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**Acting With Integrity Across The World'? What Do Multinationals  
Say About Labour Standards?**

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## Globalisation at the Crossroads

### Rethinking Inequalities and Boundaries

**‘Acting with integrity across the world’? What do multinationals say about labour standards?**

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## Abstract

This paper is concerned with global labour governance and with the position taken by UK based multinational corporations with regard to labour standards in the management of their supply chains, both in the UK and internationally. Organisations may have multiple and varied reasons for their public statements on corporate behaviour, we ask what the largest and most reputable of UK organisations pledge in their public statements about the ways in which they manage across international and corporate boundaries. We address the following questions. What are the claimed objectives for MNC's in considering management across international boundaries, including management of their supply chains? How do they frame those objectives in public documentation? This paper reports on the first phase of our work, based on documentary research. We have reviewed the annual reports of 20 UK plc's – multinationals with extensive overseas supply chains and considerable purchasing power and influence. Power asymmetries are inherent in the relations between MNEs and suppliers or sub-contractors and we found that there is little evidence that corporate positions are implemented throughout the relevant supply chains. We found an absence of uniformity in approach (although a high proportion of our sample publically express nothing, or little, on the subject of labour standards). There is no strong evidence to show that fair trading standards in commercial relations with suppliers or contractors lead to clear labour standards for those employed in supply chain companies or with sub-contractors.

## Keywords

Supply chain, corporate governance, MNEs

## **Aims**

This paper is concerned with global labour governance and with the position taken by UK based multinational corporations with regard to labour standards in the management of their supply chains, both in the UK and internationally. It addresses the following questions. What are the claimed objectives for MNC's in considering management across international boundaries, including management of their supply chain? How do they frame those objectives in public documentation?

## **Introduction**

The regulation of labour standards involves a complex interplay of interests and relations between governments and multinational corporations (MNC's) with impact too from consumers, national and international trades unions and international standards (Berliner et al, 2015).

From the corporate perspective, employment relations and labour standards can be considered as an aspect of governance and Boards of Directors have the power to impact on management not only in their own organisations and in their own home country, but, also, through inter-organisational relations, in subsidiaries in host countries and across organisational boundaries through supply chains. Edwards et al (2007) point to the importance of contextual factors – country of origin, size and sector – that influence reporting practice. Our focus here is on what UK based MNC's say about their commitments to labour standards.

We ask what the largest and most reputable of UK organisations commit to in their public statements on management across international and corporate boundaries.

Our paper reports on the first phase of our work, based on documentary research. We have reviewed the annual reports of 20 UK plc's – multinationals with extensive overseas supply chains and considerable purchasing power and influence.

The paper is structured as follows. Firstly, we consider the literature relating to labour standards especially in the international arena. Secondly, we discuss our frame of reference and the way in which we have approached this research, before reporting the findings. Finally, we comment on the findings and reach conclusions.

## **Global approaches to labour standards: a literature review**

In an article published in 2014, Meardi and Marginson acknowledged the strength of international concerns about global labour standards in the light of growing debates about

'globalization'. As multinational enterprises operate across borders, national regulation may be more limited in impact than in the past (Reinecke and Donaghey, 2015).

Global labour standards set, for example, by ILO Conventions, are applied very unevenly since international regulations are not ratified by some countries – e.g. the USA - that are major players in the global business world and signed up to the ILO (Meardi and Marginson, 2014: 652). The term 'labour' is associated with formal employment in the developed world – and with trade unions as the traditional form of labour organisation. The tripartite structure of the ILO and its core commitments on the right to freedom of association and the recognition of the right to bargain collectively (ILO, 2014) reflect traditions that are stronger in the global north than in the south (Meardi and Marginson, 2014). The informality of labour engagement in the south is not easily accommodated within these structures. Migrant and bonded labour, unpaid female labour and the continued and extensive use of child labour remain fundamental concerns and are less likely to be impacted by trades unions, particularly since union influence is diminishing in the international arena (Standing, 1989). Nonetheless, employment relations – the interaction between workers, their representative organisations and governments has a significant part to play in the consideration of global labour standards and governance (Meardi and Marginson, 2014)

