
New forms of corporate social responsibility

A challenge to multinationals

*In the build-up to the WSSD various attempts have been made to ensure that corporates will be forced to report more extensively on social, ethical and environmental issues. **Andre van Niekerk** looks at these developments at an international level.*

The Second Report of the King Committee on Corporate Governance devotes an entire section to 'integrated sustainability reporting'. The heading to the section recalls that corporate citizenship is the commitment of business to sustainable economic development and the improvement of quality of life by working with employees, their families, the local community and society at large.

The report acknowledges that social, ethical and environmental issues can no longer be regarded as secondary to conventional business imperatives, and proposes that companies be obliged to report at least annually on these 'non-financial' issues.

This proposal endorses an extended notion of corporate social responsibility, developed in the 1990s, that has assumed economic, social, political and ethical dimensions. Corporate social responsibility in this sense generally requires companies to conduct their affairs in good faith and to take active and responsible steps to minimise the impact of their operations on the

environment, to protect consumer interests, to observe fundamental labour and human rights and to refrain from unethical practices.

The role of organised labour

Although the King Report recognises the role to be played in corporate governance issues by a number of third parties (the media and organised business in particular) there is little, if anything, said about the role of organised labour, or the impact of the new drivers of corporate governance on industrial relations. In its description of what the report considers as the 'defining characteristics of good corporate governance' there is an oblique reference to 'employee relations' and the rights of freedom of association. These limited references fall shy of the substance of the United Nations Global Compact (which is annexed to the report) proposal that business should uphold the rights against forced labour, and to equality in employment and occupation, freedom of association and to bargain collectively. In this sense, the report

appears to promote a 'human resources-based' approach to the new conception of corporate social responsibility, and seems to minimise the role of organised labour in defining the nature and extent of that responsibility.

At the heart of the debate is the relationship between a company and the society in which it operates, and the obligations they owe to those societies. Most South African companies are familiar with this polemic, but South African multinationals are perhaps less familiar with its application in a global economy.

On the international front, organised business and organised labour have been less coy about the implications of good governance initiatives for labour relations. The International Organisation of Employers, representing some 130 national employer associations worldwide, has endorsed the UN Global Compact and requested employers to 'promote voluntarily within their own business activities' the principles recognised by the Global Compact.

This is a significant endorsement of

the call made by the United Nations Secretary General in January 1999, when he challenged business leaders to embrace and enact in individual corporate practices, nine universally agreed principles. These included:

- Support and respect the protection of internationally proclaimed human rights.
- Uphold the freedom of association and the effective recognition of the right to collective bargaining.
- The elimination of all forms of forced and compulsory labour.
- Undertake initiatives to promote greater environmental responsibility.
- Encourage the development and diffusion of environmentally friendly technologies.

This list is not intended as a code so much as a 'framework of reference to stimulate best practices' and as an inter-agency activity of various UN agencies, including the International Labour Organisation (ILO). For the ILO, this initiative presents new challenges.

This is especially so as the new bearers of economic power in the global economy are not the national governments that make up the ILO's membership. They tend to be multinational corporations, and while employers are represented in the ILO by reason of its unique tripartite structure, individual employers are not. Accommodating the multinationals to the ILO structure in one form or another presents a significant challenge to the organisation.

Labour's response

Labour's response to these developments and the corporate social responsibility debate in particular has been generally supportive. A number of indicators of how this support might be translated into practice emerged during the 90th session of the International Labour Conference held in Geneva during June 2002.

First, employers were challenged to respond to the internationalisation of

industrial relations, and to have industrial relations conducted at the level at which economic decisions are taken. In a global market, this is increasingly the level of the multinational enterprise. This is as much a challenge for the employer group in the ILO (which comprises representatives of national employer federations) as it does for the ILO itself.

A second vehicle through which corporate initiatives might be pursued, is the international framework agreement, in which international union federations seek to engage with multinationals within the framework of a formal agreement.

In a resolution submitted to the conference but ultimately not adopted, worker delegates called on governments, employers' and workers' organisations to 'undertake forms of social dialogue at the international level through such means as participation in the United Nations Global Compact and through encouraging framework agreements between multinational companies and international trade union organisations'.

The main purpose of a framework agreement is to establish a relationship between a multinational and an international trade union federation. Framework agreements do not establish collective bargaining rights or minimum wages so much as broadly articulate worker rights. Many of these make direct reference to ILO standards, and it is not surprising that they have enjoyed the support of the director general of the ILO.

A typical framework agreement might include undertakings to recognise that employment should be freely chosen, that there should be no discrimination in employment, that there should be fair compensation for work performed, recognition of the right to organise and to bargain collectively, and implementation of good health and safety and environmental standards.

Union support for framework agreements probably have as much to do no doubt with falling levels of trade union membership across the globe as they do with attempts by the international union movement to position itself in the wake of the perceived social and environmental fallout accompanying globalisation. But it is a significant development, even for South African multinationals, some of which have been approached to conclude such agreements.

A third possible response, and one with which most South African companies are possibly more familiar, is the corporate code of conduct. But even these have taken on a new dimension. Initially, demands for codes concentrated on working conditions within multinational companies, but the focus has shifted to employment conditions in the supply chain. While multinational companies bear no direct legal responsibility for working conditions established by suppliers, public perception has held them accountable. Codes of conduct typically make reference to core ILO conventions, as identified in the ILO Declaration on Fundamental Principles and Rights at Work, and some make provision for monitoring by third parties.

The response to calls for new corporate initiatives on social responsibility might take a variety of forms. Some of these are recognised by the King Report, which rightly draws attention to aspects of human resource management that characterise good corporate governance. But responses that acknowledge organised labour as a stakeholder and the interface between corporate governance and industrial relations are equally if not more important, and it is these that will ultimately be the more credible.

LE

Andre van Niekerk, involved in the drafting of the recent amendments to labour laws, is a lawyer with Perrott, Van Niekerk Woodhouse Inc.