

THE REALITY OF CORPORATE SOCIAL RESPONSIBILITY

*Case Studies on the Impact of CSR on Workers in China,
South Korea, India and Indonesia*



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Edited by Asia Monitor Resource Centre

Asia Monitor Resource Centre

The Asia Monitor Resource Centre is an independent non-governmental organization focusing on Asian labour concerns. The Centre provides information, research, publications, training, labour networking and related services to trade unions, labour groups, and other development NGOs in the region. The Centre's main goal is the support democratic and independent labour movements in Asia. In order to achieve this goal, AMRC upholds the principles of workers' empowerment and gender consciousness, and follows a participatory framework.

CSR Research Paper Series is a collaborative work carried out by AMRC and the labour researchers in Asia. The series is to provide information about the impacts of CSR on workers and labour unions. This action-research is also to provide an analysis to build international solidarity among the working people.

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ISBN : 978-962-7145-40-0

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Preface

THE REALITY OF CORPORATE SOCIAL RESPONSIBILITY: EXPERIENCES FROM CHINA, SOUTH KOREA, INDIA AND INDONESIA

Fahmi Panimbang

Defining Corporate Social Responsibility (CSR) is a bit trickier. A popular, if not particularly concise, explanation seems to be ‘the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.’¹ This definition reflects the predominant philanthropic dimension of CSR, as commonly practiced in many Asian countries. However, CSR takes a plethora of forms, including sponsoring awards, adopting voluntary codes of conduct, reporting on social and environmental impacts, engaging in dialogue with ‘stakeholders’ among others. The latest craze in the CSR market, of course, is concerning climate change issues, which has prompted an excitable chatter about energy efficiency and carbon offsetting. The talk of ‘green economy’, ‘green job’ and the like has been alarmingly widespread, that many activists take for granted.

The biggest problem with CSR is not that it has limitations, nor is it concerning its questionable ability to sufficiently address the problems it intends to ameliorate. Rather, it is the fact that it takes people to a completely wrong direction. For many large corporations, CSR is primarily a strategy to divert attention away from the negative social and environmental impacts of their activities. In the Asian context, CSR mostly involves activities like adopting villages for what they call a ‘holistic development’, in which they provide medical and

sanitation facilities, build school and houses, and helping villagers become self-reliant by teaching them vocational and business skills. Such corporate strategies have been effectively hegemonic, providing a strong legitimacy and license for corporations to sustain the exploitation of human and natural resources. More importantly, it leads people to wrongly assume that the business houses, and not the states, are responsible for citizens' basic rights to better education, clean water, healthcare, etc. It disciplines the un-informed poor motivating them to behave in ways that make state regulation obsolete, while leaving them at the mercy of market forces.

Asia Monitor Resource Centre (AMRC) has been working to understand and deal with the unprecedented impacts of CSR on the working population. In the past few years, AMRC developed a core position paper on the CSR that highlighted the magnitude of the problem and critically analysed its implications for the labour movement, besides its undemocratic nature. The position paper was shared in a regional consultation meeting in May 2010 engaging critical CSR practitioners, which resulted in the circulation of a joint position statement on CSR, followed up by a collaborative research that resulted in publication of these research papers.

It is true that more and more labour organisations and activists in the region have been attracted to CSR and the code-based strategy, almost as if they provide an alternative to labour unions and other forms of organising labour. Against this tendency, we believe that assisting workers to organise in workplaces largely managed by Asian TNCs is the sustainable way to improve labour conditions in the region, rather than being entrapped in CSR activities which in many cases has forced the unions and workers to put their energy and time in pressuring brand-names to implement codes in supplying factories.. This publication is one of our efforts to get CSR unmasked and to help workers organise without harming their autonomy.

CSR as Corporate Political Agenda

Like in the circle of global value chain where a consumer's need is being constantly created, CSR too is being marketed in very sophisticated ways. Recently the corporate world introduced a new term, corporate social investment. It is often used to describe a company's investment in a variety of community activities aimed to (1) improve the company's financial performance and reduce its operating costs, (2) enhance its brand image and reputation, (3) increase customer loyalty and sales, (4) increase the ability to attract and retain workers, (5) a reduced regulatory/activists' oversight, and (6) reduce risk, thereby facilitating easier finance or access to capital.²

There is no doubt that by undertaking CSR activities the corporate gains more profit, benefit, and legitimacy all at once. In particular, the 'license to operate' from the company's host environment and community is as important as the company's financial resources. This investment finds its returns in the form of helping the company avoid the cost of compensating the community affected by its operation. These political agenda have been acknowledged explicitly by the CSR advocates, including in business and academic circles.³

It is obvious that CSR is one of the tools to increase corporate power in the society. Numerous big corporations have increased the resources they devote to CSR in order to gain legitimacy and higher profit, simultaneously. CSR has become a major global industry in its own right, and as of 2007 it has been valued at US\$ 31.7 billion.⁴ However, despite the huge resources it acquired, evidences show that CSR practices are hardly adequate to address the problems, and in reality most firms' CSR expenditures fall well within their limits of voluntary spending. Even the above-average expenditures of some big corporations such as BP, Shell, Nike, HP, the Gap, Timberland, M&S, and Merck, are quite small in comparison with the profit they make.⁵

The corporate response to public pressure has been strategic and persuasive in promoting CSR by promulgating a number of fancy parlance for CSR and engaging academic experts and consultants among others. Although there are a number of attempts to define CSR, its actual theoretical development occurs in business practices..In many CSR practices, business often uses the concept of “stakeholder management”, “stakeholder engagement”, “business values” or “business ethics”. Another common term used is “corporate citizenship”, which is based on the premise that corporations are citizens. By introducing these fancy terms, CSR becomes more complex, attractive and accommodative. For instance, corporations use different sophisticated terms of certification, labelling, standardisation schemes, and codes, involving consultants and experts that ultimately leave people in puzzle. That is a major reason why CSR is neither known among the public in many Asian countries, as shown in various chapters of this volume, nor are its harmful effects properly understood. In other words, there is always a huge gap between the discourse and the practice of CSR, which has been barely successful in dealing with the real problems the corporations themselves have created.

Corporate houses use CSR projects as a green-washing⁶ and marketing strategy rather than as responsibility. The rights of workers at shop floors have, in fact, been deliberately neglected and violated for the sake of higher profit, exposing the real corporate sense of responsibility. The most notorious case is the glossy CSR report of Hindustan Lever Limited (Hindustan Unilever), the Indian subsidiary of Unilever PLC, the country’s largest packaged mass consumption goods company that deals in home and personal care products, food and beverages. The CSR report of Hindustan Unilever on “improving health and well-being of People” in India⁷ is in extreme contrast with the company’s ruthless ways of dealing with workers. In its Doom Dooma factory in Assam about 700 workers and union leaders have been attacked since 2007 for asserting their basic rights. Hindustan Unilever has been involved in a number of CSR initiatives by promoting programmes such as Project

Shakti of Unilever. The project is aimed at creating rural entrepreneurs by providing training to 13,000 underprivileged Indian women, who are trained to distribute the company's products to 70 million rural consumers. Working with women's self-help groups, the company teaches them selling and book-keeping skills and equips them with commercial knowledge.⁸

The case clearly shows that CSR is merely marketing gimmick and an effective exercise in green-washing. On the one hand, the company deliberately neglects the rights of its own workers at the workplace, while, on the other hand, builds a good image of contributing to the society. Exploiting a large number of women under the banner of CSR by involving them in selling and distributing the Unilever's products, Hindustan Unilever in fact has increased its profit manifold. The women participating in the project have been reaching out to the Indian domestic market that helped Unilever to get 30 per cent more consumers in rural areas since the inception of the project in 2000.

Corporate Code of Conduct: Its Contradictions and Impacts

In the labour movement, CSR has transformed into a voluntary mechanism called the corporate code of conduct. The code of conduct is a corporate response to public pressures. Corporations on their part do not see these codes as obligatory, rather they become part of their strategy to gain legitimacy. The most distinctive element of corporate codes of conduct is that they are designed for the workers by the so-called 'other stakeholders', which include stockowners, management, NGOs and international organisations. The undemocratic nature of the stakeholder approach to this code is intrinsic to its conceptualisation, which is meant to give a full control to capital.⁹

Code of conduct effectively alters labour relations in the

workplace promoting a harmonious industrial relation that sustains the violations of labour rights with least resistance from the side of workers. It aims at appeasing labour, consumer, and civil society movements, and has a mission to protect TNCs' interests in international sub-contracting. These codes of conduct domesticate the movements by engaging labour organisations in the supervision work of the manufacturing process of TNCs encouraging them to forsake their core work at the grassroots.

But the biggest problem with the codes of conduct is that it creates privatization of labour law and promotes self-regulation in the workplaces.¹⁰ By promoting codes of conduct, employers divert the focus of labour movement towards setting up localised regulation, neglecting the national constitution and the labour laws. Employers try to convince workers and the local governments that voluntary standards are better than their existing labour laws, which suffer from a lack of implementation. However, the Asian context has visibly shown that CSR has exactly similar limitation – its core principles to “protect, respect and remedy” are hardly implemented. For example, although most of the Dutch multinationals operating in India do have a policy or codes of conduct for labour and environmental issues, their Indian daughter companies by and large do not fulfil the code of conduct principles. Like in many other Asian countries, the Indian operations of the Dutch companies lack monitoring of the policy implementation, and they generally do not verify if the production in subcontracting chain follow the internationally agreed labour and other human rights and environmental standards.¹¹

It is very clear that the codes of conduct are undemocratic in nature and unfairly imposed upon the workers. It also intentionally makes the government's work on labour inspection practically complicated and dysfunctional, if not impossible. Furthermore, codes of conduct and other types of CSR have the 'divide and rule' effect.¹² At the workplace level, CSR hampers the development of genuine, free and independent unions, which are further stigmatised as trouble-makers in society. At the community level, CSR affects the loss of harmony within

the society, as a limited number of people get benefits through jobs, gifts or trade opportunities, while others get none; some people remain deprived, even when they given up their land. At the national level, the impact of CSR is obviously seen in the ever-widening rupture between the proponents and opponents of CSR. Meanwhile, at the global level, Northern and Southern workers are less and less likely to reach out to each other, as they get co-opted by multi-stakeholder initiatives and are more invested in them, than in the task of developing solidarity across divisions. CSR has impacted workers to the extent that it provides them with an alternative to solidarity building. In a nutshell, CSR undermines solidarity between workers.

Self-regulation that CSR promotes is bound to remain largely ineffective, and will fail to provide an adequate solution for the real problem that society faces today. One major reason why workers' problem will remain unattended is that the current CSR agenda and practices are mainly market-driven initiatives. Only those firms that are part of the global supply chain of large TNCs are the ones that voluntarily adopt "standardised" labour practices, either with the intention of competing with their rivals from other regions, or in response to pressures from international buying houses, retail chains, or consumer groups in the North.

Needless to say, researchers have hardly found any example of companies producing for domestic markets that voluntarily adopt codes dealing with labour issues. Thus, there is a gap between firms that supply to the domestic market and those that supply to the global market and thus are tied to the global supply chain. Companies producing for local markets do not experience the same demands and pressures to carry out corporate social and environmental responsibilities. Therefore, it is not surprising that the response to corporate responsibility pressures has occurred mostly in export-led sectors and where the business is part of a global supply chain. For that reason the chief problem of CSR is that it sustains the very system that exploits people and natural resources.

As a legitimacy tool, CSR maintains the global production and supply system that hurt working people across the core-periphery divide. The system has resulted in the shift of manufacturing from industrialised countries to developing nations in the period of internationalisation of monopoly of capital. This trend started in the 1970s and has escalated in recent decades. This economic architecture has had a tremendous impact on working people. The system has adversely affected the working people both in the core and peripheral economies. In the core, such as the U.S. and Japan, economies receive less investment and fewer employment opportunities, and wages are being driven down through globalised competition. In the U.S., the share of manufacturing in GDP has dropped from around 28 per cent in the 1950s to 12 per cent in 2010.¹³ Japan has also seen a similar decrease.¹⁴ In the peripheries, the competition between countries for foreign direct investment and export markets is leading to a systematic establishment of anti-labour regimes drawing comparative advantages based on cheaper, more manageable labour.

The Reality of CSR: Experiences from China, South Korea, India and Indonesia

CSR has been practiced in many different ways, and this publication tries to present its Asian context by investigating how it has been impacting people on the ground. In this volume, we provide case studies from China, South Korea, India and Indonesia, disclosing the ugly face of CSR. It begins with the overarching paper written by Surendra Pratap of Centre for Workers Education that unmasks the political agenda of the corporate. This chapter explains that CSR took hold as an offshoot of the free market ideology of the 1980s and matured within the context of the new world economic order established by the World Trade Organization. It argues that CSR is basically the perspective of capital in general and TNCs in particular, and is a consequence of

neoliberalism. The political agenda of CSR, it concludes, is very clear – and that is to prevent any kind of legislation at the international level which would control the behaviour and restrict the activities of the corporate. Inherent in the agenda is the task of projecting a socially responsible image of the corporate and diluting the anti-corporate and anti-globalization sentiments. The chapter also discloses the real face of the corporates where CSR provides a space for them to hide illegal and morally questionable activities from public eyes.

The next chapter by Elaine Sio-ieng Hui problematises the CSR in China by questioning whether CSR is able to address Chinese workers' need in a changing socio-economic context. The chapter describes how CSR gained prominence in the 1990s as a tool of TNCs in mediating labour relations in supplying to countries interlinked in their global production chains. It reviews the implementation of CSR from the perspective of grass-root workers in China, one of the largest supplying countries in the south, and argues that CSR in China has always failed to protect workers' substantial rights, despite the minor improvement of working conditions it has brought about, because many TNCs have taken advantage of CSR to deflect attention away from their exploitative policies. It explains that CSR continues to fail to address workers' pressing concerns, including demands for decent wages and genuine trade union representation in a new socio-economic and legal context. This chapter suggests that CSR should no longer be on the top of the labour agenda and trade unionists, labour activists and scholars should devote more attention to how to support workers activism on the ground, and how to strengthen workers' rights to freedom of association and collective bargaining, which are the crucial foundations for the effective protection of their rights.

The case study on South Korea is authored by Wol-san Liem, a researcher with the Research Institute for Alternative Workers Movements in Seoul. The chapter investigates CSR in South Korea by looking particularly at what it means for workers and unions, and carries out a case study of Samsung Group's CSR strategy. Korean

conglomerates' CSR activities, it argues, focus heavily on philanthropic activities which provide corporations a means for presenting a moral image of themselves and for distracting people's attention from low wages and job insecurity. They also involve 'green management', which allows corporations to improve their reputation while taking advantage of new markets. Many corporations in South Korea use CSR to mask violations of labour rights. Despite this fact, South Korean unions see participation in CSR activities as a useful means for achieving their goals. In some cases, unions use CSR mechanisms to pressurise corporations to meet their demands in connection to wider campaigns. In other cases, unions approach CSR from a perspective of cooperation with capital. In the case study on Samsung Group, the chapter analyses how Samsung uses CSR to paint a positive image of its 'no union management' with detrimental consequences for workers' rights. Overall, the chapter argues that when used by unions as part of comprehensive campaigns, CSR discourse and mechanisms can be useful in winning sympathy for workers' demands. It also argues that much of Korean unions' participation in CSR feeds into corporations' CSR strategies, supporting capital's power.

The Indian case study is presented in the next section by Surendra Pratap and Sanjiv Pandita. In this chapter the authors describe that India is a country with a long tradition of philanthropy yet it has also a long history of highly irresponsible and inhuman behaviour of the corporate. It argues that CSR in the present era is different from philanthropy, and, as it emerges in practice, is also different from the Global Compact or other CSR initiatives. There is nothing in it for labour, and it is generally focused on education, health, public amenities, vocational training, awareness building etc. It is now a part of business and business promotion strategy, but most significantly, it is a political strategy. CSR is targeted to pacify the anger of the people against the corporate. CSR activities are targeted to project a good image of the corporate and weaken the people's movement against them. The case study on GMR Group, a global infrastructure company

in India, illustrates how CSR is used as a tool to pacify the displaced and dispossessed people of Odisha in India. GMR has acquired huge amount of land affecting more than 1,300 families of four villages in Angul region of Odisha, India with the majority being dalits and tribals. The GMR uses CSR to appease people’s anger against the taking over of their inherited resources. One local activist furiously voiced, *“companies are destroying all the livelihood of the people and destroying all their water resources to make them and their generations face hunger and thirst for whole life, and then [through CSR] they are doing a charity by offering good clothes and good shoes.”*¹⁵

The Indonesian case study is investigated by the Institute for Crisis Study and Alternative Development Strategy (INKRISPENA). The chapter focuses on how CSR was implemented and how it affected workers and trade unions in four companies. Reinforcing our previous argument, the research team of INKRISPENA argues that CSR is a subtle means by which the companies have been able to showcase their concern for workers’ welfare and thereby arm themselves with the tools to persuade unions and workers to cooperate with the management. This section shows CSR’s effective influence which varies from no impact or minimum impact to the busting of unions. The result of the research shows that the formation and development of trade unions is necessary for the workers to avoid a violation of their rights, and to control the company’s CSR implementation with a collective labour agreement.

Ways forward

Analysing these studies, the major problem of CSR as a part of neoliberal agenda is the structure in which CSR is embedded, which is capitalism. The chapters in this volume explain in different contexts of four Asian countries that the aim of CSR is to do the minimum possible, and it is the cheapest but effective way to increase corporate legitimacy

and to avoid regulation. Above all, it helps sustain the existing capitalist social relation. Through CSR, the corporate manipulates people's values and principles by promoting the parlance of corporate citizenship. In fact, the corporate always undermines efforts to empower people, by co-opting activists and NGOs, getting them into the boardroom instead of out on the streets, by isolating the radicals, cultivating the idealists into realists.¹⁶

Against capitalist social relations, we need a co-operative system that would meet people's needs in a more egalitarian way. We need to put our energy into thinking about the principles by which our society should be organised. Thus, to demystify CSR is our first and foremost priority, and it is crucial to find alternative ways of re-structuring the social relations it has created. We should convince people that the corporate is not in any way altruistic. They always pursue their best interests against the interests of the larger society. They undermine the collective bargaining powers of workers and destroy the livelihoods of many local communities.

CSR has won the battle of ideas and served the neoliberal agenda of a reduced role of states. States are getting evermore integral to the political agenda of the corporate and both state and capital are aggressively disciplining people to behave in a way that makes public or state regulation obsolete, thus establishing the hegemony of market forces. Thus, it is necessary to attack every frontier of accumulation, and this effort requires united struggles of the working class. This publication is aimed at providing a better understanding of the real face of corporate responsibility to those who are fighting against the corporate for their rights. With the help of this publication along with other efforts in our networks and alliances, we hope that the working class becomes aware of unprecedented impacts of CSR, and is able to demystify its rhetoric, unmasking and de-legitimising it, and ultimately is able to have significant power to reclaim workers' dignity and rights

Endnotes:

1. As defined by World Business Council for Sustainable Development, quoted in Worth, Jess, 'Companies who care?' in *New Internationalist*, December 2007, p.5.
2. Agarwal, Sanjay K, *Corporate Social Responsibility in India*, Delhi: Response Books, 2008, p.33-47.
3. See *ibid.*, p.50-51; See also Justin I. Miller, Doug Guthrie, 'Communities, Labor, and the Law: The Rise of Corporate Social Responsibility in the United States,' in Christopher Marquis, Michael Lounsbury, Royston Greenwood (ed.) *Communities and Organizations (Research in the Sociology of Organizations, Volume 33)*, Emerald Group Publishing Limited, 2011, pp.143-173. Miller and Guthrie wrote that "in highly unionized environments, corporations use CSR as a way of deflecting attention from more expensive ways of fulfilling the social contract. In other words, corporations increase their philanthropic activity as a way of showing they are committed to the public good when environmental labor pressures are stronger"; Forbes also issued an article recognising that CSR is cheap and effective. See "Corporate Social Responsibility: Cheaper than a Pension Fund", available online: <http://www.forbes.com/sites/douguthrie/2012/02/08/corporate-social-responsibility-cheaper-than-a-pension-fund/>.
4. Worth, Jess, *loc.cit.*, p.4.
5. Vogel, David, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, Virginia: The Brookings Institution, 2005, p.165.
6. Greenwashing is an amalgam of "green" and "brainwashing". Environmentalists often use greenwashing to explain the actions of energy companies, which are traditionally the largest polluters. See <http://en.wikipedia.org/wiki/Greenwashing> for further explanation. The term was coined by New York environmentalist Jay Westervelt in a 1986 essay regarding the hotel industry's practice of placing placards in each room promoting reuse of towels ostensibly to "save the environment".

Westerveld noted that, in most cases, little or no effort toward reducing energy waste was being made by these institutions—as evidenced by the lack of cost reduction this practice effected. Westerveld argued that the actual purpose of this “green campaign” on the part of many hoteliers was actually increased profit. Westerveld thus labeled this and other outwardly environmentally conscientious acts with a greater, underlying purpose of profit increase as greenwashing. The term is generally used when significantly more money or time has been spent advertising being green (that is, operating with consideration for the environment), rather than spending resources on environmentally sound practices. This is often portrayed by changing the name or label of a product to evoke the natural environment or nature – for example, putting an image of a forest on a bottle containing harmful chemicals.

7. The report on ‘Improving Health and Well-being of People’ is available at: http://www.hul.co.in/Images/USLP%20India_tcm114-241468.pdf (accessed on 1 November, 2011).
8. Muruganantham, G, ‘Case study on Corporate Social Responsibility of MNC’s in India,’ International Trade & Academic Research Conference (ITARC), London, 2010. Available online at: <http://abrmr.com/pdf/Case%20study%20on%20Corporate%20Social%20Responsibility%20of%20MNCs%20in%20India%20-%20G%20Muruganantham%20.pdf>
9. Chang, Dae-oup, ‘Demystifying Corporate Codes of Conduct: Towards Critical Engagement with TNCs,’ in Asia Monitor Resource Centre, A Critical Guide to Corporate Codes of Conduct: Voices from the South, Hong Kong: AMRC, 2004, p.113.
10. Van Regenmortel, Hilde, ‘Corporate Social Responsibility (CSR): A Vehicle for International Solidarity? Asian Labour Update, Issue 75, April-June 2010. Available online at: <http://amrc.org.hk/node/1022>.
11. See Arora, Bimal, and Puranik, Ravi, “A Review of Corporate Social Responsibility in India”, *Development*, 47(3), (93–100). 2004.
12. Van Regenmortel, loc.cit.

13. Bellamy-Foster, John, McChesney, Robert W., Jonna, Jamil R., “The Global Reserve Army of Labor and the New Imperialism”, Monthly Review, Vol.63 No.6 November 2011, p.27-29.
14. See Fumio, Kaneko, and haruhi, Tono, “Trends in Japan’s Direct Overseas Investments and their Impact on Asian Workers”, in Asia Monitor Resource Centre, Capital Mobility and Workers in Asia: Case Studies on Japan, China, Philippines and Thailand, Hong Kong: AMRC, 2011.
15. See Indian case studies in this volume.
16. ‘The Big Debate: Reform or Revolution,’ New Internationalist, December 2007, p.14-16.

**CORPORATE SOCIAL RESPONSIBILITY AND
THE POLITICAL AGENDA OF THE CORPORATE**

Surendra Pratap



Abstract:

This chapter investigates the political agenda of the corporate behind corporate social responsibility (CSR). CSR took hold as an offshoot of the free market ideology of the 1980s and matured within the context of the new world economic order established by the World Trade Organization (WTO). Mainstream perspectives on CSR claimed that corporate self-regulation and voluntary initiatives could address social and environmental problems and that where the state has failed, private enterprise and non-state actors could succeed. Major regional and global CSR initiatives have included the Multinational Enterprises (MNE) Declaration of the International Labour Organization (ILO), guidelines from the Organization for Economic Cooperation and Development (OECD), the European Union's Green Paper and the United Nations' Global Compact 2000. A dominant trend in this era of globalization and liberalization has been to deregulate nationally and re-regulate internationally on the issues of interest to global capital. But in the interests of the people, for social rights, labour rights and human rights, deregulation nationally has not been accompanied by regulation internationally. This has been left to the voluntary initiatives of CSR. Even the ILO has jumped on the CSR bandwagon, and rather than asserting and demanding regulatory powers for compulsory implementation of its conventions, it is moving in reverse gear, going against its own objectives and singing the CSR song.

This chapter argues that CSR is basically the perspective of capital in general and transnational corporations (TNCs) in particular. It is an offshoot of neoliberalism, an ideology which propagates that generally the market is in itself capable of self regulation and of curing the imbalances of the economy, and that state regulations are generally the cause of economic and social problems because they hamper the capacity of the markets for effective self-adjustment. However, free markets have created alarming situations which in turn have generated widespread anti-corporate and anti-globalization sentiments and a strong movement for international regulations ensuring labour rights,

human rights, environmental rights and social rights. As a result, the transnational capitalist class has been forced to take a pro-active initiative to counter the movement for international legislation which would control the actions of TNCs. The outcome has been the CSR-Voluntary initiative. The political agenda of this initiative is very clear- and that is to forestall any kind of legislation at the international level which would control the behaviour and restrict the activities of the corporate. Inherent in the agenda is projecting a socially responsible image of the corporate and diluting the anti-corporate and anti-globalization sentiments. It also aims to provide a space to hide illegal and morally questionable activities from public eyes.

Introduction

The current phase of globalization is the most aggressive phase of capitalist expansion ever seen, resulting in a drive of capital to commoditize whatever is available, to forcefully capture and convert all public space into private space, and transfer the ownership and control of everything to corporate hands. It is also restructuring the global political economy and changing the way the world economy has been organized and governed. With private capital sitting in the driver's seat and taking control of all wealth and resources and even regulatory functions, with finance capital, sitting at a distant place detached from production activities, controlling all world affairs , and having attained unrestricted mobility invading all corners of society in the hunt for super profits, the whole world in essence looks to be heading towards a stage of conscious barbarism.

This organizational and governance structure of the global political economy is justified by the theory of neoliberalism, which establishes the market as the main mechanism of socio-economic governance. Under this theory, the regulatory role of the state is considered to be destructive to the health of society and the economy, and market is projected as self-sufficient in regulating and balancing all the affairs of the economy --and thereby everything else-- and taking

care of all the problems of society including poverty and unemployment..

However, frequently occurring economic crises and aggravating problems of chronic poverty, unemployment, massive displacement of populations, distress migration and environmental disasters expose the monstrous character of this market god and all the myths about it. Neoliberalists are forced to accept that these are the result of 'market failures' (However, in fact, rather than market failures, these are caused by markets' victories); but then they advocate even more freedom for markets in order to avoid these 'market failures'. However, they are also forced to advocate for some relief measures (at least apparently) in order saving the reputation, credibility and acceptability of the market god, corporate priests and the whole neoliberal religion. It is in this context that the role of corporate social responsibility (CSR) has been created. It has been propagated that the 'externalities', the term neoliberals give to poverty, unemployment and environmental disasters, that result from 'market failures', should be taken care of by voluntary corporate initiatives.

