Corporate social responsibility in Europe: A chance for social dialogue?

The European Commission is out to encourage corporate social responsibility. In 2001, it published a Green Paper aimed at creating a "European framework" for CSR, and a Communication followed in 2002. Unions have reacted cautiously. They want to preserve Europe's social dialogue.

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Corporate social responsibility (CSR), originally a predominantly American concept promoted for the most part by big companies, crossed the Atlantic during the 1980s.

In 1995, a group of firms published the "European declaration of businesses against social exclusion", initiated in particular by the then President of the European Commission, Jacques Delors. This declaration led to the creation of a European network of 57 companies, CSR Europe (Corporate Social Responsibility Europe), which aims at an exchange of best practices on social responsibility. CSR Europe is currently chaired by former EU Commissioner Etienne Davignon.

For their part, the heads of state and government meeting at the European Council in Lisbon in March 2000 appealed to "companies' corporate sense of social responsibility regarding best practices on lifelong learning, work organization, equal opportunities, social inclusion and sustainable development".

In July 2001, the Commission published a Green Paper aimed at "promoting a European framework for corporate social responsibility",[1] followed a year later by a Communication on "CSR: a business contribution to Sustainable Development".[2] This Communication led to the establishment, in October 2002, of a European Multistakeholder Forum (companies, unions, NGOs).

The Commission sees CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". It is "over and above legal requirements". Social responsibility is manifested towards employees "and, more generally, all the stakeholders concerned" such as trade unions, NGOs, shareholders, customers, public authorities and suppliers.

However, although many of these practices – ranging from management of a restructuring to occupational health and safety or the fight against child labour – are often the result of dialogue between management and trade unions, Europe's unions seem to be "rather on the defensive" according to the European University of Labour Studies, which has examined CSR concerning employment and working conditions in four European countries (France, Germany, Hungary, United Kingdom).[3]

"The unions have been taken by surprise," explains the university's Delegate-General Claude-Emmanuel Triomphe. "Social responsibility is their turf. But now they get managers telling them, 'We're doing social responsibility', without asking what the unions think." He adds that "for a certain number of companies, this is first and foremost a marketing strategy" and "the recent trend for CSR, which has come straight from the United States, can be violently anti-union".

Consequently, the unions are "torn between defiance over the use of social issues for PR purposes and the need to adapt this tool so that it promotes social progress".

Unilateral and private

The social partners are divided at the European level. The companies are insisting on the "voluntary" nature of CSR, while the unions fear that these unilateral, private initiatives will weaken existing norms, such as laws and collective agreements.

"Codes of conduct, charters and labels should not be regarded as an alternative to governmental responsibility", the European Trade Union Confederation (ETUC) emphasizes. "Nor as an opportunity for companies to sidestep trade unions and collective bargaining."

The European Parliament, meanwhile, believes that the starting point for CSR should be voluntary, but without excluding regulation if necessary.[4]

The employers want nothing to do with CSR along the lines of the European social model, characterized by strong social legislation and structured social dialogue. In a letter to the European Commission's President Romano Prodi, the European employers' federation UNICE, CSR Europe and the European Round Table (ERT), an industry lobby, declared their opposition to "a European model of corporate social responsibility based on European values, according to standardized approaches".[5]

The ETUC, meanwhile, advocates a "partnership approach" to CSR, established as a priority on the basis of "good industrial relations".[6] CSR must, the ETUC says, "be developed in a legislative and/or contractual framework, adapted on an ongoing basis".[7] The ETUC also deplores the fact that the EU Commission's Communication makes only one passing reference to "social dialogue", namely that "approaches should involve consultation with local stakeholders".

"If it had been left to companies on a voluntary basis, how many European Works Councils would there be today?" asks the ETUC, recalling that the directive (EU legislation) on these works councils was adopted despite the opposition of the employers, and that it took 25 years to obtain a European company statute with worker participation.

For the ETUC, "socially responsible" practice means providing high-quality jobs (through training); informing and consulting the workers; anticipating restructuring; and respecting basic social rights, such as the ILO Conventions and the principles of the European Social Charter adopted in Nice – a charter that the ETUC would like to see made legally binding.

