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CSR Corporate Social Responsibility

By Kalyn Belsha

When students at Boston College register for a course, they know there will be required readings, papers, and a final exam, but hardly anyone would expect "social change" to appear on the syllabus. But for the 20 students that enrolled this semester in the newly offered course, Social Change in Action, this is exactly what they wanted. As a part of the course, the group formed sweatBANNED, a coalition to raise awareness about sweat-shop labor and to petition BC to stop selling brands that are known to use it.

The idea for the new course began when visiting sociology professor Darcy Leach approached the department with a plan for a class that would focus on teaching students how to put the theory of "social change" into action.

"The response at the end of the semester [of my Social Movement course] was that there was a need for more actual empowerment. I could tell more of [the students] wanted to be involved but they didn't know how to go about getting involved or what they could do to contribute," Leach said.

Over the duration of Leach's course, students brainstorm an issue and then research the topic intensively.

In the second phase of the project, the students implement plans to bring about social change by coordinating events and raising awareness about their particular issue. This semester's class chose to focus on sweatshop labor and worker's rights.

In April, 2008, Boston College Students Rally against sweatshops. Their logo is superimposed on the photo

The coalition's major goal is to pressure the BC administration to partner with the Designated Supplier Program (DSP), which requires factories producing University logo clothing to pay their workers an hourly living wage. It also specifies that workers be allowed to unionize and work under fair conditions.

While BC currently follows standards set by the Worker's Rights Consortium (WRC), an independent group that monitors sweatshops around the world, this agreement only holds suppliers responsible for their bad behavior, not actual brand names.

By not signing the DSP, the University is still allowed to sell brands that outsource labor to sweatshops.

Popular logos like Nike, Champion (BC's apparel licensee), and Reebok (an official sponsor of BC athletics teams) have all been flagged as companies that participate in such practices.

If BC were to sign the DSP in the future, it would not be able to sell or partner with a brand unless it complied with the petition's requirement that licensees compensate suppliers adequately for the actual cost of producing clothing under fair labor standards.

"An extra 40 cents per sweat-shirt that we buy at BC would triple the income for sweat-shop laborers," said member Jason Ng, A&S '09. "The fact that this is the case is defi-nitely alarming. Yet fundraising programs are not enough. We have to address the structural causes, and I believe sweat-BANNED is moving towards this."

Ng and the other members of sweatBANNED said they acknowledge that BC's sup-port of the DSP "could cre-ate tensions between the University and its partners," but insist that despite this conflict they will continue to request BC's support.

Fellow Jesuit universities Fordham and Georgetown, as well as Ivy League uni-versities Brown, Columbia, and Cornell, have already affirmed their support of the DSP.

Members of sweat-BANNED said it is only logical that BC join the 41 other universities that have signed the petition; they said this will help the Uni-versity to further align its administrative actions with its Jesuit values.

"The underlying goal is to get these brands to be-come more socially re-sponsible and the DSP will serve to do that over time," Ng said.

www.studentsagainstsweatships.org

Putting Teeth in Corporate Social Responsibility

by Keith Slack

Corporate social responsibility (CSR) has become a fashionable, if not particularly well-defined, term in recent years, encompassing a broad range of activities that corporations may engage in, with varying degrees of enthusiasm, to demonstrate that they are addressing important human rights, environmental, and labor issues—many of which have been brought to their attention by activist groups.

A key component of the general discourse around CSR has been so-called multi-stakeholder initiatives, which bring together corporations, governments, and non-governmental organizations to talk about and in some cases develop mechanisms for addressing, particular areas of concern. Among these are the UN's Global Compact, the Voluntary Principles on Security and Human Rights, the Kimberley Process for monitoring the global diamond trade, and the Extractive Industries Transparency Initiative.

> *"Nowadays, people know the price of everything and the cost of nothing."*
> Oscar Wilde

These initiatives are an effort to retake control over transnational corporations that globalization has forced states to concede. Free-trade agreements, one of the key pillars of globalization architecture, contain provisions designed to limit states' abilities to adopt and enforce regulations on corporations for purposes of protecting the environment and public health.

A key problem affecting all of the voluntary CSR initiatives is that they are just that: voluntary, and thus lack any real enforcement mechanism for sanctioning corporations that fail to comply with the principles or standards promoted by the initiatives. The lack of enforcement capacity has led some skeptics to argue that these initiatives are nothing more than corporate "greenwash" that enable corporations to argue that they are taking CSR issues seriously but are in reality not fundamentally changing the ways they operate. What can be done to put some teeth into CSR?

There are two key areas in which to look for answers to this question. One lies in strengthening governments' abilities and incentives to regulate corporations. Ultimately, governments have a responsibility to hold corporations accountable for operating responsibly. But fulfilling this responsibility is unlikely to happen given the inequitable power structure in the global economy that serves the interests of the rich countries (and the corporations that are headquartered there). Moreover, the skewed power imbalances in developing countries themselves enable the elites to benefit from globalization while leaving everyone else in the dust.

