

# Corporate public reporting on labour and employment issues

*Corporate reporting on environmental and social impacts has rapidly gained ground among large companies around the world. But what are the advantages and disadvantages of the various reporting systems – and how can unions harness the potential of reporting?*

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Since the mid-1990s, voluntary reporting and disclosure mechanisms have become a prominent feature of the corporate social responsibility movement. These include individual corporate reports and reporting initiatives organized on a multi-stakeholder basis or by private sector actors. Any consideration of corporate reporting and disclosure needs to take account of these voluntary activities, as they form a prominent feature in the debate about corporate social responsibility.

## Corporate reporting

Individual corporate social and sustainability reports are increasingly prominent. However, a detailed analysis of the labour and employment information in these reports demonstrates the poor quality of the information provided by them. Table 1 reveals a number of facts which allow us to question their usefulness. At a very general level, we can observe a great deal of selectivity in the labour and employment information that corporations are willing to report. Furthermore, when the nature of the information reported was classified into policy information, process information or performance information, we see levels of disclosure decrease for most variables as we move from policies to processes to performance issues. Also notable is the low reporting in areas considered to

be fundamental human rights, freedom of association and collective bargaining, non-discrimination, equal remuneration, child labour and forced labour. With the exception of non-discrimination, all fall under the 10 per cent range for policy, process and performance variables. We also see steady drops among these fundamental rights from policy to process to performance with the exception of performance reporting on non-discrimination.

The statistics in table 1 say nothing about the actual information that is reported. As standardized indicators are still being developed by many voluntary corporate reporting initiatives and mandatory ones are limited to only a few countries, it is not surprising that information published in reports differs widely.

A good example is a comparison of the information two companies reported on freedom of association and collective bargaining. South African Breweries (SAB), in its *Corporate Citizenship Review 2000*, reported on its respect for the “right of employees to join trade unions for collective bargaining purposes”<sup>1</sup> and on participation levels in trade unions compared to the national averages and changes in trade union membership between years. It also reported on decreases in lost working days due to industrial action and applications to industrial tribunals as well as the percentages of cases that were settled prior to the tribunal hearing, those found

**Table 1. Reporting content by labour issue and character of information**

Variable	Policy average	Process average	Performance average		
			Total	Quantity	Quality
Child labour	8.9	2.3	1.9	0.9	1.9
Forced labour	7.5	1.4	1.4	0.9	1.4
Non-discrimination and equal opportunity	30.5	11.7	16.9	13.1	15.9
Freedom of association	9.9	2.3	5.2	2.8	3.3
Collective bargaining	8.0	8.0	7.0	0.0	7.0
Equal remuneration	0.0	0.0	0.0	0.0	0.0
Wages	36.2	29.1	61.0	54.9	28.2
Hours	5.2	1.4	4.7	2.8	1.9
Training	43.7	35.7	49.8	27.2	43.7
Health and safety	45.5	40.8	45.5	39.9	42.7
Total employment	4.2	24.9	71.8	71.8	5.6
Job security	2.8	0.0	2.8	1.9	0.9
Employment of host country nationals	6.1	2.3	6.1	4.7	3.3
Technology	0.9	1.4	0.9	0.0	0.9
Disciplinary practice	0.0	0.0	0.0	0.0	0.0
Linkages with national enterprises	3.8	3.8	4.7	1.4	3.8

in favour of the company and those won by the plaintiff.

In contrast, the Michelin *Annual Report's* references to freedom of association and collective bargaining include a policy reference to respect for the right to trade union representation. The report then describes different relationships with unions in different countries, including the United States, Canada and several European countries, and attempts to justify these relationships with reference to national systems of industrial relations and the choice of workers rather than to the company's policy statement. The information reported by both companies does not really give an indication of the companies' actual effect on freedom of association and collective bargaining.

The distinguishing factor between these two reports is the emphasis on facts versus opinions. The SAB report focuses on its policy and facts such as statistics about trade union participation over time. Although the Michelin report also reported on the company's policy, it was more focused on describing the situation from management's perspective. These differences are illustrative of the diversity among social reports.

### Voluntary reporting initiatives

To complement the individual corporate social and sustainability reporting which is occurring among large companies, a number of voluntary reporting initiatives have also been developed. The following paragraphs review the several voluntary reporting activities where labour and employment issues are discussed, including the Global Reporting Initiative (GRI), the Global Compact's new Reporting Requirements and Business in the Community's Corporate Impact Initiative. These give a sense of the diversity and goals associated with voluntary reporting initiatives.

