

University of Zurich

Corporate Social Responsibility and Multinational Corporations: Critical Issues and New Approaches

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30 April 2012

Agenda

1

**From Government to Governance: The UN System
and CSR**

2

Can We Put an End to Sweatshop Labor? The Limits of
Compliance

Davos, *World Economic Forum*, 31 January 1999

“I propose that you, the business leaders, and we, the United Nations, initiate a **global compact of shared values and principles, which will give a human face to the global market.”**



**Former UN Secretary-
General Kofi Annan**
© WEF

UN-Business Relations: From Code to Compact

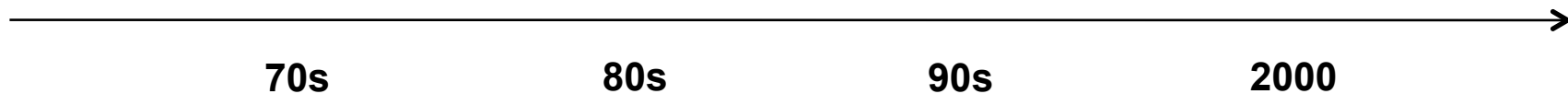


UN Global
Compact
(2000 onwards)

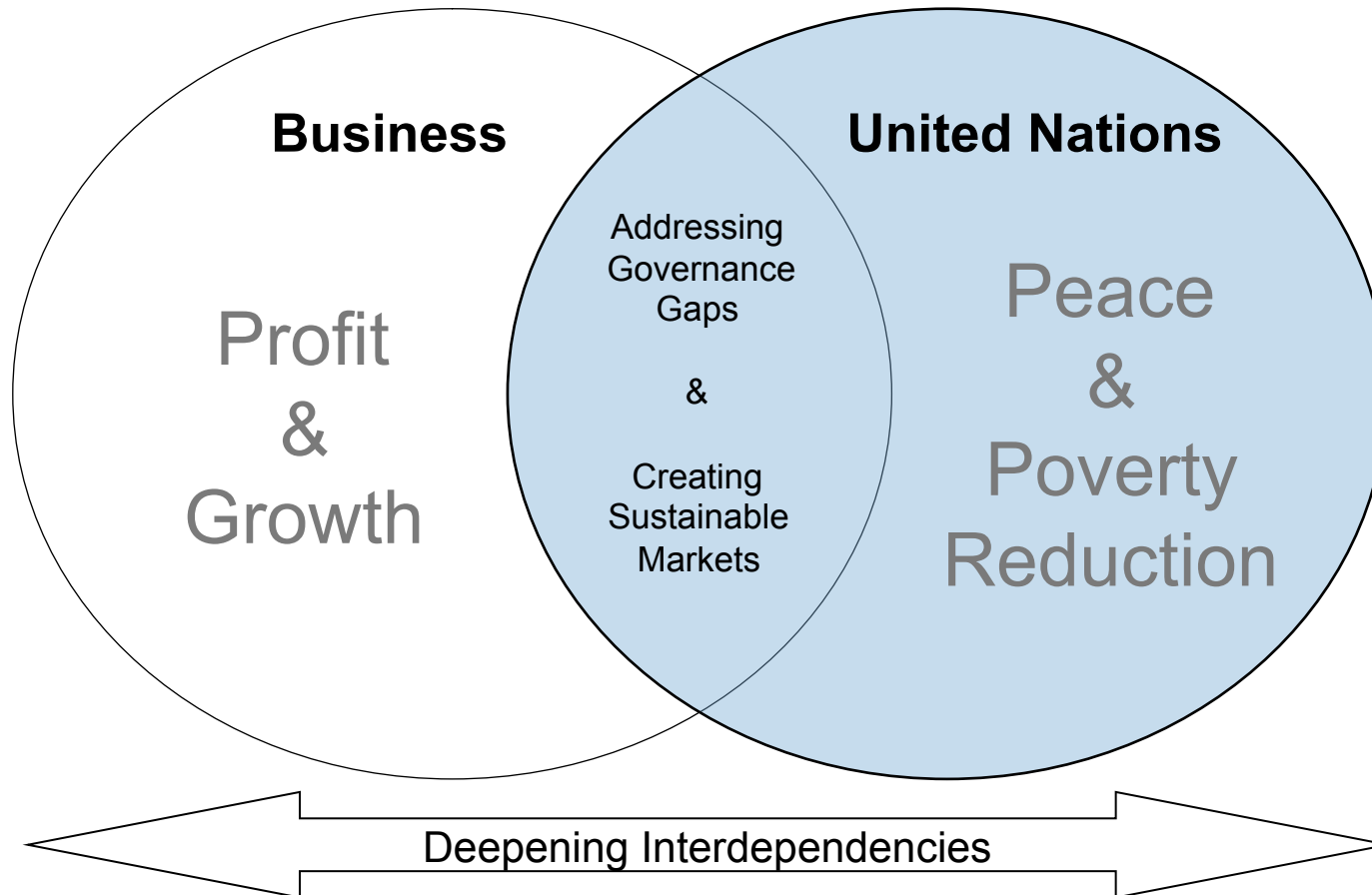
UN Center
on TNCs
(1975-1992)