MNE's are generally concerned to create and retain a positive reputation and image, particularly where campaigns and negative publicity in their domestic environment might undermine domestic corporate reputation. The 2013 disaster at Rana Plaza, when an eight storey garment factory near Dhaka collapsed, highlighted the implications of careless or irresponsible management across supply chains and had a direct connection with high street brands in North America and Europe. When the building collapsed, companies such as Primark, Mango and Gap were amongst the major international brands whose sub-contractors used the building although these brands were not directly implicated at the time (Reinecke and Donaghy, 2015). The disaster resulted in 1129 fatalities and a further 2,515 injured (Berliner et al, 2015) and highlighted the exploitative conditions suffered by the Bangladesh workforce, many of them young women. The reputational damage to the brands involved was not eased subsequently by the slow and evasive responses from both the Bangladesh authorities and local employers and indeed by the international brands themselves. Gradually however there was co-ordination by the enterprises most involved, in order to set minimum conditions for the future (Berliner et al, 2015).

Host countries chosen by MNE's for direct investment, or for indirect sourcing through sub-contractors or suppliers, are often vying for inward investment and this can offset any intention by their governments to control the behaviour or employment conditions created by inward investing companies. Domestic legislation regarding labour standards may be weak and it can appear that an MNE, by investing in the local environment, is providing pay and conditions of work that are superior to those provided in domestic businesses. Even where local legislation sets credible standards, these may not be applied in practice and problems of corruption can prevent them being taken seriously. Trade union organisation may be sparse and union influence limited, particularly where MNE suppliers and sub-contractors discriminate against union activists, who may face the risk of job loss and blacklisting. This means that the workforce, in normal times, may not have the capacity to impact, through bargaining, on the behaviour of employers.

Schleper et al (2017) focus on the importance of power in business relationships and explore the notion of ethical climate as a moderating factor. They acknowledge that economic liberalism, inherent to the nature of business relationships, can be associated with exploitative behaviours but they suggest that ethical standards may emerge as a moderating influence. Legge (2000), by contrast, argues that ethical behaviours are inherently unlikely within the global economy since the use of outsourcing, sub-contracting and agency labour leads to reliance by large contractors on workers who are not employed by them and that the commercial contractual conditions imposed on sub-contractors undermine employment conditions. In a developing country, MNE's are likely to be influenced by the opportunities for reliable labour supply and low resistance to management demands. Wages in the local environment may be low and MNE's may be unlikely to encourage local suppliers to price higher in the interests of fostering fair wages and conditions of work. Indeed, MNE representatives may argue that the price paid for labour by local contractors is outside the scope of their responsibility.

In defining corporate values and setting labour standards, MNE's may be influenced by a variety of historical and cultural factors, including the nature of the product market and confidence in and experience of the host environment. The UK's Ethical Trading Initiative (ETI) Base Code, pioneered by (amongst others) Marks and Spencer and Next, sets labour standards for its members (ETI, 2017), many of them UK based organisations positioned within the retail and clothing sector. The voluntary base code sets nine core principles relating to labour standards<sup>1</sup>. Only rarely are companies required in their home country to consider legislation to manage labour standards in their supply chain and a recent and rare initiative in France, in February 2017 to require French MNE's to establish vigilance plans to avoid and remedy breaches of fundamental rights and environmental standards through their supply chain, was met with protests from employers and has been referred to France's Constitutional Council (ITUC, 2017). If implemented, the law will underline the importance of supply chain responsibility and set an important precedent.

