CSR from a Development Perspective: Trends, Debates and Policy Implications

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• There are growing expectations of business as a proactive development agent
  – not only through production & investment but also CSR, partnerships, private regulation, and new business models;
• In social science research and management studies there is a major debate about the contribution of these new approaches to development;
• CSR raises important challenges, questions and concerns that policy makers need to consider.
Definitions

**Social development:** sustained improvements in social well-being, social relations and social institutions (UNRISD)

**Corporate social responsibility (CSR):**
- Voluntary initiatives that go beyond charity & minimum standards set by law, or that fill gaps associated with weak government regulation;
- Responsiveness to the concerns of different stakeholders
- Continual improvement in social and environmental performance;
- Systematic application of a range of initiatives (not just isolated actions).

**PPPs:**
- Collaborations involving state and non-state actors, in which participants work to achieve a common purpose or task, and share risks, responsibilities, resources, costs & benefits.
  - For example: affordable prices and delivery systems for pharmaceutical drugs; multistakeholder institutions for setting and applying labour standards; environmental projects; commercialization of drinking water.
The “Great Debate” on CSR

Very different perspectives exist:
• CSR = “win – win”; doing good for people and the environment is also good for business;
• CSR = “public relations”; a lot of rhetoric but little action; CSR diverts attention from roles and responsibilities of key development agents, notably government regulation;
• “Voluntary” versus “legal”
  – Governments are inefficient; laws are not implemented; voluntary initiatives can fill these deficits;
  – Voluntary CSR initiatives are inherently weak; CSR reinforces corporate power; what is needed is binding regulation and a “developmental” state.
Areas of engagement:

1. Compliance with the law
2. Greater transparency & disclosure of information
3. Anti-corruption & fiscal responsibility
4. Environmental management/ sustainability
5. Decent work: working conditions (OHS); labour rights and welfare (including child labour and social insurance); decent pay & “living wages”
6. Human rights
7. Poverty reduction (& support for MDGs)
8. Social programmes (e.g. health, education, water, food) & support for MDGs
9. Community assistance and investment
10. Special responsibilities in Conflict Zones
11. Novel business models: e.g. “Bottom of the Pyramid” approach; social entrepreneurship: Fair Trade
12. Responsible lobbying & Policy dialogue

CSR instruments and institutions:

- Codes of conduct/principles, EMS, company “sustainability” reporting; monitoring, social auditing, certification; labelling; stakeholder dialogues.
- New public – private relations, e.g. Multistakeholder (standard-setting) initiatives (MSIs) (e.g. UN Global Compact, EITI, FLA, GRI, ETI) and Public-Private Partnerships (PPPs); NGO-business partnerships
- Industrial relations (e.g. International Framework Agreements)
Is CSR a “Western” Agenda

• To some extent, YES:
  Why?
  The contemporary CSR agenda (post 1990) was driven partly by “western-related” concerns, including:
  - the growing imbalance between the rights of large TNCs and their obligations under globalization & liberalization
  - increasing social and consumer pressures on global brand name corporations
  - corporations needed to manage risk and reputation to protect their brands, and therefore need to control their supply chains
  - prominent CSR issues were to some extent those that troubled the conscience of western consumers and activists (save the forests; save the pandas; “sweatshops”, etc)
• Yes. Why?

- CSR is not new in other regions; historical trajectories of CSR already exist due to state-business & business-society relations & compromises, religious influences, and the “embeddedness” of local & national elites;

- but also because of recent institutional, structural, and normative changes
Why is the CSR agenda spreading globally?