Final Rejection
of Code
(1992)

Group of Eminent
Persons (GEP)
(1972-1974)



The UN Global Compact - An Initiative Based on Partnership



'A Moral Compass' – The Compact's Ten Principles

Human Rights

Business should support and respect the protection of international human rights; and make sure they are not complicit in human rights abuses.

Labour Rights

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
the elimination of all forms of forced and compulsory labor;
the effective abolition of child labor;
the elimination of discrimination in respect of employment and occupation.

Environment

Business should support a precautionary approach to environmental challenges;
undertake initiatives to promote greater environmental responsibility; and
encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Business should work against all forms of corruption, including extortion and bribery.

The Global Compact in 2012 – Some Key Facts

Participants

- over 6900 business participants in over 135 countries
- 3100 non-business participants – NGOs, academia, and labour
- mix of large TNCs and SMEs (50% of participants are SMEs)

Accountability

- requirement to file annual report on implementation progress
- delisted participants (until March 2012): over 3100
- reporting not standardized (GRI recommended)

Local Networks

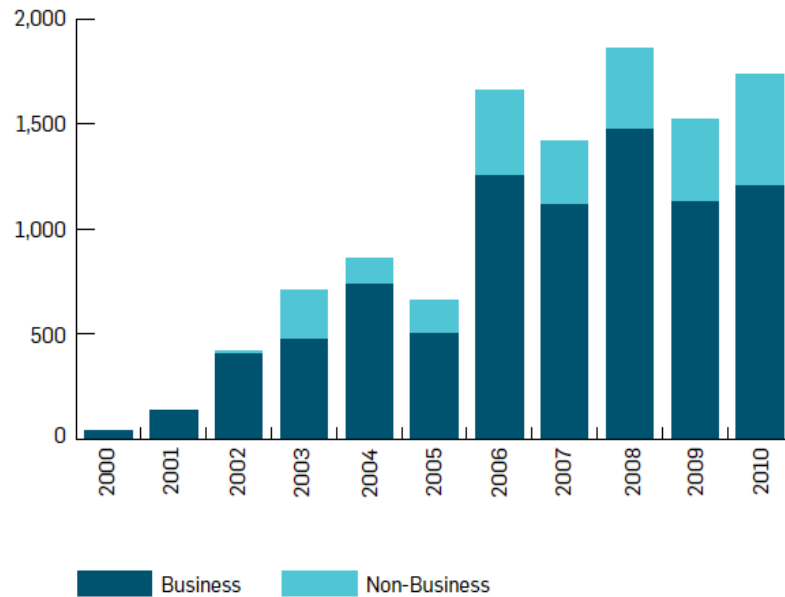
- clusters of participants interacting at the national level
- established or emerging networks in over 90 countries
- good presence in developing/transition economies

