

# International Business And Aligning CSR

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**Abstract:** The labor relationship between the employer and the workers is evaluated and directed by the labor rights, which is a group of legal rights that are derived from human rights. Labor rights are more precisely relative to CSR as CSR are based on perspective and point of view of a given corporation. In this perspective, implementing the workers and labor rights becomes more difficult compared to the implementation of the CSR. If an international corporation can be able to align CSR with the labor laws, the friction between the employees and the corporation and the employee is likely to reduce. There is need to explore whether multinational corporations can be able to align CSR with the labor rights and employee initiatives global market. In this case, the analysis focuses on China, Brazil, and India as the reference countries with cross-sectional secondary data obtained from a survey of the existing sources on the internet. The pertinent question is whether multinational corporations be successful while aligning CSR (Corporate Social Responsibility) with labor rights and employee initiatives in a competitive global market based on that cross-sectional data. The findings reveal that the uphold of labor rights largely determines morale of the employees and the will to participate in the growth and development of a given business both locally and international. Notably, the continued change of CSR has resulted in the replacement of management and government dominated trade unions with more democratic unions of workers that pay attention to the initiatives of the workers. The combination of the internal code of conduct with the workers association, labor associations and movements is one of the credible routes that show CSR can be aligned with labor rights.

**Keywords:** CSR (Corporate Social Responsibility), relationship between the employer and the workers.

## 1 INTRODUCTION

A good relationship between workers and employers is one of the key drivers of the success of a given company. The labor relationship between the employer and the workers is evaluated and directed by the labor rights, which is a group of legal rights that are derived from human rights. Uphold of labor rights largely determine morale of the employees and the will to participate in the growth and development of a given business both locally and international. There is a variation of the labor rights from one country to another based on the accrued interpretation of the rights in relation to human rights (Jenkins, 2005). In modern global business and trade, there has been an increase in the level of competition and many businesses have reverted to various approaches to remain relevant and competitive in the global market. One of the approaches is the use of the corporate social responsibility (CSR). This a self-regulatory mechanism where a business ensures that it complies with the ethical standards, a spirit of the law and national or international norms based on the area of operation. Many scholars have tried to find a link between CSR and labor rights and they have tried to align the two to show whether alignment can be used to improve the effectiveness of corporation on a global platform. Notably, labor rights are more precisely relative to CSR as CSR are based on perspective and point of view of a given corporation. In this perspective, implementing the workers and labor rights becomes more difficult compared to the implementation of the CSR. Evidently, if an international corporation can be able to align CSR with the labor laws, the friction between the employees and the corporation and the employee is likely to reduce (Zerk, 2006). This is based on the fact that the corporation will have a self-regulating system that is linked to the labor rights.

### Research question:

Can multinational corporations be successful while aligning CSR (Corporate Social Responsibility) with labor rights and employee initiatives in a competitive global market?

### Hypothesis:

The null hypothesis states that it is possible for the multinational corporation to align CSR with labor rights and the initiatives of the employees.

## 1. LITERATURE REVIEW

CSR is one of the factors that bring a relatively important dimension to the global economy. It is one of the elements that can be used for the enhancement of human and labor rights on a global platform. This can be achieved through the combination of leadership that is socially responsible and the consumer power. Globally, many corporations have come to embrace CSR, but few companies have been able to combine the labor rights with the CSR (Andersen & Skjoett-Larsen, 2009). Notably, implementation of the workers right in the private sector is one of the most challenging for multinational corporations due to the accrued variation in the rights and which are rather compelling. However, corporations have the initiative and the ability to act first in molding the direction created by the labor laws through a combination of the labor rights with CSR. This can be achieved through positive association with the available global labor associations which can greatly be effective in the combination of labor rights and the CSR. Notably, labor right is an external factor that affects corporation and in many cases corporations have little or no control over these rights. On the other hand, CSR is an internal creation of corporation thus there must be an interaction between the internal and the external factors. To ensure the proper alignment of the labor rights with CSR, a new concept needs to be embraced which gives both the labor rights and CSR a common direction. In this perspective, codes of conduct are the most effective instruments that can be used in the achievement of this front. This is based on the fact that the codes of conduct occur in inter alia as a source of labor laws. Evidently, it is rather difficult to a self-regulating system that is not affected by the political and the consumers' pressures. Therefore, code of conduct should be used as a source of soft law for multinational corporations that are guided labor rights. Based on the current trend of the CSR, it is rather appealing to agree that there is a relationship between the labor rights, employees' initiatives, CSR, and organizations labor movements. About a decade ago, CSR was just an approach that was used as a fig leaf of hiding the abusive treatment of workers. However, the continued change of CSR has resulted in the replacement of management and government dominated trade unions with more democratic unions of workers that pay attention to the initiatives of the workers (Crane, Matten, & Spence, 2013). The combination of the internal code of conduct with the workers association,

