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Economic Actors' Societal Responsibility Workshop  
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**STUDY ON ECONOMIC ACTORS' SOCIETAL  
RESPONSIBILITY**  
**Research Report on the Situation in North America**

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## Introduction

This research has been carried out in the framework of the workshop Alliance 21 which is about the social responsibility of economic agents. This main goal of this research is to give a general overview of the perception of the economic agents' social responsibility in North America. In order to achieve this, we will first identify the actors present in the field of corporate social responsibility, then we will study their positions regarding this issue and finally we will see the methods used to make companies assume their responsibilities.

Initially, we will present the origins of corporate social responsibility as concrete actions as well as a concept. It is important to underline that the concept of corporate social responsibility emerged in the United States and as a result it is a concept born in a cultural and political environment where the individual freedom and free initiative are valorised. During this part it will be also mentioned the way that companies have been evolving in setting up actions known as of social responsibility.

## The origins of Corporate Social Responsibility (CSR) in North America: from philanthropy to strategic CSR

The first Corporate Social Responsibility actions go as far as the end of the XIXe century<sup>1</sup>. The American towns were what we call nowadays *company towns*: a town was created around an industrial activity (mining, construction of the railways, etc.) and the company was the owner of all infrastructures (residences, hospitals, schools, banks, areas where the social life took places, churches, etc.) Heald, 1988. To be able afford their living, the workers were often obliged to be in debt; since the majority of shops and medical services belonged to the company, the workers were tied to their employer by heavy debts to be refunded (Heald, 1988). Thus, companies had a very important role on the medical and educational sphere not only for he workers but for their families as well. By controlling the totality of services and institutions, they exerted an often abusive power on their employees lives (Heald, 1988).

During the XIXe century, the Government established the workers' rights, built a social protection system and took an increased role in the medical and education field. Stronger the Welfare State becomes, weaker the role of companies becomes. As a consequence, companies started being more and more interested in actions known as "philanthropy" and "patronage". So, several companies were doing charity works while others were supporting the development of arts and culture in their towns and their communities for example (Heald, 1988).

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<sup>1</sup> About United States' environment (cf. end of XIX century until the beginning of XX century) and companies' role, see Heald (1988), *Business social responsibilities : companies and community*

It is only in the 60' that the debate on Corporate Social Responsibility did get more dynamic (Gendron, 2000). In United States, companies were regularly attacked for discrimination during recruitment, the pollution caused by their production activities and the safety of their products<sup>2</sup>. This was the so-called «making companies responsible» (Bérard and Moffet, 2004: 27). In 1962, the economist Milton Friedman introduced in his book *Freedom and Capitalism* the term "Corporate Social Responsibility". According to Friedman, the only corporate social responsibility was to generate profits for satisfying its shareholders and owners.

The academics as well started a further consideration of the concept of Corporate Social Responsibility in terms of ethics and morals: this movement commonly called *Business Ethics* tries to assess a company's and its leader's actions in relation to morals; it is indeed a question of defining what is good or bad. Then, this reflection structures around a supposed contractual link which binds the company to the rest of society: this movement known as *Business and Society* defines the legitimacy of a company as condition of the social link between the company and the society; the company must be socially responsible if it wants to benefit of some legitimacy towards the society and to continue existing (Gendron, 2000).

Since ethics or legitimacy are concepts not easily transposable in practice, the emergence of a social responsibility with strategic goals by the beginning of the Eighties gives a new dynamic to this concept. The publication in 1984 of Edward Freeman's book, "*Strategic management: stakeholder approach*" considers once again Corporate Social Responsibility in strategic terms. This founder book proposes to managers to take into account companies' stakeholders during the development of strategies. Indeed, company affects the stakeholders as much as these last ones can harm companies' financial profitability (Freeman, 1984). It is for this reason, according to Freeman, that is imperative to take into account the stakeholders' expectations.

The social responsibility with strategic entered in several North-American companies. Whereas managers were informing about their actions of patronage and charity, following the publication of Freeman's book, they started having internal committees to manage their stakeholders. In this moment, we assist in a transformation of the actions so called "Corporate Social Responsibility": Freeman's work marks the passage of corporate social responsibility practices, which appeared by actions known as of philanthropy and charity – or *corporate paternalism* - to a utilitarian social responsibility with strategic goals.

## **North American institutional context**

In this section we would like to present the way in which corporate social responsibility, viewed under the socio-economic and socio-political context, is considered in North America. International agreements such as the North American Free Trade Agreement (NAFTA) and soon the American Free Trade Zone (AFTZ) reinforce the company's rights to the detriment of national sovereignty which as a result affects the power leverage of the traditional agents is affected and encourages the development of new regulatory strategies.