In some cases, MNE's may have their attention drawn to labour standards in host countries because of trade union organisation and their influence in their home environment. Preuss (2009) says that working conditions are more likely than environmental issues to be addressed in corporate social responsibility codes and suggests that isomorphism plays a part in the adoption of CSR tools (2009: 744). Unions in the MNE's home base may influence corporate standards, prompted by solidarity with overseas partners (Berliner et al, 2015), but campaigns may also derive from union concerns to retain business activities within the domestic, rather than in the overseas environment. Employers may claim (as French employers have done) that labour standards in overseas subsidiaries or with overseas partners are already addressed through their commitment to 'corporate social responsibility' – defined by Waldman, Siegel and Javidan (2006: 1703 cited in Morgeson et al, 2013: 807) as "*actions on the part of the firm that appear to advance or acquiesce in the*

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<sup>1</sup> 1. Employment is freely chosen; 2. Freedom of association and the right to collective bargaining are respected 3. Working conditions are safe and hygienic 4. Child labour shall not be used 5. Living wages are paid 6. Working hours are not excessive 7. No discrimination is practised 8. Regular employment is provided 9. No harsh or inhumane treatment is allowed.

*promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law*'. However not all business organisations refer to CSR and corporate social responsibility is not necessarily coterminous with a commitment to labour standards. By contrast with Preuss (2009), who points to isomorphism, Sethi et al (2015) note considerable variation in corporate reporting and the language of CSR is not universally developed in the UK context. Moreover, a recent report on UK enterprises (CIPD, 2016) suggests that reporting on CSR is actually diminishing.

Organisations may have other reasons for public statements on corporate behaviour – one of them being to manage or control employee behaviour. Many organisations will generate a Code of Conduct targeted at employees but this is unlikely to be connected with labour standards. Rather the focus is on control over employees. Bondy et al (2008) conducted research across 3 countries and 150 organisations about corporate codes of conduct and found little support for the view that, if a corporation has a code, it will relate to CSR. They demonstrated that the purpose of an organisational code of conduct is to define the behaviour of employees and the commitments that are required from them or endorsed by the organisation. Additionally, they found that codes were more likely to be used around conventional business concerns including compliance with government requirements.

At the outset we pointed out that international standards are often by-passed and Meardi and Marginson (2017) have also suggested that standards formulated internationally may offer an appearance of legitimacy that operates as an alternative to national legislation in the host country, permitting the MNE subsidiary or sub-contractor to bypass more stringent regulation. It is, nonetheless, of some importance to find that MNE's are voluntarily committing to international standards and the choices they make and the public stance that they take does at least suggest that those organisations may be held to account for their behaviour. But the stronger the corporate claims, the more liable they are to damage if there is a shortfall in behaviours and the individual enterprise may therefore be more liable to reputational damage. As Zavyalova (2014) has argued, having a high reputation may lead to negative consequences and the MNE that makes no commitment is less exposed for failing to meet declared standards.

Reference points for MNE's are most likely to link to the work of the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and the eight Fundamental Conventions of the ILO (ILO, 2010). Broadly these encompass the abolition of forced labour and child labour, establishing a minimum age for work; the right to freedom of association and collective bargaining and the right to equality of treatment and equal remuneration. These principles are echoed within the Universal Declaration of Human Rights (2015) and further developed by the Organisation for Economic Co-operation and Development (OECD) in the *Guidelines for multinational enterprises: recommendations for responsible business conduct in a global context* (2011). The OECD document is interesting to the extent that it points unequivocally to the need for standards within the supply chain "*In the context of its supply chain, if the enterprise identifies a risk of causing an adverse impact, then it should take the necessary steps to cease or prevent that impact.*" (P. 24). The Guidelines call for transparency in disclosure of relevant information – in terms of accounting and corporate governance and respect for human rights.

In concluding this section, we re-state the purpose of this paper, which is concerned with the public commitments made by MNE's with respect to global labour standards. What do they say – and how much variation is there in the level of commitment that is stated? Morgeson et al (2013) argue that researchers need to explain and justify the level of analysis that they select and we are aware of the many limitations, as we focus on Board of Director level commitments of UK based MNE's that there can be huge divergence between rhetoric and reality – not least for organisations that are global in scope. We are concerned with espoused positions. However we cannot hope to comment here on the way in which such standards are enacted. We start from the key commitments made by those who carry most responsibility within the organisation on the grounds that, it is only with strategic commitment to labour standards and to global supply chain responsibility that there is any prospect that policies will be enacted and operationalised in lower levels of the firm. In the section that follows we explain the approach to researching this topic before going on to discuss our findings.

