Corporate social responsibility

Sham or true engagement?

The South African Resource Watch recently conducted a study on South African corporate social responsibility in the mining industry in southern Africa. **Roger Southall** concludes that today although no large corporation can ignore CSR, he questions whether these firms really take the idea seriously.

Our study of South African mining companies highlights that accountability lies at the heart of Corporate Social Responsibility (CSR). Companies must account to shareholders, and to host governments, host communities, employees and the world on their environmental impact.

Few would now say that the 'business of business is merely business'. But because CSR remains a highly contested concept, particularly in South Africa and Africa, it is useful to reflect on its current role. The focus here is on CSR and the idea of 'responsible capitalism' in southern Africa, CSR as an accompaniment of global economic liberalisation and on the gap between policy and implementation.

RESPONSIBLE CAPITALISM

The ideas behind CSR are not new. Historically, capitalists sought cost minimisation and profit maximisation at the expense of labour, but there was always an 'in-house critique' that argued the wisdom and rightness of companies' wider obligations to society.

This critique originated in religious belief. Max Weber underscored the strong link between the Protestant ethic and the development of capitalism, proposing that a work ethic, frugality and duty to God became part of the everyday world so that capitalists saw profit and wealth as evidence of God's favour.

Quaker family firms such as Cadbury, Fry and Rowntree engaged in 'socially responsible capitalism' by establishing trusts which undertook 'good works' or built model estates for workers. Such initiatives were linked to the wider recognition that the survival of industrial capitalism, and the blunting of radical and socialist challenges, required a social accommodation with the working class.

The impetus behind CSR may not be new, but times have changed radically. The state under modern capitalism has assumed far more social responsibility and capitalist companies faced expanded tax demands to fund social programmes, increased pension obligations and the regulation of industrial relations.

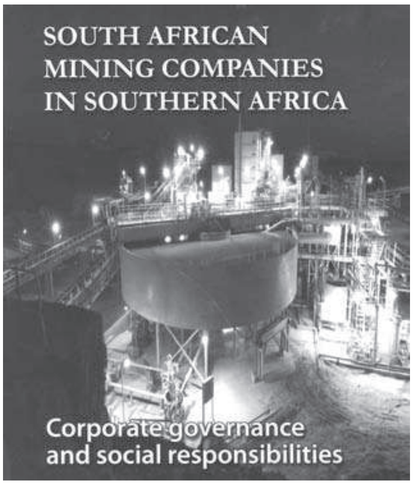
But many of these gains, struggled for by labour, have been eroded under late capitalism. Since the oil shock of the early 1970s, multinational capital has sought to restore profitability by demanding that governments cut taxes and social services and by mechanising and reducing benefits.

Also 'structural adjustment' plans were imposed on indebted African governments, requiring the slashing of social expenditure and privatisation of key industrial sectors. As 'globalisation' proceeded into the 1990s, African governments rivaled each other for foreign investment by offering investors favourable conditions.

In South Africa, the National Party erected a welfare state for whites, while blacks were left out in the cold. But in 1976, black political quiescence turned into a revolt that was never fully contained, and from the late 1970s the government was driven by internal and external pressures to reform.

Multinational capital also came under global pressure to disassociate itself from apartheid. Anti-apartheid protesters demanded disinvestment, a call heeded by numerous foreign firms. But others sought to deflect criticism by pursuing CSR.

CSR was first formally aired in South Africa in 1972, when Professor Meyer Feldburg of the University of Cape Town argued that in its own enlightened self-interest, business should take CSR seriously. Thereafter, large-scale capital responded to



disinvestment and sanctions campaigns by setting up voluntary initiatives under codes of corporate conduct, including the Sullivan and European Community codes. Signatory firms undertook to desegregate facilities, develop black staff, introduce equal and fair employment practices and improve housing, health, transport and industrial conditions for employees.

A minority of corporations embraced these principles, but they alerted capital to the need for social reform in order to avert revolution. Big capital pursued wider initiatives, such as the establishment of the Urban Foundation to address urban development issues, while urging the government to reform.

I should make a few points about relations between capital and the post-apartheid state.

First, the political transition created labour rights in the 1995 Labour Relations Act. But at the same time big capital diverted the ANC from its commitments to redistribution in the Reconstruction and Development Programme (RDP) to the more market-orientated Growth, Employment and Redistribution (Gear) programme.

When Gear failed to deliver benefits, notably increased employment, the government turned to business to help bankroll social investment such as inner city housing.

Meanwhile, heightened political awareness about the country's deep unemployment and poverty grew combined with a consciousness of the environmental costs of South Africa's industrial capitalism. The result was growing pressure on big capital to display social responsibility.

Today, no large corporation in South Africa can ignore CSR, whether by responding to government's demands for black economic empowerment or environmental pressures from social movements. But contemporary CSR has developed in the context of the latest phase of capitalist globalisation and the post-1970s assault on the state's social responsibilities.

GLOBAL RESTRUCTURING AND CSR

The rapid internationalisation of capital and capitalist production since 1945 has seen a massive growth in multinational corporations and the emergence of a new international division of labour. Northern-based multinational corporations have shifted much production to countries of the South, where labour is cheaper, while increasing capital intensity.