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<sup>2</sup> See about this issue the special edition about Corporate Social Responsibility in the Commerce Magazine, September 2004

New regulations, on a national jurisdiction level, tend to deteriorate significantly the power balance between the traditional actors and thus modify the conditions of social dialogue. In the United States for example, new legislative measures have been taken disfavoured trade unions. This type of measure suppresses any possibility of a tripartite dialogue with the risk of toughening actions.

### **North American Free Trade Agreement (NAFTA) and American Free Trade Zone (AFTZ)**

Since the beginning of the 90's, the United States launched an offensive to change the rules of the game, first on a continental scale, and then on a global scale. The kick off was launched in January 1994 with the signature of the North American Free Trade Agreement (NAFTA) between the United States, Mexico and Canada.

Concurrently, negotiations have been started to create the American Free Trade Zone (AFTZ) which is going to include 34 countries from both hemispheres (all countries of the three Americas except Cuba). However, the commercial exchanges have long been open on a continental scale and the goal of these agreements would be, as Dorval Brunelle explains: "to make even more difficult the maintenance of the authorities' prerogatives regarding the defence of the economic and social rights"<sup>3</sup>.

According to this author, these agreements envisage the dismantling of public services. The United States wish in the long run to liberalize the sectors of education, medical service and water.

The NAFTA's Chapter 11th clauses, allow, as of now a reduction in the power of national legislation. The current tendency of the Mexican and Canadian State is to align their social policies with those of the United States. Thus, the relatively more generous system of unemployment assurance which prevailed in Canada before the introduction of NAFTA has been reduced at the very low American level (the unemployment-assurance payments decreased from 75% to 36% of wages and cover a period of 26 weeks, instead of the 52 weeks covered before).

The North American trade liberalization caused an impressive wave of delocalization of some trans-national corporation's activities via take-overs on local companies. In order to benefit from cheaper manual labour, American and Canadian companies delocalized a great number of factories in the Maquila zones. Companies' delocalization or even the simple threat of delocalization have had devastating effects on the labour force and on the American and Canadians' trade unions capacity of negotiation. Because of delocalizations, amongst other reasons, more than 3 million jobs have been lost in United States during the last 4 years (Courrier international)<sup>4</sup>.

Companies have acquired new rights through the bias of these new commerce agreements. Indeed, NAFTA's 11th chapter makes it possible for companies to take legal action against governments if they estimate that legislations cause damage to their "rights" to trade freely

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<sup>3</sup> Dorval Brunelle, « Démocratie et privatisation des Amériques », Quebec network for the integration of America, 2001

<sup>4</sup>These data have been published by the San Francisco Chronicle and reported in the Courrier International no 724, 16-22 Septembre 2004.

through the free trade zone. This includes all legislation related to employment, environment and public health. If companies can prove that such legislations harm their profits or their reputation, they have "the right" to ask for compensation from NAFTA's signatory governments. Several cases illustrate the effects of these types of measures on the capacity of the States to control trans-national corporations<sup>5</sup>.

### ***Weakening of the trade unions power***

Since Ronald Reagan came to power in 1980, major blows were given to trade unions. In the same time the manufacturing sector's reorganization accelerates, with the industrial sectors delocalization towards the south where does exist a trade-union tradition.

The corporations are currently restructuring their organizations' structure ("lean production", outsourcing, flexibility of employment, manual labour, etc.) which causes the trade unions to become disorganized. Employers force the trade unions to accept major regressions in terms of wages and working conditions. Besides, strikes launched to counter this movement (Greyhound, Eastern Airlines) failed. On a large scale, the official trade unionism animated by the national confederation AFL-CIO decided to accept compressions and concessions capitalizing on a possible return of the Democrats. When those under Bill Clinton's leadership took up the presidency (1994), the Democrats gave up their traditional alliance with the AFL-CIO and continued this restructuring process.

The impacts of this process are devastating not only in the trade-union movement, but on the working conditions and the American workers' wages as well: today the rate of unionisation stagnates with less than 15 % in the United States (Roy, 2004).

In comparison, the rate of unionisation in Canada is at 32, 4 %, which represents a light rise over the previous year (32, 2 %) (Roy, 2004). In this respect, Quebec is classified in the forefront in Canada and North America: the trade-union presence rate in Quebec in 2003 rises 41, 2 % of manual labour compared with 40, 4 % in 2002 and 39, 5 % in 1999 (ibidem).