CSR took hold as an offshoot of the free market ideology of the 1980s and matured within the context of the new world economic order established by WTO. Mainstream perspectives on CSR claimed that corporate self-regulation and voluntary initiatives could address social and environmental problems and that where the state has failed, private enterprise and non-state actors could succeed. The major regional and global CSR initiatives have included Multinational Enterprises (MNE) Declaration of the International Labour Organization (ILO), guidelines from the Organization for Economic Cooperation and Development (OECD), the European Union's Green Paper and the United Nations' Global Compact 2000. CSR in all these initiatives is defined as: "a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law".¹

There are a huge number of publications glorifying the

importance of CSR and the crucial role that the corporate entity plays in society with these CSR initiatives. But there are also studies which expose how CSR is only profit-orientated and how its 'social responsibility' aspect is in fact a farce. The debates around CSR are centred on the issues, whether CSR should be voluntary or obligatory; and corporate responsibility or corporate accountability? These debates are actually a reflection of a more important, basic debate that is, however often consciously overlooked, of the anarchy of free markets versus regulations at national and international level. With globalization and liberalization, it is a dominant trend to deregulate nationally and re-regulate internationally on the issues of interest to capital; but in the interests of the people, for social rights, labour rights and human rights, deregulation nationally has not been accompanied with regulation internationally. This is generally left to the voluntary initiatives of CSR. Even the ILO jumped on the CSR bandwagon, and rather than asserting and demanding regulatory powers for compulsory implementation of its conventions, it is moving in reverse gear, going against its own objectives and shamefully singing the CSR song.

Recently, in a discussion with workers in the Noida industrial area in Delhi (NCR Delhi), one worker, Vishwakarma, asked me a question: "Many of these corporates do not pay us even the minimum wage. They never pay us premium rates for overtime even when we completely squeeze ourselves for them. They are so greedy, that for even a few pennies of profit many times [they] do not allow us to go to toilet during work time. Then why are they talking about CSR? How have they suddenly become so kind-hearted? But are they really becoming kind hearted? Why then are we not experiencing any change in their attitude in the factories, at the workplace?"

This paper is an attempt to clarify and elucidate the issues surrounding CSR in order to answer such questions. It is an attempt to see the development of CSR in a politico-economic perspective, and to understand the crucial factors that played a role in shaping it and finally to expose the corporate agenda behind CSR.

Political Economy behind CSR

The capitalist expansion means nothing but an all out war launched by capital to commoditize and privatize anything in the universe that is still left in public sphere and centralize the ownership and control of everything in corporate hands. The success of capital in this drive depends on the balance of power between capital on the one hand and labour and the people at large at the other. This war has been ongoing since the emergence of capitalism. This war and the power balance between the two classes is very well reflected in the state's behaviour in terms of moving in favour of people, trying to be neutral or openly taking the position of capital in different periods. It is also reflected in the varying scope and coverage of the state's control over national wealth and resources and also its regulatory authority in different periods. In this light, the current phase of globalization is the most aggressive phase of capitalist expansion which is commoditizing virtually everything from nature to emotions, privatizing whatever is still left in the public sphere, transferring the ownership and control of everything to corporate hands and virtually transforming the state into a corporate agent. It is to be noted that the state is still a regulatory authority and it will always remain with this authority, but what has changed is the character of the state. We are seeing that in a way deregulation also means regulation-and in the present context it means regulation in favour of the corporate. With this drastic change in the balance of power in favour of the capital, the state is transformed into a corporate agent and thereby legislating as much as possible in favour of corporates and against labour and the people at large.

The current phase of globalization started with, on the one hand, the downfall of the socialist movement and labour movement in general, and on the other hand, with the triumph of finance capital and emergence of huge transnational corporations virtually controlling the whole political economy of the world.

Triumph of Finance Capital

If we look at the two forms of capital, money capital (finance capital) and productive capital (industrial capital), by their nature they often reflect conflicting interests. Money capital means liquidity and hence for its expansion it demands the greatest degree of flexibility and freedom of movement. Therefore, money capital is always interested in the opening and deregulation of markets, and in seeking a reduction in the barriers to trade and investment. On the other hand, the productive capital means capital invested in a particular input-output combination for profit maximization and hence it usually demands protection, stability (even rigidity), and a narrowing down or closing down of options. There is another very important aspect of productive capital. Due to its spatial fixity, productive capital remains in very close proximity to the factors of production, labour and natural resources used as raw materials in production, therefore it directly and tangibly influences these factors and in turn is affected by them. Hence it is compelled (there was more space to compel it) to develop some concern for the protection of these factors of production. Money capital, on the other hand, having no direct linkages with these factors, considers them as non-market and non-value aspects and therefore never shows any interest in protecting them.

Until the first half of twentieth century, industrial capital was the main form of capital accumulation and therefore industrial capital played a dominant role. The fate of money capital was almost completely linked with that of industrial capital. *“During the first half of the twentieth century the capital accumulation process continued to be focused on industrial capital, as it had been from the beginning of the industrial revolution. Financiers played a greater role as partners, and frequently dominant partners, of industrial capitalists. The two groups shared the goal of maximizing the profits of productive capital (steel, oil, chemicals, utilities, paper, etc.) however much they may have fought over the division of the spoils. There were, of course, specialists like commercial bankers, stock brokers, and bond dealers who lived in*

a financial world where speculation was always a temptation and on occasion, as throughout the history of capitalism, could take on a life of its own involving wide segments of society with disastrous results for many. But on the whole finance was still subordinate to production.”²

But things started changing in second half of the twentieth century after the Second World War. It was reflected in the fact that particularly in imperialist countries, restrictions on activities of domestic capital and foreign investment were given up. State could exercise a control over mobility of capital so long as goods and services were produced within countries by home companies for domestic consumption, but it was no longer possible after the emergence of global factories and transnational corporations.

It was actually the systemic crisis of the 1960s and 1970s which finally resolved the conflict between finance capital and productive capital and the result was largely in favour of finance capital. This crisis created a compelling condition for metropolitan productive capital to restructure and expand its production operations in such a way as to utilize all the possibilities available to save costs and maximize profits, in order to resolve the crisis of stagnation, which was not possible without far reaching deregulation of national economies.

But this was also the period when newly independent, developing countries organized in the Group of 77 (in collaboration with the labour movements), were not only restricting and controlling the influence of imperialist capital in their countries, but also trying to restructure and democratize the global political economy to reduce the overall control of imperialist capital (demand for New International Economic Order). It was with this background that on the one hand, the whole metropolitan capital united under the leadership of finance capital, and very aggressively forced the globalization and liberalization of economies of the world since 1980s.,At the same time, industrial production was restructured along the lines of post-fordist models, scattering the assembly lines of production and the chains of the MNCs all over the world, in particular converting low-wage Third World countries into centres of labour-intensive manufacturing. The

globalization and liberalization also resulted in the naked looting of precious natural resources of developing countries. Technological revolutions in telecommunications, transport, and automation enabled this globalization process; but the globalization was a conscious project of capital and not the automatic result of this.

Restructuring of Production and reorganization of Social Relations

The current phase of globalization has a far greater impact in terms of the reorganization of production and social relations than any other earlier phase. The following aspects can be identified as the major aspects of this phase:

1. Global capital started acting as 'a class for itself', rather than merely 'a class in itself'. This means that global capital in the leadership of metropolitan capital consciously organized itself to achieve the desired goals, formulated well defined policies and regulations to restructure the global economy, production relations and social relations and forced the states to implement these policies and regulations around the globe. This resulted in an historically unparallel drive for commoditization and privatization of all resources still left in the public sphere and centralizing the ownership and control of all resources and even regulatory functions in corporate hands. Privatization of regulatory functions and shifting the regulatory authorities to international agencies formed by global capital as 'a class for itself', drastically reduced the power of the working classes to affect policy changes at national level.
2. Global capital acting as 'a class for itself' is acting in very conscious and planned way, at both production places and in society in general to blunt the class consciousness of the working class. At the factory level this is done by new management practices well designed to continuously inject pro-capital and anti-labour perspectives in workers; and the huge network of ideological, political, cultural arms

- of global capital have successfully infiltrated social movements, effectively working to achieve the same goals in society in general.
3. The life of capital depends on generating new real and un-real needs in the society, which is essential for capitalist expansion and also for increasing the dependency of people on capital. Global capital as 'a class for itself' is more equipped than in any earlier phase/period to effectively address this task and exercise effective psycho-cultural control over workers and society in general. This has an overall negative impact on the power of the working class.
 4. The expansion and reorganization of production has almost assimilated everything in the value chain of global capital. Huge sections of various categories of self employed workers and peasants are assimilated into the global value chain and virtually converted into the most exploited categories of wage workers. The global value chain compels them to impose a self discipline on themselves to produce surplus value for capital.
 5. The reorganization of production operations on post-fordist models is the most important aspect of globalization. This reorganization resulted in factories taking the shape of global factories. To transfer the burden of social and environmental costs of production, the labour intensive and environmentally costly manufacturing operations are largely being shifted to developing countries. This is accompanied with an imposition of the new global economic order, compelling the developing countries to shift from import substitution growth models to export- oriented development strategies based on foreign investment. Therefore, to accelerate economic growth in the framework of new development strategy, the developing countries are compelled to compete with each other for more and more export orders and for more and more of a share of foreign investment. Metropolitan capital is reaping super-profits by throwing them into this cut throat competition. This competition becomes unique in the sense that victory depends on another actual war with its own people, its own working class. To win this

battle developing countries are actually competing with each other to provide huge incentives to corporate in various forms including tax exemptions and unrestricted access to natural resources and unrestricted supply of cheaper labour, etc. Capital having attained unrestricted mobility can fly away at any moment (getting better avenues of profitable investments) resulting in disinvestment and mass unemployment; and therefore the cut throat competition among developing countries becomes a sustained feature not only to win the investment but also to sustain the investment. This reorganization of production has a far reaching impact on the working class. The informalisation of labour and rampant violation of labour rights is actually inbuilt in this development strategy. On the other hand, scattering of the working class at various levels of value chains has drastically reduced the organized strength of the working class.

For whole of the twentieth century, the production structure was such that goods were manufactured in factories owned by companies with brand names, and they were based in their home countries mainly producing for home markets but with a substantial amount also exported to foreign markets. But in the current phase of globalization this production structure is completely changed and a new international division of labour has taken shape.

This is most evident in the transnational apparel industry. Most of the big brands in the apparel industry do not own or operate factories but from their corporate offices in America, Europe, Japan, South Korea or Taiwan, they send orders for production of required designs of apparels in required amounts to the thousands of factories operating in low wage countries of Thailand, Indonesia, Mexico, Philippines, Bangladesh, Cambodia and India and throughout Eastern Europe. Without suffering any of the headaches of running factories of their own, they get their required supplies of their brands on time. It is interesting to note that in this outsourcing arrangement, the multinational brands are able to reap super profits by exploiting the cheap labour of developing countries and also in the meantime transferring all the economic

(infrastructure), social and environmental costs of production and all the financial and operational risks to the subcontracting factories. In an informal discussion one garment factory manager in Noida told me that in order to properly run the factory throughout the year, it is necessary that the orders are evenly distributed throughout the year. But the brands do not care for these things. The orders fluctuate in such a way that in some months there are a flood of orders and in some months none. Sometimes orders stop suddenly. In these situations, it becomes almost impossible for the factories to employ regular workers and to follow the labour standards even if they themselves are willing to follow them. To cope with these situations, most of the factories employ more than 90 percent casual or contract workers and frequently dismiss them when there are no orders. Moreover, the brands always pressurize the suppliers to reduce costs and that ultimately means reducing labour costs. Under such a system, the struggle for better working conditions and wages become very difficult.

This situation has also emerged in other industry sectors, such as electronics and the automotive industry. However, in some industries like the automotive industry, parts assembly is still done by the brands. A high degree of international subcontracting has become possible as a result of declining shipping and communications costs. Parts and pieces are moved not merely between countries, but also within corporate production networks, where transfer pricing reduces or eliminates certain types of costs, such as taxes on the full value of the product.

Deregulation at National Level and Reregulation at International Level

Globalisation and liberalization, in the process, also created its own force and resulted in the formation of a new transnational capitalist class (TCC) acting as the leadership of metropolitan capital, including the corporates of the developing countries who very soon transformed themselves in multinational corporations (A quantum jump is seen in

the emergence of multinational corporations in India in 1990s; similar are the situations in other newly industrialized countries or NICs). It expanded the support base of TCC for globalization and liberalization and minimized the possibilities of any great resistance from developing countries.

It is in this background that the deregulations at national level and re-regulation at international level became the rule of the game and supranational economic planning agencies captured the stage, virtually acting as international governments. At this stage, the regulations for the global economy were to be decided by these supranational economic institutions, the International Monetary Fund (IMF), the World Trade Organization (WTO), the World Bank, and the OECD, and business planning forums such as the World Economic Forum (WEF), the Trilateral Commission (TLC), and the International Chamber of Commerce (ICC), etc. National governments were only to implement these regulations by harmonizing their regulations with these international regulations.

Supranational organizations, like the WTO and the IMF, possess high degrees of autonomy, low levels of transparency, limited accountability to political authorities, and almost no responsibility to put things to rights when their actions and policies go wrong. However, this is largely an illusion. Behind the curtain they are controlled by and work on the dictates of their creators, the transnational capitalist class led by metropolitan capital. This is clearest in the actions of the WTO.

The implementation of the dictates of the supranational agencies is so forceful that whoever tries to oppose them is crushed by way of various sanctions and other means,

There is an inbuilt brutalism in the structure of the new world order. Globalization and liberalization are leading to social and environmental disasters and giving birth to radical social movements, but national governments, having lost much of their authority to regulate nationally, are crushing these movements to protect their regimes. If they cannot regulate nationally, they cannot accept the demands of the

people without violating international laws, such as WTO agreements.

The shifting of regulatory responsibilities to international institutions, which are generally beyond the reach of the people, is also part of the effort by TNCs to depoliticize governments, especially with respect to those matters that might be particularly contentious at the national level. At the same time, shifting welfare-related responsibilities to private sector agencies, such as corporates and NGOs, glorifies the private sector and market by downgrading the public sector on the one hand, and providing an excuse for the state to do nothing for people, on the other.

Wellbeing of Labour & Nature is Left to the CSR

“At the global level, however, regulatory harmonization is restricted largely to those areas in which capital has a direct interest, especially having to do with trade and finance. Certain forms of regulation are particularly important to capital, which demands political stability, low transaction costs, and minimal investment risk. Regulations which facilitate the interstate movement of capital and goods as well as foreign direct investment and, more generally, structure the global political economy in ways supportive of capital and trade are highly desirable, while social rights and regulations—labour rights, education, housing—are regarded as imposing excessive and unjustified costs on capital and trade. Moreover, through structural adjustment programs, governments are often discouraged from seeking to regulate in such issue areas or to fund social welfare costs.”³

All the supranational institutions are interested in overall deregulation at national level covering almost all aspects of the economy leading to privatization and commoditization of whatever is left in public space and centralizing the ownership and control of wealth and resources in corporate hands, as well as regulatory functions. On the one hand, national and international corporates are granted huge subsidies and on the other hand, they are increasingly granted exemptions by various means from bearing the social and

environmental costs of production. They are exempted from regular inspections by authorities checking the implementation of crucial labour laws, such as occupational health and safety, as well as laws regarding the environment, and allowed self certification. Huge tracts of agricultural and eco-sensitive land are forcefully acquired and transferred to corporate, leading to large scale livelihood destruction and displacement on the one hand and eco-disasters on the other. Corporates are allotted rights to huge amounts of water, from both surface reservoirs and underground water, leading to severe depletion of water resources for both households and farmers. In summary, the impact of liberalization and globalization has led to the rampant violation of social rights, human rights, labour rights and environmental rights.

But, it is interesting to note that there has been no attempt by these supranational institutions to re-regulate at the international level to ensure social rights, labour rights, human rights and environmental rights. Re-regulation at the international level ensures the unrestricted mobility of capital, but there has been no attempt to re-regulate at the international level for the free mobility of labour. Re-regulation at the international level ensures, directly and indirectly, privileges and benefits of their transnational status, but there has been no attempt to re-regulate to compel the transnational corporations to implement international labour rights, human rights and environmental rights standards.

So who or what is acting on behalf of labour? Conventions and recommendations of international agencies such as the ILO are actually lions without teeth and nails, barking dogs that make much noise but never bite. The best example is the ILO. Many countries have not yet ratified crucial ILO conventions and whatever they have ratified, rampant violations of those labour rights are permitted. But the ILO has no authority and no means to compel governments to adhere to them. Then what does this globalization and liberalization offer to people, to labour? The answer is the corporate social responsibility (CSR).

The CSR has been projected as an effective tool to take care of the externalities of liberalization and globalization. CSR is completely

voluntary and not mandated by governmental or intergovernmental institutions. It is expected that the corporate, which is only concerned with their business, and whose actions are all directed toward promoting the business in such a way as to reap ever greater profits, will take care of the welfare of the people and their rights. Is this not a great mockery of people's rights?

There are so many initiatives connected with CSR, including the ILO's MNE declaration, the OECD guidelines, the EU's green paper and lastly the UN's big-bang project, the Global Compact. All these, and particularly the Global Compact, are projected as substitutes for international and national regulations for labour rights, human rights, social rights and environmental rights.. However, in its implementation to date, the Global Compact has actually been a means to provide global legitimacy and acceptability to the game of CSR.

CSR has flourished as discourse and practice in times when corporations and globalization and liberalization in general faced problems of legitimacy and were subject to intense public scrutiny, particularly when social turmoil erupted, i.e., in 1960-76, and from 1998 onwards.

Historical Evolution of CSR

After the World War II, the United States emerged as the world's dominant economic actor and American corporates played an important role in the economic recovery of Europe. From this period emerged powerful transnational corporations (TNCs) which became symbols of U.S. power. But systemic crises in the 1960s and 1970s changed the entire situation, leading to the closure of American factories and growing mass unemployment. Social turmoil challenging the legitimacy of these TNCs erupted. *"Broad-based concerns over TNC misconduct were intensified by news of the involvement of International Telegraph and Telephone Company, an American TNC, and involvement in the coup leading to the death of Chilean President Salvador Allende on 11*

September 1973.”⁴ In the same period, “...nearly 500 of America’s top corporations were being drawn into disclosures of improper payments abroad with revelations of bribery of foreign officials, laundered money used for illegal political payments, and secret off-the-book accounts.”⁵

These exposures exploded like a bomb on the American people’s consciousness, turning public opinion against the TNCs. A wide range of movements within the US raised the issues of environment, worker safety and consumers, and it was strongly argued that TNCs must be regulated. On the other hand, in the same period of 1960s and 1970s, newly independent nations were putting all their energies into converting their formal freedom into real economic and political freedom. In 1964, they organized the Group of 77 and started forcefully pursuing an agenda for a more democratic international political and economic order that was naturally against metropolitan capital. “Salvador Allende’s Chile and some 20 other developing nations passed legislation controlling TNC activities, while nationalization of foreign corporations reached a peak in the first half of the 1970s.”⁶ The developing countries imposed regulations on foreign capital and in collaboration with labour movement also pursued international regulations for TNCs. This struggle surfaced at different platforms of the United Nations. The strength of this movement was growing day by day and the G-77 was later expanded to 140 countries, including China.

“The first manifestation of their (G77) new found power was the 1974 declaration by the UN General Assembly proposing the establishment of a New International Economic Order (NIEO). The understanding that the colonially imposed ‘old’ international division of labour coupled with the freedom of capital—that is, unregulated operations of world markets—systematically disadvantages the poorer, ex-colonial countries of Africa, Asia and Latin America, now had the beginnings of an international political program. Binding international codes of conduct for TNCs were a central component of this program. In 1974, the UN Economic and Social Council (ECOSOC) set up the UN Commission on Transnational Corporations, with the UN Centre on Transnational Corporations (UNCTC) as its special research and

administrative body, entrusted with three basic tasks: (1) to monitor and provide reports on the activities of TNCs; (2) to strengthen the capacity of developing countries in dealing with TNCs; (3) to draft proposals for normative frameworks for the activities of TNCs.”⁷

Very soon, in 1976, the UN Commission on Transnational Corporations declared its top priority was to formulate, adopt and implement a draft for a comprehensive and legally binding UN Code of Conduct on Transnational Corporations.

It was with this threat of restriction, that the Global metropolitan capital transformed itself from the ‘class in itself’ to the ‘class for itself’ and politically organized itself to face this challenge. A comprehensive and legally binding code was a great threat to metropolitan capital, because such an international code may gradually develop mechanisms to limit and restrict the activities of metropolitan capital in a big way.

Then, rather than going on the defensive, metropolitan capital launched an offensive aimed at throwing such a legally binding code of conduct in the dustbin, and in the same year 1976, formulated and forcefully advocated for OECD Guidelines on Multinational Corporations, a voluntary code of conduct. It is very interesting to see how they won this battle. On the one hand, by using the OPEC-orchestrated oil crisis of 1973, they virtually crushed the G-77. Whatever resistance was left was further crushed in the global recession of 1980–82, which was the result of record-high interest rates in the U.S. and Europe, causing resource prices to collapse and throwing developing countries into a debt trap. Thereafter, the third world’s agenda of a New World Economic Order was finally pushed into the background. The IMF-World Bank started effectively disciplining third world countries in the name of structural adjustment programs. Metropolitan capital had succeeded in stalling the process of formulating a binding code of conduct.

It was during this period of collectively acting to defeat the attempts for a binding international code of conduct, that international business began organizing itself with a long term perspective. Klaus Schwab established the World Economic Forum (WEF) in 1971 and

David Rockefeller established the Trilateral Commission (TLC) in 1973. ICC membership and support increased dramatically. It was during the fight against the UN attempts for binding code of conduct, the transnational capital realized that it could not rely only on their states, but needed to organize itself to become class for itself. There were well articulated political concerns and objectives behind this attempt to organize themselves in a class for itself, and the concerns and objectives went beyond the issue of binding codes. The US Chamber of Commerce memorandum, entitled "Attack on American Free Enterprise System," written by Lewis F. Powell Jr. in 1971, articulated very clearly business's political program of the past 30 years. It was circulating widely at the time. Powell's basic argument was that the business was losing the battle for American hearts and minds. He said, "*We are not dealing with sporadic or isolated attacks from a relatively few extremists or even from the minority socialist cadre. Rather, the assault on the enterprise system is broadly based and consistently pursued. The most disquieting voices joining the chorus of criticism come from perfectly respectable elements of society: from the college campus, the pulpit, the media, the intellectual and literary journals, the arts and sciences, and from politicians.*" And that, "*If our system is to survive, top management must be equally concerned with protecting and preserving the system itself....*"⁸

The Powel's memorandum actually provided a well thought economic, political, cultural and ideological agenda for metropolitan capital. The goal was not only to defeat any opposition to the interests of the metropolitan capital, but to crush it before it emerged, and take control politically, culturally and ideologically of the spaces and grounds from where it emerged. His program was accepted by transnational capital and it was with this background that a large number of political action committees of the corporate world appeared on the scene. A large number of corporate funded foundations started acting all over the globe and huge amounts of corporate funding were directed toward penetrating the media, academia, NGOs and many other spheres. It is very interesting story to understand how it affected the social

movements worldwide, but here we cannot go in much detail of these aspects.

Metropolitan capital organized as a transnational capitalist class was able to crush the G-77 movement (which had been working in collaboration with labour movement) for NIEO and successfully stalled the process of implementing a UN binding code for corporates. However, in reaction to capital's aggressive moves for liberalization and globalization in the 1990s, a strong global social movement of a new kind again emerged. The global protests, organized under the Global Justice Movement, again started raising similar issues and forcefully challenging the legitimacy of transnational corporations. A very wide and deep anti-corporate sentiment started growing worldwide following the exposure of the corporate misdeeds.

“Royal Dutch Shell was attacked relentlessly for its role—or lack of it—in relation to the killing of Ken Saro-Wiwa and the oppression of the Ogoni people in, then, non-democratic Nigeria.”⁹ Further, “in North America, popular frustrations over corporate rule and power crystallized in November 1999, when some 60,000 people flooded the streets of Seattle and succeeded in shutting down meetings of the WTO’s Third Ministerial meeting.....Popular anti-corporate sentiment in the U.S. was strengthened when the Enron scandal hit the front pages.”¹⁰

These events actually reflected the global trend in anti-corporate movements and reporting.. It is to be noted that this was happening in a world where the reputation of a corporate played a more important role than in any earlier phase, in determining a company's fortunes. Therefore, the anti-corporate movements were successful in compelling the corporate to respond to these issues. It was with this background that the CSR was reborn..

“Wal-Mart’s code arrived after reports surfaced that its supplier factories in Bangladesh were using child labour; Disney’s code was born of the Haitian revelation; Levi’s wrote its policy as an answer to prison labour scandals. Their original purpose was not reform but to “muzzle the offshore watchdog” groups.”¹¹

The global labour and social movement in the 1990s powerfully argued and moved for global regulation of corporates by linking the ILO with the WTO. It was argued that the ILO's rights-oriented culture must be associated with the WTO's enforcement power and sanctioning process, and only then would the ILO achieve any relevance. Embedding the ILO standards of freedom of association, the right to collective bargaining, the abolition of forced labour, the prevention of discrimination in employment, and a minimum age for employment in the WTO would make these standards enforceable and states would be compelled to implement them. And corporates would be compelled to comply with them. Therefore, even if this attempt of the labour movement and social movements was ultimately defeated and the idea was rejected outright by the WTO, the international business community would feel a threat of the reoccurrence of such attempts if the strength and unity of social movements standing against corporate and globalization- liberalization in general was not crushed.

During the whole of the 1990s, the transnational capitalist class, organized in various business forums listed above, was fighting against these attempts to institute international regulations on corporates. It is to be noted that even when the process for formulating binding codes of the UN for corporates was stalled (one draft had already been prepared in 1981), there was every possibility that the Global Justice Movement might again take up that issue. In addition, transnational capital rightly read the 1992 UN Conference on Environment and Development (UNCED), popularly known as the Earth Summit in Rio de Janeiro, as a threat. And the threat was real. *"In preparing for the meeting, the then still-extant UNCTC was asked by the UN Economic and Social Council (ECOSOC) to prepare a set of recommendations addressing transnational corporations and other large enterprises that governments might use in drafting Agenda 21—the summit's major document."* ¹²

The original UN Code on Transnational Corporations and the Center drafting it were virtually terminated by 1992. UNCTC actually prepared a report which might have laid the foundation for a set of international standards on corporate business activities and

on the issue of sustainable development, but the secretariat actually rejected the report, and by the time the Earth Summit began in June 1992, the UNCTC has virtually been disbanded. The Earth Summit's official recommendations were finally provided by the Business Council for Sustainable Development (now the World Business Council for Sustainable Development, or WBCSD). The Business Council for Sustainable Development was made up of the CEOs of some of the world's most powerful corporations. Lastly, the outcome of the summit ensured that there was no mechanism to control the activities of corporates other than self regulation.¹³

However, this was not the end. The strength of global protest movements was increasing and it was further felt when OECD suffered a major political setback in 1997 with the collapse of talks it was hosting on the Multilateral Agreement on Investment (MAI), and the large scale protests outside WTO meetings in Seattle in 1999.

