

Viewpoint

Corporate Responsibility and Labour Issues in China: Reflections on a Beijing Conference

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An unusual event took place in Beijing in November 2002. At the conference on “Labour Relations and Corporate Social Responsibility under Globalization”, held at Renmin University, representatives of global corporations and anti-sweatshop activists came together to discuss issues related to corporate social responsibility (CSR), notably working conditions and labour relations. Chinese organizations, including the China Enterprise Confederation, local NGOs such as the Institute for Contemporary Observation and several academic institutions presented their perspectives on CSR in China and the relevancy of international initiatives and thinking in this field. The heads of some of the major “multistakeholder” organizations that are active in the CSR field were also present, notably the Ethical Trading Initiative, the Workers Rights Consortium and the Fair Labor Association. Adding to the mix were consultancy and auditing companies or NGOs such as SGS, Impactt and Verité, as well as several US and European research centres and the United Nations Research Institute for Social Development.

The ILO had originally organized the meeting but withdrew at the last moment for reasons that remain obscure. The Ford Foundation stepped in at the eleventh hour to co-host the event with the School of Labor Relations and Human Resources, Renmin University. This was fortunate as the conference brought together some of the leading international CSR analysts, activists and practitioners and provided a window to look into the situation of working conditions, labour relations and labour rights in China, as well as an opportunity to familiarize Chinese participants with CSR issues and debates. The presence of CSR staff from Nike and Reebok, together with campaigners from the Maquila Solidarity Network, the Clean Clothes Campaign, NikeWatch, the Asia Monitor Resource Centre and the Thai Labor Campaign made for a fascinating exchange of views, which remained highly constructive despite some fundamental differences of opinion.

These notes provide a brief reflection on some of the issues that were discussed. They are not intended to capture systematically all the main points of the discussion; rather they highlight certain aspects that this author considers particularly relevant to the international debate on the potential and limits of CSR. The discussion centres on two main questions. First, can CSR move on from the current experimental phase to evolve into a broader system for “regulating” business practices? Second, what are the main

factors and conditions that encourage or oblige individual companies to engage with the CSR agenda, and that need to be in place if CSR is to be scaled-up?

Experimenting with CSR

The various presentations on CSR trends and initiatives revealed quite clearly that the contemporary CSR agenda is still in its infancy. Not only are new methods, tools and approaches being tried out, but the number of companies involved remains relatively small. CSR is, nevertheless, gradually evolving and maturing. The most obvious change is the shift from so-called “corporate self-regulation” – where, for example, companies unilaterally design and implement codes of conduct – to “co-regulation” or “multistakeholder” initiatives, which involve two or more actors (e.g. government, inter-governmental organizations, business and NGOs) coming together to design and implement norms and instruments that attempt to improve the social and environmental performance of firms. These typically involve codes of conduct, monitoring, verification, reporting and certification. This shift has partially addressed five of the major limitations of corporate self-regulation, namely, the tendency of companies to:

- pick and choose among the CSR initiatives with which they engage;
- ignore key aspects of CSR such as labour rights;
- limit CSR obligations to affiliates, as opposed to suppliers;
- pay insufficient attention to the need for independent monitoring or verification of corporate compliance with new policies and standards;
- each do their own thing, resulting in a confusing proliferation of standards and procedures.

From the presentations by company CSR staff, NGO representatives and academics it was apparent that this process has involved a very rich learning experience of what works, what doesn't, of “learning by doing”, of how to progress through collaboration and dialogue, and of the importance of transparency and accountability to various stakeholders. The obvious rapport between the company representatives and several of the NGO campaigners suggested that “mud-slinging” has, to some extent, eased off and that improved channels of communication now exist. But the discussions also revealed that serious problems - not dissimilar to those that characterized corporate self-regulation – affect the current phase of “co-regulation”.

Multistakeholder initiatives, that were initially established to introduce an element of uniformity and standardization to the disparate company-led CSR initiatives, have themselves proliferated to such an extent that they may be adding to the confusion, particularly for the affiliates and suppliers and other “CSR” actors and institutions that have to engage with these initiatives. The growing list acronyms and CSR institutions that operate internationally bears witness to this confusion: Ethical Trading Initiative

(ETI); Clean Clothes Campaign (CCC); Global Reporting Initiative (GRI); Forest Stewardship Council (FSC); AccountAbility (AA1000); Social Accountability International (SA8000); International Organization for Standardization (ISO14001); Worldwide Responsible Apparel Production (WRAP); Workers Rights Consortium (WRC); Fair Labor Association (FLA); the Global Compact; and the Global Alliance for Workers and Communities, to name just a few. One problem discussed at the conference concerned the difficulties and confusion experienced by a vendor firm when it supplies clothing and footwear to several US and European corporations, given the fact that each corporation imposes a different set of standards.

