Corporate Social Responsibility and Equality

Responsabilidad social de las empresas e igualdad

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Abstract
Institutional reforms associated with both neoliberalism and “good governance”, two of the dominant policy agendas of modern times, have altered the roles and responsibilities of states and transnational corporations in relation to social development. Increasingly such firms are engaging more directly in social service provisioning and claiming to be more responsive to the concerns of multiple “stakeholders” through what has become known as "corporate social responsibility" (CSR). Perspectives on the implications of CSR for social development and equity vary sharply. This presentation examines four aspects: social protection, labour and human rights, empowerment and redistribution. It ends by considering alternative regulatory and developmental approaches, and political contexts that might enhance the contribution of CSR to social development and equity.

Resumen
Las reformas institucionales vinculadas al neoliberalismo y al “buen gobierno”, dos de las agendas de políticas predominantes en los tiempos modernos, han modificado las funciones y responsabilidades de los Estados y las empresas multinacionales en relación con el desarrollo social. De manera creciente, estas empresas participan más directamente en la prestación de servicios sociales y dicen estar respondiendo en mayor medida a las inquietudes de múltiples “partes interesadas” por medio de lo que se ha dado a conocer con el nombre de “responsabilidad social empresarial” (RSE). Las opiniones sobre las implicaciones de la RSE para el desarrollo social y la equidad varían enormemente. En esta presentación se analizan cuatro aspectos: la protección social, los derechos laborales y humanos, el empoderamiento y la redistribución. La exposición concluye identificando los enfoques regulatorios y de desarrollo y contextos políticos que podrían mejorar el aporte de la RSE al desarrollo social y la equidad.

Introduction
Economic globalization and policy and institutional reforms associated with both neoliberalism and “good governance” have altered the roles and responsibilities of the state and the private sector in relation to social development. Increasingly large firms, both national and transnational, are engaging more directly in social provisioning through the privatization of basic services, and demonstrating greater responsiveness to the concerns of various “stakeholders” through what has become known as corporate social responsibility (CSR).

CSR centres largely on the adoption of voluntary initiatives by companies to minimize corporate malpractice and enhance the contribution of business to social and sustainable development. In a context where equality has recently re-emerged as a central concern of the international development community, this presentation considers the contribution of CSR to equity, understood here as the process by which deprivation is minimized, equality of opportunity is enhanced, and gross imbalances
in income and wealth are corrected. Despite the burgeoning literature on CSR and its developmental, regulatory, governance, and poverty implications, there has been little systematic analysis of the relationship between CSR and equity. To address this aspect, the analysis considers four crucial components of equity, namely, social protection, rights, empowerment and redistribution.

Social protection
What has been the contribution of CSR to the welfare and well-being of workers and other groups or “stakeholders” affected by corporate activities? Much of the CSR agenda has been directly concerned with these aspects, focusing in particular on improvements in working conditions, the elimination of child labour, assistance to communities where company operations are located, support for international programmes and projects concerned with social development, and greater responsiveness to the concerns of “future generations” through environmental protection. Considerable attention has also been focused on specific social issues such as HIV/AIDS and post-conflict rehabilitation. Recently, there has been an attempt to connect CSR more directly with the contemporary global “poverty reduction” agenda, through what has been labelled the “bottom of the pyramid” approach.

Early CSR policies and practices were heavily criticized for their piecemeal and partial character, weak implementation and window dressing. In recent years, however, there has been a significant scaling-up of CSR with lead companies addressing social concerns in a more systematic manner and responding to calls not just to state their intentions but to demonstrate good practice through such means as monitoring, social auditing and certification, as well as reporting on social and sustainability aspects. Large companies have increasingly adopted more comprehensive codes of conduct and reporting frameworks that, potentially at least, suggest a greater degree of responsiveness to multiple stakeholder concerns.

While the CSR movement and agenda have evolved and developed in more socially inclusive ways, it is still the case that CSR discourse runs well ahead of reality. From the perspective of social protection, the downside to CSR centres on three main aspects. First, while the rhetoric surrounding CSR gives the impression that much of big business has turned a new leaf as regards social responsibility, and that their supply chains are following suit, the reality is that only a small percentage of the world’s 70,000 transnational corporations (TNCs), 700,000 affiliates and millions of suppliers have seriously embraced CSR. Second, not only the quantity of so-called CSR companies but also the quality of CSR interventions is often weak. Third, key issues related to social protection are often marginalized in CSR discourse and practice, namely the decline in corporate contributions to employee health care, corporate taxation rates, issues of concern to women workers, the social effects of subcontracting and the privatization of basic services.

Rights
The evolution or broadening of the CSR agenda through time has seen labour and human rights emerge as a core component. Actually converting the emerging rights discourse into meaningful interventions, however, has been difficult. Some of the non-governmental or multistakeholder institutions promoting labour rights have adopted fairly weak procedures for assessing compliance with agreed standards. Certain schemes that have adopted more rigorous assessment methods, tend to be
quite limited in their capacity to scale-up their activities. Trades unions have generally adopted a cautious attitude to CSR, as well as to many of the NGOs and multistakeholder initiatives that promote this agenda. Nevertheless, trade unions have increasingly recognized that the arena of CSR provides some spaces for contestation and dialogue that can advance the interests of workers.

Through time, the CSR agenda has expanded to embrace more explicitly the broader set of rights enshrined in the Universal Declaration of Human Rights, and several new CSR institutions have emerged to promote a more rights-focused agenda. The increasing attention to human rights potentially provides a more rigorous framework for operationalizing CSR by invoking a broader range of issues that require action. Furthermore, since the human rights agenda is only deemed to be relevant to companies when it applies to their “sphere of influence” or “complicity” in human rights abuses, it necessarily focuses attention on a company’s relations with, and its impacts on, multiple stakeholders, including governments, consumers, workers, communities and future generations.