After the failure of the WTO ministerial meeting in Seattle, the transnational capitalist class directed its efforts to come out with more effective looking voluntary codes and co-opting major sections of the global protest movement. This was reflected in the OECD moving from a strategy of exclusion (the MAI had been negotiated in secret) to one of accommodation. Civil society organizations that had rallied against the OECD were now invited to the bargaining table for a high-stakes review of the guidelines. The objective was to build a broad international constituency in support of the guidelines by involving a wide range of groups and giving them a stake in the development and implementation of its codes. The strategy proved to be largely successful.

It was against this background that the Global Compact between the UN and business was declared in a speech by the then UN Secretary General Kofi Annan at the World Economic Forum in Davos in 1999. The whole relevance of the Global Compact was built in the speech on the grounds of TINA syndrome, that there is no alternative to neoliberal globalization and that the imbalances that are created by this can be cured by voluntary initiatives of corporates. It is sad to see the way the UN and Annan moved from advocating for a binding code

on corporates to accepting the voluntary code of the Global Compact. It reflects the victory of the transnational capitalist class and the defeat of the global social movement: The transnational capitalist class successfully broke the compact (to whatever degree) of the UN with the Global Social Movement and formed the Global compact of the UN with business. The transnational capitalist class recognized (as it was reflected in 33rd World Congress of the ICC in 2000) that the compact provided a golden opportunity for business to win the globalization debate. The Global Compact was in essence a compact between the UN and business against labour and the people of the world in general. This shift from a binding code to a voluntary code was nothing less than approval that corporates were beyond any regulations. By winning this battle, the transnational capitalist class was successful in using the acceptability of the UN as a neutral agency to win legitimacy for TNCs at a time when this class was facing a serious challenge. The Global Compact was officially launched in July 2000 with great fanfare and the CEOs of the corporations, including Nike, which had so recently been exposed and defamed for its misdeeds, were among the respected participants.

What is CSR?

Corporate Social Responsibility is defined 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”.¹⁴ It is also defined as, “...a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law”.¹⁵ The characteristic features of CSR are its voluntary nature, its integral part of company management and aims or claims to work for sustainable development.

There have been three major global initiatives on CSR, the MNE Declaration of ILO, OECD guidelines and the Global Compact of the UN.

Main Elements of Three Major CSR Initiatives		
The MNE Declaration	UN Global Compact	OECD Guidelines
<p>a) General policies</p> <p>The MNE Declaration contains recommendations to achieve sustainable development and respect for human rights at the workplace. It invites multinational enterprises, governments, employers' and workers' organizations to respect international standards concerning human and labour rights; and honour commitments in conformity with national law and accepted international obligations.</p>	<p>The Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, environmental protection, and the fight against corruption, and to undertake partnership projects in support of the United Nations Millennium Development Goals (MDGs).</p> <p>The ten principles based on:</p> <p>The Universal Declaration of Human Rights 1948</p>	<p>The OECD Guidelines are divided into nine chapters covering the following issues: general policies, disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation.</p>
<p>b) Employment</p> <p>Ensuring the promotion of direct and indirect employment, equality of opportunity and treatment, and employment security.</p>	<p>The ILO Declaration on Fundamental Principles and Rights at Work 1998</p> <p>The Rio Declaration on Environment and Development 1992</p>	<p>Industrial relations</p> <p>•Provide workers' representatives with the instruments they need for developing effective collective bargaining</p> <p>•Promote consultation and cooperation between employers and workers and their representatives on issues of common concern;</p>
<p>c) Training</p> <p>To encourage skill formation and development and vocational guidance.</p>	<p>The United Nations Convention Against Corruption 2003</p>	<p>Provide workers and their representatives true and accurate picture of the entity's activities/enterprises</p>
<p>d) Conditions of work and life</p> <p>1. Wages, benefits and conditions of work</p> <p>To offer their employees wages, benefits and conditions of work comparable</p>	<p>Human rights</p> <p>1. Support and respect internationally proclaimed human rights</p> <p>Labour</p> <p>2. Freedom of association and the effective recognition of the right to collective bargaining</p>	<p>Not threaten or punish workers in order to unfairly influence negotiations or to prevent them from exercising their right to organize;</p> <p>General policies</p> <p>To take into account the policies in force in the countries where they operate and contribute to economic, social and environmental progress</p>

<p>and not less favourable to those offered by local employers similar in size and resources.</p> <p>Minimum age for admission to employment –for abolition of child labour</p> <p>Occupational safety and health-To maintain the highest standards of safety and health</p> <p>e) Industrial relations</p> <p><i>To observe standards not less favourable than those observed by local employers and to develop internal mechanisms for consultation and settlement of disputes.</i></p> <p><i>To respect Freedom of association and the right to organize, Collective bargaining</i></p> <p>f) Follow-up</p> <p>A tripartite working group, composed of Governing Body officers proposes recommendations for future action</p>	<p>3. Elimination of all forms of forced and compulsory labour</p> <p>4. Effective abolition of child labour</p> <p>5. Elimination of discrimination in respect of employment and occupation</p> <p>Environment</p> <p>6. Precautionary approach to environmental challenges</p> <p>7. Initiatives to promote greater environmental responsibility</p> <p>8. Development and diffusion of environmentally friendly technologies</p> <p>Anti-corruption</p> <p>9. Work against all forms of corruption, including extortion and bribery</p> <p>Global Compact cannot be considered as an instrument for the “static verification” of company behavior, instead be understood as an important first step made by a company that should be followed by practices consistent with the will to support the goals.</p> <p>Members</p> <p>a) Global Compact Office and six UN agencies (UNHCHR, ILO, UNEP, UNODC, UNDP, UNIDO); b) Companies, c) Governments, d) Employers’ organizations, e) Workers’ organizations, f) Civil Society Organizations, g) Academia</p>	<p>Respect the human rights of those affected by company’s activities</p> <p>Encourage the development of local capacity, including entrepreneurship</p> <p>Encouraging human capital formation by creating employment opportunities, facilitating the training</p> <p>Two bodies are responsible for the OECD Guidelines follow-up: National Contact Points (NCP) and the OECD Investment Committee.</p> <p>When a company is believed to be in breach of the Guidelines, Guidelines do not provide for sanctions against companies, but mere fact that the conclusions of NCPs should be in the public domain can have an impact on company behaviour. NCP should make the results publicly available, unless maintaining confidentiality would better ensure effective implementation of the Guidelines.</p>
<p>Based on the ILO Report on ‘Sustainable Development through the Global Compact: International Instruments and Corporate Social Responsibility; A Booklet to Accompany Training The Labour Dimension of CSR: From Principles to Practice’, 2007;</p> <p>http://www.ilo.org/eval/Evaluationreports/lang-en/docName-WCMS_083722/index.htm</p>		

It is interesting to note that all these initiatives talk about the problems that are real and claim that CSR, voluntary initiatives of the corporate, will solve these problems, but none of them provide an analysis about:

Why there are violations of labour rights, human and social rights? What is the origin of the corruption? What is the source of environmental problems? What are the factors responsible for these problems and who are ultimately responsible for this? And what are the factors in CSR strategy that will prove more effective than state regulations in bringing improvement to the situations and how will this be achieved?

Is not capital with its infinite lust for profit in general and the corporate in particular mainly responsible for all these problems?

Are not deregulations at the national level, compelled by the international regime, actually aggravating these problems? If the binding regulations at national level were ineffective at compelling the corporate to comply, how will voluntary CSR ensure compliance? Is a change of mind by the corporate possible? Is there any hint that the corporate is going through such a change of mind and saying good bye to its lust for profit? Is there insufficient evidence that the corporate is presently on a war path against labour and the people at large all over the world and isn't this clearly reflected in the rising number of cases of union busting, repression of people's movements against land acquisitions, seizure of water resources and creation of environmental problems?

There is no authority in any of these CSR initiatives that can ensure the compliance of those good looking things that they are promising. The only authority is corporate self consent, and there is no evidence in history and no logical analysis that should lead us to believe that the corporate would go against the profit motive. How can one believe that the corporate which openly violates labour laws to save a few pennies in labour cost, and which is engaged in large scale tax evasion¹⁶ over and above getting huge benefits in terms of tax exemption, will spend money on social development and social welfare?

It should be kept in mind that globalization and liberalization are accompanied by the restructuring of production operations to save costs, primarily labour costs to reap super profits. The informalisation of labour, the drive to say good-bye to labour laws,¹⁷ the outsourcing of labour intensive manufacturing operations to developing countries, all these developments are nothing but ways to ensure super profits to the corporate. In such situations, is it possible that the corporate will work to generate employment (when maintaining a reserve army of labour is necessary to ensure super profits), comply with labour rights and human rights standards? Are these not contradictory actions?

Working against corruption first and foremost means not doing corruption. Can corporates maintain their huge empires without corruption? Governments cannot be spared when seeking to root out corruption, but who are the main actors that corrupt these governments? The people or the corporate? Certainly, the corporate. Yes, it is they who give huge bribes to government authorities to get various benefits. Actually, the democracy (inherent transparency) in the political system is in contradiction to the autocracy in the economic system (centralization of the wealth and resources in a few private hands or in the hands of the corporate). Therefore, this autocratic economic system can only flourish by large scale corruption. Both international and national capital breeds and maintains this system of corruption. Many large scale corruptions by corporates have been exposed in the last few decades, but these incidences are only the tip of the iceberg. Now, in the name of CSR, the same corporates are given the responsibility to fight corruption. This has provided the corporate with a very good opportunity to hide their real character and project their anti-corruption image by misleadingly funding anticorruption movements and thereby gaining legitimacy and credibility in public eyes. The same is true on the issue of environmental problems.

There is one more aspect of CSR, community development or the broader issue of sustainable development. Here also the issues are real, but there is no analysis on what are the factors behind these

problems and there is no answer to the question, what are the factors in the new initiative that will ensure improvements?

For example, agriculture in many developing countries is facing severe problems. If we take the case of India, the agricultural practices that were introduced in the green revolution, based on high yielding varieties requiring excessive use of water, chemical fertilizer and pesticides, have destroyed the ecological balance achieved over hundreds of years. The excessive use of water has resulted in a severe ground water crisis and the excessive use of chemical fertilizers and pesticides has resulted in soil poisoning, a reduction in its carrying capacity of the land and a change in soil texture. In overall terms the impact has been a decrease in productivity and a serious challenge for the sustainability. Is it possible to promote sustainable development without challenging the corporate that actually controls this agriculture production? Will the demands of long-term sustainable development practices not hinder the short-term profit-making strategies of those corporates who control the seeds and produce the fertilizers and pesticides etc.? There is virtually a fight over water resources between the people, mainly the peasants, and the corporates. The corporates have been allotted huge amount of surface water and ground water for industrial use, which was previously available for irrigation. Is it possible that without ensuring primarily enough water for irrigation, there can be any sustainable development? Will the corporates work against themselves and give away their control of the water resources in favour of sustainable development? What the corporate can do in this direction that is not scattered and haphazard? Is it possible to promote sustainable development without planning at the national level? The same problems are there in the initiatives of corporates in community development. Taking some initiatives in community development in a haphazard way can never contribute in any significant way to community development. This problem can be resolved only by identifying, prioritizing and implementing the development plans at national level. Locals are not detached from the national economy; the problems at local levels are linked with the problems of economic

planning at national level.

*“An important starting point in understanding the politics of corporate accountability is the recognition that as corporations assume both a more overt presence in the public domain and take on functions hitherto associated with the state, their role as political actors is augmented and they become legitimate targets of contestation. In addition to conventional roles associated with lobbying and political financing, the politicization of the corporation manifests itself in other ways, for example, taking on state functions of basic service provisioning, standard setting, monitoring and inspection.”*¹⁸

In such situations what does CSR actually promise and for whom? The answer is that it actually promises nothing to the people and labour. But it promises a lot to the corporate. It promises the corporate will acquire and control more and crucial space in the public domain, specifically more political space that they can use to exercise more effective control over the society, economy and polity of the nations and thereby increase their fortunes. It promises them a legitimacy and credibility in the eyes of the people and a wider scope and space to hide their sins. This is now so evident and so often exposed that the non-governmental organization (NGO) Christian Aid on the basis of its experiences and studies on CSR practices in various countries has proposed the following: *“We are advocating a move beyond corporate social responsibility to corporate social accountability—meaning that companies in the future will have a legal obligation to uphold international standards”*.¹⁹

Conclusion: The Prospects for a Political Alternative CSR

CSR is basically the perspective of capital in general and TNCs in particular. It is an offshoot of neoliberalism. Neoliberalism propagates that generally the market in itself is capable of self regulating and curing

the imbalances of the economy and that state regulations are generally the cause of every problem because they hamper the capacity of the markets for self-regulation. However, the problems created by free marketeers have created alarming situations which in turn have generated widespread anti-corporate and anti-globalization sentiments and a strong movement for international regulations ensuring labour rights, human rights, environmental rights and social rights. As a result, the transnational capitalist class has been forced to take a pro-active initiative to counter the movement for international legislation which would control the behaviour of the TNCs. The outcome has been the CSR-Voluntary initiative of the corporate against international regulations. The political agenda of this initiative is very clear- and that is to forestall any kind of legislation at international level which would control the behaviour and restrict the activities of the corporate. Inherent in the agenda is projecting a socially responsible image of the corporate and diluting the anti-corporate and anti-globalization sentiments. It also aims to get a space to hide all TNC sins from public eyes.

In summary, this latest initiative is nothing more than a well crafted means to ensure CSR works to the benefit of profit-making. Tax exemptions are direct cash benefits. But the voluntary nature of CSR actually results in the corporate choosing only those activities that effectively project the brand image of the corporate in a positive light and those activities that directly benefit the corporate's business. Ironically, CSR has generated a new business operation, that of verifying and auditing corporates' CSR performance. A large number of NGOs have actually been co-opted by their participation in CSR auditing agencies and many others by providing substantial funding for CSR research and campaign. The result has been that these NGOs are actually doing everything to justify CSR, and with mild criticism seeking to maintain a neutral image. Sadly, the impact of these CSR activities has also been disastrous in the sense that it both directly and indirectly engenders in rights-based people's consciousness a beggar's consciousness and injects in them a deep dependency on this corporate-led initiative.

Alternative politics for global labour is rights-based politics. The answer to the corporate politics of voluntary CSR is the politics of global labour for regulations at international and national level, ensuring implementation of labour rights, human rights, social rights and environmental rights.

In a world where deregulation at national level and re-regulation at international level in the interest of capital (and against labour) has become the norm, there can be only three means of reversing this situation in favour of labour and the people of the world:

1. A broad coalition of developing countries emerges as a powerful movement and succeeds in establishing a more democratic global regime that is more pro-people, pro-labour and more in favour of poor nations. However, this is possible only when more developing countries transform themselves into more democratic and pro-people states.
2. A coalition of international social movements and labour movements emerges strong enough to compel the international regime for regulations on labour rights, human rights, social rights and environmental rights.
3. A coalition of international social/labour movements and developing countries (those showing commitment to this agenda) is formed and a strong movement is launched to compel a change in the international economic order.

Given this international regime, even to fight for pro-labour, pro-people regulations at national level is difficult, unless it is accompanied by a strong movement for the same at the international level. After becoming part of the WTO, nations have lost their capabilities of regulating on issues that affect the WTO agreements they have signed. Any issue, legislation or financial matter pertaining to labour rights, human rights, social rights and environmental rights is required to adhere to the WTO framework, or may not be allowed. Many of

the issues related to these rights require state subsidies, welfare expenditure and the re-nationalization of public services on the one hand, and regulations to control the behaviour of the corporate on the other. These will certainly violate the framework of the WTO. It requires courage and willpower to challenge the WTO framework, and only those states that are largely pro-labour and pro-people can have that courage.

It is worth noting that the emergence of a strong movement advocating international regulations and the New International Economic Order (NIEO) in 1960s and 1970s was possible only because of the comparatively pro-people regimes of the newly independent nations which formed the G-77 and the coalition that emerged between the international labour movement and the G-77. This coalition was forcibly broken in the 1980s by the imperialist countries which crushed the backbone of developing countries that fell into the debt trap in the 1980-82 crises.

However, there is a possibility that such a coalition may again emerge. Right now all the factors for the emergence of such a coalition are still weak. However, the contradictions in globalization are growing so fast that in the near future things may change. The labour movement is still weak, but if we look at the ground it is growing fast and gaining strength. The global justice movement appears much larger and stronger than its earlier incarnations. And the third factor with all its weaknesses and limitations, has also emerged on the scene in the form of the Group of 20 plus developing nations. Since its founding by Brazil, India and South Africa on the sidelines of the fifth ministerial meeting of the WTO in Cancun in June 2003, the G-20 has grown to include a large portion of the developing world, including, among others, Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela.

The G 20 was organized in response to longstanding concerns over agricultural subsidies and trade-related intellectual property rights

under discussion by the WTO. More than 51 percent of the world's population and 63 percent of its farmers live in G-20+ countries, producing more than a fifth of global agricultural output and more than a quarter of farm exports (Capdevilla 2003).²⁰ However, the group's demands were not met at that 2003 meeting and the talks collapsed. It is quite evident that group's emergence represents a significant change in the landscape of multilateral trade negotiation.²¹

However, the G-20+ is far weaker in all respects than the G-77. There is a possibility of an alliance between labour/social movements and the G-20+ only when the movement is strong enough to compel G-22+ to show the courage to challenge the existing framework of the WTO. Consistent efforts to come together to fight on the issues of the common concern at the international level can be the only way to realize this possibility to any extent.

Therefore, the political alternative that we are left with is to fight for regulations at the international level (as well as the national level) by building as broad a coalition of forces as possible. Along with legislation on labour rights, social rights, human rights and environmental rights, we must also demand specific legislation ensuring the legal responsibility of the corporate to social development, not with CSR, but in the form of additional development and welfare taxes. The privatization of major state assets and resources which has significantly reduced the capability of the states to raise funds for public welfare, social security and overall social development, must be redressed.

As has been seen in many countries in Asia, corporates are constantly pressuring governments to reduce corporate tax rates even in times when they are reaping windfall profits and the general population is forced to absorb higher prices including sharply higher prices of basic necessities. As such, the tax burden of the poor and low income earners rises greatly in proportion to their disposable income. This is seen again in the 2011-12 budget of Government of India. As Roy rightly mentioned the 2011-12 Budget of Indian Government comes at a time when people are suffering due to high inflation and

relentless rise of food and fuel prices. *“In this backdrop, the massive Rs. 20000 crore²² cut in major subsidies for 2011-12 on fuel, fertiliser and food, from what was spent in 2010-11 (Revised Estimates), come as a rude shock. ...The direct cash transfer programme announced for implementation from next year is a smokescreen for this subsidy cut. ... The Budget has provided relief of Rs. 11500 crore in direct taxes, while proposing to mobilize an additional Rs. 11300 crore through indirect taxes, which will inevitably be passed on to the consumers. This is a regressive taxation regime, which enriches the rich while burdening the ordinary citizens. As per the Statement of Revenue Foregone, total tax concessions reached over Rs. 5 lakh²³ crore in 2010-11, with corporate tax exemptions totalling over Rs. 88000 crore. The tax-GDP ratio, which had reached almost 12 percent in 2007-08, has declined since then to around 10 percent in the current Budget. ...The allocation for NREGS (National Rural Employment Guarantee Scheme) has fallen by Rs. 100 crore, despite a claimed increase in the wages. The provisions for ICDS (Integrated Child Development Services Scheme) are far below the estimates for full universalization as directed by the Supreme Court. ... the budget provision for the Agriculture Department has been cut from last year. The allocations for the welfare of women, minorities, dalits and tribals are thoroughly inadequate.”²⁴*

Social development funding and social security for the people can never be a charity or business. These are the rights of the people and the responsibilities of the state. They should never be left to be determined by market forces. Particularly by fulfilling this responsibility, the state gets a legitimacy and authority to ask the people to comply with the laws and policies. If it is denying fulfilling these responsibilities, it will also lose this authority. Polanyi has rightly said, *“The idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.”²⁵* And there is no need to add that the people of the world do not want it to happen, and they will never let it happen.

Endnotes

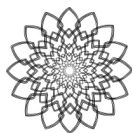
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16. "The Income-Tax (I-T) department in India has claimed that many multinationals are guilty of tax evasion. An investigation completed in December 2006 showed that many of them simply adjusted profits made in India against losses incurred in other countries to avoid paying tax. I-T sleuths found that about Rs 10,000 million in profits were never declared and thus the tax on them never paid. I-T department officials, who declined to be named, said their Assessment Wing was sending out notices to the evaders, demanding that they cough up Rs 14,000 million in taxes and penalties. Multinationals are the guilty party of this method comprising 91 per cent of the violators found in 2006, while 9% were domestic companies." (MNC Tax issues in India; <http://www.csr-asia.com/index.php?id=8696>)
17. In India the state is trying by all means to amend the labour laws in favour of capital and against labour, but it is not successful in doing this because of strong opposition from trade unions. Therefore, the attempt is also to make the laws mean less, by paralyzing the machinery of inspections, allowing self- certification of crucial labour laws and granting exemptions from crucial labour laws in special zones. Special Economic Zones hosting export-oriented industries are already enjoying exemptions or relaxations of some crucial labour laws; and now there is a move to enact laws for establishing National Manufacturing Investment Zones, and the proposal is to exempt these zones from almost all labour laws.
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**CORPORATE SOCIAL RESPONSIBILITY
REVISITED:**

Can It Address Chinese Workers' Needs In A
Changing Socio-Economic Context?

Elaine Sio-ieng Hui



Abstract

Corporate social responsibility (CSR) gained prominence in the 1990s as a tool of transnational corporations (TNCs) in mediating labour relations in supplying countries interlinked in their global production chains. This article reviews the implementation of CSR from the perspective of grass-root workers in China, one of the largest supplying countries in the south. The major argument of this paper is that CSR in China has always failed to protect workers' substantial rights, despite the minor improvement of working conditions it has brought about, because many TNCs have taken advantage of CSR to deflect attention away from their exploitative policies. As a result, CSR has become largely counterproductive. And it continues to fail to address workers' pressing concerns, including demands for decent wages and genuine trade union representation in a new socio-economic and legal context. Recently, labour activism has grown rapidly in China. Workers are fighting themselves for a better workplace, and their efforts have led to some positive results. This shows that CSR should no longer be on the top of the labour agenda and trade unionists, labour activists and scholars should devote more attention to how to support workers activism on the ground, and how to strengthen workers' rights to freedom of association and collective bargaining, which are the crucial foundations for the effective protection of their interests.

I. Introduction

Driven mainly by the concerns of western consumers over corporations' business ethics in the areas of environment, human rights and labour rights, corporate social responsibility (CSR) has been gaining prominence since the 1990s as a tool of transnational corporations (TNCs) in mediating labour relations in supplying countries interlocked in the global production chain (Yu 2008; Pun 2005; Chan and Siu 2010). CSR is defined by the European Commission 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” (European Commission 2001). Numerous debates and studies have focused on the subject. However, as has been rightly pointed out, these are often dominated by the northern perspectives and the business interests that stress profit making, and win-win situations (Prieto-Carron et al. 2006: 986).

This article aims to review the implementation of CSR from the perspective of grass-roots workers in China, one of the largest supplying countries in the south. It discusses questions such as what do workers, the supposed beneficiaries of CSR, think about this type of soft and non-binding regulation? Is it able to address the most urgent concerns of workers in the changing socio-economic context in China? If not, what alternatives are available to them? The major argument of this paper is that CSR in China has always failed to protect workers’ substantial rights, despite the minor improvement of working conditions it has brought about, because many TNCs have taken advantage of CSR to deflect attention away from the continuation of their exploitative policies.

As a result, CSR has become largely counterproductive and continues to fail to address workers’ pressing concerns, including the demand for decent wages and genuine trade union representation in a new socio-economic and legal context. Recently, labour activism has grown rapidly in China: Workers are themselves fighting for a better workplace and their efforts have led to some positive results. This shows that CSR should no longer be at the top of the labour agenda, and trade unionists, labour activists and scholars should devote more attention to how to support workers’ activism on the ground, and how to strengthen workers’ rights to freedom of association and collective bargaining, which are the crucial foundations for the effective protection of their interests.

In what follows, I first outline the general picture of CSR enforcement in China. Second, I briefly review the current studies on CSR in China to evaluate the scholarly assessment of the effectiveness

of CSR in protecting workers' rights. Third, I examine with an illustration of a Japanese-owned factory producing electronic products in Shenzhen how CSR has continued to fail to meet the urgent concerns of workers. Fourth, I discuss alternative means to advance workers' rights in China, if CSR is not something that trade unionists and labour activists should put their hopes in.

II. CSR in China

Chahoud has divided the development of CSR in China into four phases (See Chauhoud 2011: 160). The start-up phase was from 1992 to 1995 when CSR was not so widely used and CSR agreements were concluded only between individual western brands and their Chinese suppliers. The period from 1996 to 2000 was the second phase in which social audits became a more commonplace practice to ensure that human rights and labour rights in supplying factories were not violated. The third phase was from 2001 to 2004, and was characterized by the expansion and development of CSR in China. CSR became a widely adopted approach by western corporations as well as international institutions in China, such as the UN, OECD, ILO and the World Bank. The fourth phase is from 2004 to the present wherein the role and attitude of the Chinese government has shifted from a passive observer to an active proponent of the system. As a matter of fact, up until 2005, the Chinese government considered CSR to be a form of indirect protectionism by the West. The reasons for such a change of attitude, from sceptic to promoter, are two fold (See Chauhoud 2011, Weikert 2011). Firstly, CSR as a concept has been co-opted to serve the government's agenda of promoting the ideology of the "harmonious society". Secondly, CSR is a strategy pursued by transnational Chinese corporations to attain the goal of "going out, going global" (Chauhoud 2011: 172).

Currently there are four sources of laws, regulations and guidelines on CSR activities in China (see Chauhoud 2011). These are

the Company law, enacted in 2006, the Labour Contract Law in 2008, the Instructions for CSR in State-Owned Enterprises issued in 2008 by the State-owned Assets Supervision and Administration Commission of the State Council, and the Guidelines for CSR compliance for Foreign-Invested Enterprises issued in 2008 by the Chinese Academy of International Trade and Economic Cooperation. Apart from domestic CSR initiatives, China is also involved in some international initiatives, such as the OECD guidelines, the ILO labour standards and the UN Global Compact. Despite the seeming progress made in terms of CSR regulations, Chauhoud suggests that they are “largely declaratory and their real impact remains unclear” (2011: 173)

III. Does CSR work in China?

A number of scholars have already conducted detailed assessments on some of the more well-known CSR projects in China. The one initiated by Reebok has been given much social and academic attention and has been well analyzed. Yu (2008) concludes that although Reebok’s CSR project has helped reduce serious labour abuses, it leads to a “race to ethical and legal minimum” labour standards (Yu 2008: 525), because while workers were being paid the legal minimum wage, they were driven by management to work faster and harder; this can in no way meet their demand for decent wages. In addition, even though a trade union had been set up in Reebok’s suppliers under the CSR project, it was a union highly influenced by the management, instead of an autonomous union that genuinely represents the workers’ interests. Yu succinctly concludes that CSR can “provide no solution to problems of low wages, long working hours and workers’ rights to freedom of association and collective bargaining” (Yu 2008: 514).