"Unless it incorporates social dialogue, CSR cannot develop in Europe", argues Claude-Emmanuel Triomphe. "As soon as it incorporates social dialogue, it will also incorporate its contractual and legislative contents. I think it can also add to them. I don't believe in CSR as a force for curtailment. Europe's social culture is an extremely strong one."

"In the US", he adds, "a company can adopt a code of conduct without reference to the unions. In Europe, that would be impossible" – except perhaps in the United Kingdom and some Central European countries.

Apart from major social legislation, the European social model does indeed assign an important place to social dialogue. At the European level, UNICE and the ETUC are empowered to reach agreements that may have the effect of a directive and therefore of law. Such agreements include those on fixed-term contracts (1999), part-time working (1997) and parental leave (1996). At the enterprise level, many CSR practices are the result of collective bargaining.

EU Social Affairs Commissioner Anna Diamantopoulou also advocates a CSR that is "based on European values", because "the point is not to copy what already exists, but to give added value".[8]

For the time being, however, the Commission plans only to promote an exchange of "good practice", still within a voluntary framework, but fostering convergence and the transparency of verification instruments.

Will that be enough? Codes, charters, labels and social reports "are no substitutes for necessary regulation by international or national authorities", declares the ETUC. "Today, for its work, Europe relies a great deal on the exchange of practices", says Raymond-Pierre Bodin, Director of the Dublin-based European Foundation.[9] "The moment comes when that is no longer enough. Political decisions have to be taken about which course to follow. But the political leaders are absent from the debate about the European social model."

Public label

In this respect, Belgium has just undertaken an interesting initiative about which trade unions have mixed opinions. Its government is the first in the world to launch a "public" social label, with the aim of "promoting socially useful production" (see article by Bruno Melckmans on page 41).[10]

The Belgian experiment is being closely followed by the European Commission, which would like to see a harmonization of the different labels within Europe so that, for instance, they refer to the same criteria – the ILO standards or the OECD Guidelines. The idea would be to "label the labels", in other words to keep each label's own logo, but add the 12 stars of the EU flag on the basis of common criteria. The initial enthusiasm for social labels has dampened somewhat, however, with growing recognition of the difficulty of developing viable and meaningful labels.

The ETUC is pressing for another means of fostering corporate social responsibility – the introduction of labour rights clauses into the EU's Generalized System of Preferences (GSP).[11] Under the GSP, developing countries are granted reductions or suspensions of customs duties on their exports to the European Union (EU). After a campaign by the ETUC and the International Confederation of Free Trade Unions (ICFTU), the EU built all the basic ILO rights into its GSP: abolition of forced labour (1995), trade union rights and non-use of child labour (1998) and non-

discrimination (in the GSP for 2002-2004). Thus, the clause on forced labour has been the grounds for Myanmar's suspension from the EU's GSP since March 1997.

At the sectoral level, meanwhile, European trade union federations such as those in commerce, metalworking and textiles have engaged in discussions on social responsibility, within the framework of the European social dialogue.

The European commercial workers' federation UNI-Europa Commerce, which is part of the global union federation UNI and has a web page on CSR,[12] launched a formal dialogue on this subject with the employers' federation EuroCommerce on 6 November 2002. The Vice-President of UNI-Europa Commerce, Jörgen Hoppe from Denmark, says that CSR must be "win-win", and the State must set an example when awarding public contracts. Indeed, he sees the law simply as "backing" and believes it is sometimes necessary to "adapt" codes of conduct to the circumstances.

The textile workers' European federation ITGLWF/ERO signed three agreements with the employers' Euratex in 1995, 1997 and 2000. These refer to the core ILO Conventions and are transposed into national collective agreements. In 2002, these same social partners began discussions on the implementation and monitoring of the agreements. The ITGLWF/ERO proposed that they should be assessed in the light of the ICFTU's model code,[13] the pilot monitoring exercises of the NGO, the Clean Clothes Campaign (CCC),[14] and the various verification stages set out in the SA 8000 standard.[15] In leather tanning, a one-year training project (on the code's contents, implementation and monitoring) has been launched in 12 pilot firms, with a view to their certification under SA 8000.

Monitoring

Nonetheless, "there is no optimum solution for monitoring", admits ITGLWF/ERO General Secretary Patrick Itschert.

