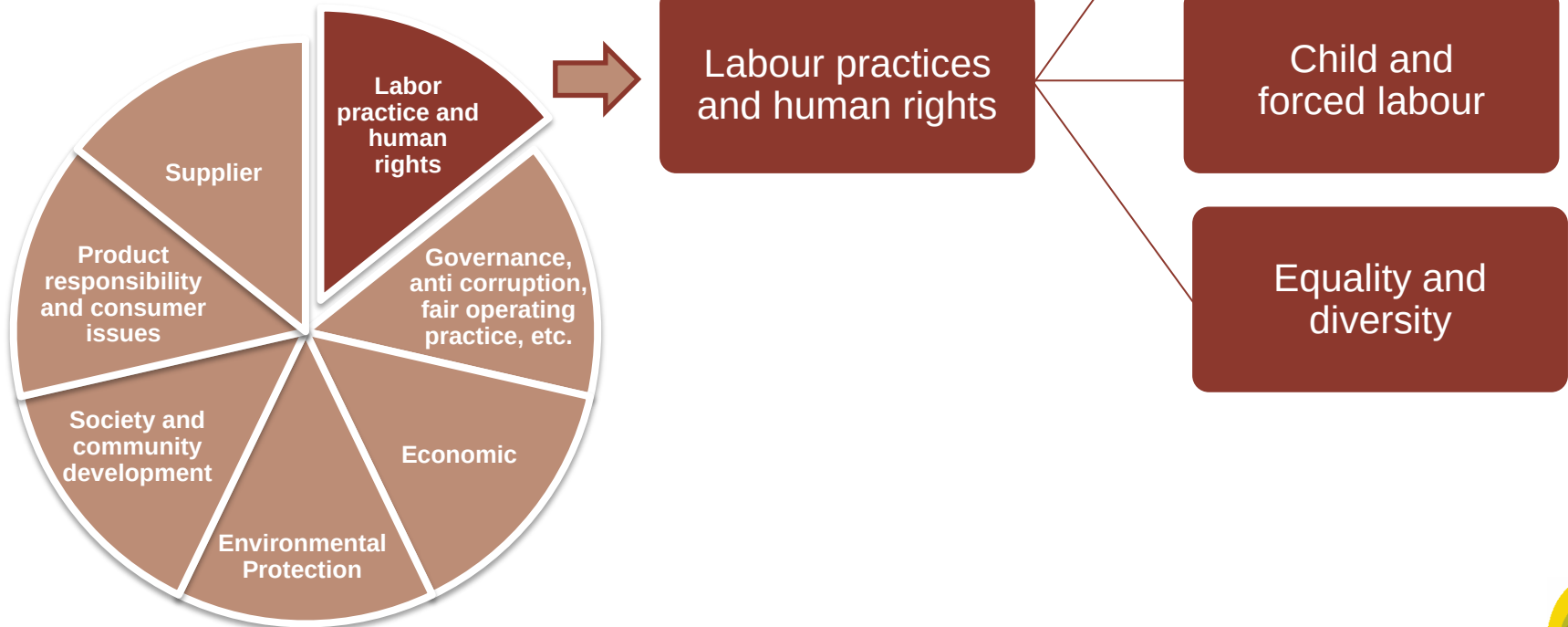
Sustainable development

- ✎ Sustainable development does not focus solely on environmental issues
- ✎ Sustainable development policies encompass three general policy areas: economic, environmental, and social
- ✎ Several United Nations texts refer to the “interdependent and mutually reinforcing pillars” of sustainable development as economic development, social development, and environmental protection



CSR at the workplace

✎ With regards to CSR and human rights, we focus our attention on three main issues



BASF Code of Conduct

Our business is based on BASF's values and principles on the following environmental, labour, and social standards:



Safety, health, environmental responsibility

We encourage a high level awareness of safety, health and environmental issues among our employees and strive for continuous improvement.

Child labour and forced or compulsory labour

We condemn all kinds of child labour as well as forced or compulsory labour.

Working conditions

We provide our employees with compensation and benefits based on local market conditions and on individual as well as company performance. Our working conditions comply with internationally recognized fundamental labour standards.

Cooperation with employee representatives

BASF strives to maintain relationships with elected employee representatives in good faith and mutual respect based on internationally recognized fundamental labour standards and orientated towards the customs of the respective countries.

Discrimination

We do not tolerate discrimination based on nationality, gender, religion or any other personal characteristics within BASF group.

The UN framework

 The “protect, respect, and remedy” framework, adopted by the Human Rights Council in 2011 rests on three main pillars:

 **Protect.** The State duty to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication;

 **Respect.** The corporate responsibility to respect human rights, which means to act with due diligence to avoid infringing the rights of others and to address adverse impacts that occur; and

 **Remedy.** Both State and business responsibility to provide greater access by victims to effective remedy, through both judicial and non-judicial mechanisms.

ILO MNE Declaration

- ✎ The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) is a **guidance** instrument
- ✎ It consists of a series of **recommendations** to enterprises, governments, employees, and workers about:
 - a. Employment promotion and security
 - b. Equality of opportunity and treatment
 - c. Skills & training
 - d. Conditions of work
 - e. Industrial relations

UN Global Compact

 International framework for CSR based on internationally accepted principles. The framework is composed of ten principles covering four areas:

Areas	Principles
Human rights	Support and respect the protection of internationally proclaimed human rights
	Make sure they are not complicit in human rights abuses
Labour standard	Uphold freedom of association and the effective recognition of the right to collective bargaining
	Uphold the elimination of all forms of forced and compulsory labour
	Uphold the effective abolition of child labour
	Eliminate discrimination in respect of employment and occupation
Environmental protection	Support a precautionary approach to environmental challenges
	Undertake initiatives to promote greater environmental responsibility
	Encourage the development and diffusion of environmentally friendly technologies
Anti corruption	Work against all forms of corruption, including extortion and bribery

OECD Guidelines

- ✎ These guidelines are recommendations addressed by governments to multinational enterprises. The OECD Guidelines are part of a broader instrument, the OECD Declaration on International Investment and Multinational Enterprises.
- ✎ The main objectives of this guidelines are:
 - ✂ Ensuring that the operations of MNEs are in harmony with government policies
 - ✂ Strengthening the basis of mutual confidence between enterprises and society in which they operate
 - ✂ Helping improve the foreign investment climate
 - ✂ Enhancing the contribution made by MNEs to sustainable development

EU Green paper

- ✎ The objective of the Green Paper was to launch a wide debate on how the European Union could promote corporate social responsibility at both the European and international level
- ✎ The Green Paper identified two main dimensions of CSR: internal and external

Internal dimension

Human resources management

Health and safety at work

Adaptation to change

Management of environmental impacts and natural resources

External dimension

Local communities

Business partners, suppliers and consumers

Human rights

Global environmental concerns