Nike has been another TNC that has actively promoted CSR in China since the 1990s. Despite the fact that media reports of blatant violation of workers’ rights in its supplying factories have been far less frequent than in years past, Nike’s recent CSR report admits that many

of its suppliers in China are still not acting in line with Nike's code of conduct (Chan and Siu 2010). Wal-mart's CSR project has also been criticized as inadequate to lead to higher real wages for Chinese workers (Chan and Siu 2010). Pun (2005) also argues that although the CSR projects in the two factories she studied had brought about some improvements in labour conditions; they did not have any impact on the protection of substantial labour rights, such as workers' organizations and representations, and the workers' complaint mechanism.

Other current studies on CSR in China have also underscored the weaknesses of the CSR approach. They include, first, lax enforcement at the level of suppliers, who often attempt to circumvent the voluntary regulations by paying bribes, cheating, or coaching workers to lie to monitors (Prieto-Carron et al. 2006: 982; also see Yu 2008). Second, workers are not well-informed of the codes of conduct and have limited participation, if any, in the CSR projects; and it is hardly surprising that they have no significant influence over the CSR agenda (Yu, 2009; Chan and Siu 2010). Third, scholars suggest that CSR is a "public relation ploy" by TNCs (Pun 2005; also see Asia Monitor Resource Centre 2010), rather than a tool to protect workers' rights, since it is mainly driven by market-pressures and thus can be described as a market behaviour to secure a stronger position in the global production chain (see Chan and Siu 2010).

To summarize, although current studies do not completely dismiss the positive impacts of CSR on improving working conditions in factories, they sharply highlight its ineffectiveness in promoting workers' core rights, such as the rights to collective bargaining, wage negotiation and proper trade union representations.

IV. Labour activism sweeps aside CSR

Shaped by the recent socio-economic and legal developments, labour relations in China have undergone a significant change, which in

turn has further crippled the already quite inefficacious CSR initiative in China. In the past 12 months, there has been a wave of strikes in many industries (such as automobile, electronic, taxi and truck, and other service industries) all over the country, sparked off by the Honda strike in May 2010 which lasted for 17 days and involved more than 1,800 workers demanding a wage increase well above the legal minimum wage as well as democratic trade union reform (see Hui 2011, Hui and Chan 2011).

The increasingly intense labour activism on the one hand, has been attributed to the escalating income gap in the country as reflected by its Gini coefficient which reached the level of 0.47 in 2010². This has boosted workers' discontent with social inequality and thus their readiness to safeguard their own interests (Hui 2011). On the other, the mounting labour unrest has been fuelled by the recurring and persistent phenomenon of labour shortage in the country. According to the newspaper report, altogether two million workers were needed in the Pearl River Delta in early 2010 and some factories were compelled to halt production because of a shortage of labour (Chengdu Commercial Daily 2010). This has strengthened workers' bargaining power in the marketplace, and boosted their confidence in demanding higher wages and better working conditions (Chan 2010).

Analyzing this new social context, scholars have pointed out that while employers' observance of the legal minimum wage was the major demand of workers in the past, this is no longer sufficient and wage increases above the legal minimum wage level have become a more predominant request. Also demands for greater representation of Chinese trade unions on the shop floor, a thing seldom demanded by workers in the past, has lately become more strongly and clearly articulated in workers' strikes (See Chan forthcoming).

It is against this changing socio-economic context that this paper aims to re-evaluate the effectiveness of CSR in addressing the urgent demands of workers with a detailed review of the labour issues at the Brother Industries (Shenzhen) Ltd. (Brother SZ) located

in the Longgang district in Shenzhen. Women far outnumber men at Brother SZ, with 87 percent of employees female and 13 percent are male. Brother SZ is under the Brother Group which is a Japanese headquartered multinational firm with a global operation producing and selling sewing machines, printers, fax machines and other electronic products. Brother Sales Ltd. was first set up in Japan in 1941 as a sales company and in 1954 the Brother International Corporation (Japan) was established to expand sales overseas.¹ Since then, the Brother Group has also set up manufacturing and sales facilities and as of 2011, had 16 manufacturing factories and 52 sales companies in 44 countries and regions all over the world. The Brother Group has a total of 29, 873 employees, of which 65.1 percent are employed in Asia and regions other than the U.S, Europe and Japan. In 2010, its' consolidated net sales were 502.8 billion yen (US\$5.028 billion).²

The reasons for selecting the Brother SZ as a case study in this article are twofold. First, most, if not all, scholarly examination of the effectiveness of CSR in China focus on the suppliers of multinational corporations, headquartered in the U.S. or Europe, while Japanese firms, which also have substantial investment in China, have been largely neglected. Thus, it is worth evaluating the implementation of CSR in the type of investment that has been under explored. Second, workers have repeatedly gone on strike at Brother SZ, which makes it a suitable case to examine how and why CSR fails to resolve labour conflicts related to wage increases and wage bargaining.

The Brother Group claims to promote CSR and in 1999 developed its own "Brother Group Global Charter" that guides its worldwide corporate activities with different stakeholders, including customers, business partners, employees, the environment, local communities and shareholders. In its 2010 CSR report the Brother Group states that "We have created...a handy size version of the Global Charter Booklets' which all employees carry while at work".³ However, I found from my interviews with Brother SZ workers that they have not received such booklets. And they have not heard about the terms "Global Charter" and

“Corporate Social Responsibility”. Neither do they have any knowledge of the CSR structures in the company. This suggests that workers have not been properly informed of the Global Charter and other CSR related operations in the factory. It appears to be a top-down manipulation without any solid foundation at the bottom.

Furthermore, the Global Charter is a guide lacking substance. It is only 592 words long and divided into two parts, Basic Policies and Codes of Practice.⁴ Much emphasis has been given to the Brother Group’s management and growth, as well as its relations with business partners, shareholders, customers, local community and the environment. But it only contains a short paragraph that is relevant to its workers, which is as follows:

Our Associates

*The Brother Group respects diversity, and provides a working environment that enables our associates to utilize their talents and abilities to the fullest. The Brother Group gives them great opportunity through challenging work assignments, and provides them with fair, attractive financial rewards. In return, **our associates are expected to be positive members of society, share the Company’s values, continually learn and improve, maximize their capabilities, strive to achieve their goals, and ultimately, contribute to our success** (the author’s own emphasis).*

Although charters like these often serve only a window addressing purpose, corporate codes of conduct in most TNCs’ CSR projects are based on the core conventions of the International Labour Organization (ILO) and they usually provide terms and conditions on the freedom of association, the right to collective bargaining, and other fundamental principles relating to wages and working hours (Yu 2008). However, as can be seen, the Brother Group’s Global Charter does not give even superficial treatment of the core labour rights. It is therefore not surprising to hear from Brother SZ workers that they have never

received any training on these core labour rights, the Chinese Labour Law or Trade Union Law.

Instead of protecting workers, the Brother Group's CSR initiative is more like a tool to discipline its employees and ensure that they work harder for the company's interests. First, the Group's CSR target relating to workers in China in 2009 was to "strengthen human resources development for locally hired employees" while "helped [ing] employees achieve self-development through practical training on internal control" is strangely considered as its corresponding achievement; and in 2010, one of its targets was to encourage employees to participate in voluntary activities.⁵ It is clear that none of these CSR targets have anything to do with workers' rights as they are commonly understood. Instead they are all about strategies of human resources management.

Second, most of the so called CSR activities related to employees as stated in the Group's CSR report are highly irrelevant to factory workers in Brother SZ or other manufacturing facilities. While decent wages are a key concern of Chinese workers nowadays, the Brother Group sees its major CSR activities as the introduction of a target management rating system to evaluate employees' motivation and results, "encouraging" employees to participate in volunteer work, and conducting international trainee programs as. Another important point to be noted is that although the Group has set up an "Employee Hotline for Compliance Issues", most workers in Brother SZ are not aware of it, and naturally have never used it to voice grievances or non-compliance of rights' issues.

Despite this emphasis by the directors and management of the Brother Group on CSR, no information on expenditure on CSR activities has been given in its CSR report or any company financial report. Therefore, there is no way for the public to verify how much concrete effort and resources have been invested in its CSR activities. Given the poor implementation of CSR activities in Brother SZ as suggested by its workers, it is a fair conclusion that its CSR projects are largely declaratory, if not a fraudulent use of the term CSR.

The failure of the CSR rhetoric in Brother SZ to address workers' major concern, coupling with the absence of an effective bargaining mechanism and enterprise trade union, explains why Brother SZ workers have to advance their interests by taking collective industrial action. Three strikes took place in Brother SZ last year against the social backdrop of a serious labour shortage and a country-wide wave of labour resistance triggered by the Honda workers' strike. Workers staged the first strike in March 2010, protesting against excessive daily overtime work. After the strike the factory reduced overtime work from four hours a day to two hours. The cause of the second strike in April 2010 was the difficulty and heavy intensity in machine operations. After this strike more workers were arranged to perform machine operation duties.

The third strike, the biggest of the three, broke out in September 2010. Workers were angry with the management's decision to reduce the time for each production process from 44 seconds to 39 seconds, a move aimed at boosting labour productivity. Also they were dissatisfied with their low wages which were RMB 1200 at the time and the stagnant welfare benefits provided by the factory. One of the workers said:

"Our workload has increased tremendously and the production time for each process has been reduced. However, our basic salaries have not gone up with the increased work intensity. Now one worker has to perform duties of two and we are all under huge pressure."

The strikers put forward three clear demands to the management: 1) increase basic salaries; 2) increase living and housing subsidies; and 3) restore the production time back to 44 seconds. As shown previously, the company's current CSR program in the factory barely dealt with any of these types of issues, therefore workers had to stand up for their own interests.

At first the management insisted on decreasing the time for each production process to 39 seconds and even threatened to further

reduce it to 33 seconds. This infuriated the workers who then blocked the entrance to the factory and tried to stop the car of the Japanese CEO from leaving the factory. Later with the intervention of the local labour bureau, representatives from the factory and the striking workers reached an agreement to raise the workers' basic salaries to RMB 1300 a month (an 8.3 percent increase), restore the production time to 44 seconds, and increase the housing and living allowances.

The three strikes launched by Brother SZ workers are strong signs that labour relations in the factory are highly volatile. This suggests that its CSR project has malfunctioned and can barely meet the main concerns of workers, particularly regarding decent wages and benefits, working time, and work intensity. Quite ironically, in some cases, the policies in the factory contradict the stated aims of its CSR program. Take occupational health and safety as an example. On the surface the Brother Group has put huge emphasis on the issue and starting in 2007 launched a three-year project to raise the standards of workplace safety and health in its factories around the world.⁶ However, the attempt at Brother SZ to reduce the time for each production process to 39 seconds in fact could endanger the workers. This is because the workers would have to perform certain tasks within shorter times in ways that the work intensity and repetition of body movement increase significantly. A worker noted that 44 seconds for each production process is already too demanding, and it is impossible to handle the task if it is to be reduced to 39 seconds. She said:

“When we are on duty on the production line, we have to work quickly and continuously. If we go to washroom “too many times”, we will be scolded by our supervisors. And if we work a bit “slowly”, the supervisors will warn us. So, if the production time is to be reduced to 39 seconds, we will really feel the stress. At the end of work, I am always in pain, particularly my legs, because we have to stand all the time along the production line. Sometimes my legs even get swollen.”

Had Brother SZ ever paid the slightest attention to workers' health and work safety, it would not have decided to reduce the time for

production. It is evident that its CSR effort is mainly window addressing and a public relations ploy. There is no substantial, not even superficial, protection for workers' rights and its factory policies often contradict the rhetoric in its CSR guidelines.

V. What is the next step for the labour movement in China?

As reflected in the demands put forward in the three strikes, the principal concern of Brother SZ workers are decent wages and benefits, reasonable working hours and a manageable workload. However, there is no way that the CSR system implemented in the factory can adequately address these issues, thus workers have to resort to collective action to press for change. The Brother SZ case does not only affirm previous studies that CSR only serves a window addressing purposes, it also clearly demonstrates that, even if it had only limited positive impact on improving working conditions in the past, it now fails completely to respond to the changing labour relations in China as workers become more vocal and ready to take direct action to demand higher wages and, in some cases, democratic trade union reform. The urgent question for all trade unionists' and labour activists' consideration is: if CSR is not something we should look upon as a means to safeguard Chinese workers' interest, what should be the next steps for the labour movement in China?

Discussing how to promote Chinese workers' genuine interests, Compa (2008) has drawn our attention from CSR itself to the self organizing of workers in the platform of democratic trade unions and their rights to collective bargaining.

“CSR can only create a stable foundation for workers' rights with two other legs: 1) strong laws strongly enforced by government authorities, and 2) **strong, democratic trade unions where workers can improve conditions through self organization**

and collective bargaining” (Compa 2008: 6, the author’s own emphasis).

His critical analysis has shed inspiring insight on the direction of the labour movement in China, especially when waves of workers’ strikes in 2010 compelled the Chinese government and the All China Federation of Trade Unions (ACFTU) to hasten the democratic trade union reform and the implementation of workplace collective bargaining (See Hui 2011). For instance, trade union reform, however limited, was reported to have been initiated in the Honda factory wherein a 17-day of strike broke out (Nanfang Doushi Bao, 4-07-11). Also, wage bargaining between the trade union and employer’s representatives in Honda and in the Wuhan catering industry have taken place (Guangzhou daily 3-05-11). Moreover, 13 provinces have already issued documents in the name of the Chinese Communist Party committee or local government, promoting collective wage consultation (China News Net, 9-06-10), despite the suspension of the Regulations on the Democratic Management of Enterprises in the Guangdong Province and the Shenzhen Collective Consultation Ordinance due to capital’s opposition (Wenwei Po 2010-09-18).

By quoting these examples, it is not the author’s intention to suggest that the current trade union reform and the implementation of collective bargaining in China are satisfactory. On the contrary, I want to contend that the major arena for class struggle between labour and capital is no longer focused on minor improvements in working conditions or the mere observance of minimum wage, on which most CSR attempts in China are focusing. It is rather critical class struggle which is now taking place around the issues of wage bargaining and trade union reform. As elaborated, due to changes in the labour market and other socio-political developments, workers’ demands for decent wages beyond the minimum wage level and in some cases for democratic trade union reform have become more clearly articulated and workers are now actively pursuing these demands with well coordinated and better organized collective actions.

CSR, as some previous studies suggest, might have contributed to the slight improvement in abhorrent working conditions in China, including non-compliance of minimum wage laws and hazardous working environment in factories. However, it has not been an adequate response to the pressing concerns of workers. Working class resistance in China should be directed to workers' rights to collective bargaining and democratic self-organization. Given the failure of CSR and growing labour activism in China, it is time for local and international trade unionists and labour activists to re-strategize their support to Chinese workers. It is now of vital significance to find ways to directly support workers struggles as well as to build up a more effective solidarity activism (Asia Monitor Resource Centre 2006). The old CSR is no longer the way to go.

Endnotes

1. In 2007 the income of the top ten percent of the wealthiest was as much as 23 times of that of the poorest 10 percent, while it was only 7.3 times in 1998 (Chen 2010). Concerning the income gap between urban and rural wage earners, it is reported that the ratio is 3.33 to 1 (BBC 2010). Although about 55 percent of the population resides in the rural regions, they only share 11.3 percent of the social wealth (China Daily 2010).
2. See Brother Group Corporate Profile 2011 http://pub.brother.com/pub/com/en/corp/pdf/profile/2011/broa4_all_en.pdf
3. See 2010 Brother Group Corporate Social Responsibility Report Website Data, Pg2.
4. See Brother Group's website information <http://www.brother.com/en/corporate/principle/index.htm>
5. See 2010 Brother Group Corporate Social Responsibility Report Website Data, Pg24
6. See 2010 Brother Group Corporate Social Responsibility Report Website Data, Pg53.

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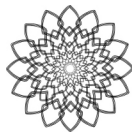
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Wenwei Po 2010-09-18

**CORPORATIONS, UNIONS AND
CORPORATE SOCIAL RESPONSIBILITY IN
SOUTH KOREA**

Wol-San Liem



Abstract

This chapter investigates corporate social responsibility (CSR) in South Korea, looking particularly at what it means for workers and unions. The second half is a case study of Samsung Group's CSR strategy. Korean conglomerates' CSR activities focus heavily on philanthropic activities, which provide corporations a means for presenting a moral image of themselves and distracting from their culpability in low wages and job insecurity. They also involve 'green management', which allows corporations to improve their reputation while taking advantage of new markets. Many corporations use CSR to mask violations of labour rights. Despite this fact, South Korean unions see participation in CSR activities as a useful means for achieving their goals. In some cases, unions use CSR mechanisms to pressure corporations to meet their demands in connection to wider campaigns. In other cases, unions approach CSR from a perspective of cooperation with capital. Samsung Group uses CSR to paint a positive image of its 'no union management' with detrimental consequences for workers' rights. Unions and social movement organizations have tried to challenge Samsung by exposing this use of CSR, as well as Samsung's disregard for workers' health. These efforts, however, are not yet systematically connected to worker organizing. Overall, this chapter argues that when used by unions as part of comprehensive campaigns, CSR discourse and mechanisms can be helpful in winning sympathy for workers' demands. It also argues that much of Korean unions' participation in CSR feeds into corporations' CSR strategies, supporting capital's power. With respect to Samsung, it urges that efforts to expose Samsung's CSR strategy be connected to a systematic plan for union organizing

I. Introduction

South Korea occupies a complex place in the world capitalist economy. On the one hand, large South Korean corporations now compete with other multinationals on the global stage. After South

Korea's rapid export-led development during the 1960s and 1970s, Korean conglomerates, which had been well-nurtured with government support, U.S. aid and Japanese loans and technical transfers, began to invest abroad seeking to cut labour costs through outsourcing and the shifting of production overseas. This trend intensified greatly after the 1997 IMF crisis, such that now the production chains of companies like Samsung Electronics span from Asia to South America. On the other hand, Korean also serves as a source of relatively cheap and flexible labour for Korean corporations and MNCs from other countries. In the last twenty years, a system of multilevel subcontracting has developed in South Korea. In this system large capital demands components as needed at low prices from small and medium-size firms putting downward pressure on wages and stimulating labour flexibilization.

South Korea's particular economic history and its complex regime of accumulation make it different from the other countries treated in this volume, which largely play the role of supplier of cheap labour in the world economy. This unique context shapes what corporate social responsibility (CSR) means to capital and workers in South Korea. First, despite the fact that Korean corporations now exploit workers across the globe, they have come under less international scrutiny than their class compatriots from Western countries due to their relative late entry into the global arena. Accordingly, close attention to CSR is rather recent in South Korea. This is reflected in the fact that it was not until 2003 that a sustainability report was first issued by a Korean corporation.¹ Korean conglomerates began to pay more attention to CSR after a series of corruption scandals, incidents of environmental destruction and finally the IMF crisis severely damaged their reputation in the mid 1990s. Since this time Korean corporations have invested increasingly in CSR as a strategy for improving company image. While a few Korea multinationals have begun to think about CSR in an international context, a great deal of their CSR activities still take place in Korea and are packaged for Korean audiences.

As is true for the Korean corporate world, interest in CSR among

civil society groups is also relatively new. In the last several years, large NGOs such as the Centre for Corporate Social Responsibility (CCSR), the Korean Federation of the Environmental Movement (KFEM) and People's Solidarity for Participatory Democracy (PSPD) have engaged in CSR activities—monitoring corporate CSR practices, evaluating sustainability reports, pursuing lawsuits related to corporate governance and lobbying the South Korean government to make CSR reporting a legal duty.² Some unions, as well, have begun using CSR discourse and mechanisms as a means to pressure large corporations in relation to working conditions and labour rights. Some union CSR activities are concerned with the conduct of Korean capital in other countries. The majority, however, relate to corporations in South Korea and their exploitation of South Korean workers.

This chapter investigates the meaning of CSR for Korean workers and the unions that represent them. While limited reference is made to the activities of South Korean corporations overseas, the main focus is on CSR as it affects workers in South Korea. In particular, this chapter seeks to answer the following questions: “How have workers and unions engaged with CSR?” and “Has CSR helped to improve working conditions and labour rights in South Korea?” In addition to this introduction and a short conclusion, this chapter includes three main sections. Part II following the introduction summarizes the current state of CSR in South Korea and the perspective taken by civil society actors towards it. Part III investigates the CSR activities of the two South Korean national centres. It compares the two organizations’ perspectives on CSR and evaluates their CSR-related work. Part IV is a case study of Samsung Group’s CSR strategy, its meaning for workers and workers’ responses. The conclusion summarizes the findings from the previous three sections. In all, this chapter argues that when used by unions as part of comprehensive campaigns, CSR discourse and mechanisms can be helpful in winning sympathy for workers’ demands and opening up space for workers’ struggle. It also argues, however, that much of Korean unions’ participation in CSR feeds into corporations’ CSR strategies, supports capital’s power with respect to labour and distract

from the government's responsibility to protect social welfare and enforce labour laws. With respect to Samsung, it finds that CSR has enabled the corporation's practice of union repression with detrimental consequences for workers. It urges that efforts to expose Samsung's CSR strategy be tied into a systematic plan for union organizing.

II. CSR in South Korea

Although relatively unaware of it before the IMF crisis, Korean corporations have taken a greater interest in CSR in recent years. Only three years after the first Korean sustainability report was published 75% of the largest 120 Korean companies were engaged in CSR projects. Today, nearly half, including big names like KT, Samsung, SK Energy and Hyundai Motor Group, run CSR departments.³ Due to a mixture of self-interest and pressure from NGOs, the number of companies that issue sustainability reports jumped from 4 in 2003 to 7 in 2005 to over 80 at present.⁴ The Federation of Korean Industries (FKI), completely oblivious to CSR until a few years ago, was prompted by the deliberations on the ISO 26000 index to pass a formal resolution in 2008, which committed the organization to increase the social involvement of its member companies. Accordingly, the FKI has established a CSR committee responsible for monitoring member companies' 'economic responsibility', 'legal responsibility', 'moral responsibility' and 'social responsibility'.⁵ It also now put considerable effort into reporting on the CSR activities of Korean corporations.

In practice, many Korean companies equate CSR with philanthropy. The vast major of CSR activities in South Korea take place in this area. In 2008, South Korea's largest one hundred companies (based on sales volume) gave an average of KRW 24 billion (roughly \$24 million) in charitable donations, up KRW 7 billion from 2006, despite the global economic crisis.⁶ According to the FKI's "White Paper on Corporation and Corporate Foundation Social Giving," in 2009 the top 500 Korean companies made philanthropic contributions

equal to 4.76% of their total ordinary income, putting South Korea on par with or above other developed countries in this area.⁷ While this number seems impressive, the meaning of 'philanthropic contribution' in South Korea is often not entirely clear. Many companies include their sponsorship of sports games and other events with purely PR functions in their reporting of philanthropic activities. They also draw on employee donations of money and volunteer time and funds raised during fundraising events, meaning that total contributions do not come solely from corporate profits. Korean corporations use philanthropy to present a socially responsible and moral image and distract from probes into corporate corruption and culpability in rampant low wage jobs and precarious employment. Moreover, corporate contributions, more than half of which go to support social services and education for the underprivileged, end up enable the government's lack of adequate public expenditure in these areas.⁸

Korean corporations have also put heavy emphasis on 'green management' in their CSR activities. Interest in the environment has been fuelled by the current conservative Lee Myung-bak administration's promotion of South Korea as a champion of the environment and support for the development of new environmental friendly products and alternative energy sources. Korean environmental organizations are highly critical of this so-called 'green growth' policy, which they see as at best marketing strategy to improve South Korea and South Korean capital's international standing and at worst actually harmful to the environment, given that it includes reliance on nuclear energy, the export of nuclear power plants and the construction of dams and waterways in Korea that are harmful to local ecosystems.⁹ Similarly, Korean corporations' investments in measures to reduce greenhouse gas emissions, preparations for carbon emissions trading and research and development in the area of green technology have, for them, the dual benefits of opening up new markets and bolstering their reputations, while they in fact mean little in terms long-term environmental sustainability. Nonetheless, public praise for these efforts abounds in the mainstream media.

Perhaps not surprisingly, civil society groups evaluate Korean corporations as weakest in the CSR categories of human and labour rights. As will be seen in the case of Samsung Group discussed below, one of the main reasons for this is the high level of union repression in South Korea. While CSR standards such as the Global Reporting Initiative (GRI) and the ISO 26000 indexes call for respect for freedom of association, many Korean corporations actively refuse to acknowledge unions and engage in unfair labour practices against workers who attempt to organize. CSR, however, provides Korean capital with an easy way out. Many corporations claim they meet labour rights standards by providing workers an opportunity to bring up grievances through worksite councils in which both workers and management participate. In addition, many large corporations are able to report good working conditions and high wages for the few workers they directly employ, while they make profits through the exploitation of low-paid precarious workers employed by subcontractors.

Despite these loopholes in CSR labour standards, many labour experts suggest that workers can use CSR as an avenue to increase dialogue with management and improve working conditions. Changwon Lee, a standing researcher with the government-sponsored Korea Labour Institute, suggests that unions should carry out campaigns pressuring corporations to include concrete labour standards in their CSR reporting and entreat investors to take these standards into consideration when making investment decisions. Lee also suggests that unions include CSR provisions in collective bargaining agreements so as to, “strengthen corporations’ CSR functions by acting as monitors who represent stakeholders’ interests.¹⁰ Similarly, Noh Gwang-pyo, Director of the independent Korean Labour and Society Research Institute, proposes that unions supplement collective bargaining with participation in internal consultative structures set up to support CSR activities.¹¹

While it may seem that participation in CSR has the potential to strengthen unions’ position with respect to management, there are

dangers in the positions expressed here. First, neither of these scholars mentions the responsibility of the government to protect labour rights by requiring compliance with the law and punishing violations. Instead, they suggest, unions should play this role. In South Korea, while labour rights are well defined in the Constitution, violations of basic standards for wages and conditions are, like labour repression, rampant. For the government to leave these problems up to a negotiation between management and unions as ‘stakeholders’ essentially leaves unions to fight an extremely unequal fight, one in which they are currently engaged.