Despite these results, some fear that the progression of the trade-union presence rate is stopped in Quebec, and this, following the laws against trade-unions voted by the Charest government in autumn 2003 (ibidem). Indeed, amendments to the Code of work facilitate now outsourcing. In addition, new laws adopted by the new Quebec government prevent the unionisation of groups of workers (in other words, personnel of nurseries in families, and home assistances to elder and invalid people) (ibidem). Moreover, as the Quebec Workers Federation (QWF) Secretary-general underlines, a great difference persists between the trade-union presence rate in the public sector, which reaches 81,4 % of manual labour , and in the private sector, which is only 28,4 % (ibidem).

While trade unions in United States and Canada have lost their negotiation power towards companies and governments, several trade unions are positioning themselves in relation to Corporate Social Responsibility, not in a political way, as it is the case in Europe, but by investing workers' funds in socially responsible companies. Workers' funds are particularly developed in Quebec and are the bases of what is commonly called the "the Quebec model" that is presented here below.

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<sup>5</sup> The Metalclad and Ethyl Corporation are good examples proving this point

## **The Quebec model**

The Quebec model is based on particular financial institutions such as the Quebec Case of deposit and placement and the Quebec trade-union development funds:

Even Quebec has a mixed pension plan: an obligatory public part and a complementary private part with voluntary contribution, managed by various financial institutions that have collective vocation. Since its creation, in 1965, the Quebec Case of deposit and placement, which is responsible of the public part, has been trusted the double mission of managing carefully the funds of the Control of Quebec revenues and promoting the province's economic development by investing in companies that create employment. Together with other institutions dating from the same period, the Case of deposit was the pillar of a specific province development model which was progressively differentiated from the American and Canadian capitalism by the particular overlap of its economic, political and social institutions (Gendron, 2002: 6).

The first trade-union development funds appeared in the Eighties on the initiative of the Quebec Workers Federation (QWF). Within the framework of private pension plan, QWF created in 1983 a development funds supplied by the voluntary contributions of the workers (ibidem). By managing the workers voluntary savings, the Solidarity Funds (QWF) allows to meet the very important needs of Province's venture capital, while consolidating the financial situation of certain companies in precarious situation (ibidem). The success of the Solidarity Funds has been that important that the National Trade Unions Confederation (NTUC) created in 1995 its own development funds, the FondAction (Crises, 2001).

Sine then, the workers' funds have been multiplied in Canada: there exist today six funds of socially responsible workers: the *Crocus Fund*, the *First Ontario Fund*, the Solidarity Funds of the QWF, the *Workers Investment Fund*, the *Workers Opportunity Fund* and FondAction of NTUC (Belem and Bouslah, 2004: 5). By investing in small and medium-sized companies, these workers' mutual funds trigger "settling finance in the territory, giving life again to the virtuous circle of savings devoted to concrete investments" (Gendron, 2002: 6).

In this section, we underlined the characteristics of the North-American institutional context: a State which seeks the least possible to involve itself in the economic sphere and not inclined to regulate companies activities; a trade unionism in losing power on the political level; powerful companies which can change national regulations or exert delocalization blackmail. We can also notice significant social innovations by the Quebec trade unions: by engaging in partnerships with the government and companies, the development funds make possible to modify the power positions and allow a positioning by the investors.

We now will discuss about the social responsibility standards specific to North America which will confirm some of the characteristics mentioned here.

## **Norms, Standards, and labels**

The description of norms, standards, and labels, not only is revealing of the North American specific political culture, but it also allows foreseeing the new power positions between the social agents.

The first established fact is that the norms, standards or labels originate primarily from private agents. By tradition, the State has always refused to adopt a specific regulation on social responsibility. Thus, these tools are generally used only by companies and industry groups (Trade Association, Chamber of Commerce, Think-Tanks etc).

Another established fact is that numerous norms, standards, or labels are developed by North-American Non Governmental Organizations (NGOs). Certain NGOs have developed their own standards in order to put pressure on companies.

- **Canadian Business for Social Responsibility Guidelines**

Created in 1995, Canadian Business for Social Responsibility (CBSR) is a non-profit-making commercial association that helps managers to establish social responsibility policies within their organization. The CBSR was created by trans-national corporations established in Canada (Alcan Inc, Dupont Canada, Nike Canada etc).