Multi-Level Governance in the Context of the Global Compact

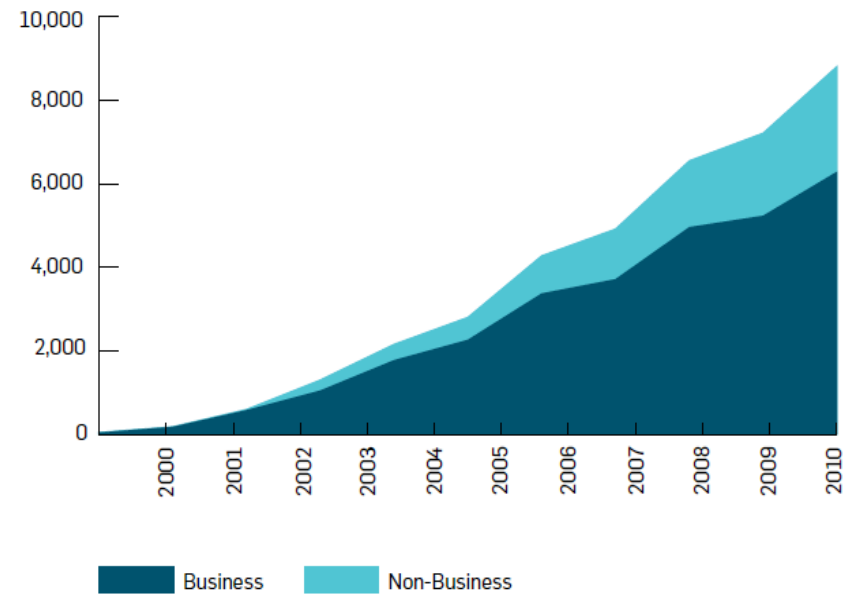


UN Global Compact – Participant Growth

New signatories per year



Total Global Compact signatories



What Has Influenced the Continued Growth of the Initiative?

Political Support

- Several GA resolutions as political back up
- Leadership support by Kofi Annan and Ban Ki-Moon
- Secured access to UN system

Governance Structure

- Governance is network-based and multi-stakeholder
- Participant ownership vital for success
- Enabled responsive management

Global-Local Link

- Loosely coupled networks as “contextualizers”
- Local networks brought in SMEs and globalized debate
- Networks gave access to BRICs