In addition, the perspectives represented here are based on the assumption that a compromise between the profit imperative and the needs of workers and the greater society can be effectively reached and that such a compromise will benefit both parties. Lee writes that, “Because the situation of labour-related CSR in South Korea is very behind international standards [Korean corporations] face significant risk in a new [socially responsible] investment environment.” He suggests that labour and management work together to improve companies’ commitment to CSR, implicitly because attracting socially responsible investment will be good for both parties. This argument follows the very same profit logic that CSR is supposedly meant to guard against.

III. National Centre Engagement with CSR

The majority of South Korean unions’ engagement with CSR goes on at the level of the two national centres, the Federation of Korean Trade Unions (FKTU) and the Korean Confederation of Trade Unions (KCTU). While some of unions’ CSR activities follow the reasoning of the labour experts quoted above, some seek to use CSR in a different way to support workers’ struggles.

The FKTU was founded in 1946 with close ties to the ultra conservative government of Syngman Rhee. FKTU officially claims to

promote a “constructive industrial culture that emphasizes trust between labour and management” and a “pure labour unionism free from theory and ideology.”¹² In practice this has meant the maintenance of a long-standing relationship with the conservative Grand National Party and the creation of unions that eschew strikes in favor of cooperation with management.

A. FKTU: Corporate and Union Social Responsibility

The FKTU's CSR activities fit within its overall goal of creating harmonious labour relations. As a member of the UN Global Compact, it has contributed a good deal to the establishment and work of the UN Global Compact Korea Network. This organization makes efforts to put Korean corporations and stakeholders in dialogue with one another concerning CSR goals.¹³ It also publishes written materials and sponsors educational events aimed at unions, academics and government representatives that explain the Global Compact's 10 principles and urge participation. The implication of these activities is that corporate social responsibility is something that can be achieved through the mutual cooperation of unions, civil society organizations, corporations and the government.

In addition, the FKTU participated actively in drafting the ISO 26000 and publicizing it in South Korea, and has carried out research on means for using these standards to enforce “union social responsibility,” in addition to “corporate social responsibility towards workers.” The LG Electronics Union, one of FKTU's most important affiliates, has actually put the idea of union social responsibility (USR) into practice. On January 28, 2010, LG Electronics Union representatives held a ceremony to announce a USR Charter, which commits the union to the principles of: 1) maintaining ecological balance, 2) protecting the socially weak, 3) improving the transparency of union operations and 4) improving the workplace environment. To uphold these principles union members committed to riding bicycles to work and planting trees to protect the

environment. The union also promised to operating a workplace centre aimed at “improving the lives of its members,” run work-school related programs for students and anti-sexual harassment education for employees, expand company childcare facilities and provide consulting to subcontractors to help them in improving productivity.¹⁴ These activities have been praised by conservative commentators as steps towards the creation of peaceful labour relations.¹⁵ It is not hard to see why. The LG Electronic Union’s USR takes CSR to an even more extreme level. Not only does it exonerate the government from working to protect the environment and eradicate the exploitative relationship between large corporations and the workers in their supply chains, it also promises that the union will shoulder these burdens through the selfless activities of its members. The LG Electronics Union has even committed itself to take responsibility for issues that are rightly employers’ duties, such as employee childcare and workplace improvements.

B. KCTU: CSR as one Tool among Many

Unlike the FKTU, the KCTU proclaims independence from the government and is known for its militancy. The KCTU is not deeply involved in CSR-related activities, but sees them as one potential tool for raising awareness about and alleviating the many human and labour rights violations committed by multinational corporations.

The KCTU first began making use of CSR discourse and standards when foreign-based multinationals began operating in South Korea on a large scale in the wake of the 1997 IMF crisis. Corporations such as GM Motors, Tetrapec and Nestle entered Korea through merger and acquisitions, carrying out mass layoffs of Korean workers and labour repression in the process. At this time, the KCTU was searching for a way to respond to this situation. KCTU officers hit on CSR, particularly the clauses in the OECD Guidelines for Multinational Enterprises related to human rights and employment and industrial relations, as one way to do so. At around the same time, the KCTU

also began used CSR discourse and the OECD complaint mechanism to call attention to human and labour rights violations by major Korean corporations with production sites overseas. According to KCTU Policy Director Changguen Lee who is responsible for the KCTU's CSR-related activities, CSR has provide KCTU with a means for calling attention to the problems of MNCs in cases where unions are very weak or do not exist at all.¹⁶

According to Lee, the use of the OECD guidelines was particularly effective in the case of Nestle, a Switzerland based multinational. In spring of 2003 Nestle, which had an office in Seoul and a factory in Jeongju, announced unilateral plans for outsourcing and structural adjustment despite the fact that management had promise to consult the Nestle Union (an affiliate of the Korean Chemical & Textile Workers' Federation [KCTWF]) on these matters. The union applied for arbitration from the Ministry of Labour. When arbitration failed, it declared a full strike on July 7. In September of the same year, as the strike dragged on, the KCTU, the KCTWF and the Nestle Union decided to make a complaint to the OECD National Contact Point in Switzerland as a means of calling attention to the issue. This move helped the Korean unions to gain support from the Swiss national centre and the International Union of Food Workers and eventually intervention on the part of the Swiss government. In November, with the strike still going, 7 members of the Nestle Union travelled to Switzerland to protest in front of the Nestle headquarters along with Swiss unions. Their actions received considerable attention from the Swiss press and public. Nestle caved. The company promised to create a committee aimed at protecting working conditions and job security, discuss future structural adjustment measures with union representatives, refrain from layoffs at its factory, provide remedies for workers who had been transferred in the process of structural adjustment, increase wages by 5.5.% and cancel suits brought against the striking workers.¹⁷ According to Director Lee, the Nestle workers won not solely because of CSR, but because worker representatives had adopted a multifaceted strategy in which the use of the OECD complaint mechanism and international

solidarity complimented and strengthened the workers struggle to create sufficient pressure on the company.¹⁸

C. CSR and Collective Bargaining Agreements

In addition to the activities described above, both national centres engage in one other area of CSR-related work. In line with the suggestions of the experts quoted above, the FKTU and KCTU both make efforts to get CSR demands included in collective bargaining agreements (CBAs). They do this by including CSR clauses in the model CBAs they publishes annually and recommending that affiliate unions use the model as a basis for collective bargaining. It is then up to affiliates to get employers to agree to the demands and monitor their implementation. According to Cheol-wung Kang who preceded Lee as Policy Director at KCTU, efforts to win CSR demands through collective bargaining are aimed at “changing CSR from the voluntary activity of corporations to a movement that is controlled by labour and has legal binding force.”¹⁹

It is true that inclusion of CSR clauses in CBAs technically adds a modicum of legal force to otherwise unenforceable standards. On the other hand, the CSR demands drafted by the two South Korean national centres are too vague to actually be prosecutable should they be broken. The FKTU’s demands, in particular, stop at abstractly calling on corporations to adhere to international standards and to “work to create a company that is trusted by the public” by “strengthening respect for human rights, environmental and consumer production, efforts to eradicating unfair transactions with subcontractors and transparent management.”²⁰ Moreover, including CSR demands in CBAs cannot overcome the problem that CSR absolves governments of their responsibility to monitor corporations’ violations of social rights and degradation of the environment.

On top of this, the language used in CSR clauses tends to

legitimate the notions that corporations want to, are striving to and can actually be socially responsible. This problem is easily recognizable in the CSR content KCTU affiliates have included in their CBAs. To give one example, the Hyundai Motor Branch of the Korean Metal Workers' Union (KMWU) includes the clause, "Management and employees shall work together to fulfilling CSR duties, foster local culture, support disadvantaged groups, preserve the environment and improve transportation. They will gain pride and self-respect from contributing to the advancement of small and medium-size businesses (including subcontractors) and the local community, and make active efforts to create a company that is trusted by local residents."²¹ This language, very similar to that used by the FKTU, suggests that management and labour hold common socially responsible goals and implies cooperative labour-management relations. Similarly, the CBAs of KCTU healthcare affiliates call for joint labour-management committees committed to the development of the healthcare industry and improvement of public healthcare, obligating both parties to cooperate towards commonly held objectives. On top of this, requirements that companies issue sustainability reports and make philanthropic contributions in KCTU CBAs give legitimacy to these corporate PR strategies.

Director Lee admits these limitations of including CSR clauses in CBAs. "When you talk about corporate social responsibility you are talking about basic universal standards, but you are not talking about a fundamental criticism," he explained in an interview. "You are saying, 'Sure, we know you are exploitation of workers, but we are asking you to respect basic universal standards while you are engaging in this exploitation.'" Of the KCTU CBAs he commented, "One has to admit that they have a cooperative perspective" imbedded within them.²²

IV. Samsung and CSR

Having discussed the general state of CSR in South Korea from the perspective of both corporations and unions, this section moves

on to look at the specific case of Samsung Group's CSR strategy, focusing on the elements that have direct implications for the lives of workers. This investigation reveals a particularly detrimental use of CSR—Samsung's mobilization of CSR to enable its policy of 'no union management'. This section also introduces labour and civil society organizations' efforts to confront Samsung's anti-unionism and expose the reality of rights abuses behind the image Samsung has created of itself as a responsible corporate citizen.

A. Samsung: First-class Global Corporation

Samsung Group is often praised as leading the way in CSR in South Korea. Samsung's admirers claim that founder Byung-chull Lee's philosophy of "business patriotism" and second CEO Gun-hee Lee's vow in 1987 to make Samsung a 'first-class global corporation' signify the same underlying ethic as CSR. By this they mean that from early on Samsung's top management understood that 'great corporations' should give back to the society in which they developed. This recognition, they argue, made it possible for Samsung to become the superior corporate citizen it is today.²³

While supporters of labour rights may cringe at these beliefs, they, in fact, contain a certain truth. Since at least the 1960s, Samsung has recognized that it can strengthen its reputation and influence by engaging in philanthropic activities and publicizing its contributions to the nation and humankind. In recent years, the corporation has mobilized CSR in its endeavour to do these very things. Using CSR discourse, Samsung advertises a management philosophy based on respect for employees, consumers and stockholders. It also makes a show of issuing glossy sustainability reports calibrated more closely to internationally accepted CSR reporting guidelines than most of those put out by other Korean corporations.

The South Korean government, mainstream NGOs and the

international business community have contributed to Samsung's image by giving its subsidiaries numerous awards for good management and social practices. In 2002, for instance, the South Korean Ministry of Labour granted Samsung SDI the "Grand Prize in New Industrial Culture" for its "open-style management, fostering of knowledge workers, fair merit-based compensation, worksite renovations, and improvement of labour-management relations and elevation of employee satisfaction." In 2003, the Citizens' Coalition for Social Justice Institute awarded the same company its "Economically Just Corporation Prize," calling it the top company in the electronics sector.²⁴ This year, Samsung Electronics was included in the World Economic Forum's list of the '100 Most Sustainable Corporations in the World' and rated highly for excellence in green management and compliance with CSR reporting guidelines.²⁵

B. Philanthropy

As is the trend in South Korea, the bulk of Samsung's CSR activities fall in the category of philanthropy. Samsung does the majority of its social giving through its main affiliated foundations, which include the Samsung Foundation of Culture, the Samsung Life Public Welfare Foundation, the Samsung Welfare Foundation and the Ho-am Foundation. Samsung is known to spend more on philanthropic activities than any other Korean corporation. In 2006, it gave a total of KRW 440.5 billion, reportedly 3.7 times more than SK Group, Korean corporation who spent the second most, 3 times more than Walmart, the United States' first-place spender on philanthropy.²⁶ Contributions are made in a variety of areas, particularly education and social services for low-income or disabled individuals.

Samsung Group donations are supplemented with employee donations of money and time. For example, since 1998 Samsung Electronics' employees have donated a monthly sum from their salaries to support a scholarship fund for children whose parents are disabled or who have disabilities themselves.²⁷ Since the 1990s,

Samsung has organized its employees to volunteer their time to diverse community service activities matched to their professions. For instance, the employees of Samsung Electronics, Samsung's flagship subsidiary, provide volunteer tutoring for disadvantaged children in foreign language, science and finance at children's centres and primary schools in remote communities across South Korea. Employees also teach skills to the blind, through classes Samsung Electronics has run since 1977. In recent years, Samsung has organized volunteer corps to support development in African and South and Southeast Asian countries. The majority of Samsung's philanthropic activities, however, still take place in South Korea.²⁸

In addition to being highly oriented to promoting public image, the main problem with Samsung's social giving is that it enables government neglect of social services by promoting the idea that benevolence can solve fundamental social inequalities. While a few young people do benefit from Samsung scholarships for instance, the government has done nothing to confront the fact that tuition rates continue to climb while it has become almost impossible for children to get into college without their parents investing in private after school tutoring. Overseas philanthropic activities provide good publicity for Samsung and its export products, upon which it is dependant for over 80% of its sales.²⁹ They also fit squarely with the South Korean government's goal of depicting South Korea as a developed nation that can contribute to the enlightenment of 'less advanced' peoples materially and culturally.

C. Relations with Business Partners

Another piece of Samsung's CSR strategy involves what it terms 'peaceful coexistence' with its subcontractors. Given growing criticism of South Korean conglomerates for predatory relationships with small and medium-size firms, it is important from a PR perspective for Samsung to demonstrate that it is different from others in this area. Among Samsung subsidiaries Samsung Electronics has been

most active in this effort. In 2010, the company reported that a total of 5357 employees from partner companies participated in its training programs on business management and technological improvement, 4422 in South Korea and 935 abroad. In 2008 Samsung Electronics also held 25 training workshops on CSR adherence for its roughly 740 first-level subcontractors in South Korea, making it the first South Korean company to implement a program of this kind.³⁰ The company records that as of 2009, 542 of its first-level subcontractors had agreed to its CSR code of conduct. Samsung Electronics and several other Samsung subsidiaries have also signed 'fair transaction agreements' with their subcontractors, vowing not to unfairly curtail payments and to make public their procedures for selecting and dropping partners.³¹

It is true that Samsung has made more commitments to supporting its business partners than most Korean conglomerates. On the other hand, recent research shows that Samsung's relationship with its subcontractors is very different from what Samsung leads the public to believe. Pyeong-ryang Wi of the Economic Reform Research Institute has used a comparison of Samsung Electronics' financial statements with those of its subcontractors to demonstrate that the former systematically cuts costs by use its size and strength to force the latter to assume risk and provide components at low costs.³² This study shows that the rate of increase of subcontractors' tangible assets is significantly higher than the rate of increase of Samsung Electronics' tangible assets, suggesting that subcontractors are taking responsibility for investing in the new facilities and equipment needed every time a new product is produced and thus assuming the associated risk. Samsung Electronics' ratio of operating profit to net sales is also significantly higher than that of its subcontractors, suggesting the formers' use of its freedom to switch subcontractors to require lower unit prices for components. As Wi discusses, this 'exploitative relationship' with subcontractors is part of the very structure of the electronics industry in South Korea. In light of this research, it is clear that Samsung Electronics' training courses and 'fair transactions agreements' with subcontractors are little more than cosmetic.

From the perspective of workers, this use of CSR to veil actually business practices is particularly detrimental given that subcontractors end up lowering wages, making layoffs and cutting corners in the area of health and safety in order to compensate for the extra burden they are forced to take on.³² Moreover, Samsung Electronics and other Samsung subsidiaries are known to have intervened multiple times to prevent workers employed by subcontractors from forming unions. These actions are in line with Samsung's policy of 'no union management', which will be discussed in greater detail in a moment. This routine interference in subcontractors' relations with employees directly violates Samsung Electronics' own code of conduct, which calls for respect for freedom of association, and also demonstrates the superficiality of Samsung Electronics' one-time CSR workshop.

D. Green Management and Employee Health and Safety

Samsung's CSR strategy also emphasizes environmental sustainability efforts. In January of this year Samsung announced a new platform entitled 'Eco-Management Vision 2020'. This plan calls for the reduction of greenhouse gas emissions and energy use relative to sales³⁴ and the development of renewable energy sources and other environmentally friendly products with the ultimate goal of "creating new value through eco-innovation."³⁵ Put another way, Samsung seeks to profit from new markets for green products while strengthening its reputation as a company that puts the planet first.

A full treatment of Samsung's 'green management' is not possible here. I will instead look briefly at one important product segment that Samsung promotes as ecologically friendly, semiconductors produced by Samsung Electronics. In general, semiconductor production is known to be harmful to the environment because it requires large amounts of energy and leads to the emission of greenhouses gases. Samsung Electronics claims to be combating these problems through the development of new management techniques and the use of cutting

edge disposal facilities. It calculates that new production methods have led to a reduction of carbon emission by 6.20 million tons between 2011 and 2008 and a decrease of the release of other contaminants in relation to production volume by 62% in the same period.³⁶ Samsung Electronics participates in a carbon labelling system rung by the South Korean Ministry of the Environment, under which two of its products have received certification for low carbon emissions.³⁷

While these developments represent a small improvement, they cannot changed the fact that the semiconductor business overall continues to be detrimental to the environment. Even more important, perhaps, is what is being left out of the discussion of 'clean' semiconductor production. This is the question of workers' health. It has been revealed that several carcinogenic chemicals, including trichloroethylene, sulphuric acid, benzene and dimethyl acetamide, are used in the manufacturing of Samsung's semiconductors. These chemicals, which an internal Samsung Electronics manual lists as present in the production process, have been linked a wide variety of cancers. The connection is more than simply scientific. Over the last ten years some 45 workers at Samsung semiconductor factories have died as a result of Leukaemia and other similar diseases. At least 60 more have fallen ill.³⁹

Until recently Samsung Electronics completely ignored the claims of these victims that their illnesses were work-related. Due to growing pressure, the company has put more effort into defending itself in the last year, turning to CSR in order to do so. In its 2011 Sustainability Report it emphasizes that all of its production plants have received occupational health and safety certification from the Korean government. Claiming that "senior executives... have a special interest in recent concerns on workers' cancer risk" the report notes that in July 2010 Samsung Electronics commissioned a "leading international environment and health consultancy" to survey the materials used at its factories.⁴⁰ It also reports on the opening of a health research centre, sponsorship of employee health management programs and

the operation of health & safety committees at each of worksite as part of its efforts to, “promote employees’ health and maintain a pleasant work environment.”⁴¹ Recently Samsung Electronics also engaged in worksite beautification projects, built entertainment facilities at its worksites and begun to refer to them as ‘campuses’ rather than ‘factories’.⁴² While some employees appreciate these CSR activities, cases of cancer continue to surface. Cancer victims and their families continue to insist on that their diseases are related to work at Samsung Electronics and have built a campaign to win recognition of this fact.

E. Employee Respect

The discussion of workers’ health and safety is tied to the larger issue of respect for labour rights, and particularly the right to form and participate in unions. Without a formal union that can engage in collective bargaining, workers have little means by which to pressure to Samsung Electronics to make changes. But, says Samsung, employees don’t feel the need for unions. This is because it provides superior working conditions and benefits and maintains an atmosphere of mutual respect. As mentioned above, the GRI and ISO 260000 indexes call on corporations to guarantee the rights to freedom of association and collective bargaining. These clauses are vague, however, and have no legal binding force and no means for enforcement. Samsung Electronics claims it meets these standards by operating of labour councils at each worksite, which “facilitate dialogue between labour and management.”⁴³ In 2010, the company also held a Work Smart Conference’ at which 700 employees joined the CEO to discuss the creation of an efficient management system and organizational culture the allow employees to take a ‘balanced and smart approach to work and life’.⁴⁴

Such activities put a rosy public face on Samsung’s policy of preventing unionization at any cost. Like other elements of its business philosophy, Samsung’s ‘no union management’ originated well before

the development of CSR, but has now been folded into Samsung's overall CSR strategy. Founder Byung-chull Lee first proclaimed he would keep Samsung union free it 1977. The corporation has by and large stuck to this commitment up to the present. The absence of unions in all but three Samsung subsidiaries⁴⁵ has been achieved through a combination of the systematic fostering of company pride among white collar workers and the creation of an atmosphere of fear through close surveillance and the spreading of rumours among production workers.⁴⁶ On top of this, Samsung management routinely uses a wide range of hostile tactics such as threats, intimidation, bribery, firings, illegal tracking, kidnapping and the formation of 'ghost unions' to stop unionization efforts as soon as they get wind of them.⁴⁷ Over 20 cases of this type of repression have been documented at Samsung subsidiaries.⁴⁸ The number doubles when subcontracting companies are included. In just one example, in May 2005 management besieged the house of employees who were attempted to form a union at Samsung Electronics' factory in Suwon, kidnapping some and threatening others, before the workers even had time to submit union founding documents to the Ministry of Labour. Following the incident, a second group of workers did manage to submit the required documents on May 25. Over the next few days, however, they were individually confronted on or near factory grounds, held captive overnight inside the factory and forced to cancel their notification of union formation.⁴⁹

F. Civil Society Responses

Labour and social movement organizations have attempted to challenge Samsung's 'no union' policy for many years. Part of this effort has included a systematic survey of the truth beneath Samsung's claims that the absence of unions at its worksites is due entirely to employee satisfaction. In 2007, the Korean Metal Workers Union (KMWU) compiled the results of this research in a manual, which it distributed to its affiliates and allies with the goal of preparing them for the struggle ahead. Since then, the KMWU has making efforts to

contact and educate Samsung workers in its jurisdiction (principally the electronics industry). Organizing efforts have proceeded slowly, however.

Attempts to organize Samsung workers in other industries are also being made. Recently, a small minority of Samsung Everland employees succeeded in submitting union formation documents and founding the Samsung Group Union. The Vice President was, however, immediately dismissed. Moreover, given that the unions aims to organize workers across the entire Samsung Group it faces an uphill battle in trying to develop the needed to actually gain recognition as a collective bargaining representative.

The same year as the KMWU manual was produced labour and social movement organizations began to confront this issue of health and safety in the semiconductor sector from a different angle. Several groups came together to form the coalition Supporters for the Health and Rights of People in the Semiconductor Industry (SHARPS) with the goal of raising public awareness about the cancer risks at Samsung and other semiconductor factories and provide support for the victims and their families. For the last three and a half years SHARPS has searched out workers who contracted cancer while working for Samsung, assisted them in filing for industrial accident insurance and organized group lawsuits after the Korean Workers' Welfare & Compensation Service denied coverage. SHARPS has also carried out protests to call attention to the issue and organized a global Samsung Accountability Campaign and petition drive with international organizations.

In addition to using these diverse tactics, SHARPS has partnered with some CSR-related NGOs. For instance, after SHARPS provided it with necessary information, the NGO Centre for Good Corporations put the leukaemia cases at Samsung Electronics semiconductor factories at the top of its list of 10 CSR issues for 2011. The Centre for Good Corporations, PSPD and several other NGOs have worked to educate the Korean public about the issue and to get Samsung Electronics' foreign investors to pressure it to improve health and safety conditions

at its worksites. According to Jeong-ok Gong-Yu, Executive Director of the Korean Institute for Labour Safety and Health and central activist for SHARPS, while CSR-related NGOs have a moderate approach, their activities do support SHARPS' work. "We may have a conflict of opinion with them in the distant future," she says, but for now, "they are helpful," because they, "use CSR to expose [the falsity] of Samsung's CSR and get out information about labour-related issues."⁵⁰

Recently, SHARPS' years of hard work have started to bear fruits. On June 23, the Seoul Administrative Court made a ruling acknowledging two cases of leukaemia as industrial illness and ordering the Korean Workers' Compensation & Welfare Service to compensate the families of the victims. Unfortunately, the court failed to acknowledge the fact of industrial illness in the case of three other victims involved in the lawsuit. Moreover, dozens of other cases continue to go completely unrecognized. Clearly, while SHARPS' approach has been partially successful, nothing will replace organizing a union at Samsung Electronics that can stand up for workers' health and safety rights.

Gong-Yu agrees with this assessment. She also hopes that SHARPS will help to create awareness of among workers and public sympathy that will become the basis for unionization. Unfortunately, while the KMWU is officially a member of the coalition, it has not been centrally involved. A clear strategy is needed to connect SHARPS' efforts with KMWU's outreach to workers and organizing efforts. In addition, more needs to be done to breakdown the mythical image of a 'first-class global corporation', which Samsung has created for itself with the help of CSR. As Gong-Yu suggests, a clear plan that involves a multifaceted strategy and the participation of various actors is urgently needed to unionize Samsung Electronics and other subsidiaries and confront Samsung's use of CSR to mask violates of workers' rights.

V. Conclusion

A look at corporations and unions' CSR activities in South Korea demonstrates the problems inherent in CSR. These include absolving the government of its responsibility for protecting social rights, legitimizing corporations' PR strategies and promoting a cooperative form of unionism that cannot truly build workers' power with respect to capital. All of these problems are clearly visible in the FKTU's activities with the UN Global Compact Korea Network and in both the FKTU and KCTU's inclusion of CSR clauses in collective bargaining agreements. While the idea of including social demands in CBAs is commendable, Korean unions should find a means to do so that breaks away from the CSR framework of improving company image through labour-management cooperation.

While the boundary is not always clear, a distinction should be drawn between CSR activities that legitimate the idea that corporations can be 'socially responsible' and those that use CSR discourse and mechanism to pressure companies and expose the fallacy of the façade they put up through CSR. In the case of Samsung and other multinationals limited use of CSR in the second sense may be helpful in fostering support for workers' struggles, especially in the face of ardent no union policies. Such activities should, however, be closely connected to concrete plans for organizing and building workers' power. It is workers' power, after all, not corporations' voluntary adherence to standards that will make it possible to improve health and safety conditions and demand respect for labour rights.