## **Research design and related considerations**

Our aim here is to look specifically at labour standards and to consider the standards that companies wish to establish, reviewing the language, scope and detail of reports that are publically available specifically in relation to labour standards.

Our paper is based on documentary research, which draws primarily on the most recent Annual Reports (available in autumn 2016) of 20 UK based multinational enterprises. The organisations in question were selected to reflect a wide sectoral range. Ten years ago Preuss, (2009) conducted a content analysis of ethical sourcing codes of large UK based corporations. This was based on a 'count' of the frequency of an item being mentioned, a method of analysis that had also been used by Singh and Broughton (2005). Preuss focussed on FTSE 100 companies, considering both employment and environmental issues. We considered doing the same but decided against this because some of the larger listed companies – for example in mining and mineral extraction – are not primarily UK based. Our research was concerned to unpack commitments made, using textual analysis. We began by reviewing 24 company reports but, on reflection, some of the businesses included were largely UK based with only a limited overseas presence. While they might, technically, be included in the category of multinationals, we excluded them from this first round of review as they might be less likely to address the issues relating to international labour standards that are our focus.

Four of the organisations had experienced recent negative publicity about their behaviour – Rolls Royce because of 'buying' contracts, Tesco because of damagingly late payments to suppliers, Balfour Beatty because of their involvement in blacklisting trade union activists and Sports Direct as a consequence of infringements of the NMW and poor treatment of agency labour.



We interrogated each of the reports to identify commitments on labour standards in general, on specific endorsement of international standards or codes, on the implications for management of labour standards in the global supply chain and on other related data, for example employee relations, including trade union recognition and Codes of Conduct. In some cases, reports did not include pertinent detail but where we found direct reference within annual reports to other related, relevant organisational documents that are within the public domain, we followed the links to obtain them and relevant information is then included.

The findings are set out in the section that follows.

## Research findings to date

Following Sethi et al (2015) we note considerable variation in the reports that we reviewed. Of the 20 organisations whose reports we considered, nine make no explicit commitment to supporting or implementing global labour standards. Eight refer explicitly to a commitment to international labour standards, as we show in Table 1. Most commonly the references were to the UN Declaration of Human Rights and the ILO Core conventions. Three others point to values without giving an explicit commitment on standards including the ‘promotion of human rights’ and being ‘guided by global employment principles’.

**Table 1 Explicit reference to International standards/benchmarks and Codes of Conduct**

Organisation	Sector	International Standards: explicit reference	Code of Conduct
1. Astra Zeneca	Pharmaceutical company . Employs 61,500 people across Europe N. America,	‘Guided by global employment principles’	Code of conduct is published separately detailing key areas of obligation of AstraZeneca employees
2. Babcock Engineering	Defence, energy, emergency services, transportation and education  Over 35,000 people worldwide	Promotion of, human rights is embedded throughout our business	x
3. Balfour Beatty	Construction	x	“Balfour Beatty has a well-developed ethics and compliance programme”
4. Bupa	Healthcare Employs 84,000 people,	x	x

	principally in the UK, Australia, Spain, Poland, New Zealand and Chile, as well as Saudi Arabia, Hong Kong.		
5. EasyJet	European Short-haul airline operating in the UK, Switzerland, Italy France, Netherlands, Portugal ,Germany and Spain with a workforce of over 10,000	International Bill of Human Rights, the ILO Declaration and the UN Guiding Principles'.P37	x
6. FirstGroup,	Transport operator 110,000 employees 5 transport businesses - 3 in the US and 2 in the UK, including GWR and TransPennines Express	UN Universal Declaration of Human Rights; ILO Fundamental principles on rights of work; OECD Guidelines for MNE's	x
7. GSK	A science led-health company; pharmaceuticals, vaccines and consumer health care	x	All employees and outsourced workers (e.g. agency) must abide by GSK Code of Conduct's standards of behaviour and policy requirements, in the course of their employment
8. G4S	A global, integrated security company providing security and related services across six continents with 585,000 employees	Core labour conventions of the ILO (International Labour Organisation	x
9. HSBC	HSBC operating across five geographical regions and 71 countries with four global businesses:	International Bill of Human Rights; the UN Declaration of Human Rights and ILO's Declaration on Fundamental Principles and Rights at Work. The UN Global Compact · The OECD Guidelines for MNE's; the Global Sullivan Principles ·	x