The Debate Around the UN Global Compact

- Principles miss precision and hence offer no clear guidance for implementation

Vague Principles



- Absence of independent monitoring and verification mechanisms

Lack of Accountability



- Global Compact allows businesses to capture UN agenda – privatization of UN

UN Capture



Agenda

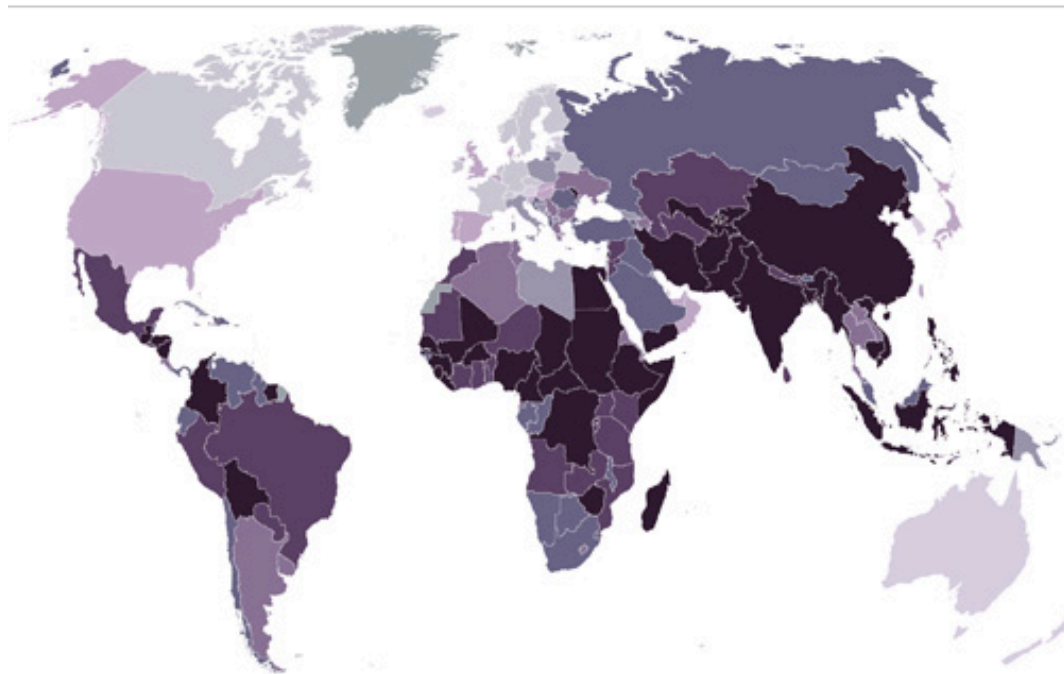
1

From Government to Governance: The UN System and CSR

2

Can We Put an End to Sweatshop Labor? The Limits of Compliance

Opening Case – IKEA (Background)



Legend	
Extreme risk	■
High risk	■
Medium risk	■
Low risk	■
No Data	■

Rank	Country	Rating
1	Bangladesh	Extreme
2	Chad	Extreme
3	DR Congo	Extreme
4	Ethiopia	Extreme
5	India	Extreme

Rank	Country	Rating
6	Liberia	Extreme
7	Myanmar	Extreme
8	Nigeria	Extreme
9	Pakistan	Extreme
10	Somalia	Extreme

© Maplecroft 2010

- India has over 50 million child laborers
- Main Regions: Southeast Asia and parts of Africa
- Cause I: poverty and dependency on loan sharks
- Cause II: insufficient education systems
- ILO Conventions: 138 (minimum age) and 182 (worst forms of child labor)

Opening Case - IKEA



Alternative Learning Centers
© IKEA 2006

- IKEA's global sourcing challenge (carpets and rugs produced in India); child labour as a key problem
- Scenario I: the wakeup call in the mid-1990s / IKEA starts to understand the problem (and its root causes)
- A Tough Decision: What to do with the supplier who continuously violates contract?
(sign up to Rugmark? / withdraw from India?)
- Scenario II: collaborates with UNICEF on fighting root causes of child labour (e.g. Alternatives Learning Centers)

The Problem – Violating Labor Rights

Common Problems in Global Supply Chains:

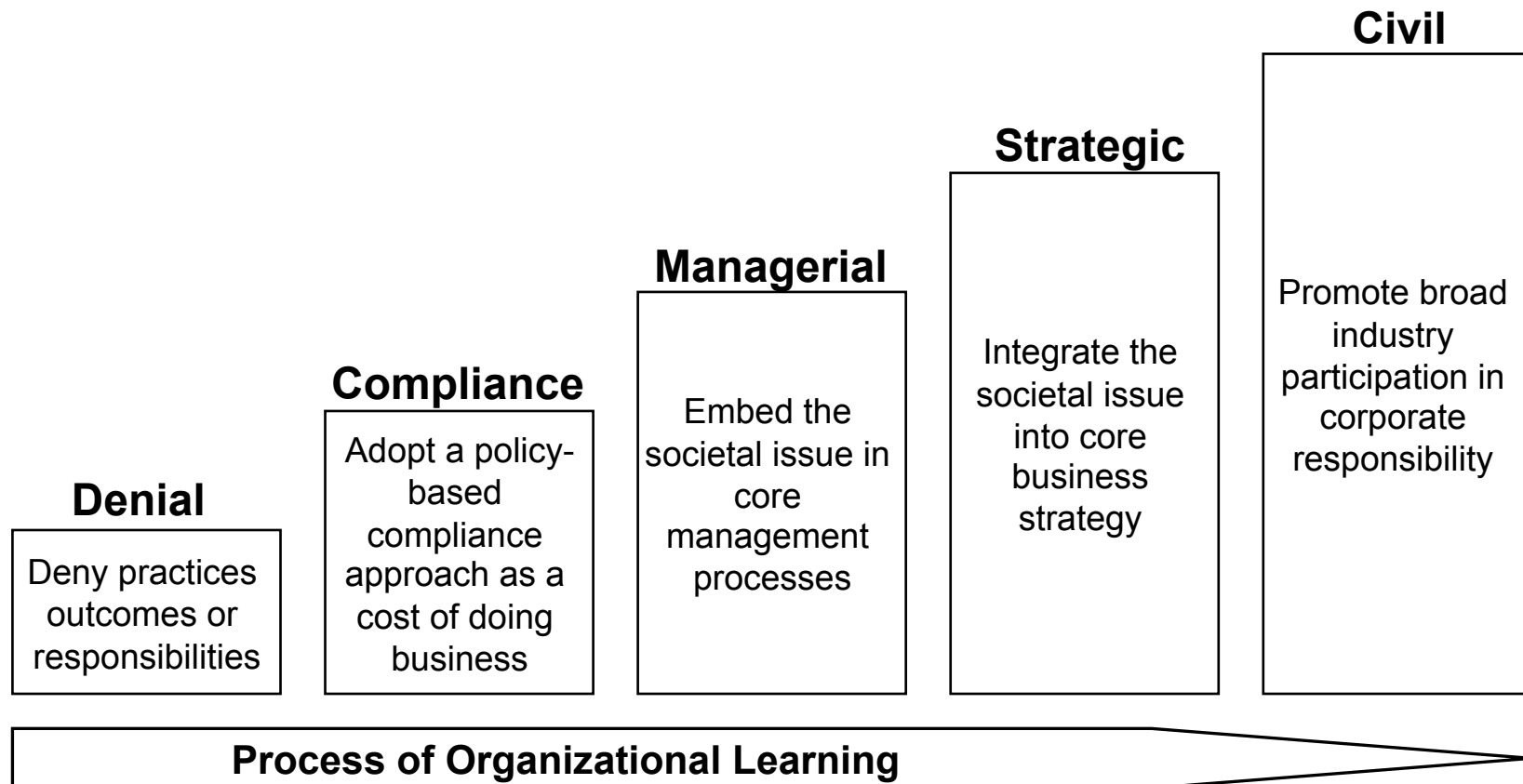


- Child Labor (215 million child laborers, 126 million under hazardous conditions)
- Excessive and Forced Overtime (often around 70 hour weeks, unpaid overtime)
- Forced and Bonded Labor (debt bondage and confiscation of ID documents)
- Unfair and/or Illegal Wages (often below legal minimum wages)
- Restrictions to Collective Bargaining (intimidation of workers)

Why Does the Problem Persist?

- Asymmetrical power relation between suppliers and buyers in global supply chains (e.g. low margins and infrequent orders)
- Lack of enforcement of labor regulations in developing/emerging economies (often due to corrupt government officials and high cost of enforcement)
- Complete lack of regulations in some countries (e.g. trade unions are still banned in some countries in the Middle East)
- Some problems are hard to address through regulation (e.g. home work in the carpet industry)
- Note: Labor rights are also violated in highly developed Western countries (e.g. sweatshop labor also exists in the US)