labor associations and movements is one of the credible routes that show CSR can be aligned with labor rights. There is an inherent problem that is created by lack of a proper combination of the internal and external code of conduct. The internal code of conduct is much related to the CSR while the external code of conduct is related labor rights and the labor movement. Lack of alignment results in a cover-up of workers exploitation as there is a limited involvement of the external labor regulations that are much customized by the labor rights and the workers right. A further review indicates that there is the possibility of aligning the labor rights with the CSR by ensuring that CSR is dynamic. This can be achieved by granting various definitions and attributes to CSR to ensure that the concept is able to embrace all the variables that are created by the labor rights and human initiatives that change based on the nature of the market and region. For instance, in a review of the human initiatives, it is evident that different communities in the world have different expectations and culture. Based on this fact, the CSR should vary based on the region to be able to incorporate all the variables in this region. The development of the voluntary corporate code of conduct is another angle that can be used to align the CSR with the employees' initiatives and labor rights. This is based on the fact that the emergence and development of the voluntary corporate code is an actual manifestation of the process of globalization which is a key concept in the growth and development of the multinational corporation.

#### **Corporation, globalization and human rights issues:**

The modern development of technology, advancement of international transportation channels, opening up of geographical borders and the improvement of international trade through free trading have contributed to the fast spread of products, information and foreign investments across borders. The growth of international business and technology has had its good, bad and ugly sides all of which are argued to impact differently in various nations. Global corporations are said to be exploiting employees in the third world countries following the cheap labor they provide. The issue of human rights infringements and violation of labor rights has been on the rise following the increase in multi-corporations. For example, the Apple's manufacturer and supplier Foxconn has been accused of violating labor laws in China by exposing workers to long working hours without overtime payments. In response, Apple has hired the Fair Labor Association to look into the accusations. According to the findings, Foxconn has been found to be exploiting workers and even interns being overworked yet they do not get payments for their services. Such a large multi-national corporation uses workers despite their global status and expensive products. Further, companies are flourishing and being world leaders using modern slavery to produce their goods a case of human rights violation and labor abuse rights. Workers are exposed to poor working conditions with a majority of them dying; an example of the deaths that occurred in the Rana Plaza collapse despite the warning issued to the management team. The voices of the workers have been silenced with no freedom of expression through trade unions. The government and the international community is doing very little to liberate the through strict labor policies. The above examples are just but a few as compared to the many bad working and underpayments being experienced in many nations due to international businesses. The abuse of work immigrants enslaved in other countries is

also at rising due to technology which has brought about globalization.

## **1. METHODOLOGY**

To prove or nullify the stated hypothesis (It is possible for the multinational corporation to align CSR with labor rights and the initiatives of the employees), three approaches will be used. The first approach will be a case review of one of the developed countries in relation to CSR, labor rights and the employees' initiatives. The second approach will be to evaluate what the company's Global Reporting Initiative encompasses the use of Triple Bottom Line approach. The third approach will be the use of cross-sectional secondary data available from credible data sources over the internet and that focus on China, Brazil, and India as the reference countries. The use of readily available secondary data will simply the research and limits the costs and time implication of other collection methods.

### **Case analysis:**

#### **CSR and labor rights in China:**

To best understand whether CSR can be aligned with the labor rights, it is relatively important to have a case analysis of one of the countries that have shown progress in alignment of the two concepts. In this case, we are going to use the China, India, and Brazil, which are among the fastest growing economies in the world. The reason for this rapid growth can be inclined to the crucial initiatives that the country has taken in relation to the labor rights and CSR. In the recent years, China has been able to extensive align labor rights with the CSR. For instance, the government of China gave the instructions to introduce CSR in all the enterprises that are state-owned. The country has also strengthened the labor rights hinges on the labor contracts law. Through this law, the country has been able to reduce the short-term employments which are the show's sources of employees' exploitation.