CBSR has developed some guidelines regarding companies' social performance to assess employees' working conditions and their welfare benefits, companies' commitment towards consumers and towards the community, companies' policies towards environment and selection of supplier's and finally their international practices

- **Corporate Responsibility Assessment Tool (CRAT)**<sup>6</sup>

The Conference Board of Canada - a Canadian non-profit-making organization that works on the issue of Corporate Social – and Imagine have created a sustainable development organisational tool, the Corporate Responsibility Assessment Tool (CRAT). This tool is a benchmark for the Canadian Companies in the Corporate Social responsibility issues.

- **Coalition for Environmentally Responsible Economies (CERES)**

Founded in 1980 in United States, the Coalition for Environmentally Responsible Economies (CERES) is a network of over 80 organizations including: environmental groups, investment funds and Public interest and community groups. CERES is known for the 10 environmental principles which asses companies' behaviour with respect to the environment. Originally named Valdez Principles, CERES principles were launched in 1989 in response to the ecological disaster Exxon Valdez.

More precisely, the CERES principles are the following:

1. Protection of the Biosphere
2. Sustainable use of natural resources
3. Reduction and disposal of wastes
4. Energy conservation
5. Risk reduction
6. Safe products and services
7. Environmental restoration
8. Informing the public
9. Management commitment
10. Audits and reports

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<sup>6</sup> CRAT is presented more in detail in the section consecrated to the case studies



Contrary to other principles declarations, the CERES principles have the advantage of setting up a dialogue between the stakeholders and the company in order to improve companies environmental competencies. Over 70 companies have endorsed CERES principles such as Coca-Cola, Ford Motor et Polaroid (Leipziger, 2003).

## **The perception of CSR in North America**

We will identify in this section the behaviours of northern American governments, companies, shareholders and consumers regarding corporate Social responsibilities.

### **Public Authorities**

In this section, we will present the positions of the American and Canadian governments and their actions overtaken in the field of Corporate Social responsibility. We will see that they represent the dominant cultural values in these two countries and the governments interventions are particularly focused in the shareholders interests.

#### **The American government**

The approach of the American government regarding corporate social responsibility remains summary. Although the American government has recognized certain aspects of social responsibility and has taken a series of measures on environmental issues, corruption and work of children, there doesn't exist any explicit public policy on this issue<sup>7</sup>.

According to Anne Golden (cf. the Conference Board of Canada), this attitude reflects the values and beliefs which prevail in the United States. The American political culture which has always stressed the individual values, the free market and civil freedoms, explains the reason why the American government never engaged in developing constrained regulation towards companies. This is why the voluntary approach remains dominant, even though the United States are suffering from the negative effects of the national companies delocalization. The recent financial scandals have however encouraged the Bush Administration to adopt a constraining legislation with regard to top management in order to protect investors and to restore confidence on the financial markets

#### **Sarbanes-Oxley Act**

Following the Enron and WorldCom crises (the biggest financial crises in the American history with a fraud over 10 billion USD), the Sarbanes-Oxley Act has as objective to increase the investors protection and to restore the market trust. Voted by the Congress and signed on July 30, 2002, by the President Bush into law the Sarbanes-Oxley Act of 2002 implies that the companies' presidents certify their accountant with the Security and Exchange Commission (SEC). The CEO and CFO of each issuer shall prepare a statement to accompany the audit report to certify the "appropriateness of the financial statements and disclosures contained in the periodic report, and that those financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the issuer."

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<sup>7</sup> Conference Board of Canada. 2002. «Comparing approaches to CSR: what is the best for Canada? », Presentation of Anne Golden, President and C.E.O The Conference Board of Canada. To the 2002 Community Investment Conference Calgary AB, 8 May, 6 p.

Three principles are crucial in the Sarbanes-Oxley Act: the exactitude and accessibility of information, the managers' responsibility and the independence of investigators and auditors. More precisely, the Sarbanes-Oxley Act envisages six great measurements:

1. The act defines the responsibilities of companies' directors who can go to prison for 20 years in case of fraud;
2. All registered public companies in USA (foreign companies included) must provide complementary information to the SEC (CEO and CFO declaration about bookkeeping or other services related to the accounting records or financial statements, internal audit services and internal control review, declaration of independent auditors, etc);
3. Using independent investigators Committees for supervising the verification process;
4. Rotation of the external auditors
5. Creation of a new surveillance institution: the Public Company Accounting Oversight Board which should conduct inspections of accounting firms, conduct investigations and disciplinary proceedings, and impose appropriate sanctions to any person who doesn't respect the rules;
6. Sanctions towards top management are reinforced<sup>8</sup>

Even if the US generally agree on the fact that an international lawful framework must be installed to fight against economic crimes, the Sarbanes-Oxley Act is prone to controversies because of its off-shore range. Indeed, European and Canadian companies registered in USA will be forced to subject itself to the requirements of this Act which is perceived as interference by the European Union and Canada<sup>9</sup>

## **The Canadian government**

The attitude of the Canadian government somewhat contrasts with the American policy of "laissez-faire". The current Canadian approach is rather mixed: it indeed proposes a mixture of voluntary measures and regulation<sup>10</sup>. Conference Board Canada's research show that the Canadian government chose a policy of "wait and see", while the private sector tries out the voluntary practices as regards social responsibility for the companies.