While many of these multistakeholder initiatives have been fairly successful in placing the concept and practice of independent monitoring or verification firmly on the CSR agenda, the participants heard how monitoring methods and techniques remain woefully inadequate. Auditors often lack the necessary technical, cultural and social skills to undertake effective monitoring. In addition, the vendor firms being monitored often adopt various means to subvert the monitoring process, most obviously, sprucing up the factory the day before the auditors arrive. For this reason some speakers stressed the importance of unannounced visits to factory sites. More extreme cases were also revealed where, for example, management paid or punished workers depending on their response to questions. Monitoring methods that were akin to “policing” were criticized by several participants. Such methods often alienated management in vendor companies and promoted mistrust. Various participants stressed the need for more collaborative and participatory monitoring and learning experiences. Organizations such as the Clean Clothes Campaign, which had carefully studied and tested monitoring and verification techniques, stressed the importance of involving local firms and civil society organizations in the monitoring process. They also stressed the need for off-site interviews with workers. But the reality of extensive overtime, night-time shifts and physical exhaustion of many workers in Export Processing Zones means that access to workers, let alone, off-site interviews is extremely difficult. They also called attention to the need to develop complaints procedures that would enable workers to raise concerns without fear of victimization.

CSR activism and learning has ensured that the scope of voluntary initiatives has been broadened. Nevertheless certain areas of corporate “irresponsibility” have remained off-limits in the CSR agenda. Various examples emerged such as the tendency to use sub-contracting as a means of shedding social responsibility. One participant noted the shift that is occurring in some sectors and countries from sub-contracting to “sub-sub-contracting”, involving home work. When this occurs it is virtually impossible to monitor CSR practices. Another speaker pointed out that while the considerable attention to the situation of migrant workers in Chinese Export Processing Zones had addressed important issues of workplace and dormitory conditions, it had largely ignored the right of workers to enjoy a family life. Corporate lobbying for ongoing “de-regulation”, often involving socially- or environmentally regressive policies, was also noted as an area that has been largely off-limits in the CSR agenda.

To deal with problems related to the proliferation of CSR standards and the limited

capacity of companies and other organizations to address CSR issues, there were calls from several speakers for greater harmonization of codes of conduct and for “strategic interventions”: companies, NGOs and trade unions should concentrate their efforts and resources on specific types of interventions in order to address priority concerns or problems that were more manageable. According to this perspective, more thought needs to go into disaggregating problem areas into those that are simpler in nature and can be largely addressed through technical assistance and training – e.g. certain practices related to the use of chemical and pesticides - and those that are far more complex and require systemic, structural or institutional changes – e.g. the issue of excessive overtime.

Perhaps the biggest problem facing suppliers in developing countries in relation to their efforts to improve labour conditions and comply with codes of conduct is what might be called the strait-jacket effect. Various speakers noted that suppliers in sectors such as apparel and footwear are being encouraged or obliged to improve working conditions but receive relatively little training and other assistance to do so. Rather than simply forcing codes of conduct on suppliers and expecting them to shoulder the burden in terms of cost, far more attention needs to be given to the question of “shared responsibility”. Vendor companies are under considerable pressure to produce on tight margins and delivery schedules. The nature of these industries and competition is such that these pressures are increasing. Suppliers are often confronted with two very different messages or discourses from different departments within northern TNCs and retailers: “please improve your workplace conditions” versus “meet our contract conditions or else!” This situation of “double standards” came in for considerable criticism at the conference.

The “double standards” scenario, in fact, operates both at the micro level of the firm and at the macro level of developing countries. Not only are suppliers being told by large corporations to act in contradictory ways, but developing countries themselves are often confronted by contradictory discourses and policies when they interact with the international development community. The message from the mainstream development and finance agencies seems to be, on the one hand, “let us help you develop economically, socially and environmentally” and, on the other hand, “you must pay your debts, cut government spending, stop subsidizing or supporting national producers, let in cheap imports and adopt deflationary policies”. In other words many developing countries have found themselves in a similar straitjacket as a result of macroeconomic conditionality.