#### **China reform agenda for strengthening labor rights and CSR:**

China is one of the countries that have been able to shift from quantitative growth model to a sustainable economy. This has been enabled by the increased encouragement of social and economic logical development. Before 2005, China was among the countries that had rejected CSR as it was viewed as one of the major routes that were used in the exploitation of the employees. However, the position of the country has gradually changed, and the country has been able to incorporate CSR with socialism, human rights, and harmonious society. China approach is rather different from that of the EU. Notably, EU uses CSR in as a tool for enforcement of the labor rights. However, China uses a different route where it uses CSR as a supplement of the labor rights thus been able to adequately align the labor rights, employees' initiatives and CSR. The objective of this approach by China is due to the previous inability of the country to reduce the lack of compliance with legislation by many of the corporation operating within the country. In the recent time, China has established ISO 26000 standard whose major objective is to give detailed direction on the social responsibility of organizations. ISO 26000 has been able to change the orientation of both the local and international corporation by changing the perception of CSR in relation to

labor rights. China has also made progress in the field of the labor rights. Most of the Chinese labor rights are much guided by the ILO conventions. However, some of the legislation of the country on labor go beyond the specification of the ILO. The reason for the accrued deviation from ILO convention is to strengthen the workers' individual rights. Before China realized the strength of combining the labor rights with CSR, there was a gradual increase in the number of workers-employees dispute. For instance, in 2001, the number of conflicts in the country was 155,000. This was the period that China had rejected CSR as a concept that can be used to supplement and enforce the labor laws. The number of dispute increased gradually up to 2005 when they reached a maximum of 314,000, which is the highest recorded number. This later changed when in 2006 when the country accepted CSR as a concept that can be used to change the compliance of already in place labor right. There are various essential elements in the Chinese labor laws that have enabled the alignment of the labor rights, CSR and employees initiatives. One of the elements is the manner in which the employment relationship is laid down. The Chinese labor laws insist that the employment relationship must be laid down in writing. Another element is that short-term employments are highly restricted as they have the potential of creating a deviation between the CSR and the labor rights such that CSR is used as a fig leave to exploit the employees who are employed temporarily. Another element is that trade union should be notified within thirty days if a corporation needs to reduce the workforce. Notably, trade and workers unions are vehicles that are used in joining CSR with employees initiatives and the labor rights. Based on this fact, the unions must be empowered in such manner that they are used in alignment process labor rights and CSR.

#### **CSR and labor rights in India:**

Despite the continued effort by the Indian government to align CSR with labor rights, the country still has a long way to go based on the current socio-economic realities. There has been a conflict in the manner in which the country development should be adopted to align labor rights with CSR by the development of effective policies. In 2013, a company act was created in the country which included the CSR mandates of companies which are based on the stipulated labor rights of the country. Based on the fact that CSR is not a major concept in India, it is expected some of the companies are likely to struggle to adapt to the highly recommended concept in Kenya.

#### **CSR and labor rights in Brazil:**

Brazil is one of the most diverse countries in South America, and over 20% of the population live in rural areas. In a review of CSR and labor rights, Brazil has made tremendous efforts in ensuring that both local and international companies operating in the country are in line with the stipulated policies and laws in the country. Brazil has placed varying legislation on the CSR requirement of companies and which are in line with the labor in the country. However, there has been a deviation in the manner in which the laws are interpreted from one municipality to another, a factor that is evident in many other countries. Different municipal interpret and enforce the law differently, and this factor has resulted in overburden the judiciary. This is one of the elements that should be considered when aligning CSR with the labor laws on a

multinational platform. It is a variable that affects the effectiveness of the internal and external code of conduct.

#### **Discussion based on the case analysis:**

From the case analysis above, it is evident that multinational corporation can be able to align CSR with the labor rights and employees initiative. This conclusion is based on the fact that China has been able to achieve this milestone by the inclusion of various variables. Notably, when China rejected CSR as a tool that can be used in enforcing the labor laws and rights, there was an elevated increase in the number of complaints. However, this changed gradually when the country embraced the CSR by aligning it with the labor laws and the worker's unions. The concept of globalization is rather complex, and the concept of CSR and labor rights should be approached with great care through the inclusion of both the internal and external codes of conduct. This will help in the creation of a balance between the employee and the employer needs and requirement.