Certain departments of the federal government such as Canada Industry, Canada Natural Resources, Canada Environment, Foreign Affairs Canada and International Trade Canada, have been recently interested in the CSR (in connection with the objectives of sustainable development); they are working in particular about the role that their ministry should play in relation to these issues<sup>11</sup>.

Even if it does not exist yet in Canada a proper legislation about corporate social responsibility, several dimensions have been already regulated such as environmental

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8 See special edition about the Sarbanes-Oxley Act in the website <http://www.lexposia.com>

9 See special edition about the Sarbanes-Oxley Act in the website <http://www.lexposia.com>

10 Conference Board of Canada. 2002. «Comparing approaches to CSR: what is the best for Canada? », Presentation of Anne Golden, President and C.E.O The Conference Board of Canada. To the 2002 Community Investment Conference Calgary AB, 8 May, 6 p.

11 *ibidem*

protection, health and safety, working relations. These measures were reinforced in 2000 by the *Financial Services Reform Act* which requires to financial institutions to publish an annual report including the philanthropic actions, and their implications in communities' economic development (Board Conference, 2002).

Other incentive actions were put in place by the Canadian government of which in particular: tax instruments (tax credits) for charitable actions, educational programs intended for workers in the environment field and various voluntary programs on environmental issues (reduction of gas emissions for greenhouse purpose). Nevertheless, these initiatives appear insufficient after the Enron and Worldcom financial crises.

## **Canadian democracy and the Social Responsibility Commission**

Like the United States, the Canadian government started to consider new regulations. The commission about Canadian democracy and social responsibility proposed in 2002 the implementation of certain constraining measures in order to put an end to punishable behaviours of some company's directors. This commission supports the respect of the minimal standards of CSR that have been agreed upon an international consensus. Thus, according to the commission: human rights, fundamental workers rights, the environment, consumer protection, the ethical behaviour and the responsible corporate should be respected by Canadian companies. The Canadian government will engage in a unilateral action at the same time as carrying out legislative modifications to sanction Canadian and foreign companies (established in Canada) who do not respect these minimal standards.

## **The Canadian coalition for the good governance<sup>12</sup>**

In Canada, the corporate social responsibility arises in national debates under companies control or governance issues. The financial scandals such as Enron or WorldCom demonstrated companies fragility and their management structure deficiency. Several Canadian institutional investors launched the alert and asked for laws to redefine the power division between direction, administration council and shareholders.

Claude Lamoureux, who directs the Ontario's Teachers Pension plan (OTPP), and the financier Stephen Jarislawsky, from Jarislawsky Fraser, have created the Canadian Coalition for the good governance. This coalition militates to obtain better rules of companies control for making administrations councils more effective. The members of this coalition represent more than 700 billion CAD retirement funds (Lamoureux, 2002). Claude Lamoureux denounces the instauration of calls modes for company's leaders, which leads the direction to work against the shareholders interests:

"In certain companies, the direction and the administrators have got so many calls that can attain 10%, 15 %, even 25% of the shares. Thus, they divert a part of the richness to their profits, at the investor's expense. Even worse: this situation encourages the direction to consider only the short-term results. The leaders become speculators."  
(Lamoureux, Topicality, 2002, p.76)

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12 Champion, Emmanuelle. 2003. «Les initiatives canadiennes de responsabilisation sociale corporative : une tentative d'état des lieux», p. 5-13 in Champion, Emmanuelle, Julie Saint-Pierre et Corinne Gendron. 2003. *Initiatives canadiennes de responsabilité sociale corporative*. CÉH/RT 09-2003 *Initiatives canadiennes de responsabilité sociale*.

Lamoureux complains particularly about the too obliging Canadian laws regarding company's directors and denounces the little of means placed to the shareholders disposal in order to protect their interests. According to him, the institutional structures are weak. For example, the provincial transferable securities commissions which supervise the financial markets can impose just "voluntary" fines: in case of an infraction they agree with the faulty of the sum to be paid. For example, the previous Corel chairman, Mickael Cowpland, received five million Canadian dollars profits thanks to initiate offences, and has paid just one million dollars Canadian amend (Ibidem).