Endnotes

1. In 2003, four companies, Samsung SDI, Hyundai Motor, Kia Motors and Korea Dow Corning (headquarters in Michigan), put out the first sustainability reports to be issued by corporations in South Korea. “2011nyeon minjunochong yogu wa gwaje” (KCTU Demands and Tasks for 2011), 321.
2. “Unlocking Investment Potential: ESG Disclosure in Korean Companies,” Emerging Market Disclosure Project Korea Team (April 2010), 18.
3. “Country Profiles: South Korean,” CRS WeltWeit,
4. <http://www.csr-weltweit.de/en/laenderprofile/profil/republik-korea/index.nc.html>.
5. “Unlocking Investment Potential,” 18. It should be noted that these reports are generally prepared without input from workers or other affected communities, and are vague in their language and format (14).
6. “Country Profiles: South Korea.”
7. “Giving Korea 2009: Corporate Giving of Korea 2009,” The Center on Philanthropy at the Beautiful Foundation (2010), 18.
8. “Jinanahe juyo gieob sahoegongheon 22.8%↑” (Main Corporations’ Social Giving up 22.8% over last year), Suwon Ilbo (Suwon Daily), 14 December 2010, <http://www.suwon.com/news/articleView.html?idxno=61223>.
9. “Giving Korea,” 19.
10. “Hangugjeongbu neun COP18 yuchi jageog i eobsseubnida” (The Korean Government has no Right to Host the COP 18), Statement by the Gihujeonguiyeondae (Climate Justice Solidarity), May 2010.
11. Jang-won Lee, “Nodongbumun ui gieob ui sahoejeog chaegim – hyeonhwang gwa gwaje” (Labour-related Corporate Social Responsibility: Current Situation and Tasks for the Future), Nodongbumun gieob ui sahoejeog chaegim(CSR) gwa siminsahoe ui yeokhal (Labour Sector Corporate Social Responsibility (CSR) and the Role of Civil Society), PSPD Policy Panel Discussion (3 May 2007), 21-23.
12. Gwang-pyo Noh, “Daegukjeokgieob gwa gonggieob ui sahoejeog chaegim(CSR) gwa bijeonggyu nodong siltae” (Multinational

- Corporation's Social Responsibility and Labour and human Rights), Gieob ui sahoejeog chaegim gwa bijeonggyu nodong (Corporate Social Responsibility and Contract & Agency Labour)," KCTF Panel Discussion (1 November 2007), 10-11.
13. Federation of Korean Trade Unions official website, <http://www.inochong.org/>.
 14. As of 2006, only 12 South Korean corporations had joined the Global Compact. Chung-ho Kang, "Nodongbumun CSR gwa siminsahoe ui yeokhal" (Labour Sector CSR and the Role of Civil Society), Nodongbumun gieob ui sahoejeog chaegim(CSR) gwa siminsahoe ui yeokhal (Labour Sector Corporate Social Responsibility (CSR) and the Role of Civil Society), PSPD Policy Panel Discussion (3 May 2007), 77. By the beginning of 2010, in comparison, 190 Korean corporations and organizations were participating in the Global Compact. UN Global Compact official website, <http://www.unglobalcompact.kr/15.htm>.
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35. It should be noted that Samsung calculates not the absolute reduction of waste, greenhouse gas emissions and energy use, but reduction relative to sales. The actual impact of these reductions on the environment is questionable given that sales increase every year. For a full critique of 'green growth' see "Hangugjeongbu neun COP18 yuchi jageog i eobsseubnida."
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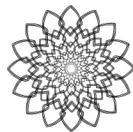
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**Liberalisation of the Economy
and the Politics of Corporate Social
Responsibility in India**

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Abstract

This chapter investigates the political economy of Corporate Social Responsibility (CSR) in India. India has a long tradition of philanthropy, and at the same time, also has a long history of highly irresponsible and inhuman behaviour of the corporates. In India, the politics of CSR took an institutional shape in the phase of globalisation and liberalisation, when the state was purposefully and systematically weakened, and the responsibility of peoples' welfare was handed over to the demand-supply magic of the Market God, and its corporate priests supposedly taking care of the CSR activities. Thus, CSR no more remained as philanthropy, but became the welfare policy of the neoliberal state. As the disastrous impacts of the corporate-led globalisation became more and more visible and people's discontent started rising, the State attempted to legislate an accountable, socially responsible and transparent system of CSR. Two policy initiatives were attempted in this regard. The first was to extend the reservation policy of the government to the private sector, and the second was to make it mandatory for all the companies to invest two percent of their profits in CSR activities. However, the industrialists were successful in defeating these policy initiatives and the CSR remained only a voluntary affair. There are only few companies that are practising CSR and only 11 percent companies have a written CSR policy. CSR activities of the corporates in India are mainly in the nature of providing some public amenities; a few infrastructure development activities, like constructing schools rooms and community halls etc.; creating awareness about various issues like family planning, health and sanitation; organising medical check-up camps; and providing some vocational training to the rural youth etc. Their activities are targeted more towards the promotion of their businesses, than to the issues they project themselves to be working on.

This chapter also exposes the real face of the CSR at the ground level. The case study of the CSR activities of GMR, a company in Odisha, India, reveals that the CSR is actually used as a political

weapon to break the people's movement. GMR has acquired huge tracts of land, thereby affecting more than 1,300 families (with majority of them being dalits and tribals) in four villages in Angul district of Odisha for a power plant. A strong people's movement challenged the violations that were being committed in the entire process, and it was in this period that the CSR activities in the name of 'periphery development' were started by GMR to project a good image of the Corporate; pacify the anger of the people and break their unity. Under this programme they distributed sewing machines and chicken (for poultry) mainly to those who supported or were ready not to oppose GMR; constructed the compound wall of a school, which had already developed cracks; did plantation work on the roadside most of which had already dried up; supplied water through tankers to the village which ironically had lost its water source due to GMR land acquisition etc. It is like looting everything from somebody and then offering him/her a glass of water by way of charity.

One activist in Odisha, India, asked us what actually CSR is... and then he himself answered: "Destroying all the livelihood of the people, and destroying all their water resources to make them and their generations face hunger and thirst for whole life, and then doing a charity by offering them good clothes and good shoes."

Introduction

Anyone investigating the history of Corporate Social Responsibility in India encounters with two situations: one, India has a long tradition of philanthropy; and two, India has a long history of highly irresponsible and inhuman behaviour of the corporates. On the one hand, there are examples when businessmen donated money and played important roles in establishing charitable institutions for the poor people; while on the other hand, there are innumerable examples of large-scale human tragedies created by the corporates, more so as a result of their zeal just to earn some more profits, or to avoid the loss

of profits. Bhopal Gas Tragedy of 1984 is the representative picture of the monstrous face of the corporates, which appears again and again in the form of high incidences of OHS (Occupational Health & Safety) tragedies in factories and construction sites; large-scale human tragedies caused by environmental pollution; also in the form of large-scale destruction of livelihood systems and displacement of the people due to land acquisitions and corporate made environmental disasters.

It is therefore important to study the CSR in its dialectics of profit motives and welfare motives and its impact on the society. It is also to be studied in connection with the state policies. To what extent the state policies are able to promote the welfare motives of the corporates in terms of ensuring their contribution to the overall socio-economic development, and to what extent they are able to exercise an effective control on the profit motives of the corporates? Profit motives play a primary and decisive role in all activities of the corporates and therefore exercising an effective control on its profit motives also becomes important to promote its welfare motives or to ensure its contribution in overall socio-economic development.

Politics of Corporate Social Responsibility took an institutional shape in the phase of globalisation and liberalization, when this particular aspect of the State was consciously and systematically weakened, though the State was responsible for ensuring welfare to its people, and exercising effective control on the overzealous profit motives of the corporates. Moreover, with highly privatised economy, the state has mostly taken a retreat from its responsibility towards the people's welfare, and this responsibility is now handed over to the demand-supply magic of the Market God and its corporate priests trumpeting about their CSR activities. Therefore, CSR no more remains mere philanthropy, rather it becomes a political weapon and a strategy supposedly for socio-economic development, where people have no rights, and for their welfare needs the people are made dependent on the whims of the corporates.

It needs a detailed study to explore, how various welfare rights of the people are supposedly taken care of by the welfare projects of NGOs and the CSR activities of the companies, and what is its overall impact on the society. This study has a limited scope and it only briefly explores the political economy and practice of CSR in India, and presents a case study of CSR of a company in a region, where it has contributed to large-scale destruction of livelihoods.

Political Economy of CSR in India

In most of the CSR studies, it is a trend to glorify the long tradition of CSR in India. This is mainly because of making CSR synonymous with philanthropy and charity. Actually CSR is not philanthropy, we can say, it is politically strategised and institutionalised philanthropy, but more accurately, it is the welfare policy of the neoliberal state, which “replaces the rights of the people with philanthropy”. It has some continuity with the traditional philanthropic activities in form, but in essence, it is completely new in its role and its impact on the society.

Philanthropy in its traditional form was a characteristic feature of not the Indian society alone; it existed in most of the societies with differences only in the degrees. Right from primitive capitalism all through the different stages of development of capitalism, it took different shapes also. In India, broadly we find three phases of philanthropy, before it reached the current phase of CSR, i.e., CSR in the current phase of liberalism: Before 1850s; during the Independence Movement; and in the phase of state capitalism.. Before 1857 philanthropy was characterised by wealthy merchants setting up temples, wells, ponds and distributing food items and clothes etc. There were mainly three factors behind such philanthropic activities: 1) for developing a goodwill among the people and this secured for them an effective protection, e.g., from other people, kings and their officials, or from the dacoits); 2) Wealth alone was not enough to achieve respect and a status in

the society; it was achieved only by doing philanthropy; 3) Religious beliefs and community-life also directed them towards philanthropic acts. Actually all these factors were interlinked.

During the Independence movement, the earlier factors of philanthropy continued but some new factors also started to influence, when industrialisation got underway in India. Therefore, there were two new factors: one, the need of philanthropic initiatives for more and more educated people for accelerating industrialisation; and, two, for projecting a good image of the businessmen to defeat the anti-capitalist trends/streams in the Independence movement. Mahatma Gandhi's "trusteeship" and its widespread popularity and support amongst the businessmen emerged from these needs. The Mahatma explained his trusteeship in following terms: "I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories." And with this Gandhi said that the Indian companies were supposed to be the "temples of modern India". Under his influence the trusts established by the business houses helped in setting up not only schools and colleges, but also training and scientific institutions. The trusts were operated largely in line with Gandhi's reforms, which sought to abolish untouchability, encourage empowerment of women, and also for rural development.

In the phase of state manoeuvred capitalism characterised by mixed economy from 1947 to 1980, when the Indian state and the economy started moving along the path of globalisation and liberalisation, people's rights was a catchword rather than that of philanthropy. Various types of political and social forces and movements that emerged during the Independence Movement and afterwards, were able to widely propagate the rights-based awareness amongst the people; and even if the spending by businessmen on the philanthropic activities continued or for that matter, increased, but that failed to secure them a significant place in the society and/or politics. It was

a period when the State's position on exercising an effective control on the profit motives of the corporates was strong, and its contribution to the overall socio-economic development was taken care of by the possible extent of taxing the corporates and extending the subsidies to the people. It is worth mentioning that this was also a period when the developing countries were imposing regulations on foreign capital, and in collaboration with the labour movements, also pursuing for international regulations on the TNCs. In this period, in line with the efforts of the international corporate lobby to highlight the importance of voluntary CSR over any international regulations on TNCs, probably for the first time in India the term CSR also emerged in 1965. Some academicians, politicians and businessmen convened a national workshop on CSR to highlight its importance, but it failed to gather steam.

The whole dynamics changed in the phase of liberalisation. To get a glimpse of the changes that took place after liberalisation, we can briefly discuss at least one of its aspects. The industrial policy before liberalisation set aside a long list of industries solely for the public sector. It covered over 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipments, minerals, oil, mining, railways, air transport services, electricity generation and distribution, etc. The monopoly of the State in these industries was a huge source of revenue, which played a significant role in making the State capable of spending on welfare activities and extending various forms of subsidies to the people. After liberalisation, most of these industries were privatised and many state enterprises were sold to the corporates at throwaway prices. It virtually started a loot of the entire wealth and natural resources of the nation by Indian and foreign corporates. Moreover, on the one hand, the State started moving out of the spheres of welfare and on the other hand, export-oriented growth model came up with a strategy to provide huge subsidies and tax exemptions to the corporates.

This situation sharply raised two issues:

1. In an economy where all the wealth and the natural resources were being transferred to the corporates, it was but quite natural that they must also be compelled to contribute significantly to the public welfare.
2. To address the issues of social exclusion, huge public sector establishments (including industries, government departments, education institutions, etc.) implemented a policy of reservation ensuring proportionate representation of Dalits, Tribals, Backward castes and women in all the sectors and all the activities. But with privatisation, closures, downsizing of public sector and government establishments on the one hand, and expansion of the huge private sector companies on the other, these aspects of social justice were reversed. Therefore, it was demanded that the reservation policy must also be extended to the private sector.

The demand for extending reservation to the private sector was reflected in the inclusion of this agenda in the “National Common Minimum Programme” of the UPA Government (United Progressive Alliance, a ruling coalition of political parties heading the Government of India) led by the Congress Party and supported by the Left Front. In 2004, the UPA government wrote to more than 200 corporate houses and associations about the need for reservation of jobs in the private sector. In the same year, a Standing Committee was set up by the government to arrive at some workable policy. In 2002, the state government of Madhya Pradesh decided to provide a share of the government contracts to the SCs/STs, and the Maharashtra government went a step ahead and passed an Act for the reservation of jobs in the private sectors.

However, the captains of industry opposed it forcefully, saying that the job reservation in the industrial units of private sector will have a far-reaching impact on the industry, as it may completely destroy

meritocracy in the industrial units of the private sector and bring in inefficiency; and that such reservations could bring to the fore class issues, which could vitiate the work atmosphere in the private sector. Arguing against the extension of reservation policy to the private sector, the captains of industry proposed to address this issue of social inclusion by some sort of CSR. Two representative associations of the big business houses in the country, Confederation of Indian Industry (CII) and Associated Chamber of Commerce (ASSOCHAM), formed a task force under the chairmanship of J.J. Irani (a retired executive of the Tata House), to find out ways to avoid legislation, while ensuring social inclusion by other means. The Task Force finally submitted a memorandum to the Prime Minister titled: "Proposed Concrete Steps by Indian Industry on Affirmative Action for Scheduled Castes and Scheduled Tribes." In this memorandum the task force declared that the private sector is formulating a voluntary code of conduct to undertake effective steps to implement and monitor the code in all the industries. Thereafter some national and international NGOs also got involved in the issue and proposed various voluntary codes of conducts, like, 'Ambedkar Principles' by International Dalit Solidarity Network and 'Dalit Discrimination Check' by Danish Institute for Human Rights (in collaboration with the International Dalit Solidarity Network) etc. But, in reality, the actual issue of extending reservations and job quotas in the private sector was conveniently relegated to the background.

The demand for ensuring the contribution of private capital in public welfare was also reflected in a policy initiative wherein the government proposed to make CSR mandatory, and not voluntary for the corporates. In 2008, a new Company Bill was drafted with a proposal to make CSR mandatory for companies and also with a proposal that companies must spend two percent of their profits on CSR activities. The Companies Bill (2008) lapsed with the dissolution of the 14th Lok Sabha, and then it was reintroduced as the Companies Bill 2009. The Bill introduced new initiatives like mandatory CSR; class action suits; fixed terms for independent directors; tightening the

laws for raising money from the public; prohibiting any insider trading by company directors or key managerial personnel by treating such activities as criminal offence etc.; and most importantly, it proposed that the companies should earmark two percent of their average profit of the preceding three years for CSR activities and make a disclosure to the shareholders about the policy adopted in the process.

This bill was proposed for all organized sector industries, which means that it was to be made applicable to about 300,000 enterprises or about 0.7 per cent of the approximately 42 million production entities, enumerated in the latest Census. The captains of industry fiercely opposed this Bill and finally they were successful in defeating this endeavour. The Bill was delayed again and again. Lastly, it was expected to be taken up in the monsoon session of Parliament beginning on August 1, 2011. But it was not taken up in that session. Moreover, the government is now withdrawing its proposal for making CSR mandatory. According to reports, "The latest announcement in the long line of indecision by the Indian government rules against the introduction of mandatory CSR. The newest addition to the Companies Bill will make a mention requesting companies to spend up to 2 percent of their net profits on CSR, but it may not make CSR spend [ding] mandatory. However the Parliamentary Standing Committee has underlined the need to mandate firms to spend on philanthropic activities. The objective of this new change is to invoke the spirit of corporate philanthropy as a matter of intent rather than as legislation. Officials have understood that making CSR mandatory could result in malpractice or increase in cases of greenwashing. In addition to this, the mandatory push for CSR has resulted in opposition from Indian industry."

Similar attempts were also made by the Coal Ministry of Union government to ensure mining companies' contribution to public welfare. The Coal Ministry drafted a proposal to make Mandatory CSR as part of competitive bidding. There is also a proposal by the Coal Ministry

to ask the mining companies to share 26 percent of their profits with the local populace and make them stakeholders in the projects. A report quoted coal minister Sriprakash Jaiswal saying that: “The policy on competitive bidding is getting framed. It is possible that we make spending on corporate social responsibility (CSR) by companies mandatory in the bidding policy.” On the other hand, steel and mining companies are strongly opposing this move and saying that “If this proposal is implemented, no company will come for mining. This will make investments in the mining sector unattractive. Already, projects in the non-coal sector are unviable. With this proposal, projects in the coal sector, too, would be impacted.”

It is very clear that the private business houses in India are not going to accept mandatory CSR. But it is also to be understood here that mandatory CSR is also not a resolution of the problem. Social development and social security to the people can never be treated as charity or business; it is the right of the people and the responsibility of the State. Equitable socio-economic development needs a centralised planning at national level, state level and district levels, to prioritise the issues of development, and accordingly, allocate the resources for development in various regions. It also ensures a democratic process of development. It is decided in a democratic way by involving people’s representatives at various levels. Even if there is heavy bureaucratic and political corruption, at least there is hope and a way to change the regimes through democratic processes and bring things back on the right track. But if it is left to the CSR policies of the companies, it will make people dependent on the whims of the corporates, rather than solving the problem and it will create new problems. Therefore, the resolution of the problem can be done by ensuring increasing contribution of the corporates for public welfare, not through CSR, but by heavily taxing the corporates to increase public spending of the government. Privatisation of the major national wealth and natural resources has significantly reduced the capability of the state for public welfare, social security and overall social development. As we can see in the 2011-12 budget of

the Government of India, which proposed Rs.20,000 crore (US\$ 3,736 million) cut in major subsidies for 2011-12 on fuel, fertilizer and food.

Therefore it is also clear that the government's proposals to make CSR mandatory etc. are nothing, but to hide its real intentions. Their intension is very clear by the fact that the same 2011-12 budget provided relief of Rs.11,500 crore (\$US 2,148 million) in direct taxes to benefit the corporates, and on the other hand, proposed to mobilise an additional Rs.11,300 crore (\$US 2,111 million) through indirect taxes, which will be inevitably passed onto the consumers. As per the Statement of Revenue Foregone, total tax concessions reached over Rs.5 lakh crores (\$US 993,388 billion) in 2010-11, with corporate tax exemptions totalling over Rs.88,000 crore (\$US 16,436 million). All the melodrama on mandatory vs. voluntary CSR is actually done to divert the attention from the real issue. The government and the corporates together are playing the music of CSR so loudly with such a clear intention that all the voices of the people' movements get lost in their music. They are actually compelled to do so as strong anti-corporate movements are emerging all over India in the form of anti-land acquisition movements.

The Practice of CSR in India

CSR in India, as it is practiced, is different from the Global Compact or other international CSR guidelines. Generally there is nothing about different types of labour in the CSR; and on other aspects, the CSR activities by and large are restricted in their scope and spread. Almost all leading corporates in India are involved in CSR programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Several efforts have been made by the big corporations such as Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation, etc. to intensify the CSR agenda. In 2009 and 2010 four Indians corporations were in the list of Forbes Asia's '48 Heroes of Philanthropy'. India has

been named among the top ten Asian countries paying greater attention to CSR activities.

The CSR activities of most of the companies can be explained in a better way by the term 'Periphery Development' as it is used by the companies in Odisha, where large-scale land acquisitions took place and the corporates are consistently facing strong people's opposition. The term also explains the inherent reasons behind the emphasis on CSR. In order to pacify the people and defeat the people's movements, the companies are trying to project a good image by doing some periphery development works, and are trying to send across a message that the companies may significantly contribute to the welfare of the local population.

The CSR activities of the corporates in India are mainly in the nature of providing some public amenities; some infrastructure development like constructing schools rooms and community halls etc.: family planning; creating awareness on various issues like health and sanitation; organising medical check-up camps; and providing some vocational training to the rural youth etc. Their activities are targeted more towards their own business promotion than the issues they project themselves to be working on. Many corporates have entered into education and health businesses and have started schools/colleges, polytechnics or other technical institutes, hospitals and medical colleges, and many a time, they pass off these businesses under the guise of their CSR activities/obligations.

It is also interesting to note that most of the corporates practising CSR have established their own NGOs registered as trusts. The money that is spent on CSR is exempted from income tax, and the charitable trusts are also exempted from income tax. Therefore, the businesses in the guise of CSR activities are also giving rise to a system with ample opportunities for tax evasion.

Even as it is clear from the above that the corporates in India

are doing no valuable work under the CSR, there are actually very few corporates who are doing any work at all in the name of CSR. According to a survey conducted by Partners in Change in 2000, covering 600 companies, only 11 percent companies had a written CSR policy. In 2007-08, the Karmayog CSR Rating surveyed the CSR practices of 500 companies, and it rated the companies on a five-point scale, with 0 being lowest to 5 being the highest. The survey was based on criteria, like products & services, reach of CSR activities, expenditure on CSR, harmful processes etc. In the study, out of 500 companies, 46 percent companies got zero out of five-point rating, which means that they were actually practising no CSR. 18 percent got one out of five rating, 28 percent got two out of five rating, 7 percent got three out of five and only 1 percent got four out of five rating.

The Case of GMR

GMR Group is a global infrastructure company with their headquarters in Bangalore [Bengaluru], India. The group was founded as a construction company in 1978 and in the phase of liberalisation, particularly after 1996, GMR diversified its interests and very soon emerged as an infrastructure major, with interests in Energy, Airports, Highways and Urban infrastructure. GMR Infrastructure Limited (GIL) is the infrastructure holding company of the GMR Group formed to fund the capital requirements of various infrastructure projects in the Group's energy, road and airport businesses. GIL has more than 100 subsidiary companies through which it delivers its various projects. Mr. G.M. Rao is the chairman of the GMR group. The GMR Group has forged relationships with General Electric, Korea Electric Power Corporation, Shandong Electric Power Company-SEPCO (as Engineering, Procurement and Construction (EPC) contractor for Kamalanga Power Project in Odisha), United Engineers Berhad, Malaysia Airport Holdings Berhad, and Fraport AG etc in its various national and foreign projects.

GMR has established a NGO registered as a charitable trust in the name of GMR Varalakshmi Foundation (GMRVF), as its Corporate Social Responsibility arm. Under CSR, GMR website has declared the following activities being run by the said foundation:

Education: GMR is running many educational institutions on professional basis, but it claims those as part of its CSR activities. The institutions include GMR Institute of Technology (GMRIT), GMR Polytechnic, some colleges and public schools. According to the information provided on its website, the foundation also facilitates scholarships and educational loans to ensure that deserving students, irrespective of their financial backgrounds, have access to these institutions.

Health, Hygiene & Sanitation: Under this category, it claims of providing the following services, like Ambulance service; Mobile Medical Units; Health Awareness Programmes and Camps; HIV/AIDS Awareness Initiatives; Health Care Services; Pay and Use Toilets, etc.

Empowerment & Livelihoods: The Foundation is running 5 institutes of entrepreneurship development, three of which have partnership with Andhra Bank, and two are being run independently. These institutes train unemployed youth in a variety of skills like plumbing, tailoring, repairing two-wheelers, photography and videography.

Community Development: Under the said category, the Foundation claims to be running youth clubs, village libraries, adult literacy programmes, etc.

Power Plant Comes Up after Destroying the Livelihood System of the Community

GMR Kamalanga Energy Limited is a 1050 MW (stepped up with an additional 350 MW) coal-based thermal power plant located

at Kamalanga village, Dhenkanal district in Odisha. The total area of land acquired by GMR for this project is 1200 acres including 900 acres private land and 300 acres government land. The private land was mostly agricultural and already well-irrigated by the Rengali Canal System. This land acquisition displaced economically and dispossessed more than 1,300 families in four villages (Mangalpur, Kamalanga, Senapati Baran and Bhagabatpur), who lost their land, crops, trees, source of drinking water and other properties. Many more families i.e., sharecroppers and landless agricultural labourers were also displaced economically, because they also lost their livelihoods. Grazing land was also acquired and so the families engaged in the related occupations also lost their livelihoods. 35 percent of the land acquired belonged to the Dalits and 25 percent to the scheduled tribes, and most of them were small farmers. Out of the 1200 acres of land acquired, 180 acres belonged to approximately 300 families of the schedule tribe, Kharia. There were a significant number of tribal families cultivating on the forest land which were in their possession for years, but yet not recorded in their names in the government records. All their land was acquired without paying them any compensation, while claiming that all that land belonged to the government. In Kamalanga village, 15 families were cultivating for years on the land allotted to them by the government, but they were not paid any compensation.

According to an activist with Odisha Chas Parivesh Surekhsa Parishad, the owner- farmers were paid about Rs.527,000 (\$US 9,822) per acre including Rs.350,000 (\$US 6,521) as compensation for land, 30 percent solacium and interest for the delays in payment. It is interesting to note that during the same period, and also at only few kilometres distance in Angul district, the Jindal Steel and Power Ltd. paid about one million rupees per acre for the land acquired there.

According to activists, there were some remaining lands of the farmers, which had not been acquired and left out. But the company forcibly or illegally acquired about 100 acres of such remaining

lands belonging to approximately 150 families without paying any compensation. Nine such families filed complaints in the lower court against this illegal act and demanded compensation plus jobs in the company in lieu of those lands. In 2010, in the lower court, the case was decided in favour of the company, and therefore, the affected villagers have made an appeal in the High Court of Odisha.

The 300 acres of government land that was acquired, includes cremation ground, grazing land (100 acres), small forest (70-80 acres), 6 ponds and a perennial stream. The company assigned an alternate land for cremation, while an alternative grazing land offered is 50 kilometres away from the sub-project site. It is practically impossible for people to take their cattle for grazing to the new site. According to activists, there were around 3000 palm trees, 1000 Babool trees, mango trees, lemon and teak plantations on the land that has been acquired by the company. When the private land was acquired, the trees were cut and uprooted. The tree owners were not even asked to collect their cut trees. Immediately after the land was acquired, without informing the affected croppers, the company started razing the crops (to level the ground for sub-project construction) that were about to be harvested. People were denied of their last crop from their lands. Even when the boundary wall around the project area was not completed, the company had made a temporary fence using barbed wire. The villagers lost a number of cattle that died after getting entangled in those wires. Though, the villagers lodged complaints several times, but no action was ever taken by the company or the district administration.

Moreover, now nearly 500 brick kilns have come up on the banks of the River Brahmani to ensure supply of bricks for the project construction. Huge tracts of fertile agricultural lands are either bought or leased from farmers by the contractors supported by the company.

One of the longlasting impacts of the project on the community is in the loss of the sources of water. The Rengali Canal system drawing

water from the Brahmani River (on the bank of which the power plant is coming up) is the lifeline of agriculture in this region. According to the activists interviewed, three branch- canals of the Rengali canal system were flowing through the lands acquired by GMR. As the construction activities for the power plant started, the company blocked all the three branch-canals, and therefore, the agricultural land outside the project area is also affected in terms of losing the irrigation facility.

The company has also blocked a perennial stream, which used to run through the agricultural land as well as the government land acquired by GMR. This stream was the source of drinking water, and it was also used for cooking, washing, bathing, and to some extent also for irrigation.

The company has also forcibly acquired the village pond outside its campus and using it as a water reservoir for the project. The company has put barbed wire fencing around the pond and the villagers are not allowed to use it.

The company is using the ground water for the project, despite the fact that the company is permitted to use water from River Brahmani only. A deep bore well (approximately 300 feet deep) is being used to pump ground water and this is resulting in a considerable drop of ground water-level in the area and creating scarcity of water for the villagers.

