

Corporate Social Responsibility(CSR) and Challenges to Trade Unions

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Corporate social responsibility(CSR) has emerged as a significant subject of public policy, in many countries as well as internationally. Considered by some to be "the business issue for the twenty-first century", CSR is assuming an increasing part of the larger debates over both globalization and sustainable development. There is no universally agreed definition of CSR. Differing perceptions of CSR have resulted in many misunderstandings and have created obstacles for trade unions in addressing the opportunities and challenges of CSR.

The purpose of this research is to introduce debates on CSR(Corporate Social Responsibility) on which there is being controversy among labor movements in the advanced countries and to make CSR an important agenda in the Korean labor movements.

We survey the social circumstance which causes the concept of CSR and theoretical issues. It is said that "Global Economy" and "Increasing power of MNCs" among many factors brought about debates on CSR. In the industrial capitalism based on competitiveness among enterprises, activities of enterprises have less influences on society, meanwhile with the beginning of monopoly capitalism, the scale and influencing power of companies is expanding worldwide beyond local communities and nations. On the one hand the independent corporate governance of MNCs brings about profit or loss to own companies and on the other, the stakeholders (employees, consumers subcontracting companies, and local communities) have an interest in it. For this, they ask for accountability of companies.

It is essential to define CSR, but the concept of CSR is vague, ambiguous and multidimensional. In general, CSR initiatives refuse the traditional perspective which means that "accountability of the enterprises is only to create profits", instead first, CSR involves a commitment by a company to manage its role in society in a responsible and sustainable manner. Second, CSR is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government.

The CSR related to the employment and labor relations means that the companies should be respectable for the protecting the social and economic welfare and the rights of their employees. According to the CSR related to the labor standards or the employment and industrial relations, the business or enterprise should: respect the freedom of association or the right to organize and the effective recognition of the right to collective bargaining; provide information to employee representatives for negotiations on conditions of employment; eliminate the forced or compulsory labor; abolish the child labor; eliminate the discrimination in respect of employment or operation.

CSR has an important international background which dates from the adoption of the 1976 OECD *Guidelines for Multinational Enterprises* and the 1977 ILO *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*. In the 1990s this development gained a new impetus with the emergence of "a new generation of codes of conduct", whose main characteristic lies in their corporate origin. This increasing number of company-based CSR initiatives has in turn been accompanied by a new phase of international public action: the UN "Global Impact" program launched in 2000, the world summit on sustainable development in 2002, the revision of the OECD *Guidelines* in 2000, the revision of the ILO *Tripartite Declaration* in 2000.

The current form of CSR emerged in the 1990s and represents a convergence of ideas and developments. The most significant source for the current CSR concept comes from concern over the environment. It is related to the idea of sustainable development, developed by the Brundland Commission in the late 1980s and accepted by the Rio Earth Summit in 1992. Trade unionists played a major role in linking the environmental with

the social during this period. They also succeeded in obtaining recognition that there was a social dimension to sustainability. This became an integral part of the sustainable development concept.

From long time ago, USA has emphasized on enterprise ethics and social accountability. CSR in USA had a unilateral tendency toward philanthropy and ethics, but recently is characterized by shareholder activism with the demand for reform of corporate governance and increasing Socially Responsible Investments(SRI).

Meanwhile, in Europe CSR is regard 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'. For this reason, association with government, trade unions is basis on CSR. Especially, the European Commission's support for European Alliance for CSR launched in 2006 marks an important juncture in its promotion of CSR. Since the publication of its Green Paper in 2001, along with the launch of the European Multi-stakeholder Forum in 2002, CSR has been a key issue on the Commission's agenda.

In Asia, CSR is not developed as much as advanced countries. Only a few countries such as Japan, Hong Kong, Singapore has launched CSR initiatives.

Korean enterprises has been concerned about CSR after Korean financial crisis in 1997. After crisis, major companies including *chebol*, were convinced of the importance of 'management transparency' and 'corporate governance'. But In comparison with CSR of advanced countries, their CSR is nothing more than a beginning phase. In late 2005, the number of enterprises which publish 'Sustainability Report' is only six(Hyundai Motors, Kia Motors, Samsung SDI, Posco etc) Also, there is an essential problem such as Korean enterprises limit CSR to philanthropy. Generally, activities of CSR are regarded as 'Contribution' rather than 'Accountability'. Especially, 'corporate governance', 'environment', 'human rights', 'labor' issues are not as much important as 'ethnic management', 'social contribution', 'transparent management' to Korean enterprises.