Recently, the collapse of Soviet communism and China's shift to state-led capitalism has created, to an unprecedented degree, a world labour surplus. This has hugely eroding the power of unions to resist the demands of capital. These global conditions have prompted a restructuring of work, with South Africa largely mimicking international developments.

South Africa's current labour market is characterised by three zones. A core zone offers full-time employment, with many of the rights and social conditions of post-1945 Northern labour, which has been extended to permanent black workers after waging union struggles. In the second, none-core zone, there is a trend towards casualisation and externalisation (contacting, outsourcing etc) of labour. The third is the outside or peripheral zone which is labour excluded from the formal economy.

In general, core jobs have declined in post-apartheid South Africa, while insecure and low-wage non-core jobs have increased and the peripheral zone has expanded, leading to growing poverty.

This is an international trend. Employment conditions in the global core are worsening as jobs shift to the non-core and peripheral zones. It applies in all regions and countries, including sub-Saharan Africa, where structural adjustment strategies have featured massive public sector cut-backs.

The post-apartheid era has also seen a concerted move by South African capital into neighbouring countries. This is in a context where structural adjustment has lowered labour conditions and there has been a substantial growth in joblessness while governments have gone to enormous lengths to offer attractive conditions for foreign investment. Because of high levels of unemployment, unions have limited bargaining power, while multinational corporations tend to offer casualised and externalised employment.

In these conditions, CSR can play different roles.

It can substitute for the more costly extension of core employment conditions and fill in holes left by the withdrawal or failure of government social services, providing conditions that enhance employee satisfaction, productivity and overall company profitability.

CSR can also play a public relations role, persuading company executives, shareholders and stakeholders that a firm is operating 'responsibly'. And finally, CSR can provide an arena of contestation in which employees and communities, sometimes with global supporters, can exert pressure on capital.

POLICY AND IMPLEMENTATION

Eddie Webster notes that 'under the impact of global corporate restructuring, it is becoming increasingly necessary for investment analysts, when assessing the prospects of a company, to go below the financial bottom line and examine the social and environmental policies and practices of the enterprise'. This is 'triple bottom-line' accounting.

But Webster also notes the contradictory forces that confront company managements. They need to become more competitive in a context of increased global trade, while they are pressed to adhere to global labour, social and environmental standards and to respond to local pressures from state and society. There can be a considerable gap between a company's stated commitments and implementation, and between head office goals and operational realities.

This study suggests that South African companies are falling short in their commitment to CSR and to its implementation.

Companies cannot hope to reap the rewards of CSR unless they are trusted and gaining trust is likely to demand time, effort and expense. But implementation in South Africa is top down, with projects dreamed up by head offices and rarely involving adequate consultation with employees and communities.

Expatriate managers, rarely qualified in sociology or anthropology, tend to conclude agreements quickly about where to locate new schools or dams and are reluctant to spend long hours in discussion. They do not attempt a deep understanding of local conflicts or seek to resolve them because they want to see 'results', often highly visible outcomes that skate over the surface.

Managers tend to devolve personnel and community matters to specialist, often junior staff, while they regard social matters as the responsibility of local government authorities. Racism and arrogance are common. In this context, CSR can fall flat and be regarded with contempt by workers and communities. There is strong evidence that this is already true of some South African mining companies.

In short, CSR cannot work if local managers see it as a costly nuisance. Its successful implementation requires major commitment and sensitivity to local conditions. Only this will provide a basis of trust.

A further consideration is that CSR is premised on the idea of firms' *social accountability*, and that proper monitoring and evaluation are, therefore, required. None of the companies we studied was prepared to give serious time to the researchers assessing their programmes, seeing them and their organisatons as not having a high enough status. This approach distorts the methodology, and probably the findings, of the evaluation.

The companies we researched also gave little response to the views of local unions. This raises the issue of whether companies have something to hide, and whether they attach more importance to the public relations aspects of CSR than implementation.

South African companies need to open themselves to rigorous evaluation. None of the companies we researched were prepared to give time to us. Refusing CSR researchers access can only be justified if the firms are prepared to undergo independent evaluation, perhaps by reputable organisations with social research expertise and goals agreed by shareholders, labour, communities and governments. Research should also happen at agreed regular intervals. Above all, reports should be open to public scrutiny. Until they agree to this, companies must expect accusations that their CSR programmes are just public relations exercises.

CONCLUSION

There is a new scramble for African resources sparked by China's industrialisation and also by other emerging economies. This has also set the scene for the expansion of South African capital into Africa. In this process, many claim that Western companies have higher standards than their emerging country counterparts. In particular, it is commonly argued that Chinese firms are bringing an exploitative new labour despotism to Africa.

We do not take a position on this debate in the study. But the 'new scramble' is likely, at least in the short term, to place African labour conditions under further pressure, as governments compete wildly for investment. Feeling under threat, Western and South African multinationals may lower costs in their drive to be competitive, including cutting the cost of CSR. In this context, it is the task of unions, non-governmental organisations and social movements to ensure that all companies maintain high standards of social responsibility. LB

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