Thus, the Enron and WorldCom financial scandals encouraged the American and Canadian government's to take measures for protecting the shareholders' interests in order to restore confidence on the financial markets. However, these measures remain insufficient for many shareholders and more specifically as the new methods of control envisaged by the adopted regulations - in particular the Sarbanes-Oxley Act - seem to be not very effective<sup>13</sup>. We will present in the following section a form of shareholding, particularly developed on the North-American continent: responsible investments and placements.

### ***The shareholders: Responsible Investment and funds placement***

One of the most developed tools in the field of corporate social responsibility in North America is the socially responsible finance. Socially responsible finance is a type of investment which takes into account ethical and social considerations in addition to traditional financial objectives through the use of policies and management tools (Gendron and Belem, 2003: 39).

We can distinguish two tools in the socially responsible finance movement: the socially responsible investment and the socially responsible placement. To define them, the placement refers to "the action of putting money" whereas the investment concerns "the use of capital aiming at increasing the production of a company or to improve its output"<sup>14</sup>. Thus, "in practice, the placement generally relates to the financial activities on the secondary markets (shares or bonds) while the investment refers more specifically to direct participations or the financing of the companies" (Bourque, 2003: 10).

### **Responsible investment in the United States**

The ethical investment is a practice that emerged in the United States in the XVIII century, whereas the Quakers were giving up getting involved in the two most lucrative markets of the time: the war and slavery (Belem, 2003)<sup>15</sup>. In the XX century, several American Christian religious institutions avoided the armament, alcohol, tobacco and game sectors. The first

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13 See special edition about the Sarbanes Oxley Act published by the Agency Exposiain the website <http://www.lexposia.com>

14 These definitions have been extracted from the article of Gilles L. Bourque, economist «Code de pratiques pour les acteurs canadiens de la finance responsable», published in *Oeconomia Humana*, May 2003, p.10-13

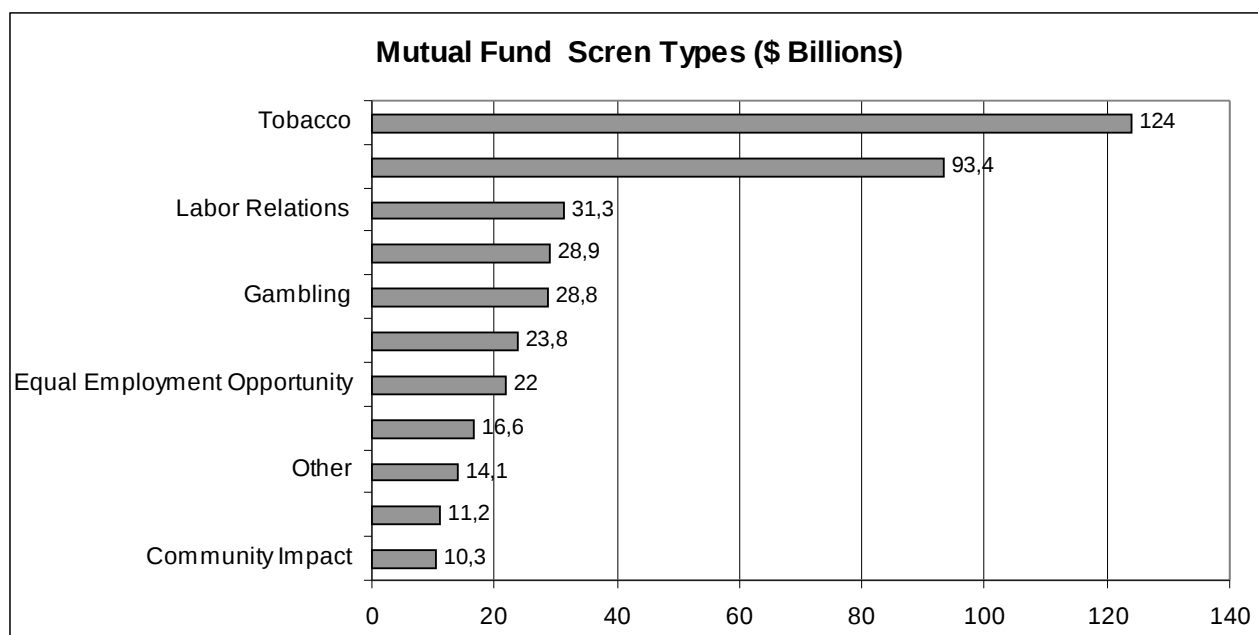
15 Even though for a lot of people, the terms "ethical investment" and "socially responsible investment" are interchangeable, it seems to us relevant to distinguish the ethical investment to which we can attribute a moral connotation, and the socially responsible investment which rather refers to the social impacts of the activities (Belem, 2003).