Scaling-up CSR

The question of how the CSR agenda might move from the current phase of experimentation and piecemeal interventions, as well as its focus on just a limited number of companies and sectors, underpinned much of the discussions at the conference. Despite all the “learning by doing”, the CSR agenda and activism of the past decade appears to have made only a slight dent in the problem of poor and repressive working conditions. While this is particularly apparent in developing countries,

the participants also heard of similar problems in the United States “sweatshop” sector.

CSR and voluntary initiatives have yielded much useful information and analysis and some partial gains, but the current agenda is likely to remain highly specific, i.e. confined to specific products, companies and sectors, and confined to specific projects and initiatives. It shows few, if any, signs of constituting an agenda that can be scaled up to any significant degree.

How might CSR be scaled up? Some participants stressed the “business case” for CSR and the need to raise awareness among company managers and owners of the potential benefits of CSR in terms of profitability, productivity and competitive advantage. According to one speaker, the key driver of CSR was “enlightened self-interest”. A representative from Nike suggested that the way out of the “micro-level” strait-jacket referred to above lay in reinvestment and increased productivity. At present many suppliers are reluctant to reinvest in technological improvements that would raise productivity. As such, profits are exacted on the basis of extreme forms of labour exploitation involving not only low pay but also excessive working hours. According to this viewpoint, unless suppliers begin the transition from this “low road” to a higher road it is difficult to see how CSR can be significantly scaled up. The conference participants heard of one project in China involving several European retailers, which sought to deal with the serious problems of overtime, staff turnover and low pay in the supply chain through improved human resource management and productivity gains. It was attempting to prove the point that reducing overtime whilst maintaining or increasing pay can yield dividends in terms of increased productivity and profits if, for example, the high turnover rates and time lost through injuries that characterize many Chinese factories are reduced.

In this project, as in many others, overcoming the lack of trust on the part of both workers and management has been a central challenge. A typical problem related to code implementation is that both workers and management are fearful of victimization: workers are scared that they will be penalized or fired for complaining or answering questions truthfully; management in vendor firms is fearful that their contracts will be terminated if they declare the true state of affairs regarding pay, overtime and health and safety. In this particular project, the buyer companies had to agree not to “cut and run” if poor conditions existed or persisted, but rather to commit themselves to working with the supplier and sharing responsibility over the longer term. Overcoming mistrust among workers had required training, education and the formation of workers’ committees. Participatory rural appraisal (PRA) methods had been used in an attempt to ensure that the workers had a voice in the project. But this initiative, like others related to code implementation and monitoring, still had to prove itself, let alone be scaled up to any degree.

Part of the business case approach also involves “naming and praising” tactics, i.e. rewarding companies for “good practices”. One speaker suggested that a pragmatic tool for promoting CSR in China would be a system of local-level competitions and awards and media publicity for good behaviour.

But several participants remained unconvinced that business would fundamentally change in the absence of other pressures. An “alternative” position or discourse was very much in evidence at the conference. This was the discourse of “regulation”, which stressed the importance of developing or strengthening institutions (“rules of the game” and regulatory organizations) that would oblige business to raise standards.

Activists and campaigners stressed the importance of “naming and shaming” tactics which identify and publicize corporate malpractice. Brand name companies, in particular, are sensitive to bad press and are likely to respond to some extent through various CSR initiatives. Participants heard of certain campaigns that have kept up the pressure but also “name and praise” companies when appropriate. This occurred, for example, when Nike responded positively to activist pressures in the Mexmode (formerly Kukdong) case in Mexico.

But naming and shaming can also be a hit and miss affair. In practice, the numbers and types of sectors, companies and products that are named and shamed is very limited, as is NGO capacity to detect and publicize malpractice. And how companies choose to respond, if at all, to naming and shaming can vary considerably.

Much of the discussion centred on two alternative regulatory approaches. One involved government regulation. The discussions on CSR in general, and the China-based activities of large brand name companies like Reebok and Nike in particular, revealed that while these companies were undertaking a series of initiatives to improve labour conditions and labour relations, they represented just the tip of the iceberg. One participant suggested that they account for less than 5% of the Chinese export market for sports footwear. Whereas Nike and Reebok have a few hundred factories each in China, giant retail companies like Walmart had several thousand. Until recently, however, such low-cost retailers have been far less in the CSR spotlight. The daunting question, therefore, becomes not only are companies such as Nike and Reebok effectively transforming their policies and practices in relation to CSR, but even if they were to do so, would this have any significant impact on labour conditions in the industry as a whole. In such a context, government regulation would seem to have a crucial role to play in efforts to scale up CSR.