A second area is perhaps more promising. It lies in identifying what corporations are most interested in. Two items are critical for corporate profitability: Access to capital and access to markets. If ways can be found to link corporate performance on CSR issues to continued access to both of these things, real leverage could be established for holding corporations accountable.

For capital linkage, the focus should fall on the private banks that finance transnational corporations. Respect for human rights and environmental standards could be made a legally-binding part of the loan agreements between the banks and the corporations. In other words, capital will be cut off from a project if serious human rights or environmental violations are found to have occurred.

The World Bank has tried this approach with its social and environmental safeguard policies. The problem, however, is that the Bank has only once in its history ended a relationship with a company based on a social or environmental policy violation.

What incentive would these banks have to require compliance with CSR criteria? Clearly, one or more major private banks would have to establish a moral leadership position and reap the benefits that position might produce, such as positive public relations, happier employees, etc.

Private banks also often have lower reputational risk tolerance than do large corporations. Mining and oil companies are used to "keeping their heads down and letting the bullets fly over the top," as one mining company official once described it to me. Private banks are not. There is empirical evidence that social and environmental irresponsibility is increasingly translating into real financial risk. In this sense, banks will see a growing business case for ensuring real responsibility to protect against risk.

As for the other area of linkage, much could be done to deny markets to corporations that violate human rights and the environment. Large institutions, such as public utilities, universities, pension funds, and corporations that consume significant volumes of materials or are brand-sensitive could adopt legally binding contracts that discontinue materials or stock purchases from corporations that operate irresponsibly. In this way, such institutions could force corporations to compete with each other to provide the most responsibly produced products.

Incentivizing lenders and purchasers to care enough to recall their capital or cancel contracts if problems arise is a conundrum, but may be becoming easier to crack. Answering this question is about hitting corporations where they live—in the worlds of capital and markets—rather than in the comfortable confines of CSR dialogues. In this way, we can bite back some of the ability to hold corporations accountable that globalization has chewed away.

Oxfam America, Nov. 2006 www.oxfam.org

The Evolution of Microfinance

By Rob Krieger

In most Western or developed countries, it's relatively easy to obtain credit through large banks or money lending institutions. But in the developing world, where many people lack steady employment, credit history or collateral, there's often no way for legitimate small businesses to receive a loan.

In many ways, microfinance changed all of this. Generally defined as small lending to the rural poor in developing countries, microfinance has made great strides in the latter half of the 20th century. The 2006 Nobel Prize awarded to Dr. Muhammad Yunus, one of the founders of modern microfinance, has helped to push the industry even further into the spotlight. But the idea of microfinance has existed for hundreds of years -- in many regions and in many forms.

Microlending often starts in small villages, where family members and friends get together in money-sharing groups. They have operated for centuries -- probably since the introduction of currency.

From region to region, these clubs developed their own names. In West Africa, they were known as "tontines;" in Bolivia, "pasanaku;" and across Mexico and Central America, "tandas." Tanda means "shift" in Spanish and works on the premise that members of the group contribute to a pool of money, which shifts to a single member that has the most need.

The concept of microloans took a big leap in the 1960s and 1970s, when groups such as ACCION International, in Venezuela, and Yunus's Grameen Bank, in Bangladesh, began to institutionalize the process. By formalizing and expanding the basic concept of sharing programs, these microfinance institutions helped to build capital for small businesses rather than just loaning for basic necessities such as food, water and clothing.

Yunus first came across the idea of microcredit while studying the lives of poor entrepreneurs in his native Bangladesh during the famine of 1974. He began by loaning to groups of women, and his program soon proved that small loans could not only quickly improve lives but were paid back with interest and on time.

The next step was setting up a consistent on-the-ground program. In the case of the successful institutions, this meant sending a representative, or "field manager," to the prospective region to educate and advise and to oversee the loans locally.

After a few members of the group were accepted for a loan, the rest had to wait for that initial loan to be repaid before they could obtain their own loans. "Peer pressure" from other members of the group to repay the initial loan helped to set the bar high.

Since the Grameen Bank was founded, it has paid out more than $5.7 billion in loans, and more than $5.1 billion of that has been repaid -- a recovery rate of approximately 98.9 percent. It has made more than 950,000 loans and has 6.7 million members, around 96 percent of whom are women. In October, the Norwegian Nobel Committee said of Yunus and his work, "Yunus's long-term vision is to eliminate poverty in the world. That vision cannot be realized by means of microcredit alone. But Muhammad Yunus and Grameen Bank have shown that in the continuing efforts to achieve it, microcredit must play a major part."

Following the success of these early institutions, other microfinance organizations began to launch throughout the developing world. Among the largest is FINCA International, established by economist and Fulbright scholar John Hatch. Hatch believed that using locals' knowledge rather than bringing in outsiders was key to building successful local economies. Using an approach he has always stood by, Hatch said, "Give poor communities the opportunity, and then get out of the way!" By 2005, FINCA had 400,000 clients in 21 countries across Latin America, Africa, Central Asia and Eastern Europe.