- Globalization, FDI, global value chains spread CSR policies and practices in the supply chain
- Ideas about CSR are spreading through MBAs & business associations & networks (internationally – e.g. WBCSD, IBLF) and nationally (e.g. TERI, India; Ethos, Brazil)
- CSR is being institutionalized internationally through the United Nations (e.g. Global Compact, MDGs, UNDP, regional commissions), ILO, World Bank, OECD, EU, ISO and many others
- CSR is also linked to free trade agreements (e.g. environmental and labour clauses)
- CSR is promoted by stock exchanges (e.g. South Africa)
- As emerging markets and their Sovereign Wealth Funds & TNCs invest abroad, more attention is now turning to their role & responsibilities in other countries
- The rise of civil society (NGOs) and free press in developing and emerging countries that expose bad business practices and promote alternatives
- The rise of “multistakeholder” standard-setting institutions, e.g. ETI, FLA, IFAs
- Transnational activism connects civil society organizations globally, and local issues can quickly become international issues.
1. Learning from history:
   - Under what conditions has business been an effective development agent?
   - How does the current CSR model compare?

   • Scale, quality & impact of CSR interventions
Comparing Past and Present

- Historically, business contributed to social development via:
  - employment, formal labour relations, taxation, corporate social welfare (health care and social insurance), philanthropy, stable or increasing wage share of national income

- And the drivers of socially responsibly business were:
  - social pacts and compromises; elites that had a sense of belonging with local and national “communities”; relatively strong “developmental” states, labour movements and religious influences that disciplined business;

- Some of these conditions have changed:
  - big business interests have increased their power relative to states and labour;
  - foreign capital and corporations have increased their presence globally & locally;
  - elites have become more global and less embedded nationally & locally;
  - regulatory and administrative capacity of national states has declined in some regions
  - large companies employ relatively few workers;
  - small enterprises generate employment but are weak economically and politically;
  - increasing use of casual, sub-contracted labour;
  - lowering of corporate tax rates;
  - fewer workers covered by corporate social welfare plans

- To what extent can CSR fill some of these gaps?
- Can business become an effective development agent through CSR & PPPs?
CSR – the promise

CSR is generally seen as an important approach for promoting sustainable development and good governance:

• social, environmental and human rights dimensions of development are addressed directly by companies;
• corporate self-regulation and voluntary CSR initiatives can fill in for weak and inefficient states;
• CSR promotes transparency, monitoring, disclosure and participation of stakeholders
• it creates new institutions that can fill some of the institutional gaps of globalization, i.e. CSR is conducive to “embedded liberalism” (Ruggie)
CSR – the criticism

• CSR = “window-dressing” (puts a nice face on “business-as-usual”); more rhetoric than substance
• CSR does not progress beyond philanthropy; remains at the level of isolated short-term projects
• CSR diverts attention and responsibility away from the role of government, or fails to connect with development strategies and frameworks
• CSR serves to displace trade unions & promote the role of unaccountable NGOs
• Ignores the “big issues” & concerns, e.g.
  – Corporate lobbying for policies that can have negative social and environmental effects
  – Sub-contracting and the “race the the bottom” in labour standards
  – Labour rights (freedom of association and collective bargaining)
  – Imbalances in power relations which marginalize weaker stakeholders
  – Undue influence of business interests in public policy & regulatory institutions
  – Tax evasion & fiscal responsibility
CSR: Stylised facts regarding potential and limits

• CSR took off internationally in the 1990s and PPPs in the 2000s but with limited attention to impact assessment

• After 2 decades of CSR: research is now shedding light on its impact from a development perspective
  – CSR is a good awareness-raising tool to get companies to think more systematically about social, environmental, human rights issues;
  – Some notable areas of progress, e.g. child labour, occupational health and safety (OHS), compliance with minimum wage legislation, environmental management systems (EMS)
  – New sources of financing for development (e.g. Global 500 corporations: approx. $25 billion in cash and in-kind – (WEF)
  – Some signs of progress from “Public relations” (PR) to more “substantive” CSR

• BUT
  – CSR often remains at the level of philanthropy; limited uptake
  – Operational weaknesses of key CSR instruments
  – Structural conditions, government policies and management cultures and systems often fail to create an enabling environment for CSR
• Reality check:
  – Universe of TNCs: 79,000 (UNCTAD 2008)
  – TNC affiliates: 790,000
  – TNC suppliers: millions