A reporting format that is gaining ground in business circles is the one proposed by the GRI. The GRI is "an international multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization-level activity. The GRI mission is to elevate the comparability and credibility of sustainability reporting practices worldwide. The GRI incorporates the active participation of businesses, accountancy, human rights, environmental, labour and non governmental organizations."<sup>2</sup> The purpose of

this non-governmental, voluntary initiative is to provide a common framework for global sustainability reporting, elevating it to a widely accepted and recognized standard similar to those used for financial reporting. It strives to supply a solid reporting benchmark, eliciting lucid, comparable and verifiable disclosure of economic, environmental and social performance.

The GRI guidelines consist of several sections. The first concerns the reporting principles or goals which a reporter should strive to achieve. These include transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity and timeliness. The next section deals with report content and takes up the issue of reporting indicators. The labour and employment indicators recommended as core indicators under the heading "Social Performance Indicators: Labour Practices and Decent Work" cover employment, labour relations, health and safety, training and diversity and opportunity. The section entitled "Social Performance Indicators: Human Rights" incorporates a reference to the "Fundamental Human Rights Conventions of the ILO" and the Universal Declaration of Human Rights. It covers indicators on non-discrimination, freedom of association and collective bargaining, child labour, forced and compulsory labour, disciplinary practices, security practices, and the rights of indigenous populations. The indicators do mention Conventions Nos. 29 and 138 and also reference the ILO Guidelines on Occupational Health and Safety Management Systems. The indicators are relatively abstract and do not necessarily deal in detail with the issues being addressed. The latest version of the GRI guidelines has just been published, and it therefore remains to be seen how the issues will be described in future reports.

On 27 January 2003, the United Nations reformulated a company's commitment to the Global Compact. It dispensed with the requirement that companies submit examples of what they are doing and replaced it

with a requirement that participants must use their annual report or other prominent report to give an account of what they have been doing with respect to all of the nine principles of the Global Compact. While not really comparable to initiatives such as individual corporate reports or the Global Reporting Initiative, this development is interesting as it is yet another multi-stakeholder effort to encourage corporate social reporting, and one in which trade unions have a direct role.

Business in the Community is a movement of 700 member companies committed to improving their impact on society. The organization is business-led and has 189 member companies. One of its initiatives is the Corporate Impact Reporting Initiative, which helps member companies learn about measurement and reporting on community impacts. The initiative makes recommendations on how to report on the workplace dimension in a corporate report that was designed for human rights and workplace issues. These reports focus on what the company should be measuring and the essential components of good practice. The workplace guidance gives generic issues to measure but does not recommend actual measurements. These issues include workforce profile, staff absenteeism, number of legal non-compliances, number of staff grievances, upheld cases of corrupt or unprofessional behaviour, staff turnover, value of training and development provided to staff, pay and conditions compared against local equivalent averages, workforce profile compared to the community profile, impact evaluations carried out as a result of downsizing and perception measures of the company.

### **Voluntary reporting: Advantages and disadvantages**

This review of labour and employment information in voluntary reporting initiatives demonstrates both the advantages and the disadvantages of these mechanisms. The disadvantages include the lack of reporting on certain issues, particularly subjects

considered to be fundamental human rights issues, as illustrated by the analysis of individual corporate reports. However, there is also a lack of standardized information between the reports, as demonstrated by the comparison of two companies' reporting on freedom of association. The voluntary nature and progressive character envisioned in initiatives such as the GRI and the Corporate Impact Reporting are unlikely to have a standardizing effect on corporate social reports. Nevertheless, voluntary disclosure practices are producing information, and the multi-stakeholder character of two of the initiatives discussed – GRI and the Global Compact – at least gives trade unions the opportunity to shape and improve the quality of these voluntary reporting initiatives, so as to make them useful tools for advocates of workers' rights.

### Public policy mechanisms

In contrast to voluntary reporting initiatives, there are a number of public policy mechanisms that require reporting by companies and other actors on the labour and employment impact of corporate activity. This section will consider two of the most significant governmental and inter-governmental initiatives that exist – national and international reporting.