One year after the United Nations called 2005 the International Year of Microcredit, the World Bank estimates that there are more than 7,000 microfinance institutions now operating around the world.

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Since 1995, the all-volunteer and interfaith peaceCENTER continues to be a significant community catalyst for peace in San Antonio, Texas. Compassion and Justice are our strong guiding lights. Contemplative Practices, Experiential Education, and Nonviolent Actions are our working expressions throughout the community at large.

The peaceCENTER is a 501(c)(3) nonprofit organization

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This issue of beCAUSE was produced by Malak Yusuf, a peaceCENTER intern from Boston College

LEGAL FRAMEWORKS for CORPORATE ACCOUNTABILITY

Governments have the primary responsibility for ensuring that companies respect human rights. But companies must also uphold human rights in their operations. With American companies operating in many different countries, weak or corrupt national governments often can't or won't regulate them. The results can be disastrous. **Human rights impacts associated with business include exploitative labor conditions, abuses by security forces, and community destruction.** A pesticide factory explosion in Bhopal, India killed tens of thousands, contaminated the area, and devastated the local community. In Nigeria, an oil pipeline in Rukpokwu in Rivers State burst, devastating the once fertile land around it. The resulting oil spill destroyed farmlands, fish ponds and water wells, and deprived farming families of vital income. In both cases, victims suffered violations of their right to life and health. Without appropriate compensation, clean-up, or criminal prosecutions, victims suffered violations of their right to redress, to livelihood and to an adequate standard of living. Both of these examples demonstrate what can happen when companies and countries don't protect the rights of people affected by a business operation.

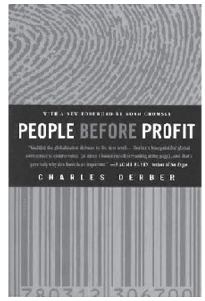
On the other hand, US companies that are scrupulous have to compete with companies that don't uphold the same values, so a common global framework for understanding the human rights responsibilities of businesses would help create a level playing field. All companies around the world need clear guidance on what is and is not acceptable. **Amnesty International would like to see:**

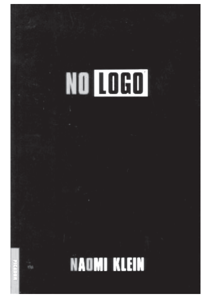
1. More effective regulation of business to prevent human rights violations/abuses – which means regulation that addresses the trans-national nature of company operations and the issue of corporate structure

2. Much better practice by companies – ingrained and independently verifiable action to prevent involvement in human rights violations/abuses and robust mechanisms to address problems that do arise

3. Accountability and access to justice – both in terms of national and international mechanisms. When the original human rights instruments and declarations were written the biggest threat posed to the rights of ordinary people was the unbridled power of the state. Today many companies – particularly trans-national corporations (TNCs) – pose a new and significant additional threat to human rights. Human rights law and standards need to evolve to address the new threat. AI is seeking global standards on business and human rights in order that all companies (and all actors) can share a common framework for the responsibilities of business in relation to human rights. Ultimately AI is seeking international mechanisms that can hold companies – including those that operate trans-nationally - accountable for their negative impact on human rights. (www.amnesty.org)

Ethical CORPORATION Not an oxymoron



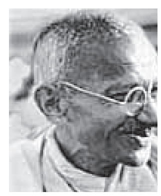


RECOMMENDED:

People Before Profit: *The New Globalization in the Age of Terror, Big Money and Economic Crises*. by Charles Derber (2002, St. Martin's Press)
"In a clear, intelligent, yet impassioned voice, Derber exposes the dynamics between imperialism, whether economic, military or cultural, poverty, terrorism and democracy. All converging together to create the globalization changing our lives, but seemingly out of reach to much of the world."

No Logo: *No Space, No Choice, No Job*s, by Naomi Klein (2002, Picador USA

The Corporation, film Directed by Mark Achbar, Jennifer (2005, Abbott Zeitgeist Films)



"Earth provides enough to satisfy every man's need, but not every man's greed."
Mahatma Gandhi

Skyrocketing Executive Compensation

A recent survey of pay for U.S. chief executive officers by Business Week noted that while average exec pay plunged by a third, the median pay for our 365 CEOs actually rose by 5.9%, to $3.7 million. Other studies show that CEO pay rose from 100 times the average worker wage in 1980 to more than 1,000 times the average worker wage in 1995.

What you can do:

Shareholders can request that a company's Board Compensation Committee initiate a review of its executive compensation policies. Write companies in your investing portfolios asking that they:
1. Compare the total compensation package of top executives and a company's lowest paid workers in the United States in July, 1997 and July, 2007.
2. Analyze changes in the relative size of the gap between the two groups and the rationale justifying this trend.
3. Evaluate whether our top executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) are excessive and should be modified.
4. Explain whether the issues of sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of executive pay to to more reasonable and justifiable levels.

Interfaith Center on Corporate Responsibility www.iccr.org