



INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

**EIGHTEENTH WORLD CONGRESS**

Miyazaki, 5 – 10 December 2004

**FINAL RESOLUTION****THE SOCIAL RESPONSIBILITIES OF BUSINESS  
IN A GLOBAL ECONOMY**

1. Congress recognises that multinational corporations are a key driver of globalisation, through foreign direct investment, through the worldwide integration of production involving complex business relationships and through the pressure they exert on policy-makers for liberalisation, deregulation, and privatisation. Many of the most important impacts of business activity, such as the creation of decent employment and the spread of technology and knowledge, cannot be fully realised without regulation and unless governments are able and willing to protect the social and economic welfare and rights of their citizens. Globalisation makes intergovernmental cooperation and the international regulation of business increasingly necessary and urgent. Social dialogue, industrial relations and collective bargaining are among the most important institutional frameworks through which society can ensure that business activity has a positive social impact.

2. Congress condemns the recent wave of corporate malfeasance and even criminality of which working people have been the prime victims. The scandals which have been uncovered expose a culture of corporate greed and unaccountability. This is also manifest in indecent levels of compensation awarded by top enterprise management to itself. At the same time, pay and conditions of working people have been undermined. Congress underlines that national legal and institutional frameworks established to regulate business activity are increasingly inadequate, and that binding regulation, as well as the further negotiation of collective agreements, to achieve greater corporate accountability is urgently needed.

3. The foundation of corporate accountability is law, regulation and agreements that address the behaviour of the corporation with respect to the rest of society, as well as law and regulation that addresses how the corporation is internally governed. The purpose of the corporation - the creation of wealth - cannot be attained without, nor separated from the laws regulating its activity, which must have the purpose of meeting the individual and collective needs of society.

4. The protection of labour, consumers and the environment from corporate abuse must be strengthened. Measures to improve corporate governance, including more independent boards, must be instituted. Other measures, including the reform of securities regulation and financial markets as well as competition policy must also be taken to put an end to the abuse of corporate power. Accountability requires transparency and the enforcement of better standards of regulation for accounting and

reporting. Increasing accountability will also entail more effective measures to combat tax avoidance and corruption in business transactions.

5. Congress underlines that greater international co-operation is needed. The full range of governmental and intergovernmental means, including trade and investment agreements, procurement policies, investment credits, and developmental assistance should be used so that international business activity results in social progress, including respect for workers' rights. Companies, both nationally and internationally, must be assigned greater liability for the social, environmental, and human rights impact of their operations, and affected states and parties must have the means to challenge them legally and to impose penalties. Procedures for trade union participation in such processes also need to be established.

6. The revised OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy reflect the consensus and the legitimate expectations of the international community with respect to the social responsibilities of business. However, better means to ensure compliance with their provisions are urgently needed. Too many governments adhering to the OECD Guidelines have failed to establish credible or effective follow-up mechanisms and National Contact Points. There must be greater recognition of the value of the ILO Tripartite Declaration as an important and authoritative instrument concerning social responsibility and more effective follow-up procedures must be developed. Both instruments show how the principles of ILO conventions can be applied to business behaviour.

7. The UN Global Compact should not be regarded as a code of conduct. It is an initiative founded upon purely voluntary principles and contains no effective enforcement mechanism. For the trade union movement, it can contribute to the realisation of global social dialogue. However, too many Global Compact activities promote unilateral management approaches and not enough activities result in genuine dialogue that solves problems and resolves disputes. Companies must not be allowed to benefit from the positive image that comes from identification with the Global Compact without also being required to engage the appropriate parties concerning their behaviour. The Global Compact needs to have effective integrity measures that prevent companies from misleading the public concerning their respect of the principles.

8. Attention must be given to new instruments such as the UN "Norms on the responsibilities of transnational corporations and other business enterprises with regard to human rights" to ensure that they do not redefine the human rights obligations of companies, or of governments, and that any interpretation or follow-up mechanisms are credible and do not interfere with the existing mechanisms at the ILO.

9. In addition to regulation and corporate governance, the most important instrument to increase the positive social impact of business is collective bargaining. International business activity and the changing organisation of business pose particular challenges to effective exercise of the right to organise and to collective bargaining. Anti-trade union practices, including the threat to relocate operations, can be used as a strong discouragement to organising and, together with the denial of access to real decision-makers that can result from changes in business organisation, challenge and undermine established collective bargaining practices and institutions. The growth of subcontracting and resultant long and complex supply chains, as well as the expanding use of Export Processing Zones, increase the power of companies to dictate the conditions under which work is undertaken, while allowing them to evade

their responsibilities to those who do the work and to the communities, societies and environment in which the workers live.