National reporting requirements are not new, but they are often not considered and discussed with major emphasis on corporate voluntary reporting. Governmental reporting and disclosure requirements do exist in several European countries; yet in most countries, companies are under few or no legal obligations to publish social reports. This section reviews efforts in France and Belgium on mandatory reporting and outlines the weaknesses and advantages of these requirements.

France requires by law a *bilan social* (social report) from all enterprises employing more than 300 employees. This document is prepared annually by the company and submitted to a committee of workers and management that discusses and approves

it during a meeting on the subject. After the committee gives its approval, the social report is distributed to the works council, trade union delegates, shareholders and the labour inspector as well as to any worker requesting it.

The *bilan social* is a document containing statistical information that the government defines. It contains only statistical information; the decision to omit comments and qualitative observations is the result of a desire to avoid any subjective interpretation of indicators and to make a distinction between the facts (the social report) and the comments as represented by the meeting of the works committee. The French decree 77-1354 passed in 1977 outlines 134 measures and indicators that need to be reported in the *bilan social*. It includes chapters on employment, payment, health and safety, working conditions, training, labour relations and living conditions. In 1999, a proposal was made by the French Economic and Social Council to update the indicators, modify the structure of the *bilan social* and improve its circulation. In a related development, France revised a law concerning the new economic regulations. This new law makes it mandatory for corporations to report on employee, community and environmental issues, how the corporation's subsidiaries respect the ILO core Conventions and how the corporation promotes these Conventions to its subcontractors.<sup>3</sup>

Since 1995, companies in Belgium have been required to include in their annual report a *bilan social* that consists of data on the nature and the evolution of employment in their companies. It is required for all companies employing more than 20 wage earners. The *bilan social* is prepared by the company and is submitted to the National Bank of Belgium, which is responsible for the collection and distribution of the annual accounts based on Belgian enterprises' *bilans sociaux*. There are two versions: a full social balance sheet, which has to be prepared by large entities, and an abbreviated social balance sheet, which has to be prepared by medium-sized entities.<sup>4</sup> The chapters include one on the state

of the workforce, fluctuations in the workforce, measures adopted for the promotion of employment and organized training. In a related development, the Belgian government also recently passed a law concerning a social label for companies (see page 41).

These two reporting initiatives are not the only ones. Within the European Union, several other governments are engaged in discussions and activities on social reporting and disclosure, but limited space prevents us from discussing all of these. The countries concerned include the Netherlands, whose Social and Economic Council stated that it would be “undesirable to extend existing legal reporting requirements” to include social responsibilities. The Government of the United Kingdom has also been looking closely at the issue of mandatory corporate social reporting, though no decisions have yet been made.

This section demonstrates some important points about corporate reporting and disclosure. First, it shows that standardized mandatory reporting is possible and feasible, since it has been happening in France for over 20 years and in Belgium for close to ten. This refutes one of the arguments often put forward by industry – that the complexity of companies prevents the standardization of reports, since each company is very different. The experience of the French *bilan social* also offers an important conceptual tool for differentiating between the statistics and the interpretation of those numbers. This was one of the problems that voluntary reporting efforts reviewed in the earlier section do not address. Finally, it is also useful to note that in Belgium, the reports are distributed fairly widely, something that perhaps is not directly done in the case of voluntary reporting.

### ILO Tripartite Declaration survey process

The ILO Tripartite Declaration – or Multinational Enterprises (MNE) Declaration – is the only universally agreed set of standards directed at multinational enterprises in the employment and labour fields. The

MNE Declaration suggests specific actions for companies in respect of certain labour rights, namely freedom of association and collective bargaining, non-discrimination and equal opportunity, child labour, health and safety, training, employment promotion, wages and conditions of work. The MNE Declaration contains 21 paragraphs directed towards multinational and national enterprises. The most relevant part for this discussion is the survey procedure that the ILO undertakes every three years on the effects of the Declaration.

A resolution of the International Labour Conference, adopted in June 1979, stated that “a report must be made periodically for the follow-up given to the Tripartite Declaration on Multinational Enterprises”. The ILO has to date conducted seven surveys of the effect given to the Tripartite Declaration to support this resolution. However, while the current survey carried out by the ILO is one way of reviewing the follow-up to the Tripartite Declaration, it need not be the only way, assuming that tripartite agreement can be found for a new proposal. The current survey can clearly be criticized. It is poorly designed from a methodological point of view, the analysis of the survey contains no statistical data that would allow comparison of trends across time and the survey reads as something that appears to balance the opinions of constituents with widely divergent views about the observance of the Declaration in different countries. However, there have been some efforts to improve the survey recently.