American socially responsible mutual fund created in 1928, the *Pioneer Fund*, drew aside from his investments alcohol, tobacco and pornography (ibidem).

In the particular environment of protest against the war in Vietnam and the claims for the civil rights, the student movements demand from the University Foundations to withdraw from the armament and the production of Napal (ibidem). The religious movements constitute on the other hand portfolios and pacifist funds such as *Pax world fund* (ibidem).

As you can see in the following figure, the ethical investment remains high in the United States. The screening used by management companies apply initially to tobacco and alcohol. The responsible investment is very heterogeneous: they relate to the working relations, the environment, job opportunites, human rights or the impacts on the community (Social investment forum, 2003).

**Figure 1: Social Screens used by mutual funds the US (2003) (Social investment forum, 2003)**



(Gendron et al., 2004)

Today, the ethical and responsible investments are particularly important in the United States, and this, despite the difficult conditions on the financial markets. According to Social Investment Forum, the ethical and responsible investments represented in 2003 more than 2.1 billion USD. The socially responsible mutual funds are also high: on the USD 2.1 billion, the socially responsible mutual funds of responsible placement counted for 1.51 billion USD (Social Investment Forum, 2003).

## Responsible investment in Canada

The responsible finance in its first form, the ethical investment, appeared in Canada in the '70 in the religious circles (Belem and Bouslah, 2003). According to Diane Boudreault<sup>16</sup>, the committed shareholders movement arrived recently in Quebec. Yves Michaud's interventions the so called "Robin of the Banks", allowed progresses in the banks management. According to RRSEs' president, it is probably this movement which was more noticed in Quebec in the Eighties. Mr Michaud has set up the ASSIQ, the Association of the Small Savers and Investors of Quebec, which aims particularly the protection of small investors (Boudreault, 2003).

In 2002, the socially responsible investment represented in Canada over 51 billion CAD, which in comparison with the US remains marginal (MJRA, 2002). Thanks to financial responsible agencies such as the Cabinet Mickael Jantzy Research Associates (MJRA) in Toronto, or the Responsible Investment Group of Montreal (RIG), the Canadian shareholders are better informed on companies' environmental and social behaviour. The shareholders are

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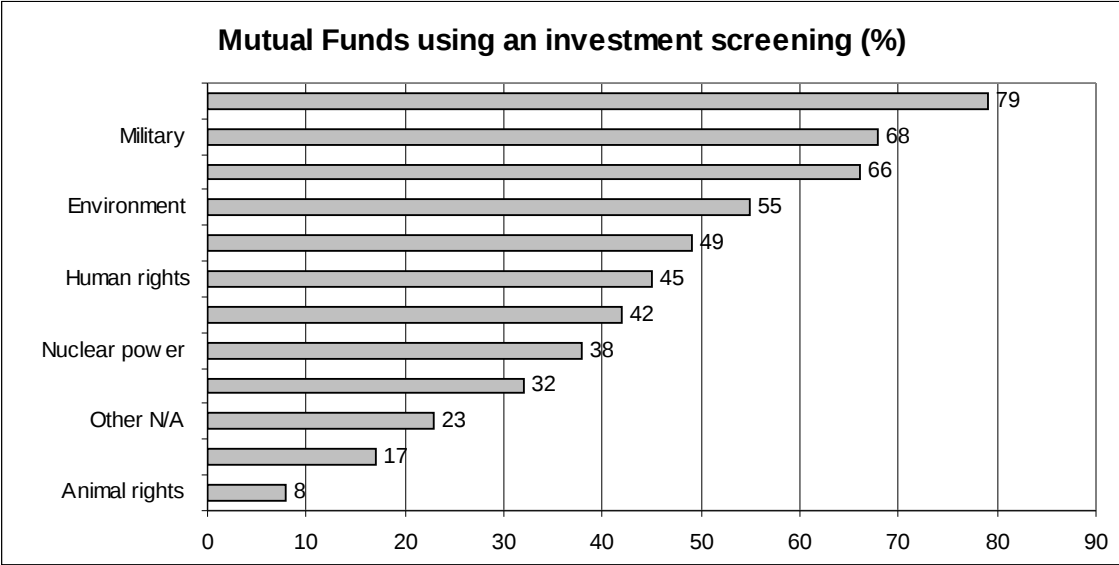
<sup>16</sup> Diane Boudreault is the president of the organisation « Regroupement pour la Responsabilité Sociale des Entreprises (RRSE) », organisation that will be introduced in a following section.

that well informed, that they can invest on companies qualified as being socially and environmentally responsible by these agencies.