10. Congress notes that in the period since the 17<sup>th</sup> ICFTU World Congress, corporate social responsibility (CSR) has been presented as a new form of business ethics, based on the declared moral responsibility of enterprises to take into account the impact of their activities on other elements in society. CSR is most often defined as a voluntary concept, involving responsibilities identified unilaterally by enterprise management. Congress insists that business has no political legitimacy to define, on its own, its responsibilities to society. The processes of technical standard-setting associated with the International Organisation for Standardisation (ISO) are increasingly imitated by organisations created to set CSR standards. These processes of standard-setting are inappropriate means to establish social responsibility. Congress warns that business may use CSR to redefine or reinterpret its responsibilities, and emphasises that private standard-setting cannot be allowed to substitute for the proper role of the International Labour Organisation or of government.

11. Congress finds that trade unions must not take an uncritical or a dismissive approach to CSR. CSR cannot be an objective or an end in itself, as the protection and advancement of workers cannot be based on a concept that centres on the role of management. On the other hand, CSR can provide trade unions with opportunities to engage companies about the social impact of their business activities. There is a proliferation of voluntary private initiatives, public-private partnerships and statements of ethical principles in the name of CSR, and a growing industry of enterprises offering services to business and investors. CSR is increasingly being incorporated into the policy and programmes of governments and intergovernmental organisations. CSR cannot be ignored because it can lead to changes in the environment in which workers and their trade unions relate to employers, business organisations, non governmental organisations, governments and international organisations.

12. Congress declares that CSR must not be permitted to be used as a substitute for the proper role of government or for trade unions. Congress recalls that regulation is necessary because the business case for responsibility and paternalism are neither sufficient nor sustainable. Congress also declares that willingness to engage in social dialogue, a commitment to having good industrial relations and an open and positive attitude toward trade unions are among the most important and universal social responsibilities of business. Legal and regulatory frameworks, including sound corporate governance, together with the institutions of collective bargaining and industrial relations, will remain decisive in holding management accountable and ensuring responsible business behaviour.

13. Trade unions have clearly defined objectives and accordingly will judge CSR initiatives on the basis of whether they reflect the real social responsibilities of business, measured against these objectives; on their impact on government; and on whether they promote social dialogue and good industrial relations. Trade unions can play a role in reminding corporations of their real responsibilities and discourage them from making misleading claims about their behaviour or their social impact.

14. Codes of conduct covering labour practices in supply chains and related implementation or verification schemes should always promote and must not be a substitute for trade union organisation, as the most effective method of workplace monitoring. They should be based clearly on principles embodied in ILO standards and reflect all the fundamental human rights at work identified by the ILO. They should be consistent with, and complement, the work of labour inspectorates and contribute to a

culture of compliance with the law. Product labels that certify labour practices in non-union workplaces are not credible and private inspection systems cannot substitute for the role of trade unions or for a properly financed and organised public labour inspectorate. Furthermore there are no internationally recognised benchmarks to measure the competence of those performing such private inspections.

15. Congress recognises the importance of global social dialogue and welcomes the conclusion of global framework agreements between multinational enterprises and Global Union Federations. Such framework agreements can offer important avenues for solving problems, including obtaining trade union recognition and organising, and must complement rather than replace or compete with local or national collective agreements. Global social dialogue on a sectoral basis would be an important and positive development, and advantage should be taken of the opportunities offered by ILO sectoral activities to advance in this direction.

16. Congress underlines the specific opportunities and responsibilities for practical international solidarity between workers in different countries who share a common employer, and the need for increased trade union cooperation between home and host country of the employer concerned. Genuine international solidarity means that international trade union co-operation should be undertaken with the strengthening of the appropriate international trade union organisations in mind. Strengthened international information and consultation rights at the European Union level offer welcome opportunities for such cooperation. Congress recognises also that the extension of information and consultation structures of European Works Councils beyond Europe must be based on trade union structures and involve the relevant GUFs.

