The social responsibilities of business and workers' rights

Corporate social responsibility is useful if it provides the space for workers to protect their own interests – and damaging if it tries to fill that space. Respect for basic rights, union recognition, collective bargaining and social dialogue, including at the international level, are key ingredients of industrial democracy and social responsibility.

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The social responsibilities of business cannot be treated in isolation. They are part of a larger picture in terms of the economy and governance. They also relate to certain fundamental principles about the kind of societies that we all seek to build, based on human rights, social justice and democracy.

Democracy comes from the involvement of the people, not the good intentions of the elite. Democracy is based on rights, the ability of people to defend their own interests. Alternatives to democracy, including "enlightened dictatorship", do not produce a climate in which workers' rights and interests can be fully protected. Democracy, political and industrial, is the only way to transform society positively in a fundamental and sustainable way.

The central mission of the international trade union movement is to use its influence and the tools available to it in order to provide the space for workers to represent their own interests by organizing into trade unions and engaging in free collective bargaining. It is to ensure that solidarity can weigh in and improve their odds against powerful forces, governmental or private, that seek to exploit or dominate working people.

Tipping the balance

It is to tip the balance towards fairness and rights that we use the ILO supervisory machinery to put pressure on governments to respect workers' rights. It is also a major reason why we seek to move the international financial institutions away from protecting the powerful and towards encouraging the respect of the rights of the powerless. It also explains, in part, our efforts to get the World Trade Organization (WTO) to recognize that there must be effective support for workers' rights and not only for property rights.

And it is in order to weigh in on the side of working people that we join with our international trade union partners, the Global Union Federations and the Trade Union Advisory Committee to the OECD, to get enterprises to respect workers' rights. All of these activities have as their object, in one way or another, to allow workers to fight for a better deal and to change the balance of power in the workplace and in society.

No substitute for unions

Organizing is critical to workers' ability to protect their rights. It is also central to development and to the fight to eliminate poverty. The combination of effective

governance and strong and free trade unions can bring those on the fringes of society into the mainstream. Both are the natural enemies of exclusion. The best way for working people to pull themselves up by their bootstraps has always been through forming unions. That provides the power to fuel democracy, dignity and prosperity.

Corporate social responsibility is useful to the extent that it provides the space for workers to protect their own interests and it is damaging to the extent that it tries to fill that space.

A corporation that thinks that it is meaningfully engaging workers by indulging in dialogue with itself, even if this is disguised by bringing "hired guns" into the process, is either fooling itself, seeking to fool others, or both. Neither the use of professional CSR enterprises nor a process of creating rather than recognizing interlocutors is a viable alternative to engagement with workers and their organizations. Social dialogue and industrial democracy require the respect of rights, in particular the right of workers to form their own organizations. The only real "voice" of workers comes from trade unions that they control. There is no substitute. "Empowerment" in the form of human relations, transmission belt management, cannot replace representation and real power.

Nor should there be expectations that CSR can replace the obligations and functions of the State. Corporations, large and small, have no political legitimacy. They cannot compensate for a lack of democracy or for a lack of governance. They cannot replace either the will of the people or the central role of public service in making societies function. The need for companies to behave responsibly is not a new discovery for trade unions. And we have never seen it as a privatization of the duties of governments.

Current CSR processes entail a danger that there will be, in effect, private setting of labour standards or a redefinition of them. Key rights, such as trade union rights, will be missing or will be defined or interpreted out of existence. That is already often the case. In addition, for understandable technical reasons, the focus of activity may well be on those standards that are most easily measured. Both of these problems can occur even if ILO standards are used.

Regulation and voluntary action

Another danger is the notion, which is creeping into the concept of corporate social responsibility, that it must be only "voluntary". This can obscure the wider responsibilities of business in response to laws or instruments, such as the OECD Guidelines, that are prescribed by governments and not determined by business itself. It is in that broader context of the social responsibilities of business, which include issues like corporate governance, corruption and bribery, paying taxes and so on, that more narrow issues must fit, rather than the other way around.

Companies can make a difference by being responsible, as broadly defined. Most companies would agree that they cannot replace government and should not be expected to do so. They would also accept, in principle, the need for regulation and legislative frameworks. However, there is a contradiction between, on the one hand, the avoidance of government roles that they do not have a mandate to perform and, on the other, dogmatic support for deregulation. It is high time for business to respect government and those that work for government and to support strong and effective governance at both national and global levels. It is in that context that companies will have the greatest latitude to do what is right.

