

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Corporate Social Responsibility

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Chair, ladies and gentlemen,

I am grateful for the opportunity to address such a distinguished group of policymakers, business and labor leaders, academics and NGOs.

Let me start off by saying that corporate social responsibility is a concept of growing importance not only in my country, in Austria, but also within Europe and around the globe. Although corporate social responsibility is high on the agenda everywhere, it is by no means a new concept. In Austria for instance, the Stock Corporation Law, enacted already in the year 1965, has provided a legal basis for the concept of corporate social responsibility. It stipulates that "the managing board has to run the company under its own responsibility as the welfare of the firm under consideration of the shareholders, the employees and the public common good requests" (§ 70/1).

Gone are the days when multinationals could source products overseas without concerning themselves with factory conditions and worker rights. Campaigns conducted by human rights and labour activists have turned the spotlight on corporate practices in recent years. The negative consequences of conducting business as usual, that is to say operating without integrating social responsibility and sustainability as key parts of the wealth creation process, have made it incumbent on corporations to observe internationally agreed standards.

In an increasingly globalized world economy, the decisions and actions of corporations impact directly on governments and their policies, on local communities, workers and their families. As business operations come under scrutiny around the world, workers and consumers, but also shareholders and the communities with whom they interact, increasingly demand that corporations play a positive role in the promotion and implementation of corporate social responsibility.

In this regard I am convinced that one thing is for sure - the pressure on business to play a strong and pro-active role in corporate social responsibility will continue to grow. All companies, regardless of size, industry and the location where they operate, have a direct responsibility to respect human and labour rights in their own operations. In a world of multinational investment and global supply chains, corporate social responsibility must extend beyond national borders.

Under increasing pressure from trade unions, human right activists, consumer groups and increasingly also investors, companies have adopted unilateral codes of conduct covering working conditions, human rights and environmental aspects. Surveys have shown that consumers not only want to buy good and safe products, but they also want to know if they are produced in a socially responsible manner. Unfortunately, however, there is serious evidence suggesting that companies have used such codes to get white-washed as well as to improve public relations.

As a trade unionist, I am not surprised to note that corporate social responsibility is still perceived by some as a stalking horse for an anti-corporate agenda. They are in favor of a concept of self-regulation whereby companies voluntarily integrate social and environmental concerns in their business and the way they interact with stakeholders.

Regrettably, however, there is no compelling evidence suggesting that self-regulation is a promising way to implement corporate social responsibility seriously and to strengthen compliance with international labor standards.

The conclusion to be drawn here is a simple one: Corporate social responsibility must not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of appropriate new legislation.

Within a company, socially responsible practices primarily involve investment in human capital, health and safety, and managing change. They also cover environmentally responsible practices relating to the management of the natural resources used in production.

One of the key elements of corporate social responsibility is that of human and labour rights, particularly in relation to global production activities.

One of the most important instruments to foster responsible business conduct is the OECD Guidelines for Multinational Enterprises. Although not legally binding for corporations, they are legally binding for those governments that have signed up to them. Moreover, they apply to business operations worldwide, that is, to all companies operating in or from the adhering countries.

Trade unions have organised a number of seminars and other activities to raise awareness of the Guidelines not only among workers, but also targeting business, NGOs and governments. But we cannot promote and implement the Guidelines alone. To realise the potential of the Guidelines we have to work together. I therefore wish to encourage particularly business and governments to join our efforts to make the Guidelines an effective tool.

Since the review of the Guidelines in 2000, trade unions have raised more than 50 cases of violations of the Guidelines with National Contact Points (NCPs). Most of the cases refer to violations of trade union rights. Closures or transfers of companies or parts of companies are also common issues. Almost half of the cases concern corporate conduct in non-adhering countries.

Less than half of the cases have been closed. This means that they have either been resolved, or not accepted by the NCPs or finalised without an agreement between the parties involved.

The majority of cases are still ongoing, which shows that the NCP procedures can be both lengthy and time consuming. TUAC has found that, on average, NCPs take about

10 months to deal with an issue, but some cases drag on for years. This is unacceptable. Governments must ensure that cases are handled in an efficient and timely manner.

There is a general problem in the functioning of some NCPs. Not all NCPs involve the social partners in their work and not all NCPs make a wholehearted effort to resolve the cases that are brought to them. In general, tripartite and quadripartite NCPs operate better than NCPs which consist of a single government agency. But involving the social partners is not enough. There has to be some real peer pressure on the NCPs which do not meet the standard of the best performers.

Furthermore, the Guidelines do not get the attention they deserve within the OECD Secretariat. Given that they are seen as one of the most important tools dealing with corporate responsibility, it is deplorable that so little resources are being devoted to their promotion and implementation at the OECD level.

Finally, let me stress that trade unions do not see the Guidelines only as a way of raising cases when there are violations of the Guidelines. For us, they are primarily a tool for social dialogue. They can be used to introduce or strengthen a dialogue with the employer. The Guidelines should also serve as a benchmark, either for company codes of conduct or negotiated framework agreements between companies and Global Union Federations. In either case, the Guidelines should set the floor for corporate conduct. Thus codes or agreements should go beyond the Guidelines.

Before I conclude, I would like to make three suggestions in order to improve the implementation of the Guidelines.

First, the OECD must improve its efforts to ensure that the Guidelines are properly implemented. This could be done by installing a system of "peer group pressure", a tool most often used by the OECD with the ultimate goal of helping the organization under review to adopt best practice, and comply with established standards and principles.

Secondly, governments should make compliance with the Guidelines a prerequisite of providing public funds, in particular such as export credits and investment guarantees, to corporations.

Thirdly, compliance with the Guidelines must be strengthened across global production networks and supply chains

Let me finish by saying that we must build societies that respect fully human rights, in particular workers' trade unions and other human rights, especially those pertaining to employment and collective bargaining. It is essential to ensure that workers' rights receive the same amount of protection (if not more) as is accorded to Disney's Mickey Mouse under the global patent laws.

I would be happy to answer any questions you may have about how to strengthen corporate social responsibility.

Thank you for your attention.