		and others	
10. Inchcape	x	x	x
11. Marks and Spencer	<p>Retail</p> <p>80,041 employees: full time equivalent = 58,895 (last year 59,096).</p> <p>Clothing &amp; Home business accounts for 42% of turnover – Food for 58%</p> <p>468 stores across Europe, Asia and the Middle East.</p>	<p>UN Guiding Principles on Business and Human Rights and a signatory to the UN Global Compact.</p> <p>informed by the International Bill of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, United Nations (UN) Women's Empowerment Principles and the UN Global Compact</p>	Code of Ethics and Behaviours
12. Pearson	Publishing and education	A founder signatory to the UN Global Compact, we have also made a series of commitments to the Universal Declaration of Human Rights, the ILO declarations on fundamental principles and rights at work, '	x
13. Premier Foods	Food manufacture and preparation, based across 13 of UK sites; with around 3848 employees, (following a reduction of 3,900 employees after the sale of some areas of the business) In addition to the UK home market it is developing long-term relationships for key brands in: Australia, America and the Middle East.	x	A code of conduct which sets out the standards of behaviour all employees are expected to follow
14. Prudential	Prudential An international	UN Declaration of human rights; ILO core	group code of conduct applying to all

	financial group - operations in Asia, the US and the UK. 23,507 employees world wide. Image and reputation are significant because they enable the organisation to attract and retain business - need to be seen as stable, solid, unchangeable	labour standards	employees.
15. Rolls Royce	50,500 employees about half of them in the UK  Five customer-facing businesses: □ Civil Aerospace, Defence Aerospace, Power Systems, Marine and Nuclear	A commitment to human rights through employment standards covering: employee involvement; diversity and equality; pay and benefits; working hours; forced labour and child labour.	Global Code of Conduct for employees
16. Smith and Nephew	15,644 employees in more than 100 countries.  A healthcare company specialising in medical devices, wound treatments and personal care products. Three main business units: wound management, endoscopy and orthopaedics	x	Smith & Nephew have a Code of Conduct.
17. Sports Direct	Sports and lifestyle retailer  29,000 staff	x	A Group's Code of conduct/Supply Policy to mitigate against manufacturing risk overseas.
18. Tate and Lyle	Tate and Lyle 4326 employees across US, Europe, Latin America and Asia	x	x
19. Tesco	Retail food specialist 472,000 people	Supports the UN Universal Declaration of Human Rights and	A new Code of Business Conduct, is

		the International Labour Organization Core Conventions	supported by a company-wide training programme
20.Vodafone	Employs people from over 130 countries 101443 people direct and reaches 170,000 people across the direct workforce and European supplier base	x	A Code of Conduct for employees sets out business principles and expectations the company has on H&S, anti-bribery and other topics

Sectoral differences are evident within this list, with those in the finance sector, in retail (with the exception of Sports Direct) and in transport having a strongly stated position in support of labour standards whilst MNE's with a focus on pharmaceuticals and health, engineering, construction and agribusiness either refer to their own standards and commitments or making no relevant comment.

It is interesting to speculate on why this might be the case. Certainly, within the retail sector, companies such as Tesco and Marks and Spencer – household names in the UK are exposed to shareholder and consumer dissatisfaction if they are reported to operate in ways that are less than ethical. This is illustrated by the reputational problems encountered by Tesco for their supply chain management and financial practices in the UK context. It is further evidenced by the detailed commitment given by Marks and Spencer in their Human Rights Report and by their commitment to independent third party auditing (Marks and Spencer, 2016). The comment from the Sports Direct report, drawing attention to the risk in overseas manufacture is telling. Whereas Marks and Spencer begin from a commitment to 'integrity', acknowledging at the same time the complexity of the issues that must be addressed, Sports Direct state baldly that their concern is to mitigate manufacturing risk overseas. Paradoxically, their recent reputational problems derived, not from overseas manufacturing but from their logistics and people management within the UK.