In a paper submitted to the Subcommittee on Multinational Enterprises and Social Policy, the International Labour Office outlined options that broadly mean the maintenance of the current survey process with a few improvements to the survey. These included supplemental questionnaires to MNEs and Global Union Federations and a simplified standard questionnaire covering the Declaration, with more detailed questions on one of the areas of the MNE Declaration.<sup>5</sup> The fourth option proposed reducing the frequency of the Global Survey to free up resources for in-depth



national surveys and studies. The results would then be used to stimulate dialogue and action among ILO constituents at the country level regarding the role MNEs play in development and the realization of the Decent Work Agenda.

The Subcommittee's reactions to the fourth proposal were mixed at best. The workers' representative preferred to see all four options used in order to improve the survey and referred to them as "natural additions to the survey process". Thus, we saw some support from workers for revisions to this process. Government representatives tended to have a preference for the fourth option, arguing that it could help strengthen operational activities but also that it could help address certain structural problems within the global survey by replacing it. The employers' representative had "some reservations" about country-level surveys, but she agreed that the survey should be less bureaucratic, shorter and simpler. It is unlikely that the eighth survey will follow this fourth option, but the idea should not be forgotten.

National surveys seem an opportune point of departure, as this idea was strongly favoured by workers and governments, and employers did not reject it outright. As proposed at the ILO's 285th Governing Body meeting, there could be a focus on in-depth surveys at the country level, either instead of or in cooperation with a global survey. These national surveys would produce a solid information base that could track the effect of foreign direct investment (FDI) in a country on the areas addressed by the Tripartite Declaration. It could then be followed up with dialogue between tripartite partners at a national level so that these partners are aware of the actual impact that multinationals are having on employment and workers' rights and can shape appropriate policies to respond to the effects of FDI. They could help governments build a firm understanding of actual impacts of FDI and serve to provide clear and accurate information that can inform more specific and relevant discussions and policy at a national level.

The survey process, which is part of the ILO Tripartite Declaration, is something that needs improvement. All parties agree upon this. It is useful to consider this in the context of broader public corporate reporting by companies around the world. The survey is clearly not the only source of information on companies, particularly as trade unions, non-governmental organizations (NGOs) and companies publish a great deal of information themselves. The advantage of the Tripartite Declaration's survey process is its tripartite nature and the emphasis placed upon dialogue among tripartite constituents. This dialogue could be more focused and worthwhile at the country level, where more in-depth discussions could take place and clear linkages to national policy and practice can be established. The precise nature of this national process would need to be discussed in each individual context, but the broad outline is its tripartite character and the link between producing quality information, dialogue based on this information and an agenda for action by tripartite partners.

### **Building a trade union agenda on corporate disclosure and reporting**

Recent developments in corporate reporting and disclosure need to be carefully considered by workers' organizations. There exist various mechanisms for corporate reporting and disclosure of labour and employment information. However, there are clear weaknesses at all levels. Nevertheless, these are the mechanisms with which the trade union movement has to work. Clearly, corporate reporting and disclosure are of value to the trade union movement. Trade union involvement in voluntary initiatives such as the GRI, in national initiatives such as the French *bilan social*, or in the survey associated with the Tripartite Declaration, demonstrates that the unions see a use in such public information and a need to improve it. The challenge for unions will be to design a strategy to do so. This strategy should be based on three fundamental premises. Firstly, the information any

mechanism produces must be useful. Secondly, trade unions should recognize the limitations of the respective mechanisms and seek to build other mechanisms that fill the gaps. Thirdly, if possible, linkages should be built between the mechanisms to ensure that they do not duplicate efforts but contribute something useful.

## Notes

<sup>1</sup> South African Breweries: *Corporate Citizenship Review 2000*, 31 March 2001, p. 31.

<sup>2</sup> <http://www.globalreporting.org> [Visited on 17 December 2002.]

<sup>3</sup> Sarj Nahal: *Mandatory CSR Reporting: France's Bold Plan*.

<sup>4</sup> The level has been agreed at a turnover of 20 million former French francs, except for certain cases.

<sup>5</sup> ILO: GB.285/MNE/2.

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