We researched six korean companies' sustainable reports, including a few famous private and public companies. In researching results, though they

reported on base of GRI Guidelines, usually they didn't keep the requested level, in especially the descriptions of labor and human rights was not thoroughgoing enough. Most of all, it is fear that the reports distort and understate facts of labor/human rights aspects. We can figure out the status of them below table 1.

The following considers some of the challenges and opportunities of workers and their trade unions in seven aspects of the CSR concept and phenomenon.

- (1) The challenges and opportunities of a voluntary concept.
- (2) The challenges and opportunities of the stakeholders idea.
- (3) The challenges and opportunities of standards and standard-setting.
- (4) The challenges and opportunities of reporting and verification.
- (5) The challenges and opportunities of socially responsible investments.
- (6) The challenges and opportunities of social rating, awards and social labels.
- (7) The challenges and opportunities of engaging employers.

CSR is neither an objective nor an option but an environment offering challenges and opportunities that can also be shaped. Because CSR is based on voluntary activities, it is of critical importance that a different term such as "the social responsibility of business" be used to refer to the legitimate expectations of society with respect to the behavior of business, whether or not these expectations are binding. CSR must not be a means for business to redefine or reinterpret its existing responsibilities. CSR must not become a substitute for the proper functions of government. Business does not possess the political legitimacy to define its responsibilities or substitute for government.

So, what are the trade unions' strategies to CSR? First, trade unions involvement in CSR helps increasing social role and trust of trade unions. The recent korean trade unions are criticized for focusing on only 'wage and labor condition'. To overcome this, trade unions as a core stakeholder have to demand the expansion of enterprise accountability. This has to do with getting over 'enterprise trade unionism'.

Table 1. GRI Reporting Indicators represented (social performance – labour/human rights) in Six Korean companies' sustainability Reports

		Index	Companies					
			Hyundai Motors	Samsung SDI	Posco	KEPCO	Korean Air Line	Department Store Lotte
Labor	Employment	LA1	○	○	○	□	□	○
		LA2	□	□	○	□	□	□
		LA12	○	□	○	○	○	○
	Labor/Management Relations	LA3	▽	✕	▽	□	▽	✕
		LA4	□	▽	▽	□	▽	□
		LA13	□	▽	▽	○	▽	▽
		LA5	○	✕	○	□	○	✕
	Occupational Health and Safety	LA6	○	○	○	○	▽	▽
		LA7	▽	✕	▽	□	▽	✕
		LA8	✕	□	✕	✕	✕	N/A
		LA14	✕	○	○	○	○	▽
		LA15	□	✕	✕	▽	▽	▽
	Training and Education	LA9	○	○	□	○	○	○
		LA16	□	□	□	○	▽	○
		LA17	□	○	○	○	□	□
	Diversity and Equal opportunity	LA10	□	□	□	□	□	□
		LA11	○	○	□	○	□	▽
Human Rights	Strategy and Management	HR 1	□	□	□	✕	□	▽
		HR 2	✕	□	✕	✕	✕	✕
		HR 3	▽	▽	✕	□	□	✕
		HR 8	▽	▽	✕	□	□	▽
	Non-discrimination	HR 4	○	▽	□	○	▽	□
	Freedom of association and Collective bargaining	HR 5	□	▽	✕	○	□	▽
	Child labor	HR 6	□	□	□	□	N/A	✕
	Forced and compulsory labor	HR 7	□	□	□	□	N/A	□
	Disciplinary practice	HR 9	□	□	✕	□	✕	✕
		HR 10	□	□	✕	□	✕	□
	Security practice	HR 11	✕	✕	✕	✕	✕	▽
	Indigenous Rights	HR 12	□	□	✕	✕	□	□
		HR 13	✕	✕	✕	✕	□	□
		HR 14	✕	▽	✕	✕	□	✕

* Categories: ○(good), □(not bad), ▽(insufficiency), ✕(no description)

source : Six companies' Sustainability Reports in 2005

Second, this has to be a part of a collective bargaining and 'Worker Participation' has to be guaranteed. In the past, NGOs played a key role in motoring corporate governance but trade unions were only bystanders. In As a result, trade unions were bound by a 'fake partnership' which employers asked for. Although NGOs' corporate monitoring is of great value, their activities are limited by lack of information about enterprises and have difficulty in keeping up. Consequently, Enterprise monitoring and Accountability activities by expansion of collective bargaining is an important key for fixing CSR in Korea.

Third, CSR activities are a vehicle for international solidarity movements. CSR is a important key which can expand and realize core labor standards worldwide.