Within the finance sector, the need for higher level (and therefore higher paid) skills may make it easier to commit to labour standards since these are less likely to impact directly on the terms and conditions of employees – and therefore on cost. In the pharmaceutical and health care sectors, by contrast, there may be a greater preoccupation with quality control, to ensure product safety and standardisation and to restrain infringements of intellectual property. This carries with it two further requirements. Firstly, there is the need for skilled, professional labour. Secondly, there is an absolute need for predictability and quality control in product delivery. This may explain the greater emphasis on codes of conduct that is demonstrated in table 1 - rather than on global labour standards – and the same rationale may be applied to Premier Foods, one of the two agribusinesses included in the list.

Nine of the companies – including those in pharmaceuticals and engineering - refer to the existence of a 'Code of Conduct'. Where this is the case the majority of them refer

specifically to the fact that it is a Code of Conduct intended to regulate the behaviour of employees. (This is similar to the findings of Caraso and Singh (2003) who looked at 32 codes, from 50 of the largest transnational corporations (ranked by foreign assets), and discovered that 69% of the codes specifically mentioned the conduct of relations with employees, with 38% emphasizing this.) Unsurprisingly, given recent problems both at Tesco and Rolls Royce, they are both had codes relating to employee behaviour. In other cases (Balfour Beatty) there is a reference to ethics and compliance, which may seem surprising in the light of that company's recent involvement in a UK scandal concerned with blacklisting of trade union activists.

At their most aspirational, companies refer explicitly to their objectives and suggest that their approach should impact not only on their own employees but across their relationship with suppliers and sub-contractors summed up by G4S as 'Acting with integrity across the world' (2016:18). In Table 2 we summarise the ways in which Company Reports refer to labour standards within their supply chain. We also reflect their comments, where these are available, on employment relations and trade unions.

Table 2: Freedom of association and labour standards in the supply chain

Organisation	Freedom of association/trade union recognition and employee relations	Labour standards in the supply chain
1. Astra Zeneca	Work to develop and maintain relations with local workforces and with recognised national trade unions. They consult with employee representatives or, where applicable, trade unions	'Ethical standards are integral to procurement and partnering - work only with those suppliers whose standards of ethical behaviour are consistent with their own. During due diligence they identified and rejected 326 suppliers, P.47
2. Babcock Engineering	Seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy	Potential suppliers must make a clear demonstration of commitment to corporate social responsibility. "Ethical conduct in everything we do..."
3. Balfour Beatty	x	"Mistreatment of suppliers, subcontractors and their staff, or poor ethical standards in the supply chain, could lead to significant reputational harm for Balfour Beatty." p. 47
4. Bupa	No mention of trades unions, though in the health sector this might be expected. The company says that communication with its employees is key. Information is given through a wide range of	x

	channels about employment matters and about the financial and economic factors affecting the Company's performance. ...to inform, consult and encourage the full involvement of staff . Annual staff survey	
5. EasyJet	EasyJet says that it recognises and respects its employees' right to join associations and choose representative organisations for the purpose of engaging in collective bargaining	EasyJet seeks to prevent adverse human rights impact directly linked to business relationships through contractual commitments  to observe the principles of the endorsed international standards
6. FirstGroup,	Engagement with trade unions & the wider workforce. leadership conferences, employee surveys and Employee Directors on many of the Group's UK divisional boards and the Board.	Statements to ensure slavery and human trafficking is not used in the supply chain
7. GSK	x	x
8. G4S	The Ethical Employment Partnership (EEP) agreement was signed with the GMB union and global union UNI in 2008. Safeguards industrial relations stability p20 & supplements where national legislation is weak	The group has global policies in procurement, and a global supplier code of conduct'
9. HSBC	Committed to reporting annually on a number of labour rights including non-discrimination and the right to collective bargaining	Ethical and Environmental Code of Conduct for Suppliers (2005). Requires suppliers to respect the human rights of their employees and the communities in which they operate
10. Inchcape	No reference to employment relations other than at individual level. Employees have the opportunity to feed back on experience by completing an engagement survey. In China town hall meetings are held to enable all staff to contribute ideas and feedback	Report says that they support and respect the human rights of everyone they work with and comply fully with appropriate human rights legislation in the countries in which they operate. Don't use or accept forced, bonded or involuntary prison or child labour.
11. Marks and Spencer	No tu recognition in the UK. Employees are involved through Business Involvement groups Employees are informed	Commitment to OECD Guidelines for MNE's. Acknowledges right to freedom of association. 3 <sup>rd</sup> party independent audits of labour standards in the