Undoubtedly, the main difficulty with CSR is its evaluation and verification. In this regard, the European Commission intends to encourage the convergence of existing instruments, such as social reports and certification standards.

Regarding social reports, the Commission supports the Global Reporting Initiative,[16] an organization that is partly financed by the UN, is multipartite (trade unions, companies, NGOs and governments) and has been working since 1997 on the development of economic, social and environmental criteria for sustainability reporting comparable to those for financial reporting. More than 150 companies state that they have used the GRI guidelines which, however, remain voluntary.

In France, a law passed in 2001 concerning the New Economic Regulations requires that companies include in their annual reports an assessment of the "social and economic consequences" of their activities.

On monitoring, there are a few initiatives which involve trade unions, such as those by the Ethical Trading Initiative, an organization supported by the British Government, and by the Clean Clothes Campaign, as well as the SA 8000 standard.

SA 8000, cited by the Commission, is one of the farthest advanced, although by October 2002, only 162 plants had been certified under SA 8000, and eight auditing firms had been accredited. Developed by the American-based NGO Social Accountability International (SAI), together with companies, NGOs and trade unions, this standard covers nine fields ranging from child labour to health and safety, working times, remuneration and forced labour. It draws its inspiration from the ILO Conventions, the UN Convention on the Rights of the Child and the Universal Declaration of Human Rights. It functions in a similar way to the ISO 9000 quality standards of the International Organization for Standardization, but it adds a requirement to seek the views of stakeholders (workers and NGOs) and an appeals mechanism that enables interested parties to lodge complaints.

As for social rating agencies, of which there are only about ten in Europe, very few of these involve trade unions. However, several European trade union centres are represented on the Board of Vigeo, the new European social rating agency founded in 2002 by Nicole Notat, the former leader of the French trade union confederation CFDT. She says that the ILO's core Conventions will be a "major reference" for Vigeo (see interview on page 63).

But the ETUC believes that the ILO is still the most appropriate monitoring body. While CSR is on the agenda at meetings between the Commission and the ILO, the Commission suggests "making ILO instruments more effective".[17]

Notes

[1] European Commission: *Promoting a European framework for Corporate Social Responsibility*, Green Paper, 18 July 2001. See also the Commission's CSR web site at: http://www.europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm

[2] European Commission: *Corporate Social Responsibility: A business contribution to Sustainable Development*, Communication, 2 July 2002.

[3] European University of Labour Studies: *Responsabilité sociale de l'entreprise, emploi et conditions de travail,* report for the European Foundation for the Improvement of Living and Working Conditions, Dublin, December 2002.

[4] European Parliament: *Corporate Social Responsibility,* Parliamentary resolution on the Commission's Green Paper, 21 May 2002.

[5] UNICE, CSR-Europe and the ERT: *Corporate Social Responsibility,* joint letter to Romano Prodi, 4 June 2002.

[6] ETUC information note on developments in CSR, 24 July 2002.

[7] ETUC: *Corporate Social Responsibility in a legislative and contractual framework,* resolution adopted by the ETUC Executive Committee, 10-11 October 2001.

[8] Ms. Diamantopoulou's address to the Multistakeholder Forum on CSR, 16 October 2002.

[9] Interview with Mr. Bodin in *La Lettre de l'ORSE* (Observatoire sur la responsabilité sociale des entreprises), no. 23, 13-20 September 2002.

[10] See also the Belgian economics ministry's web page on the social label: in French at http://mineco.fgov.be//protection_consumer/Social_label/home_fr.htm; in Dutch at http://mineco.fgov.be//protection_consumer/Social_label/home_nl.htm

[11] Concerning the GSP for 2002-2004, see: http://www.icftu.org/displaydocument.asp?Index=991216388&Language=EN

[12] http://www.union-network.org/UNIsite/Sectors/Commerce/index_CSR.htm

[13] See ICFTU, Global Union Federations and Trade Union Advisory Committee to the OECD: *A Trade Union Guide to Globalization*, December 2001: http://www.icftu.org/pubs/globalisation

[14] http://www.cleanclothes.org

[15] http://www.sa-intl.org

[16] http://www.globalreporting.org

[17] European Commission: *Promoting core labour standards and improving social governance in the context of globalization,* Communication, 18 July 2001.