Yet several participants made the point that labour legislation in China was already relatively strong. The problem is that it is not implemented. Local governments, sometimes in collusion with local business, often do not apply national law. Some may not even know of relevant legal reforms, as was noted, for example, in relation to recent changes to minimum wage legislation.

As a result some in the regulation camp did not place too much faith in the rule of law. Rather, they emphasized another strand of regulation centred on trade union activism and respect of internationally-agreed labour rights. Hence, various participants stressed the importance of freedom of association and collective bargaining. There was considerable debate about how free or unfree trade union organization was in China.

While not conforming to international norms, it emerged that some spaces for partially-independent association did exist in certain localities. Given the constraints on independent trade union organization in China and some other Asian countries, and in response to activist pressures, it emerged that Reebok had broadened its CSR agenda to include activities associated with worker organization and empowerment. The tacit support of certain labour rights NGOs for this process, which involved democratic procedures such as self-nomination and free and fair elections of workers' representatives, suggested that it amounted to more than an attempt by management to form subservient union organizations. It remained to be seen, however, what the workers' organization would actually do in practice and whether its activities would eventually evolve in the direction of collective bargaining.

Relinking CSR and Regulation

As is common in conferences of this nature, many of the participants end with a plea for greater collaboration and communication between business and activists. "Enough of the mud-slinging", "we can learn together" or "learn by doing" through partnership and dialogue. But another equally valid conclusion can be drawn. The diverse range of opinions and views expressed at the conference regarding the drivers of CSR and the prospects for scaling-up suggests that ongoing tension, activism and regulation are just as important in moving the CSR agenda forward.

The history of CSR, including such moments as the abolition of child labour in 19th century Britain, improved working conditions under "Fordism" at the beginning of the 20th century in the United States or in post-World War II Europe, improvements in the environmental management systems of large corporations in the 1990s, or specific international codes related to the use and marketing of infant formula and pesticides, suggests that a combination of elements is crucial in reforming business policies and practices. This includes productivity, ethics, regulation, struggle and an occasional crisis. Broad-based alliances of social forces, which sometimes include sectors of the business community, are crucial. The problem with much of today's CSR agenda is that it ignores or forgets history. It hails the virtues of voluntary initiatives and the well-intentioned motives of "corporate citizens" and tends to shun, rather than acknowledge, the role of regulation and struggle. Corporate self-regulation and voluntary approaches are generally portrayed as a welcome alternative to government or international regulation, which are dismissed as unworkable, passé or an attempt to "command and control". From this perspective, multistakeholder dialogue becomes as much a means of diluting activism as a tool for organizational learning.

As several conference participants noted, CSR needs to become part of the regulatory process; a step towards legislation and workers' empowerment, rather than an alternative to them. While the conference did not explore systematically the possible positive linkages between CSR and regulatory action, various examples emerged:

- the CSR agenda should stress compliance with the law as one of its baseline actions;

- the emphasis placed on “transparency”, should encourage the formulation and/or implementation of laws on freedom of information, public disclosure and reporting;
- the notion of “corporate accountability” should also include accountability to workers’ organizations and local and national government;
- CSR initiatives should be used to build capacity among local NGOs, workers’ organizations and local government;
- the CSR agenda should attach a high priority not only to workplace conditions (e.g. health and safety) but also labour rights and worker’s empowerment through training, education, organization, complaints procedures and bargaining;
- trends and concerns regarding the proliferation of codes of conduct – concerns which are also shared by some TNCs – should translate into efforts to support, rather than undermine, the formulation of an international code or set of guidelines for TNCs and other regulatory initiatives;
- the CSR agenda should raise awareness of international conventions and agreements related to labour, environmental and human rights, as well as socially-responsible marketing practices, and of the need for national ratification and compliance.

Rather than try to marginalize international and national regulation, and some forms of civil society activism, the corporate responsibility agenda should recognize the crucial role that these different approaches play in promoting and scaling-up CSR. CSR needs to shed its image as part of a process associated with deregulation, to one associated with “reregulation”. The recent attention to “corporate accountability”, rather than “corporate responsibility”, maybe a step in this direction.

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