People are made dependent on GMR for drinking water

Manpur hamlet of Mangalpur village was completely dependent on the perennial stream for water for drinking and other daily use. It was one of the major demands of the people that the perennial stream must remain available for the use of the villagers. But when the boundary wall of GMR was constructed, it was built around the perennial stream, and thus, the villagers could no longer use the water from the stream.. This situation created a serious water crisis particularly for the Manpur people. They made several complaints and particularly the womenfolk of this village got organised and started a strong movement on this issue. Lastly, the district administration and GMR agreed to supply the water to the village through water tankers. According to Manpur village activists, the water tanker usually comes daily to supply water, but there are instances when the tanker does not come and the villagers do not get any water at all. In this way, in reality, the Manpur village is completely made dependent on GMR for water.

GMR Complex is rising and houses of the people are developing cracks

Due to dynamite blasting at the project-site, a number of houses have and are developing cracks. A primary school building nearby has developed serious cracks. Hundreds of children study in this school. There is a general fear that the houses and the school building may collapse, endangering lives of hundreds of students and the people.

World Bank Funded GMR's High Risk Project

The GMR project is located close to the Brahmani River, the source of its raw water. Though, the pollution of the River Brahmani, the lifeline of the district, is well documented, but nothing could be

said to have been done for undoing the damage already caused. The industrial waste has polluted the river to a hazardous level and the smoke and dust together have affected the environs. . As the people on the banks use this water for domestic use, including cooking, and also for rearing the livestock, both people and their cattle suffer from various diseases caused by the polluted river-water. People in the area commonly suffer from fluorosis and joint pains. Respiratory diseases are also common. The GMR power plant project is going to exacerbate the already existing serious pollution-related problems caused by the already functioning companies in the Talcher-Angul-Meramandali industrial belt, like, the National Aluminum Company Limited, the largest integrated Bauxite-Alumina Aluminum complex in Asia; National Thermal Power Corporation, which has a 1500 MW super thermal power station at Kanhia; Mahanadi Coal Fields Limited, located in Talcher; Fertilizer Corporation of India, having its unit in Talcher; Heavy Water Plant, located in Talcher; Talcher Thermal Power Station; Jindal Steel and Power Ltd.; Bhushan Steel and Strips Ltd., etc. A Comprehensive Environmental Pollution Index (CEPI) published by the Central Pollution Control Board of the Government of India in December 2009 classified 88 industrial clusters of India of being unfit for habitation. The Angul-Talcher belt of Odisha is one of those above-said industrial zones. . The Ministry of Environment and Forests in January 2010 imposed a temporary moratorium on environmental clearance for all projects located in these critically polluted zones.

It is very clear from the above that in these situations GMR Kamalanga Energy Limited is a high-risk project. But, despite this fact, the World Bank is funding the Project. There is circumstantial evidence, that the IFC's investment in the IIF, funds the GMR Kamalanga Energy Limited in Odisha. IFC has an equity investment of \$100 million (total target fund of the project is \$ 1 billion) in India Infrastructure Fund (IIF). Among others, IIF's identified sectors for investment include energy, electricity generation, electricity transmission and distribution networks, oil and gas pipelines, oil and gas import terminals, storage

and processing facilities, etc.. The Infrastructure Development Finance Company (IDFC), one of India's largest local financial institutions, has provided a rupee term loan of INR 50.5 billion for the project, while using the money from the India infrastructure Fund (IIF).

It is also interesting to note that the Rengali Left Bank Canal System was funded by the World Bank, and now, the same World Bank is funding the GMR power project that has acquired the land, which was being irrigated by this canal. Not only this, the GMR project has blocked three branch-canals of this canal system, and the flow of water in this canal is stopped, which is affecting irrigation of the lands outside the project area also. Odisha Chas Parivesh Surekhsa Parishad and the Delhi Forum raised this issue before the World Bank. The Bank has accepted their complaint and has started investigations on the issue.

The Real Face of GMR's CSR

The process of land acquisition and the establishment of the GMR project in the area expose the real face of democracy, the real face of the corporates, and the anti-people collusion between the government and the corporates.

Public hearing is legally a prerequisite of any kind of land acquisition process in India. But it was not conducted in case of the land acquisition for the GMR project. The MOU for the project between the company and the State Government of Odissa was signed in July 2006, and according to activists, soon after; the company started surveying the land. A number of middlemen were engaged by the company and they started visiting the villages to acquire land. According to the activists, it was at this point, the people came to know that they were going to lose their land. Large numbers of particularly small farmers were not even ready to sell their land, because it was the only source of their livelihood and therefore, they started voicing their complaints to the

district administration. Gradually becoming aware of the legal processes for land acquisitions, they raised the demand for a public hearing. In the meantime, say the activists, collusion was formed between the local Member of Legislative Assembly-MLA and GMR, and soon after, the local MLA floated an organization-Anchalik GMR Chhatigrasta Prajasangh (Organisation of GMR Project Affected People) with an intention to make land acquisition smooth. According to the activists, the local MLA has a support base amongst his Rajput caste people in Kamalang and it was not just a coincidence that very small areas of land belonging to the of Rajputs of Kamalana was acquired. Most of the area that was finally demarcated for the GMR project actually belonged to the people of Dalit, Tribal and other backward castes. Moreover, the relatives of the MLA also got contracts in the GMR project.

Therefore, soon the real nature of the MLA' floated organisation was exposed before the people and then they formed their own organisation to fight for their own cause-Panchayat Stariya GMR Chhatigrasta Mahasangh (Village Level Organisation of GMR Affected People). The new organisation was successful in mobilising the people against land acquisition. A complaint was formally submitted to the District Magistrate on 14 October 2007. With rising discontent amongst the people, the district administration was compelled to hold a meeting to answer the peoples' queries on October 23, 2007. Later, this meeting was considered as a public hearing for the GMR project. However, according to activists, the meeting was not well-publicised. So only a few people, who came to know of it through some sources, attended the meeting. People raised the demand for fair compensation, protection and ensuring access to the perennial stream by the villagers, resettlement with appropriate livelihood and social services to the people who lost their livelihood etc. However, there demands went unheard. In these situations, the villagers also took a strong position and were not ready to accept the compensation for the land offered by GMR. In 2008, the district magistrate held another meeting in the much-revered Kamaleshwar Temple located in the same area. In front

of about 500 villagers, the MD of GMR declared that the company accepted the demands of the people, and took an oath before the deity of Lord Kamaleshwar, that he would ensure a better compensation and better facilities for the people as compared to that paid by any other company in the region. However, this was just to pacify and divide the people. In the meantime, the middlemen engaged by the company were contacting and bargaining with some people to break their unity. To a large extent they were successful in terms of affecting the process of land acquisition, and as we know the compensation paid by GMR was far less than that paid by Jindal Company during the same period and in the same region.

In the same period, some construction activities were also started at the project site. However, there were so many issues that all were still not resolved. The discontent among the people was rising and finally they forcefully compelled to stop the construction works in 2010. The main issues were:

1. Many people had still not received any compensation
2. Some lands, which were left out (remaining parts of the plots that were not acquired) were also affected by the GMR project construction work, flooded with water and garbage and the people were unable to use it; and the other remaining lands were cordoned off by the boundary walls, but the compensation for the same was not paid
3. The boundary walls of the GMR project were built around the perennial stream blocked the flow of water was and thus, the villagers were cut off from the source of water they were using for drinking, washing, bathing, etc.
4. The road connecting the village to the highway was also virtually acquired by the GMR project. Heavy vehicle like trucks etc of GMR ply continuously and occupy the road, and the chances of

the villagers meeting with accidents are high.. Moreover, despite the fact that one part of this road fell within the boundary of the GMR project, it did not construct any alternative road.

There is a legal provision to hold RPDAC (Resettlement and Periphery Development Committee) meeting before the initiation of construction works on the project sites where huge areas of village lands are acquired. However, according to activists, no such committee was formed and no meeting was ever held in this case. After the work was stopped for 15-16 days, suddenly a RPDAC meeting was held on June 7, 2010 at the District Magistrate's office. Approximately 500 People also reached there to voice their grievances, but they were not allowed to enter into the premises of the District Magistrate's office. With no choice, in 48-degree temperature, they were compelled to wait outside the gate in the open. Even drinking water was also not provided to them. Two women fainted and they were taken to the hospital by the activists. Discontent was growing among the people. In the meantime a tribal youth came out of the meeting and told them that the meeting was just a sham and nothing good for the people could be expected from that meeting. Actually this tribal youth, unnoticed by the police had entered the hall before the meeting started, so he was the only source of first-hand information for the people. The people returned to their homes in very sad mood. But according to the activists, when they were returning home some goons infiltrated amongst them, supplied some alcoholic drink and incited them to attack the project site of GMR, and they succeeded also. Some of the people went to the project site of GMR in a violent mood, broke the computers and furniture, etc. By this act they provided an opportunity for GMR and the district administration to unleash repression against the people. Thereafter 7-8 platoons of police force came to the village and unleashed a brutal repression. Whosoever came in their way was beaten up brutally; they entered the houses and did not even spare the children and women. In three days, 47 people were arrested including 4 females (two dalits and two tribals). According to activists, the police went inside a house, picked up

two babies, and literally threw them outside the village before arresting their mother and grandmother. The babies were found after 7 days somewhere outside the village.

It is interesting to note that the criminal case against the people was filed by the police itself and not GMR, and the case was filed against the arrested 47 plus 500 other (unnamed) people. The 46 arrested people were tortured and beaten up in the police custody before their release, and they have to go to the police-station every Monday to sign in the police registry. With a case against 500 other unnamed people, the police got a freehand to arrest and torture anyone who dared to protest. Therefore, to escape from the police ire all the men folk went into hiding and at home, the children and women were left alone virtually under house arrest, and obviously face hunger. Later, some people's organizations like the Odisha Shramjivi Union working in the region formed a fact-finding team with a retired justice in the team, and went to these villages. This fact-finding mission was not only helpful in exposing the brutalities that were committed by the police but also was able to stop any further brutality, and regenerated a hope amongst the people. The team also supplied food to the villagers. It was in this period that the Odisha Chas Parivesh Surekhsa Parishad was formed and a complaint was filed before the World Bank against funding to the GMR project.

However, the plan of the GMR and District administration succeeded. The ongoing police terror for almost two months continuously provided an opportunity to GMR, and within these two months, the whole boundary wall around the project site was completed without any risk of opposition from the people.

The CSR Politics of GMR

Against the above background we may understand the importance of CSR politics for the companies and also the compulsion of the government for making the provision of periphery developmental

works in the cases of large-scale land acquisitions. The primary motive behind this CSR and periphery development programmes were to project a good image of the Corporate and pacify the anger of the people, break their unity and suppress the people's movement. It is therefore, very much clear that the emphasis is more on 'appear to be doing' rather than actually doing anything; and also not to work for people's welfare per se, but to defeat the people's movement. This is also reflected in the works done by GMR in the name of CSR or periphery development programmes. According to activists mainly the following activities are done in a very limited scale in the name of periphery development programme:

1. Sewing machines were provided to some people
2. Provided some people few chicken in the name of promoting poultry enterprise
3. Constructed the compound wall of a school, which had already developed cracks
4. Construction of a community hall near Kamaleshwar Temple. Now, the construction work has been stopped and it remains incomplete
5. Access road for village Morna
6. Plantation drive undertaken along the roadside. Most of the saplings/trees planted there soon withered.
7. Supply of water through tankers, particularly in the months of June-July
8. A hospital is also under construction, but it is within the boundary walls of the GMR project. But it is also projected as a CSR activity.

We may see from the above works that there is no systematic initiative to create any sustainable livelihood for the affected people. There is no resettlement policy or programmes for the affected community in place. There is no provision to provide jobs to the affected people in the GMR project. Even there is no effort to create or find a sustainable source of water for the people.

According to activists, even under the programmes like promoting poultry enterprise or providing sewing machines, only those people are benefited who are ready to support or are supporting the GMR.

The issues related to the GMR project are also the central issues in the current village panchayat (village administration) elections in the affected villages. There are candidates from amongst the activists, who were leading the people's movement and there are other candidates with an open pro-GMR identity. According to the activists, CSR politics is also playing a role in mobilising the people in favour of the pro-GMR candidates.

Conclusions

CSR obligations/activities in the era of liberalisation are different from that of philanthropy. As it emerges in practice, it is also different from the Global Compact and other such CSR initiatives. There is nothing for different types of labour, and it is generally more focused on education, health, public amenities, vocational training, awareness building etc. It is now a part of the business and business promotion strategy, but most importantly, it is a political strategy.

It is well known that under the guise of CSR and other charitable activities, many corporates have diversified and are diversifying their businesses in the education and health sectors, and are also usurping

benefits in the forms of subsidised or free land and tax exemptions. It is also well known that in the name of CSR, the corporates are practising those charitable activities that directly benefit their business, e.g., food companies promoting those crops, which are readily used by them; medicine corporates building health awareness amongst the people to promote the sale of their own medicines, etc. It is also well known that such CSR has emerged as a low-cost, but very effective advertisement strategy for the corporates.

But the current emphasis of the corporates on CSR is a political strategy, both at the policy as well as at the ground levels. We have already discussed that in the era of liberalisation, with all the national wealth and natural resources passing into the hands of the corporates and the state becoming inept and withdrawing itself from its responsibilities of public welfare, two issues were raised very strongly and those were reflected in two policy proposals of the government: a) proposal to making it compulsory for all the organised sector companies to spend 2 percent of the profits on CSR; and b) proposal to extend the applicability of the reservation policy in the private sector to ensure that social justice is not reversed when the public sector dominant economy is transformed into a private sector dominant economy. The debate on these issues is still continuing and the policies are yet to take a final shape. The essence of the whole debate on the issue is: welfare policy vs. CSR. The act that is being played by the government as well as the corporates is that both are actually trying to establish the supremacy of CSR as against the welfare policy that makes welfare as a right of the people.

On the ground also, the talk of CSR is more in relation to the large-scale land acquisitions for the corporates which have led to the emergence of strong people's movements. The emphasis on CSR is more oriented towards pacifying the anger of the people against the corporates. The CSR activities are targeted to project a good image of the corporates and subsequently, to weaken the people's movement against those.***



The school boundary wall constructed by GMR under its CSR. It shows the quality of the work. The boundary wall has already developed dangerous cracks.



Construction of a community hall by GMR near the Kamaleshwar temple. It is left incomplete and remains like this for almost two years now. No one knows whether it will be completed some day or not.



The Board claims that GMR under its Green Initiative Clean Environment had undertaken road-side plantation work for a total length of 11kms. We found traces where plantations were done, but yet could not find any single plant/sapling surviving.

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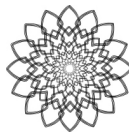
domestic product, the lowest among the four BRIC nations. However, this is not specific to India. A Christian Aid study shows that about 50 per cent of world trade is reported to take place through tax havens. Tax avoidance and tax evasions result in loss of corporate taxes to the developing world amounting about US\$160bn a year, which is more than one and a half times the combined aid budgets of the whole rich world i.e. US\$103.7bn in 2007.

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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON WORKERS AND TRADE UNIONS IN INDONESIA

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Abstract

Though the concept of corporate social responsibility (CSR) has been evolving for decades, no single all-encompassing meaning has as yet been achieved. The worker and the trade union, both stakeholders in the company, are certainly affected by a company's CSR policy and its implementation. The focus of this chapter is on the implementation of CSR and its effect on workers and trade unions with the assumption that the content of a corporate CSR programme is everything that the company contributes towards the workers' welfare other than that which is already included in the labour laws or in the working agreement or collective labour agreement, reinforcing the belief that the leitmotiv of CRS programmes is to divert workers' demands or weaken, and gradually eliminate the trade union.

By investigating the CSR activities in four companies, this chapter shows that CSR is a subtle means by which the company management can showcase its concern for the workers' welfare and thereby arm itself with the tools to persuade the trade union to cooperate with the management. The CSR's effective influence varies from no impact or minimum impact to the busting of Unions, when the company's CSR plans fail. The result of this initial research shows that the formation and development of trade unions is necessary for the workers to avoid a violation of their rights, and to control the company's CSR implementation with a collective labour agreement.

A. Introduction

The evolution of the concept of "Corporate Social Responsibility" (CSR) derives its present status from the 1980's -1990's dramatic global political and economic changes. These are associated with the rise of libertarian values in Western politics and the collapse of collectivist ideologies aided with the improvement in communications

and electronics technology, which made the dissemination of information quick and easy. It led to a radical re-thinking of the respective roles of the state and businesses in the Western society. The dominant idea in political thought at the time was to shrink the role of the state and to place greater responsibility on individuals and the business houses. Though the rise in anti-corporate activism over environmental and human-rights issues registered a growth in this period, effective corporate lobbying undermined these attempts to regulate their activities at a global level. CSR, which promised protection from protests against the industries, it itself became an established industry in the marketplace. During this period, a plethora of voluntary initiatives and codes of conduct were developed by the individual companies as well as international organisations, and these became the initial guidelines for CSR implementations.¹

This chapter uses the World Business Council for Sustainable Development's (WBCSD) concept of CSR,² and is essentially based on two elements that are frequently used in the definition of CSR,³ making a clear distinction between a company's obligations and a company's CSR activities.

In the absence of a standard, universal set of guidelines and principles for the practice of CSR, many companies in Indonesia have made their own interpretation of the CSR concept, and thereby adopted a CSR concept, which is suitable for their own purpose and implemented it as a part of their business strategy. In CSR implementation, the scope of CSR coverage (i.e., responsibility) is identified as all corporate stakeholders. In 1971, the Committee for Economic Development (CED) introduced the three-tiered model of CSR, which is still considered valid in determining the stakeholder relationship with the company.⁴ The CED's three-tiered model of CSR can be described as follows:

- The Inner Circle is the basic responsibility of a company to make efficient economic decisions related to a company's profit and

growth. This circle includes shareholders, management and workers. In the managerial arrangement, the relationship with the stakeholders in this circle is managed through the financial and human resource management departments.

- The Intermediate Circle is the responsibility of a company to be sensitive with the changing social contract that exists between the business and the society, when it pursues its economic interest. This circle includes suppliers, customers, and the competitors. In the managerial arrangement, the relationship with the stakeholders in this circle is managed mostly through operation and (marketing) relationship management. CSR in this circle usually takes the form of market education, marketing-cause relationships, and services or sponsorship.
- The Outer Circle is the responsibilities and activities of a company to actively improve the social environment, such as poverty alleviation and urban crowding issues. This circle includes the local community, the society at large, NGOs and government. In the managerial arrangement, the relationship with stakeholders in this circle is managed mostly by the company's public relations department. CSR in this circle usually takes the form of philanthropic projects, community development projects, and awards sponsorship, which targets people outside the company.

At a general level in this chapter, workers are one of the inner circle stakeholders, and the other stakeholders in this chapter are divided into internal and external stakeholders. Specifically for the workers, the human resource management handles the CSR implementation, seen as aiming to provide those facilities and benefits for workers that are not regulated by law, working agreements, and or a collective labour agreement.

For the purpose of finding and describing the relationship between CSR and trade union development, internal CSR in this

chapter is defined as everything the company grants to the worker that is not included in the law, a working agreement or a collective labour agreement. There are some indications that the leitmotiv of internal CSR programmes is to divert workers demands or – at its worst – weaken or eliminate the trade union. Although Indonesian law recognizes the right to organize and the freedom of association (Regulation No. 21/ 2000), such practices as union busting are still common and occur frequently. A review of companies' external CSR will be included in this chapter as a comparison made to companies' internal CSR, and as a means to determine the general function of CSR to the companies.

This chapter presumes that companies view the implementation of CSR as superior to the formation of a workplace trade union and the drafting of a collective labour agreement: By implementing CSR, the company will ensure workers' rights and benefits, and there will be no need to create a collective labour agreement and maintain the existence of a trade union.

This chapter aims to review the following:

- (a) Workers' and management's perspectives on CSR;
- (b) The manifestation of CSR by the companies;
- (c) Codes of conduct in CSR implementation;
- (d) Impact of CSR implementation on companies; and
- (e) Impact of CSR implementation on trade union development.

The purpose of this chapter is to provide a description of how CSR implementation can be used as a tool of analysis and perspective for workers' movement and how it can increase workers' collective bargaining power.

The trade unions of companies in various industrial sectors

are an important subject of research in this chapter. The views of the research subject on CSR were taken, as were the perceptions of the management of the company and these are shown and compared. Additionally, comparison of the company's CSR positions and the union's collective labour agreement were made. In this chapter, we portray CSR implementation as having a negative, positive or neutral affect on trade union development in the companies. Companies from four different industries were selected to demonstrate that in the midst of the variety of CSR programmes there remains a central idea that CSR is a benevolent spill-over of business profits. Since Trade Union development is highly related to the company management where the Trade Union exists, the company's business activities will also be briefly sketched in this chapter.

The methodology used in the research for this paper is the qualitative approach and the descriptive research. This chapter will be developed into a variety of campaigns to endorse a sustainable dialogue between all stakeholders on how to create boundaries that stimulate a more possible development in bridging the gap between parties. Data that supported this chapter is classified into: Primary data, which is directly collected through focus group discussions and interviews with research informants; and secondary data, which is all documented data obtained through the trade unions, management or other sources. The validation technique used is ecological validation and the data analysis method used is the illustrative method. The data collection process was conducted and obtained from February 5, 2011 to July 20, 2011.

B. CSR in Indonesia at a Glance

In many Asian countries, CSR is generally understood as corporate activities to compensate for social and economic injustices. This perspective has created certain implications, such as making people think that it is a company's obligation to fulfil people's rights

for better social, economic, and environmental conditions and in the process providing justifications for the government to escape its obligations towards society. However, the fact is that CSR has brought more benefits to the company than to a society by virtue of it being a simple yet effective method of bestowing legitimacy on the corporate as a responsible social actor. This has not only improved a corporate's public image but has also resulted in increasing its esteem in society and an increase in its level of profits. In the 21st century, CSR has reduced the government's role in bettering the social economic and environmental conditions, while expanding the role of the corporate in a society.

Indonesia can be considered as one of the leading countries in the world vis-a-vis the level of implementation of CSR, which is mandatory for a company with limited liability. Under Law No.40/2007, section 74, it states:

“(1) Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility. (2) The Environmental and Social Responsibility contemplated in paragraph (1) constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness. (3) Companies who do not put their obligation into practice as contemplated in paragraph (1) shall be liable to sanctions in accordance with the provisions of legislative regulations. (4) Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulation.”

It is also required in any capital investment project under Law No.25/2007, section 15 article (b) which states:

“Every investor shall have obligations [...] to implement corporate social responsibility.”

Further in section 34 of Law No.25/2007 it states that:

“(1) Business entities or sole proprietorships as intended by Article 5 that fail to fulfil obligations as provided for by Article 15 may be imposed administrative sanctions in the form of: (a) a written warning; (b) a restriction of the business activity; (c) freezing of the business activity and/or investment facilities; or (d) closure of the business activity and/or investment facilities. (2) Administrative sanctions as intended by section (1) shall be imposed by an authorized agency or institution in accordance with provisions of laws and regulations. (3) In addition to administrative sanctions, business entities or sole proprietorships may be imposed other sanctions in accordance with provisions of laws and regulations.”

The above mandatory clauses are controversial in nature and have become the epicentre of many heated debates, since they contradict the general concept of CSR, which stresses the element of voluntary and management initiatives from the company. In addition, government regulations which were supposed to be further provisions of the Law No.40/2007, but were never made, caused confusion in the implementation, monitoring and controlling of CSR. Furthermore, the implementation of the above clauses also became justification for the government of Indonesia whereby it shifted its social responsibilities (in this case of the social protection i.e. the regulation of minimum wage payment, health care access, etc.) over to companies that operate in Indonesia.

Generally, CSR implementation has been related to the issues of human rights, labour rights, environmental protection, and anti-corruption, which are often violated by businesses seeking to maximize profits. Theoretically, CSR is a wonderful concept in aid of social development; however, practically CSR combined with company interests becomes only the means by which a company acquires a

personal and humane face.

When a company takes CSR as part of their strategy, the types of activities that the company usually undertakes to be seen to be socially responsible are:⁵

1. Corporate philanthropy, where the corporate donates money or products for charity. This way the company can avoid criticism from the public and enhance its reputation.
2. Cause-related marketing is a form of partnership between company and a charity, where the charity will support the company in product or brand promotion and will benefit in the form of donations and enhanced profile, while the company will benefit through greater product sales.
3. Sponsoring awards is meant to position the company as an expert on a social issue and a leader in CSR and includes large donations.
4. Codes of conduct are an explicit way to show the company's commitment to CSR by publishing its values and standards of behaviour.
5. Social and environmental reporting is a way to show a company's accountability to a broad range of stakeholders.
6. Community development is a type of company propaganda aimed at its social environment meant to demonstrate the company's concern with social problems that occur in its environment.
7. Eco-efficiency is company action taken to minimize the company's environmental impact, particularly around highly visible aspects or in areas where it makes financial savings. This activity is usually taken by a company whose products are

inherently destructive to the environment.

8. Investing in socially focused companies is a current trend wherein large multinational companies buy smaller companies that have been set up with ethics as their primary guiding motivations.

As regards a company's stakeholders, theoretically, in order to obtain maximum profits a company needs to satisfy its stakeholders and the more stakeholders a company can satisfy the more benefit the company will get. But practically, a company is in a position to choose which stakeholders are its priority, and CSR is an effective means that can be used to satisfy several stakeholders at the same time.

In conducting CSR, a company will take certain strategic actions, such as cooperating with local authorities in CSR implementation, using the broadcasting and print media to socialise a company's CSR activities, put company banners in the company CSR sites and organizing events such as discussion forums, seminars, and competitions, which in the end will influence public opinion and create a good image for the brand and the company.

C. The Case Studies: Description of companies & trade unions

To obtain an overview of the impact of CSR on workers' organizations and trade unions in Indonesia, interviews and focus group discussions were conducted with four trade unions in four companies. Topics covered were based on the level of trade union development in the companies, which included the company profile, trade union information and CSR implementation. For various reasons we have kept confidential the companies' and unions' identity to ensure worker's security, but it can be provided upon request.