17. Tackling multinational enterprises effectively will require close cooperation between the ICFTU and the GUFs. Each has a distinct and complementary role to play. The GUFs have the responsibility to engage multinational enterprises in particular sectors at the international level, and to represent workers globally on a sectoral basis. The ICFTU's role is to promote and support international trade union cooperation in undertaking action with regard to multinational enterprises and to work for the most favourable international policy environment for the realisation of trade union goals in this field. Both the ICFTU and the GUFs should seek to identify and develop means for trade unions to obtain greater influence over the behaviour of business, including through affecting investment decisions.

### **ICFTU Action Programme**

17. Congress instructs the ICFTU and regional organisations, working together with Global Unions partners and affiliates, to:

- a) undertake educational activities that strengthen trade union awareness and capacities to integrate an international dimension to their work;
- b) campaign to influence the behaviour of specific companies and sectors;
- c) work for the effective international regulation of business, including promoting the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and, working together with TUAC, through the use of the OECD Guidelines and their follow up mechanisms including National Contact Points and promotion of measures to achieve compliance with them, and through the OECD Principles of Corporate Governance. To this end, the ICFTU should work to ensure conditionalities are applied to enterprises receiving state aid, export credits, and investment guarantees;

- d) work to ensure that respect for the obligations of business implicit in all labour standards set by the ILO and in the Universal Declaration of Human Rights are recognised as being essential and indivisible parts of what it means for any business to be considered socially responsible. Mechanisms, including the OECD mandated follow-up procedures and National Contact Points, should reflect acceptance that the social responsibilities of business must include respect for the principles of business responsibility implicit in all relevant ILO and UN standards;
- e) promote the accountability of management in respect of corporate governance, the prevention of corruption in business transactions, and better standards of accounting and reporting on financial and non-financial performance; and oppose the privatisation of government responsibilities with respect to the regulation of business activity;
- f) represent trade union interests, in conformity with the terms of this resolution, in international and intergovernmental organisations dealing with the behaviour and regulation of business;
- g) assume a lead role in international public policy debate on the social responsibilities of enterprises, and engage with regard to CSR initiatives where this is to the advantage of trade unions, and on the basis of unions' distinct and specific role as representatives of working people. At the same time the ICFTU must resolutely oppose any use of CSR to revise, reinterpret, redefine or evade laws, regulations or the legitimate expectations of society concerning business behaviour, including all applicable instruments adopted by intergovernmental organisations and the ILO. CSR policies and initiatives and programmes should only be supported where they are consistent with, and are clearly meant to complement, regulation providing social, labour and environmental protection and where they support and respect collective bargaining as well as the standards established by collective agreements. Efforts to use CSR as a substitute for regulation or collective bargaining should be opposed;
- h) work closely with the Workers' Group to involve the ILO more closely in issues related to the social impact of business activities, the social responsibilities of business generally and the subject of CSR, on the basis of the ILO's key standard-setting role and with a view to promoting social dialogue, particularly at the sectoral level, to ensuring that ILO standards are taken into account when determining the social impact of business activities;
- i) protect the role of the ILO as the international standard-setting organisation for the world of work and social protection. Standard-setting initiatives in the social area involving standards more appropriately set by the ILO or by governments should be opposed;
- j) work within the ILO to intensify its activities to strengthen public labour inspectorates and to develop minimum benchmarks to assess the competence of social auditors of workplaces. It is not the role of the ILO to certify these workplace auditors. The ICFTU should develop a trade union position concerning these benchmarks for assessment of social auditors of workplaces, and work to ensure that these are reflected in the benchmarks;
- k) engage with international business organisations with a view to having employers accept and act upon the responsibilities of enterprise to respect

international standards, to adopt a positive and open attitude to organising activity and to engage in social dialogue;

- l) call on companies to take into account the impact on human rights when making investment decisions;
- m) engage other organisations, such as the International Olympics Committee and sports federations, with the purpose of ensuring that business fully respects international labour standards and fulfils its social responsibilities;
- n) promote global social dialogue, and active involvement in fora such as the World Economic Forum or the Global Compact in order to make workers' voices heard in such fora and to engage companies on the basis of their commitments;
- o) support efforts to conclude global framework agreements and to advance international social dialogue at the enterprise as well as the sectoral level;
- p) promote international trade union co-operation regarding financial markets, with a view to achieving greater corporate accountability and to promoting greater respect by business for its social responsibilities; and
- q) facilitate international trade union co-operation in finding ways to ensure that pension fund investments and other kinds of workers' capital investment contribute to a broad range of trade union goals and activities and do not lead to the weakening or undermining of the rights of other workers.

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8 December 2004