Movement in this area, however, is incipient and also characterized by foot-dragging. The institutionalization of human rights as a core component of CSR lacks the momentum that has been evident in relation to other social and environmental aspects of CSR, and periodically suffers significant reversals.

**Empowerment**

An important aspect of rights-based approaches to development is not simply the recognition and realization of rights, but also the idea that inclusive development and equity depend on the capacity of the disempowered and disadvantaged to exert claims on the powerful. The struggle for equity, therefore, is fundamentally a political struggle which involves increasing the voice and influence of weaker groups in society and reconfiguring the balance of social forces through accountability and other mechanisms that keep corporate power in check.

One of the most positive developments in this regard relates to the fact that CSR has been a useful mobilizing tool, particularly in the North but also increasingly in the South. From the perspective of participation and empowerment, a major weakness of this CSR “movement”, however, has been the limited participation of stakeholders from developing countries in consultation and decision-making processes associated with CSR and in the design of CSR instruments and institutions.

In relation to concrete advances in workers’ empowerment, the CSR scorecard is very mixed, partly due to the tendency to pay more attention to improvements in working conditions than to issues of labour rights and industrial relations. A few initiatives attempt to promote monitoring and verification methods that not only gather information from workers but use the auditing process to channel information to workers, encourage social dialogue, empower them through raising awareness of certain issues, and articulating a position on issues of concern, as well as providing a mechanism to voice opinions and channel grievances.

In the main, however, what predominates are fairly conventional social auditing techniques that tend to scratch the surface and may, in effect, constitute top-down policing mechanisms to control suppliers.
One of the areas of greatest weakness in relation to both social protection and empowerment relates to the extremely limited attention within the CSR agenda to the vast majority of workers, producers and enterprises in developing countries that are associated with micro and small enterprises, small-scale agriculture and the so-called informal sector. It remains to be seen whether the recent focus on the “bottom of the pyramid”, involving attempts by large corporations to engage those from low-income groups as suppliers, vendors, consumers and entrepreneurs will change this situation.

Redistribution
Perhaps the weakest aspect of both CSR discourse and practice relates to redistribution. Elements of a redistributive CSR agenda could include progressive shifts in the distribution of income within enterprises and value chains that favour labour, small producers and other low-income stakeholders; fair and transparent fiscal policies and practices conducive to progressive taxation; and lobbying for redistributive policies or at least not lobbying for regressive policies that have perverse social, environmental and developmental impacts.

Concerning the former, while data on CSR spending are hard to come by, there is little to suggest that CSR spending alters in any meaningful way the relative returns to capital and labour. Indeed, the rise of CSR coincides with a phase of capitalist development where returns to capital have generally outpaced returns to labour. In the United States, in particular, corporate contributions to social insurance and healthcare have declined, and employers have transferred more of the burden of pension costs and health insurance to employees.

The two most explicit CSR initiatives related to redistribution within the enterprise or the value chain relate to “living wages” and “fair trade”, both of which pay, in effect, premium (above-market) prices to labour and small producers, respectively. While there has been much discussion about living wages within CSR circles there has been little progress in practice, beyond compliance with minimum wage legislation.

The involvement of large companies in fair trade schemes is a recent development that has sparked a heated debate regarding its developmental implications. In relation to redistribution, a key question is the premium price received by producers. When the fair trade system was introduced for coffee, the premium price was nearly double the market price. The current involvement of large corporations in fair trade, however, is occurring at a time when the gap between the market and fair trade price has narrowed considerably. This suggests that large firms may in effect be free-riding on a brand created under very different circumstances and that their involvement has few, if any, redistributive implications.

Another key redistributive element relates, of course, to taxation and corporate fiscal practices. Here there has been some positive movement via the growing attention to issues of corruption and greater transparency as regards corporate payments to governments and government officials. But while corruption has emerged as a CSR issue, progressive taxation has not. There is little to suggest that the position of the corporate CSR community is very different to that of organized business interests in general that lobby for ongoing reductions in corporate taxation and a lowering of tax rates for the highest income brackets in which CEOs find themselves. CSR takes
place against a backdrop where fiscal policy is becoming increasingly regressive. Furthermore, transfer pricing and other mechanisms that result in the under-reporting of profits and tax avoidance are not only rife but are reportedly practised by some companies that project themselves as CSR leaders.

Neither do issues of inequalities in North/South trade relations appear very much on the CSR radar. CSR companies, for example, rarely take a lead in advocacy or lobbying associated with macroeconomic reforms involving reduced export subsidies and improved market access for developing countries.

**Enhancing the Contribution of CSR to Equality**

This presentation suggests that the CSR agenda has focussed primarily on aspects of equality that have to do with social (and environmental) protection. More recently the agenda has begun to pay more attention to labour and other human rights issues. Aspects to do with empowerment and redistribution, however, still remain fairly marginal. Despite some broadening of the issues involved, it is not yet possible to conclude that CSR is altering in any meaningful way structures and trends associated with deprivation and glaring inequalities of opportunity, income and wealth. Indeed, as currently constituted, mainstream approaches to CSR may do more to reinforce and legitimize corporate power and processes of economic globalization and liberalization that generate inequality.

In conclusion, what might be done to ensure that CSR be part of a more transformative agenda, rather than a palliative for patterns of capitalist development that generate social exclusion and inequality? Any significant movement in this direction will require more than the institutional fine-tuning and incremental scaling-up that currently characterizes CSR. It demands reforms and changes in the regulatory environment in which corporations operate, in macroeconomic and development policy, and in the politics of CSR.