1. The case of PT. Gamma

a. Company profile

PT. Gamma is a multinational company engaged in the manufacture and marketing of consumer products. It produces various consumer products in the category of insecticides, repellents, air fresheners and household cleaners. PT. Gamma was born as a result of the acquisition of the household business unit of Alpha Co., by Beta Co., in 2002.⁶

PT. Gamma is a subsidiary of Beta Co., based in Racine, Wisconsin in the United States. Beta itself is a family-owned company that operates in 70 countries and sell products in more than 100 countries around the world.⁷ In Indonesia PT. Gamma owns three factories that operate in Jakarta, Medan and Surabaya, with the management located in Jakarta. The biggest factory is the Jakarta factory, producing a wide range of products and has superior technology, while Medan is the biggest profit maker, because of the low cost of raw materials. The PT. Gamma factory in Jakarta located in Pulo Gadung Industrial Area comprise of 500 workers divided into 400 shop floor workers and about 100 managerial staff.⁸

In managing the worldwide company, Beta Co., as the parent company, has formally created a corporate philosophy that functions as guidance for the company in doing operations and in managing relationships with its stakeholders. This philosophy is socialized internally and externally by the company. Internally, it serves as basic principles and guides the company's policies and actions, including CSR implementation; externally, it serves as a part of its corporate identity.⁹

In managing external CSR, the company has integrated their CSR programmes into their marketing programmes, so the

company's external CSR programme is managed by its marketing department.¹⁰

b. Trade union information¹¹

The Trade Union PT. Gamma is the successor of the trade union of Alpha Co. that was established in 1988. Since the Trade Union of PT. Gamma already had a collective labour agreement when they were a unit of Alpha Co., the practice has been continued and the present collective labour agreement is also a continuation of the agreement drafted during the days of Alpha Co.

According to information obtained from the trade union through their Collective Labour Agreement, the company has provided for rights above the required standards that are stated in the national labour law and regulations. Although in certain cases related to workers' health care, disputes and inequities are possible. If, for example, medical expenses exceeding the insurance limit are required, the case will be determined by the president director's decision. But so far, for work-related problems, the trade union states that it can communicate with the company management and the company management has always been willing to listen, although they have not always yielded to workers' demands.

At certain points, friction has occurred between the trade union and the management. In these instances, the management has been found to be violating their own regulations and principles, such as implementing outsourcing of core production operations, arguing that the matter is debatable; or when management has tried to change the working hour policy from three to four shifts and the workers refused. Although friction between management and staff has occurred whenever the management violated certain industrial right of the worker, the matters have usually been solved through communication between Trade Union PT. Gamma and the company management. If the matter could not be solved between

the two parties, then it has been taken to the local office of the Manpower Ministry.

Trade Union PT. Gamma is an independent trade Union, with a secretariat and its own facilities. The union has not accepted any support from the company. The company's facility for the trade union is arranged in the collective labour agreement.¹²

c. CSR in PT Gamma

External CSR in PT. Gamma is integrated into its marketing programmes. Strategically, the company conducts product promotion activities through its social activities. Several forms of activities are conducted in their product promotion, such as fogging (spreading pesticide). The activities are done with the purpose of educating the market about the product.¹³

Specifically for the CSR code of conduct, the company does not have a specific document which they have published as a code of conduct. Instead they have used the 'company philosophy' as guidance in managing its relationship with stakeholders. The impact of the company philosophy internally is seen in communications between the company management and the trade union, and externally in the company's commitment to provide and promote consumer goods.¹⁴

Internally, towards its workers, the company does show a commitment to CSR in the form of profit sharing. This profit sharing is part of the parent company's policy. However, the company's local management has refused to put this policy in the collective labour agreement, since the total profit share differs for each subsidiary company, and depends on the subsidiary company's profit contribution to the parent company. (There is a breakeven point calculation which has been used since the time of acquisition.) This profit sharing is done twice a year, and each

time is equal to 10 percent of salary. Besides this profit sharing scheme, the company provides only occasional assistance to the workers, for example in cases where subsidies are provided to workers affected by natural calamities such as floods.¹⁵

2. The Case of PT. Zeta

a. Company profile

PT. Zeta is a multinational company engaged in the manufacture of plastic accessories for automobile parts. PT. Zeta produces air spoilers, bumper guards, console box lids, armrests, sun visors, air conditioning ducts, reserve tanks, and windshield washer tanks for automotive industry customers. The company was established in Japan in 1917, and entered the plastics industry in 1947. It set up its plant in Indonesia in 1997.¹⁶

PT. Zeta is a subsidiary of Delta Co., Ltd - Japan, which operates in Japan, Thailand, Indonesia, China and America. PT. Zeta shareholders are Delta Co., Ltd – Japan (90 percent), Epsilon & Co., Ltd – Japan (5 percent), and Epsilon Singapore (Pte) Ltd – Singapore (5 percent).¹⁷ In addition to the PT. Zeta factory, the company also has five sub-contractors supporting production to these plastic accessories. Currently, the company orders have decreased by up to 60 percent due to the impact of the March 2011 earthquake and tsunami that hit Japan. Specifically for PT. Zeta factory in Indonesia which is located in Karawang International Industrial City (KIIC), the company employs 640 workers, of which 55 percent (352 workers) are permanent workers and 45 percent (288 workers) are contract workers and trainees.¹⁸

In managing the company, Delta Co., Ltd formally created two corporate mottos that function as foundations in building the business. The company has five decades of experience in supplying an extensive range of highly reliable plastic products.

The company also boasts of its advanced technology and latest research and development facilities in developing these products.¹⁹ PT. Zeta in Indonesia is a factory that is a supplier of products to the automotive industry and is not directly linked to consumer products. The company therefore, manages external CSR by giving contributions to the industrial area management, which handles the external CSR for all the companies in the industrial area.²⁰

b. Trade union information

Trade Union of PT. Zeta was formed around three years ago. The collective labour agreement between the union and the management of PT. Zeta has been established in the last two years. According to Trade Union information, the trade Union has put in their agenda to negotiate with the company management to increase their assistance through their collective labour agreement, since it is still at the standard or basic level stipulated under government law and regulations. Several allowances are provided through the collective labour agreement, but the total amount is still inadequate to cover for their needs. In the matter of providing adequate support for workers, the workers of PT. Zeta always have to ask the management for changes since the management does not always automatically understand or give adequate support to the workers.

In its relations with the company's management, Trade Union PT. Zeta states that it encounters problems related to transparency and limitations on company information as well as access to that information. Friction occurred between Trade Union PT. Zeta and its management when the company complained about the high labour cost due to the rising premiums of UMK and In-Health every year. However, the company is providing high salaries and high-cost entertainment and facilities for its expatriate workers. When

the trade union questioned this, the management argued that the Japanese expatriates bring different skills. Trade Union PT. Zeta also questioned the regulation of technology transfer from foreign (expatriate) workers to local workers, since the management has never implemented it. The management answered that it is still in the planning process.

Other point of friction between the union and management is related to the company's programme for apprenticeship in Japan. The problem is that workers who choose to join the apprenticeship programme will lose all their rights in the local Indonesian company and they will only receive an allowance equal to one-third of the Japanese worker's monthly wages and low overtime payments. However, the Indonesian workers receive lodging, lunch and health and safety coverage. If these workers, chosen for apprenticeship in Japan, question why their rights in the local Indonesia Company are not available to them anymore, the management's response is that either they accept the conditions or lose the chance to take the apprenticeship. At the same time, while they are paid low wages on the apprenticeship in Japan, they may still be able to save money, which would be enough to cover their needs when they return to Indonesia; and workers that have undertaken this apprenticeship will have priority for promotion in the company. Thus, these issues are problematic for the trade union, since they do not want this programme to weaken the trade union's fight for basic rights.²¹

Trade Union PT. Zeta is an independent trade union, with a secretariat room and its own facilities. The trade union does not accept any support from the company management, but gets the funds it needs from members' contributions which provides for trade union requirements and other secretariat facilities such as office supplies.²²

c. CSR in PT. Zeta

As regards the company's external CSR, PT. Zeta contributes to the industrial area management. The industrial area management determines the minimum amount that the industrial area tenants should contribute, though each tenant can contribute more if they choose to do so. The industrial area management then implements CSR projects in communities around the industrial area. Though the industrial area management does not publish any reports on their CSR activities, the activities are affectively visible in the industrial area. For example, this CSR fund provides annual free health care; fogging (spreading pesticide) and Abate (pesticide) distribution annually or per case if a dengue fever epidemic is spreading in the area; training and education for local people; capital assistance to the village youth community to open and run car or motorcycle repair shops; capital assistance to local community to start a catfish farm using tarps. In addition to this contribution for CSR to industrial area management, the company makes donations in the event of a catastrophe such as following the Yogyakarta earthquake. However, this policy is ever changing and generally depends on the decision of the local company's director.

As for the code of conduct, the company does not have a specific code of conduct. But the company has created two corporate mottos that function as a foundation for building the company. However, there is no information as to how these mottos guide its CSR implementation. For PT. Zeta, we can say that external CSR is not part of the company's strategy to enhance profits, since external CSR programmes cannot directly benefit the company's operations.

Internally, PT. Zeta does not have a CSR programme with regard to the workers, since everything that is related to the workers is

managed through the collective labour agreement or proposed by the trade union to the company management. But the company management has several times offered to fund Trade Union activities, though the offers were refused by the union. The only time that the trade union accepted money from the company management, the trade union and the management agreed that after the money was accepted, the company management would not offer the trade union more fund in future.

3. The Case of PT. Kappa

a. Company profile

PT. Kappa is a private national television station. The company is known for popular local soap operas, reality shows, and infotainment. The company was established in 1991 and started to broadcast in 1995.²³

PT. Kappa previously was a subsidiary of PT. Theta and at present is a subsidiary of PT. Iota, following the acquisition of the company in May 2011.²⁴ The company's acquisition is still controversial, since it violated the national broadcasting law.²⁵ The company is located in West Jakarta, and following the acquisition the company is reshuffling its management. After mass layoffs in 2010, PT. Kappa has more or less 1,200 staff.²⁶

In managing the company, the management says it is guided by its company vision and mission. The company's priority is to broadcast high quality in-house productions. As of 2011, PT. Kappa has relay transmitters in 34 cities and the broadcast coverage reaches 180 cities in Indonesia.

PT. Kappa is implementing CSR both internally and externally. The CSR implementation is derived from the company vision and

mission, and also because the company felt compelled to conduct social activities to support society. Specifically for external CSR, the company management has formed a special team which manages the company's programmes that are targeted to raise funds for social purposes and a cross division of workers are assigned to conduct the programmes.²⁷

b. Trade union information

PT. Kappa has two trade unions with the same name, but with different acronyms. The first is the Kappa Workers Union which was formed in 2008 and the second is the Kappa Employees Union, which was set about a year later. The difference between the two is Kappa Workers Union has been formed by workers and Kappa Employees Union has been formed by company management.²⁸

For this chapter, the researchers focused on Kappa Workers Union. At the time of the interviews, Kappa Workers Union was under attack by PT. Kappa management which did not want to deal with the union. The management was in the process of negotiating a collective labour agreement with the company's union PT. Kappa Employees Union.²⁹

The Kappa Workers' Union has been trying to draft a collective labour agreement with PT. Kappa and claims that the company management has not complied with the law and provided workers with their basic rights for the past 15 years.

As a trade union formed by workers' at their own initiative, the Kappa Workers Union is facing intimidation and discrimination from the PT. Kappa management. In massive layoffs carried out by the company management, 150 trade unions members were sacked. Of those sacked, 22 members have filed law suits against the company.³⁰

c. CSR in PT. Kappa

The company's annual report publications and interviews with the company's Public Relations Department show that PT. Kappa conducts its external CSR by producing two television programmes: The first is "Love & Care" and the second is "We Care." Through these two television programmes, the company raises funds from the public to be allocated to support people who need financial assistance. Funds raised through the "Love & Care" programme, are allocated to support people in need of financial assistance in health care and through the "We Care" programme, the funds raised are allocated to support the victims of natural disasters. In implementing the two programmes, the company itself covers all operational costs for the team involved, thus not resorting to or reducing the funds that have been collected from the public.³¹

As for a code of conduct, the company does not have a specific code of conduct. But for CSR implementation, the company is using company vision and mission as guidance for CSR projects. The impact of company's CSR projects on the company itself is in the enhanced trust in the company that the public grants it through garnered public funds for social purposes.

Internally, the company's human resource management practices violate the national law related to workers' rights, In an interview, a representative from the company's Public Relations Department stated that the company is not only giving salaries to workers but also providing health care, safety, and career opportunities, since it is the company's obligation to provide these to workers. But the facts demonstrate a different scenario. Gross violations of the law by the company abound, which include salaries below the minimum wage, an unclear salary scale, discrimination in giving workers insurance or Jamsostek,³² unclear overtime calculations and company regulations that persecute workers and violate legal procedures.³³

4. The Case of Sigma

a. Company profile

Sigma is a multinational company engaged in seaport container terminal operations. The company is serving container traffic in and out of Jakarta through Terminal I and II Tanjung Priok Seaport. Sigma, a subsidiary of Lambda of Hong Kong (51 percent) and PT. (Persero) Omicron of Indonesia (49 percent), was established in 1999.³⁴ Sigma is the largest container terminal in Indonesia and strategically located in the industrial heartland of West Java. In its operations, the company is supported by more or less 900 workers, which include permanent and outsourced workers. Operations are also supported by five partners who serve as suppliers (including agencies supplying outsourced workers) for the company and workers who are handling goods and port security.³⁵

In managing the company, the management is establishing a corporate culture, which serves as guidance in conducting operations and in managing its relationship with company stakeholders ' in order to provide excellence in service and obtaining trust-based relationships which will result in increasing levels of profits.³⁶

Sigma is implementing external CSR as part of the company's strategy to build the company's image in society. Sigma develops their public image through external CSR activities in the fields of education, health, environment, economy and through social and cultural programmes. For the company's needs in implementing the external CSR programmes, a foundation which serves as the organizer has been established by the company. The purpose of the company's external CSR programme is to create and support a positive corporate image in the society, through the development of independent and welfare community programmes, which support the company to operate smoothly and to grow its business sustainably.³⁷

b. Trade union information ³⁸

Sigma has two trade unions, an official trade union known as Sigma Trade Union and an unofficial workers' alliance formed by the company's outsourced workers known as Sigma Outsourced Workers' Alliance. Sigma Trade Union as the company's official trade union is supported by the company's management, while Sigma Outsourced Workers Alliance is discriminated against by the management in wages and treatment.

In this chapter, the Sigma Outsourced Workers' Alliance will be the focus of discussion. Sigma Outsourced Workers' Alliance faces union busting from Sigma management, the management of the outsourced worker agency, and the Sigma Trade Union. The daily running operations of Sigma is carried out by 20 percent permanent staff and 80 percent outsourced workers. In conducting the work, permanent workers are always assisted by outsourced workers. According to the outsourced workers, they are performing the heavier work since the permanent worker takes frequent breaks from the work. Outsourced workers are assigned the more dangerous and dirty jobs and thus face greater personal risk, while at the same time, they are not entitled to the same level of medical and injury insurance.

c. CSR in Sigma

Sigma is conducting external CSR as part of the company's strategy to build good reputation with the public. Sigma is conducting CSR by cooperating with local authorities in implementing community development projects. One result of these company CSR programmes is that the local authority ensures the company's security in its operations. Another impact is that the company also receives proposals from the local authority to support the funding of local development projects.³⁹

As for a code of conduct, the company does not have a specific code of conduct, but its 'corporate values' can be considered as the guiding factor for the company's CSR activities and it is in compliance with the company's strategy of image building. The direct result of the corporate value and the image building strategy is a secure environment for its daily operations.

Internally, the company is implementing CSR through its human resource management practices which ensure the permanent workers have standard employment rights, though it violates national and international regulations as well as human rights in its outsourcing practices.⁴⁰

D. CSR & Trade Union Development: Competing perspectives

Between the trade unions and the company managements, different perspectives on CSR can be clearly seen. This is partly because CSR is not a concept that is well understood among workers, and the company often does not bother to instruct its workforce on the concept, since CSR is a voluntary programme act and a management initiative. The different perspectives are as observed below.

1. Managements' perspective on CSR

To the management, CSR is mandatory by law and violating it can directly affect its business operations. For the company, CSR is a strategic means to obtain a good public reputation and thereby increase profits. Based on our research, below are the four companies' perspectives on CSR.

a. PT. Gamma

CSR from the management's perspective is a strategic means

to produce and market the company's goods, since the more stakeholders the company satisfies the greater the benefit the company will receive. Internally, CSR is also seen as a means to increase production, while external CSR is the means to increase product sales. Both programmes when combined will ensure the company achieves maximum profit and sustainable growth.

b. PT. Zeta

The management views CSR as a contribution to society by producing high quality goods for society and specifically for the customer.⁴¹ From this it can be interpreted that the company is not using external CSR as a strategy to increase their profit, but to develop the customer's trust in the company, by providing high quality goods. For the contribution that the company gives to the industrial area management for external CSR, this is seen as an act of fulfilling its obligations as a foreign investor that operates in Indonesia and as a tenant in the industrial area. Donations given by the company following a natural disaster can be considered as incidental and are based on individual concern and judgment. The policy on donations changes with each change of company director.

c. PT. Kappa ⁴²

From the management's perspective, CSR is a part of the company's vision and mission, and is implemented in social activities aimed at addressing social problems. The company includes CSR in its strategic planning, since the implementation of CSR could have a positive impact on the company's corporate image and generate trust from the community. The company manages a community charity fund and disperses the fund to those who need it. Internally, the company uses CSR to strengthen relationships and raise the sense of togetherness in the internal environment. In addition, the company also has a policy to involve

and support trade union activities conducted in the company environment, although the company does not subsidize these activities.

d. PT. Sigma ⁴³

CSR at Sigma, from the management's perspective, is a strategic means to create a good reputation in the community for the purpose of obtaining community support and developing a positive partnership with the community through sustainable community development programmes. CSR programmes that the company has undertaken have had a positive impact on the company. These include providing the community and the government support in maintaining security in the neighbourhood where the company is operating. In addition, the company has also been targeted by the local government to participate in funding government development projects, such as government construction projects, but the company has so far avoided doing construction projects as part of their CSR activities.

2. Trade unions' perspective on CSR ⁴⁴

The term CSR is unpopular among workers, since most of the activities related to the workers, including internal CSR, is managed by the human resources department. To many workers CSR is related solely to company activities focused on its external environment and this is managed separately by the company. Most workers are not familiar with the scope of CSR coverage, so they never realize that they are one of the recipients or beneficiaries of CSR. Based on our fieldwork and interviews with members of the four trade unions, the workers' perspective on CSR is as follows:

a. Trade Union of PT. Gamma

PT. Gamma Trade Union defines CSR as the company's social activities for the community at large where the company gives part of its profit for social purposes. PT. Gamma Trade Union is of the opinion that the company does not have any CSR programmes for the community. All social activities that the company conducts are for the purpose of product promotion and no sustainable CSR programme is conducted by the company.

To those in the PT. Gamma Trade Union, CSR, if conducted as it should be, probably could be better than the collective labour agreement, but at present internal CSR initiatives that the workers receive from the company can be considered insignificant compared to the things that they receive through their collective labour agreement. Any CSR-related benefits that the workers receive are derived from the parent company policies which local management refuses to put in the collective labour agreement to avoid future demands from the workers if one day the policy is terminated. Though friction occurs between the management and the trade union due to the local management's violation of national law and because of the company philosophy, both parties can still maintain good communications.

b. Trade Union of PT. Zeta⁴⁵

PT. Zeta Trade Union defines CSR as the company's social activities for the community at large. However, the union also believes that the company does not conduct any CSR activities for the community, since all CSR programmes are managed by the industrial area management. Donations given following local catastrophes depend on the policy of the local company director in charge at the time of occurrence.

The company does not carry out any CSR-related programmes

internally. Everything that the workers receive, they have to ask for from the management and it thereafter becomes a part of the collective labour agreement. Although the Trade Union is not familiar with company CSR, they are aware that collective labour agreement is more important in ensuring their rights. At the same time, there is growing interest in CSR, because the local government of Karawang is instigating CSR regulations and these are likely to have some impact on the trade union.

c. Trade Union of PT. Kappa ⁴⁶

The Kappa Workers Union defines CSR as a fund from the company for social activities, funds which are not allowed to be used for the company's internal operations. In the Kappa Workers Union, though the members are familiar with social activities that are conducted in the name of CSR, they do not know that it is mandatory and that private companies also must implement CSR. In fact, they consider it as a trend or a fad.

Internally, the Kappa Workers Union is striving to create a collective labour agreement with the company, since they believe it will ensure the fulfilment of the workers' standard rights which have been violated by the company. In the past in the process of negotiations with the company, management stated that it considered the presence of the Kappa Workers' Union as intrusive. Intimidations and threats to union members followed. The company then set up another trade union which they could control and called it the Kappa Employees Union. Before the trade union was suspended from work, the company management made them an implicit offer, asking "how much money would make them drop their demands?" This offer was rejected by the Trade Union leaders, since they only asked for work and fair wages. Since the Kappa Workers' Union leaders maintained their stand, the management fired the union organisers, effectively busting the Kappa Workers' Union.

d. Sigma Outsourced Workers' Alliance⁴⁷

Sigma Outsourced Workers' Alliance is not familiar with the term CSR, but they are familiar with the form of activities that the companies conduct in external CSR. Internally, the company has shown little regard for the welfare of outsourced workers. Instead of fulfilling their basic rights and improving the working conditions, the company continues to implement its outsourcing practices. In the process of obtaining their basic rights, these workers have to deal with the company management, the agency supplying outsourced workers and the Sigma Trade Union, which has refused to assist these workers, since it will significantly decrease their profits. As a result of their actions, the union's organisers are being singled out and intimidated to stop their actions. Subsequently, they were excluded from the work place, a move which made it impossible for them to work and receive wages and finally lead to their termination.

E. Conclusions: The impact of CSR on unions' collective bargaining

Generally, as regards the government regulations on CSR and the issue of corruption in the government, we can say that the CSR regulations appear to be only a trend derived from global influence. Moreover, it has provided a justification for the Government of Indonesia to avoid fulfilling their obligations with regard to the rights of the citizens on social, economic, and environmental issues, after having transferred that responsibility to the companies. With corruption being rampant in the government, CSR is only a trading item between the government officials and the capital owners, whereby companies which are not fulfilling their social responsibilities will bribe the government agent(s) to avoid punishment, and the companies which fulfil their responsibilities will receive rewards, such as tax deductions.

One research unit has found that instead of fulfilling the responsibility of monitoring and controlling the CSR implementations, the government institutions target the companies for the funding of projects, and as a reward, the government institutions provide security to the company's operations and reduce the bureaucratic hurdles.

Specifically, based on the examples of companies' external CSR activities and a review of managements' perspectives on CSR, we can see that the purpose of CSR for the companies is "image building", whether it is for building the brand's image, or the company's image, or both. A good public image helps the companies' cause in begetting the trust of the society, which in turn provides a measure of safety in running their operations; increased sales; a good rating to attract more investors; and in the end, greater profits.

Why then is CSR only popular for external use? It is because, CSR is a strategic and flexible tool for the company; strategic because it will create a good image as a social actor, and flexible, because for other managerial purposes CSR can be integrated to each management programme such as marketing and human resource managements.

When CSR is used as a human resource management tool, it is used in a subtle way to influence each worker and or trade union development by showing that the company management is concerned with worker welfare, or to persuade the trade union to cooperate with the management. But CSR's influence on workers depends on how independent and solid the workers in the trade union are in their efforts to strive for their rights. Our initial research shows a variety of results from CSR programmes, starting from 'no impact' to 'minimum impact' (that can be ignored by the trade unions) to 'union busting' when CSR has failed.

Conflicts between a management and the trade union do occur in matters related to human resource policies and practices, and in cases of inadequate financial transparency. For the trade union, when

comparing the content of a collective labour agreement with internal CSR policies, the union finds the collective labour agreement much more preferable, since it provides assurances that the internal CSR cannot provide.

Workers' rights are often being violated by companies in pursuit of profits. Ostensibly, offsetting this are human resource management practices which are a company's way to deliver CSR to workers. The collective labour agreement is the workers' instrument to ensure the fulfilment of workers' rights, and the presence of the trade union is necessary for the workers because the collective labour agreement can only be formed with the existence of a trade union. It is in just those conditions where the worker is and could strive for the fulfilment of his rights through Trade Union, that the trade union's presence is considered intrusive by most of the companies. And not to mention the collective labour agreement which is a direct challenge to a company's financial transparency and profits, since with the existence of a collective labour agreement, a company will have to be transparent in its dealing with the trade union about their financial conditions. And the plans to fulfil workers' basic rights will surely increase a company's labour cost and shave off profits.

Since the right to form a trade union is protected by law, most companies cannot refuse the formation of a Union by its workers, but most of the time they will try to direct the workers to form a workers' forum and persuade them by providing them with many CSR programmes. When the companies cannot bar the formation of a union, then CSR is covertly used to weaken trade union's influence or to persuade it to be cooperative with the company's management. If the company's management fails to persuade the Trade Union to cooperate with them, then discriminatory action against the trade union's leaders takes place, in order to discourage other workers from joining the trade union. One finding uncovered in all four companies discussed in this paper was that trade union leaders and other members have all been discriminated

against, with respect to receiving benefits such as in training and development opportunities, scholarships and promotion. In addition, in some cases (found in the third and fourth cases presented above) union members are denied wages and allowances. Discriminatory acts are one way that the management can make the workers obey their will. Rewards are given to the worker or a trade union, which is obedient and cooperative. If the management's action to weaken the trade union fails, then union busting would take place, despite the fact that this is in violation of the law. But since most of the time companies win their cases against workers in court, they are not afraid to violate the law. Therefore, CSR, as one of the human resource management tools indirectly impacts the development of trade unions because it becomes a factor influencing workers' decisions to form or join a trade union.

As regards the CSR stakeholders, both internally and externally, as company beneficiaries, all stakeholders should function as controlling agents of a company's CSR programme and its implementation. The worker, too, as one of the company stakeholders, should function as a controlling agent of the company's internal CSR implementation through the trade union. As a controlling agent, the trade union should actively monitor and evaluate the company's human resource management policies, practices and other action that affects human resources. If we accept that the trade union should function as a controlling agent of the company's internal CSR implementations, then a company's objection to the existence of the trade union can be seen as an act of refusing to accept the existence of a controlling agent of the company's internal CSR implementation. Regardless of how it is accomplished, it is necessary for the trade union to ensure that the company is committed to and respects national and international labour rights' standards. This can be done by negotiating with the company to put these standards in the collective labour agreement and actively monitor the company's commitment to their implementation.

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Wenwei Po 2010-09-18

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The Research Institute for Alternative Workers Movements was established in 2010 to contribute to the revitalization of the workers movement in South Korea and beyond. RIAWM is working to critically analyze the conditions workers face amidst the structural crisis of capitalism, and develop concrete policy for a workers movement

that both improves workers' lives and strives towards an alternative political-economic system. RIAWM is affiliated to the social movement organization People's Solidarity for Social Progress, founded in 1998.

The Institute for Crisis Study and Alternative Development Strategy

is a social research institute based in Jakarta, Indonesia. The institute focuses on social scientific research around the economic crisis, alternative development and its social-political impacts on society. The aim of the institute is to collect, analyze, and provide data as well as tools of analysis and scientific information for academia, the government, and the society. Website: <http://inkrispena.org>. Researchers of the institute involved in Indonesia CSR research are Ayudya Fajri Anzas, Elizabeth Koesrini, Irwansyah, Khamid Istakhori, Muhammad Ridha, Ruth Indiah Rahayu, Tommy Ardian Pratama, Y. Wasi Gede Puraka.



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