

## CORPORATE CODES OF CONDUCT IN A GLOBALIZED ECONOMY PART I

Ruth Rosenbaum, TC, PhD

While the Enron collapse has the appearance of a sudden event, the truth is that the ever-increasing globalization of the economy has long presented us with the need for governance, oversight, regulation and standards of behavior. By the original charter of incorporation in the United States, a corporation was granted the right to function as a legal person in return for the corporation seeing itself as a responsible member of the community in which it operated. The government was the dominant standard setter in the relationship.

When companies were local, the communities to which they were responsible were their local communities. Management and workers lived in the same community, shopped in the same town, sent their children to school side by side. As companies, now corporations, expanded operations to an entire state, or other states, even across the nation, it was assumed that national laws would suffice to regulate corporate behavior.

Then companies went international, with purchase of raw materials and now with sourcing, distribution and sales outside the United States. The obvious question became: What standards, what set of rules, laws, regulations govern corporate programs, policies and practices....and to what community/communities are they, the corporations, responsible on a day to day basis?

Reports from many communities in many countries have flooded the various media with instances of poor working conditions, illegal firings of workers, physical or verbal abuse of workers, long working hours, and poor living conditions of workers. What was once seen as horrible exceptions is now understood as the daily reality of workers in country after country, as the search for lower production costs has included the movement of corporate operations to countries with the least enforcement of standards.

In addition, governments of poor countries or governing bodies of poor communities often view the attraction of outside "business" operations as the major vehicle of economic growth. They use legislative, executive or police power to create conditions that will be the most attractive and profitable for the corporations: providing tax breaks or start-up capital to the corporations; keeping legal minimum wages low; preventing workers from organizing; making environmental regulations voluntary or not enforcing them. These "legal" conditions create the potential for exploitation of workers and the environment.

There is no global-level government with the responsibility and the authority to regulate for the Common Good, for the sustainability of persons and communities, eco-systems and econo-systems. [It is critically important that we recognize that the World Trade Organization is exactly what its name says: a "trade" organization, not an institution charged with governance for the Common Good. There will be more on this in future articles.]

The present situation presents an amazing paradox. In the absence of governmental regulation and/or enforcement of standards to safeguard the well being of a country's citizens and environment, the management of multinational corporations is being asked by concerned investors and activists to perform this function.

Activists, worker groups, and investors concerned about economic and social justice have come to realize that the groups with the power to bring about immediate change in factory conditions are the corporations that place the orders. By using the financial pressure that the multinationals can bring to bear on the individual contractors who own and operate the factories or agricultural fields, change in those factories or fields is possible. While individual changes do not directly change the global system, and it is the system that needs to be changed, the ability to effect change within particular factories or fields is an important piece of leverage that affects the lives of the workers in those factories or fields.

The question then is: From where do comprehensive, non-minimal, standards come, against which conditions within the many layers of sourcing, production and distribution can be measured? Another way of saying that is: Who makes the rules and how are they enforced? In fact, whose responsibility is it to see that rules and regulations are enforced?

For groups working to develop measurable and enforceable codes of conduct, the underlying principle is that corporations are responsible for the conditions under which their products and services are produced...and that this responsibility holds all along the entire line of the supply, production, distribution and sale processes.

The standards for these conditions now come from a series of Codes of Conduct, often called by a variety of names by specific companies, that are presented on the company, industry and global levels. The key to understanding and evaluating these codes are

- A) the issues that they cover and
- B) the systems of accountability and enforcement built into the codes and their implementation by the corporations and their contractors in the factories.

Among the key issues that the various codes need to address are

- Sustainable living wages
- Safe and healthful working conditions
- No forced or child labor
- Freedom of association
- Right to collective bargaining
- Elimination of all forms of discrimination or harassment
- Environmental protection

In the coming issues of *Starting Points*, the various codes, international, industry and corporate, will be examined for their content and enforce-ability. At the same time we will continue to examine the systemic changes needed to strengthen the abilities of local and national governments, as well as civil society, to regulate the operations of the corporate sector that affect their lives, their communities and their environment.

Corporations are stakeholders within the multi-communities where they source, produce, market and sell. It is only with this integrated, multi-level approach to corporate responsibility that corporations will truly be held to being “good corporate citizens” within their multi-communities.