	of the performance and strategy of the Group through personal briefings, regular meetings, email and broadcasts by the Chief Executive and members of the Board	supply chain
12. Pearson	Shares info with UK unions (p. 62)	Re supply chain P63 “Specific clauses relating to our commitments made under the UN Global Compact are an integral part of our contracts for key suppliers. These standards include the rejection of forced and compulsory labour, a respect for diversity, a minimum age to work on Pearson projects and compliance with employment laws and regulations.” A common contract is used for Franchise partners governing health and safety, labour standards, combatting corruption, safeguarding and the environment.’
13. Premier Foods	Nothing explicitly on employment relations or trade union recognition. Employee survey.	x
14. Prudential	Has a longstanding relationship with Unite. Seeking to create an environment in which individuals are treated with dignity and respect	Some of the businesses hold regular employee open forums with senior management, conduct yearly engagement surveys or organise awaydays to discuss the business,
15. Rolls Royce	The emphasis is on high calibre individuals. Little impression is given of relations with employees collectively	The Global Code of Conduct applies to all employees of Rolls-Royce, to subsidiaries and controlled joint ventures, wherever they are located. Equivalent standards are set for the supply chain through the Global Supplier Code of Conduct (but it is not clear that this applies to labour standards).
16. Smith and Nephew	Mentions trades unions – e.g. in South Africa – but no explicit commitment to working with trades unions. Claims to seek open and transparent communication with employees through regular and timely information and consultation.	They rely on other service providers, such as suppliers, advisers and consultants & take steps to select those that are committed to compliance with the law and ethical behaviour.
17. Sports Direct	Acknowledges the concerns and criticisms that the Group has encountered. Reports that	Group’s Code of conduct/Supply Policy to mitigate against manufacturing risk



	there is a right to a trade union and staff forum.	overseas.
18. Tate and Lyle	Nothing reported on trades unions or consultation with employees – other than employee survey	In line with the requirements of the Modern Slavery Act 2015, the company has begun reporting on the steps taken that to ensure that slavery and human trafficking is not taking place in the business or supply chains: also reporting on accidents in contractors as well as in company
19. Tesco	Tesco recognises Unite and Usdaw but these are missing from the report, which says simply that they use a variety of communication channels to engage, consult, inform and connect with so that employee views can be taken into account.	At a national level, the company seeks partnerships with suppliers, with communities and wider society. They survey suppliers to capture how they feel  'we were strong supporters of the UK Government's new Modern Slavery Bill and the clause on transparency in supply chains, and look forward to reporting against this in future years.'P20
20. Vodafone	x	x

Table 2 shows that 50 per cent of the total made some reference to trades union recognition, the right to association or to collective bargaining. Of course it is possible that where reports are silent, that unions are in fact recognised (e.g. Tesco) or that, in the international context, the question of trade union recognition is a matter for devolved management to local businesses, dependent in some measure on local circumstances. However, out of the ten businesses that mention trade unions or freedom of association, eight have also committed to global employment principles, with six out of the eight making explicit commitments to international labour standards (UN or ILO). It is interesting that there seems to be some consistency between the approach to union recognition at enterprise level and the broader, strategic commitment to employment rights in the international arena. Within the UK trade union recognition is largely a voluntary matter and, where there are longstanding relations between a union and an employer, it is possible that the unions themselves may have influenced the corporate position that has been taken. Conversely though, the corporate stance on union recognition is one that may reflect corporate values carrying over into the international arena.