#### **Company's Global Reporting Initiative (GRI) (Triple Bottom line):**

GRI is a global organization whose major objective is to help companies, government, and businesses in understanding their impact on human rights, climate change, and corruption. In other words, it is an organization that helps organizations to align their social responsibility with human rights and labor laws. Performing a triple bottom line analysis of what the organization's objectives entail will give as insight on how corporations can be able to align their CSR with labor rights and employees initiatives in the global market that is becoming increasingly competitive. Triple bottom line is a concept that advocates the inclusion of the economic, social and economic performance of a business. CSR and human rights are much concerned with the social and environmental responsiveness of business. In this case, triple line analysis in relation to global reporting initiative is an effective approach that can be used in aligning CSR with labor rights. In a review of the GRI reporting, sustainability of global corporations is one of the central issues. Notably, through the use of TBL, many global businesses have limited their ideas to issues about themselves. In this case, the major concern of many of the businesses is to remain a going concern. However, to ensure sustainability, the global corporation must not assume CSR in relation to social and environmental responsiveness. GRI has provided guidelines based on the TBL on how a corporation can achieve social, economic and environmental sustainability. Multinational corporations can use these approaches in aligning CSR with labor rights.

#### **Social sustainability:**

This is a social bottom line that measures the business position relative to the associated society. In this case, multinational corporations have a global society which is rather dynamic. This bottom line is the most essential in aligning labor rights and CSR. Social sustainability is increased by having fair and beneficial labor practices. Many of the multinational corporations have been able to improve corporate community involvements through such things as donation and sponsorship. However, there has been a gap in the manner in which beneficial labor practices have been implemented by many corporations. This is based on the fact that economic sustainability has superseded the social

sustainability. Multinational corporations can be able to align CSR with labor rights by understanding that the little they pay the employees, the reduced is the company sustainability. In this case, the corporate interests and labor interests should be viewed as interdependent.

#### **Economic sustainability:**

Based on GRI guidelines, the economic bottom line does not refer to the traditional corporate aspect of capital accumulation. However, this bottom line refers to the level of market control and competitiveness of a given corporation. In this regard, economic sustainability refers to the cohesion of or economic factors. The good working place is one of the economic elements that should be addressed in this bottom line. Based on this notion, it is imperative that a corporation should create a good working environment for the employees. This can be achieved through the combination of CSR with labor rights to ensure a high level. By creating a good working environment for all the employees, the company will have aligned CSR with labor rights and this will result in improvement of the employees' morale. The key to the survival of Multinational Corporations is the ability of the corporation to report on all the economic variable both internally and externally. In this case, a corporation should evaluate how they have been able to incorporate the labor rights in the creation of CSR guidelines.

#### **Environmental sustainability:**

The environmental bottom line, in this perspective, is inclined to the physical environment that the employees are subjected to during the working hours. In this case, international corporations can be able to align CSR with labor rights by ensuring that the physical environment of the employees is safe and clean.

## **1. CONCLUSION**

Markedly, it is possible for international corporations to align labor rights with CSR. This conclusion is based on the observations made from the case analysis and the Triple bottom line analysis that shows that there is a correlation between CSR and labor rights. The labor relationship between the employer and the workers is evaluated and directed by the labor rights, which is a group of legal rights that are derived from human rights. The uphold of labor rights largely determine morale of the employees and the will to participate in the growth and development of a given business both locally and international. Based on this notion, to ensure the proper alignment of the labor rights with CSR, a new concept needs to be embraced which give both the labor rights and CSR a common direction. In this perspective, codes of conduct are the most effective instruments that can be used in the achievement of this front. This is based on the fact that the codes of conduct occur in inter alia as a source of labor laws. Evidently, it rather difficult to have a self-regulating system that is not affected by the political and the consumers' pressures. Therefore, code of conduct should be used as a source of soft law for multinational corporations that are guided labor rights. Notably, the continued change of CSR has resulted in the replacement of management and government dominated trade unions with more democratic unions of workers that pay attention to the initiatives of the workers. The combination of the internal code of conduct with the workers association, labor associations and movements is one of the

credible routes that show CSR can be aligned with labor rights. The major aim of this research paper is to explore whether multinational corporations can be able to align CSR with the labor rights and employee initiatives global market. In this case, the analysis focuses on China, Brazil, and India as the reference countries with cross-sectional secondary data obtained from a survey of the existing sources on the internet.

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