Within the available range of instruments, methods and processes related to corporate behaviour, certain fundamental distinctions need to be made. They parallel the differences already mentioned concerning the role of trade unions and the role of the State.

Expanded global social dialogue, which we are trying to encourage through the UN Global Compact and work at the ILO, can help encourage global industrial relations.

Social dialogue and trade union recognition at the international level, including framework agreements negotiated between Global Union Federations and global enterprises, are elements of emerging global industrial relations (see page 15). The number of such agreements has shot up from two to 21 in just six years. Agreements are voluntary, but, in effect, more binding than unilateral action where there is only one party. And the OECD Guidelines for Multinational Enterprises, although not legally binding on companies, are binding on adhering governments. These Guidelines represent governments' expectations of corporate behaviour and include government-based procedures that apply regardless of whether or not a company has endorsed them.

The government role in the Guidelines makes them stand out from purely private, voluntary initiatives. The global social dialogue and negotiations process involving legitimate global interlocutors also set them apart from other voluntary, private efforts. Both the Guidelines and emerging global industrial relations are more binding, more sustainable, and more likely to lead to real responsibility and accountability than other approaches.

Other, widely diverse methods, including trade union campaigns, use of workers' capital, corporate codes of conduct and reporting mechanisms, may influence corporate conduct privately and from the outside. They may generate engagement by companies with trade unions or they may encourage government action, but they do not inherently produce either. Our work is a combination of trying to use the existing tools more effectively and trying to influence a proliferation of initiatives in the area of CSR so that they are rights-friendly and industrial relations-friendly.

The trade union movement has taken a fairly pragmatic approach in terms of using various pressure points to get companies to recognize their responsibilities, which often means to recognize unions. In fact, some of the most important work going on at the international level is, essentially, seeking and obtaining global union recognition, not as an end in itself, but as a means to help solve at the global level disputes arising at the national level.

Sustainable development – a good framework

The context has changed in the global discussion since private, unilateral codes of conduct emerged a decade ago. We saw a widespread corporate acceptance of the need for both regulation and voluntary action in the debate surrounding the World Summit on Sustainable Development in Johannesburg. Sustainable development is a good framework of principles for the global debate in general, but also concerning the social responsibilities of business. It is more realistic and sensible than the "Washington consensus", which simply amounts to trusting in market forces and putting the world on autopilot. And it is a step away from the sterile, unproductive debate over regulation versus voluntary action.

After all, at national level, voluntary action in the form of free collective bargaining in the context of a binding framework of rights remains the most successful and effective way to regulate the workplace.

Private, unilateral initiatives reach their limit for a lot of reasons, including the competitive environment. Even in the area of corporate governance, in the limited sense of shareholder rather than stakeholder rights, voluntary action, by itself, is not enough, in spite of the power of shareholders. Recent scandals make that abundantly clear.

Often, to be effective, voluntary measures need to produce regulation. And, in many areas, given the integration of the global economy, regulation needs to be global. Similarly, corporate initiatives on the environment in a particular industry are rapidly limited by the failure of others to adopt similar standards. A level playing field protects such initiatives from becoming undermined and irrelevant.

In the social area, sustainability depends on freedom of association and the right to collective bargaining. Respect for

these key enabling rights provides sustainability for the enterprise, for the workers and for society. Union recognition and social dialogue, and agreement at national and international levels, are clearly more effective and sustainable than unilateral action by companies.

The imbalance in global governance measures, with binding rules and economic pressure to protect property rights and only moral pressure available to protect workers' rights and the environment, will not continue indefinitely. There will be, sooner or later, global regulation in this area. It is incumbent on the global social partners, the two sides of industry, to use their expertise, built through years of experience with social regulation at national level, to help shape the future rather than simply await the decisions of others.

In that context, voluntary action, social dialogue and negotiations can play a central role. They can create possibilities for private action and agreement that will be workable and credible. These will have a particularly important impact if business leaders in specific sectors are willing to expand dialogue and negotiations to industry level with their trade union counterparts. It is vital to develop and maintain the space for private negotiation and agreement, if we are to be capable of taking full advantage of this important tool for self-regulation of the workplace. Industrial relations, based on guaranteed rights, are creative and dynamic enough to advance the interests of both sides of industry while, at the same time, remaining relevant and effective in the face of rapid global change.