In conclusion, drawing again on table 2, it is less clear that fair trading standards in commercial relations with suppliers or contractors lead to clear labour standards for those employed in supply chain companies or with sub-contractors. The terminology used is often ambiguous referring to 'ethical standards' without being clear whether those ethical standards impact on the commercial contract – that is the relations between the MNE and its supplier – or on a labour contract – i.e. to impact on the workers engaged by the supplier. 'Fair trade' for the supplier does not necessarily constitute fair trade for the worker. Much

depends on the nature of the commercial contract and the requirements that may be specified by the client regarding the terms and conditions of employment or engagement of labour by the sub-contractor.

## **Discussion and conclusion**

The reports and the associated documentation that we consider here vary in approach, with some providing explicit commitment to labour standards, while others make no reference to them. In the main, concerns include human rights, ethical trading standards and freedom of association as key benchmarks. There are multiple international reference points – notably the International labour standards set by the UN Guiding Principles on Business and Human Rights and by the UN Global Compact; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work ILO and the OECD's Guidelines for Multinational Enterprises. No two reports are the same and, while we would not necessarily expect a high degree of congruence in the approach taken, it might be reasonable to anticipate that the same issues would be addressed by each organisation if only to convince governments, investors and consumers that they are under control.

In contrast to Preuss (2009), we found little evidence of isomorphism, although the common reference points and the emphasis given to standards emanating from international bodies means that there are shared influences and occasional echoes in the formulation of principles. It is clear from the ETI's membership list that some 50% of their members are UK clothing retailers with a further four multiple retailers having a significant stake in apparel sales. The contrast between the retailers in our list may then seem surprising but it highlights the absence of uniformity in approach, even within the sector that might be most likely to commit to international standards. Marks and Spencer – a famously non-union company – emphasises its support for freedom of association whilst Tesco, with a long-standing recognition agreement in the UK with Usdaw, makes no mention of the issue. Sports Direct, described in 2007 as Britain's least ethical company in the Observer Good Companies guide (Wood, 2007), seemed to have made little progress by the time of its 2016 annual report. As Edwards et al (2007) point out, size and sector are important factors in shaping behaviour but this does not completely explain differences found within each sector.

What may seem surprising, given that these MNE's have a shared cultural reference point since they are all UK companies, is the high proportion that say nothing or very little on the subject of labour standards. Vodafone, for example, the largest of the organisations reviewed and one that might be expected by virtue of its size and the spread of its activities to foster discussions on labour standards has little to say. Of course organisations that say a lot about their ethical commitments may in practice not behave ethically and those that say little may seek to embody commitments in practice. However, in line with Zavyalova (2014) we have noted that those who set out clear commitment may be more exposed to criticism – and to shareholder and consumer backlash – if they fail to deliver on their promises. Those who make few public commitments may be less exposed to a consumer backlash.

This takes us back to first principles – is there inevitably an absence of ethical principles in economic liberalism? Is it correct to assert, as Legge (2000) did, that corporate behaviour is destined, inexorably, to follow a downward spiral? It seems that the answer, in many but not in all cases, must support that view since, where few serious commitments are made at the most senior levels, there is little evidence that there is a corporate position that will be implemented through the supply chain. Power asymmetries are inherent in the relations between MNE and suppliers or sub-contractors as Schleper et al (2017) have indicated. There is a difference in stated aspirations as between the MNE's whose reports we have considered and some do claim that their objective is to raise standards and to operate with integrity. This may be construed as a particularly sophisticated form of risk management but it cannot lightly be dismissed. There are real differences in management values and style in corporate commitments on international labour standards, as there are in corporate behaviour more generally. The evolution of international standards, whatever the many limitations, is important precisely because there is scope to influence and to shape the behaviour of suppliers, sub-contractors and competitors. The power of example, of influence and of a commitment to avoid the race to the bottom remains significant for competitors, for host country workers and for trade unions.

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