• Key CSR initiatives: (end 2007)
  – ISO 14001 certification: 129,199
  – UN Global Compact: 3,639
    • Global 500 corporations: 105
  – Global Reporting Initiative: 2,667
  – SA 8000: 1,373
  – Int. Framework Agreements 50 +
Diverse Responses to CSR

Study of 100 Fortune corporations, reveals major differences in approach and commitment to poverty reduction (selected indicators)

- **Inactive approach**: No explicit statements on poverty. We create jobs and employment (as by-product of profit maximization). Payment of taxes. No code of conduct and/or low compliance. No support for labels. No separate business model for poor.

- **Reactive approach**: Contribution to economic growth. Narrow BOP. Creation of local employment used defensively. Micro-credits as (small) part of philanthropy. Transfer of technology and knowledge mentioned, but not specified. Vague code. Support for Global Compact and modest support for GRI.

- **Active approach**: Explicit statement on moral unacceptability of poverty. Definition of decent wage. Broad BOP. Creation of local employment opportunities at suppliers. Micro-credits as part of business strategy. Transfer of technology and knowledge is specified. Explicit support for MDG 1. Wholehearted support for GRI. Philanthropy is aimed at poverty. Specific code and/or labelling on poverty and/or fair trade.

- **Pro-active approach**: Strategic statement on poverty. Explicit support for all MDGs (including #8 on partnerships). Active partnerships with NGOs and international organisations on poverty. Explicit code and support of highest possible transparency (GRI). Transfer of technology and knowledge is specified and discussed for its impact on poverty alleviation. Codes and labelling activities part of a contract with third parties. Dialogues as an explicit tool to raise strategic effectiveness. Search for a separate (strategic) business model for the poor.

Source: based on Rob van Tulder 2008
Quality of Response to CSR (global corporations)

- **Fortune 100 corporations, 2006**
  - %; overlap possible

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<th>Re-active</th>
<th>Active</th>
<th>Pro-active</th>
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*Source. van Tulder 2008*
Operational limits of CSR: Example of Codes of Conduct

• **Benefits:**
  - Increasing range of issues are being addressed
  - more attention to monitoring and reporting on code implementation
  - Codes of conduct benefit workers in core enterprises of TNCs via improvements in occupational, health & safety (OHS), social benefits, compliance with minimum wages, some reduction in overtime and child labour (Barrientos & Smith 2006 - study of ETI)

• **Weaknesses:**
  - migrant, contract workers often excluded;
  - issues of concern to women workers often excluded;
  - labour rights ignored (freedom of association and collective bargaining)
  - “living wage” issue ignored
  - TNCs often adopt a “policing” approach to CSR in the supply chain
  - focus on micro (firm level) as opposed to macro (public policy) issues, e.g. lobbying, tax evasion & avoidance;
Public-Private Partnerships

• Promoted by World Summit for Sustainable Development (2002) and the MDGs
  – Partnerships for Sust.Dev. 344
  – UNICEF 1,000
  – WHO 90

Potential & Benefits:
  – pragmatic approach to development;
  – one aspect of “collaborative governance”;
  – new sources of financing for development;
  – PPPs can mobilize & leverage resources and competencies that individual actors acting alone cannot achieve.
Partnerships: Limits

- The term is used “ideologically”; any relationship becomes “a partnership”
- Partnership proposals are often poorly funded and implemented & are not sustainable
- Lack of participation of beneficiaries & other stakeholders in design & implementation;
- Lack of accountability
- Ad hoc approaches; failure to link PPPs to local and national development priorities
- Lack of articulation with public institutions and services; creation of parallel (e.g. health) structures
- Limited or no impact assessment (ex-ante & ex-post)
On Balance:

Very different interpretations and realities exist regarding the contribution/potential of CSR:

1. Organizational learning; awareness raising; learning by doing; positive incremental change; win-win potential;

2. CSR instruments and institutions ultimately pave the way for more effective regulation;

3. CSR = window-dressing and PR

4. The “contradictory” corporation (i.e. good and bad practices inevitably co-exist)
## Good & Bad Practice in the Oil Industry

(participation in CSR institutions (left hand column) versus accusations/awards for malpractice (right hand column))

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<th>Engagement Institutions</th>
<th>Accountability Institutions</th>
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<td>ATCA (1999)</td>
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<td>Statoil</td>
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<td>Multinational Monitor (Elf: 1997) ; Public Eye on Davos ( 2005)</td>
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New thinking and approaches

Just as we are seeing a reaction to liberalization having gone too far, we are also seeing a reaction to “voluntarism” having gone too far.

Voluntary initiatives and public policy/regulation need to be combined, and stakeholder relations need to be more equitable.

For example: When codes of conduct and social auditing work best (Hayter – ILO):

a) in countries where there is an effective legal framework,
b) when CSR measures lead to improvements in production systems,
c) when there is a collaborative relationship between buyers and suppliers, instead of a policing approach to code implementation, and
d) when there exist industrial relations mechanisms that can identify the causes of problems, provide feedback and lead to improvements (Hayter – ILO 2007).
Recent proposals and discursive shifts

• **ILO conference** on CSR (Dec. 07) Growing recognition of:
  - the limits of self-regulation & social auditing;
  - codes of conduct can facilitate the application of labour law;
  - the need to strengthen systems of industrial relations, via International Framework Agreements, and the OECD Guidelines on MNEs and state inspection capacity.

• **EC conference** (Dec. 07):
  - need for greater policy coherence (e.g. when private sector expansion occurs, state regulatory capacity needs to be strengthened not diminished)
  - less “policing” of supply chains by TNCs and more training, capacity building in SMEs
  - more participation of local stakeholders in CSR initiatives and institutions
  - greater attention to impacts (not just process)

• **UNRISD conference** (Nov. 07)
  Need to pay more attention to:
  - equitable power relations and participation within MSIs and PPPs
  - need to ensure “corporate accountability” by strengthening disclosure of information, grievance procedures for stakeholders, and possibilities for redress
  - ensuring that CSR initiatives are in tune with, and complement national & international development strategies, principles & priorities
Policy Challenges

• Ensure that CSR and voluntary approaches do not divert attention from key role of the state and regulation in development;
• Ensure more balanced participation of stakeholders in CSR initiatives and institutions and policy dialogues
• Governments should create an enabling environment for CSR:
  – Promote not only “top-down” CSR but also “bottom-up” CSR via an active and engaged civil society (freedom of information; freedom of association; free press)
  – Promotion of “encompassing” business associations that represent the wider business community (including small enterprises)
  – Encourage the involvement of intermediary organizations such as NGOs, trade unions, foundations, international organizations and business associations;
  – Promotion of learning, information sharing, training and education on CSR
  – Encourage CSR coalitions of different social actors and stakeholders through trust-building and stakeholder dialogues;
  – Encourage impact assessments of PPPs
• Policy coherence: e.g.
  – Achieving a better balance between foreign direct investment or private sector expansion & state regulatory capacity;
  – Enhance national capacity to implement international codes and guidelines (e.g. OECD Guidelines on MNEs - National Contact Points);
  – “Re-regulation” not “de-regulation” (e.g. laws that encourage disclosure and “sustainability” reporting for large enterprises: & increased labour inspection capacity ;
  – Legal and voluntary approaches can be complementary and synergistic; voluntary initiatives should not be seen as a substitute for law and public policy;
  – Ensure that CSR is more than philanthropy and isolated projects by linking it to local, national & international development strategies, frameworks and priorities, e.g. Global Compact Principles, MDGs, poverty reduction strategies & social development priorities.
• THANK YOU

• For further information about UNRISD see www.unrisd.org

• UNRISD CSR publications can be found under the Markets, Business & Regulation (MBR) Research Programme

• Contact: Peter Utting (utting@unrisd.org)