From Denial to Leadership



Source: Zadek, 2004

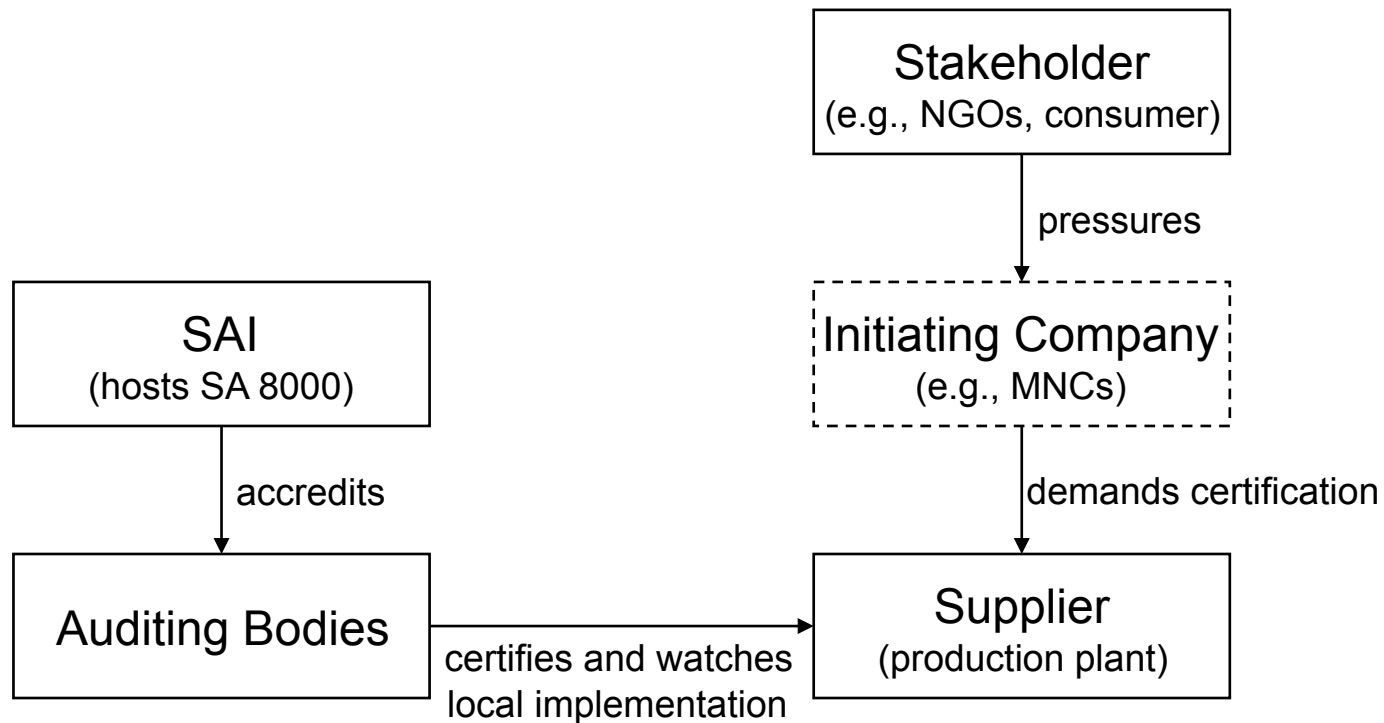
Forms of Voluntary Labor Monitoring

First Party Monitoring
(Monitoring carried out by MNCs themselves)

Second Party Monitoring
(Monitoring carried out by contracted professional auditing firms)

Third Party Monitoring
(Monitoring carried out by independent entities)

Third Party Monitoring – SA 8000



The Limits of Factory Audits

Pre-Audit Phase

forced compliance / black-and-white clauses / long-term relations between factory and auditors

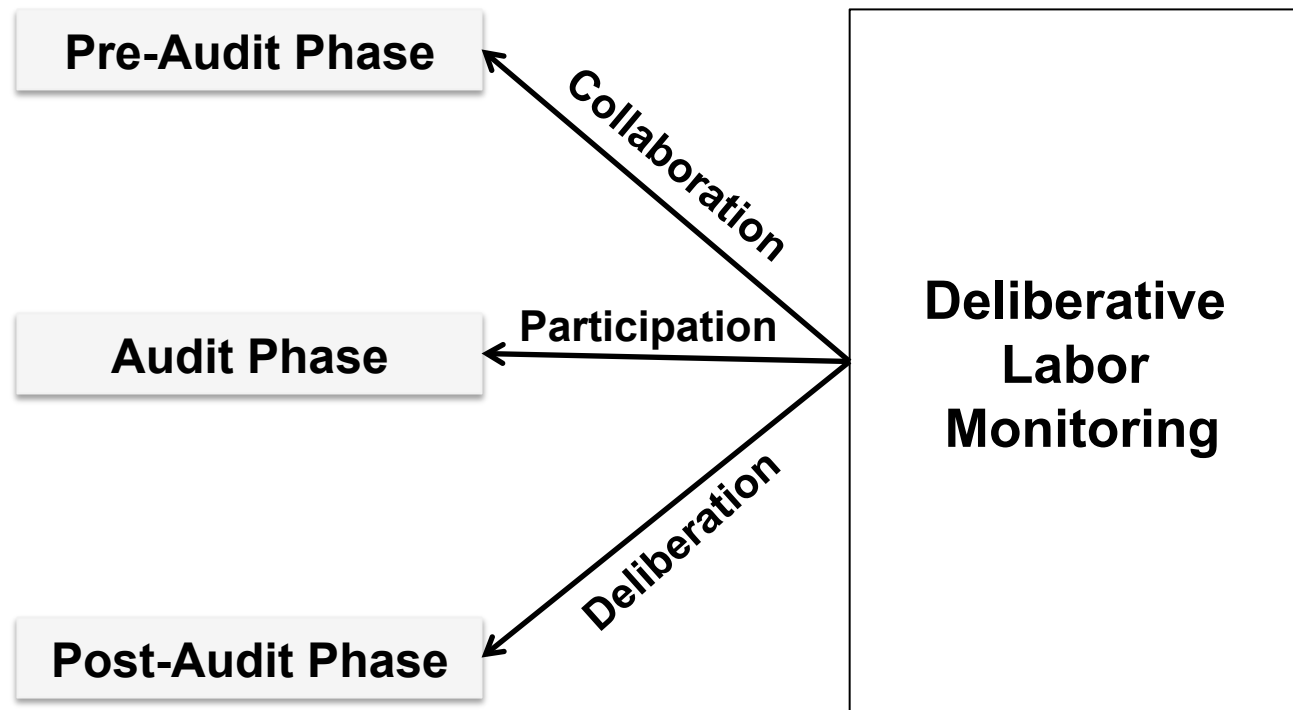
Audit Phase

announced audits / poor auditor training / faked book entries / corruption / selection of workers for interviews

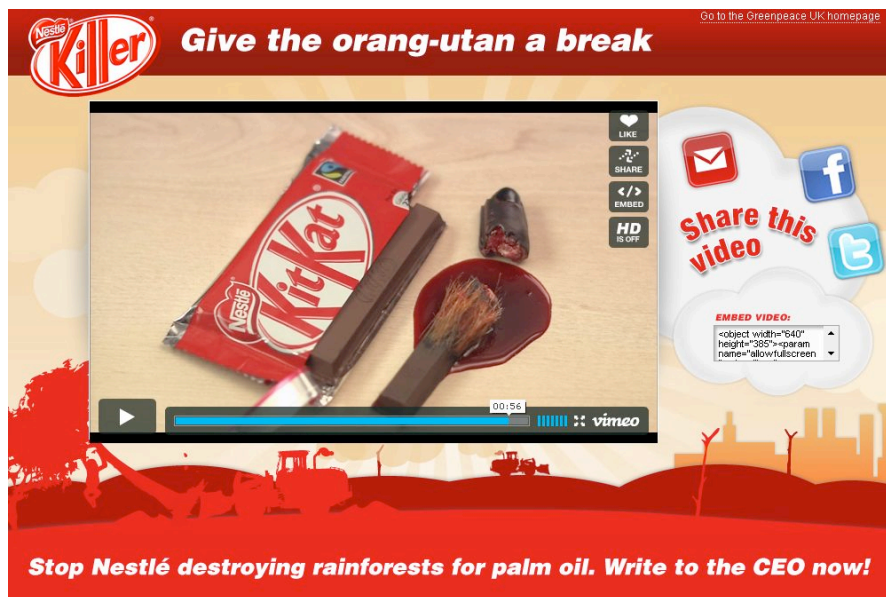
Post-Audit Phase

missing transparency (no publication of auditing reports) / level of fulfillment of standards not transparent

Improving Factory Audits



Raising the Bar by Rethinking the Relationship Between Business and Civil Society



Greenpeace Viral YouTube Video on Nestlé (launched March 18, 2010 – 1.5 million views)

facebook

User: Hmm, this comment is a bit *"Big Brotherish"* isn't it? I'll have whatever I like as my logo pic thanks! And if it's altered, it's no longer your logo is it!

Nestlé: That's a new understanding of *intellectual property rights*. We'll muse on that. You can have what you like as your profile picture. But if it's an altered version of any of our logos, *we'll remove it from this page*.

User: Not sure you're going to win friends in the social media space with this sort of dogmatic approach. I understand that you're on your back-foot due to various issues not excluding Palm Oil but *Social Media is about embracing your market, engaging and having a conversation rather than preaching!* [...]

Nestlé: Thanks for the lesson in manners. Consider yourself embraced. *But it's our page, we set the rules*, it was ever thus.

Excerpt of a Discussion on Nestlé's Facebook "Fan" Page (March 19, 2010)