The Canadian investment funds are particularly active in Canada. The investment funds Ethical Funds presented in February 2003 a proposal requiring to Alcan to become member of the Coalition for responsible economies towards the environment, while engaging to respect the ten CERES principles. Ethical Funds is currently negotiating with Alcan on this subject (GIR, 2003).

Just like in the United States, the ethical investment is continuing to be dominant: tobacco, military industry and alcohol arrive in top of the screening used by the trust companies of placements (SIO, 2002). The responsible investment is focused on other social and environmental issues such as human rights, nuclear energy, the autochthons and animals rights.

**Figure 2: Percentages of social screens used by Canadian investment companies (SIO, 2002)**



(Gendron et al. 2004)

The practices of responsible investment should increase in the next years. Indeed, until very recently, the Canadian companies could reject any proposal on social issues. This had as consequence a slow down of the development of this form of responsible investment in Canada. The Canadian law was amended and allows today the deposit of resolutions in social matters as long as these resolutions are not requests likely to weaken the company's profitability (Gendron et al., 2004).

**North American companies**



Voluntary publication of social and environmental reports is a current practice within the North-American companies. American companies appear on the third world rank as regards practices of social and environmental reporting (Stratos, 2002).

Even if the publication of this type of reports remains voluntary and is not constraining in the United States, it seems becoming an increasingly important tool of influence. In 2002, the United States Supreme Court judged that the activist Marc Kasky could prosecute the sporting equipment supplier Nike for its untrue advertising and declarations in particular regarding the way in which Nike's third world countries employees work (The duty, 2003). This case indicates that the companies codes of conduct published in a voluntarily could become important juridical leverage for the social agents.

As per the Canadian companies, they are increasingly inclined to publish reports about their social policies. In 2002, 13 % of the companies in Toronto Stock Exchange (TSX) 300 index published a report, that is to say an increase of 10 % since 2001 (Stratos, 2002).

According to the Stratos research, the practices of social and environmental reporting of the Canadian companies are in the averages: Canada is located behind Japan, the United Kingdom, the United States and Germany, but precedes Australia, France, Italy and Belgium (Stratos, 2002). In 2002, the sectors that had published most reports were the sectors of services and mines, followed by the forest products. The food and transport sectors, drink and tobacco began the publication of this type of reports in 2002 (Stratos, 2002).

North-American companies publish on voluntary basis their social and environmental reports. These practices known as "not constraining" could become new legal leverages for the corporate activists, which could slow down the diffusion of this type of practices.

## **NGOs**

Several North-American NGOs have positioned themselves in relation to corporate social responsibility. Amnesty International Canada is currently conducting a campaign in order to promote the social responsibility and to raise public awareness on corporative stakes. Greenpeace Canada is also an important player: its campaigns against the GMO regularly target companies considered to be socially irresponsible. The Monsanto Company which was been particularly aggressive towards a Canadian farmer who was accused of using their transgenic seeds fraudulently, is target regularly through pressure campaign.

In the United States, NGOs like Sierra Club or CorpWatch, are also very active in the field of corporate social responsibility. The NGO "Essential Information" founded in 1982 by Ralph Nader plays an important part in raising public awareness and in observing companies behaviour. Its network *Multinational Resource Centre* provides information to South activists about American companies.

One of NGOs characteristics is to set up strategic alliances with other social agents, in particular the American and Canadian trade unions in order to develop Pan-American actions. These coalitions between NGOs and trade unions were launched in particular at the time of the NAFTA negotiations:

.... there are especially the AFL-CIO and the ecologist movement organisations, such as Sierra Club and Greenpeace that launched the plot against NAFTA. The strategy they used was deployed in two times, and for this purpose, in January 1991, they set up two



parallel networks having each one of them a specific mission. The first network, called Citizens Trade Campaign (CTC), had primarily as function to develop a strategy with respect to the legislators, i.e. Congress, in order to prevent the granting of the so known "fast-track" procedure required by the President Clinton in forecast of future trade negotiations. As for the second network, it was to form a coalition against the free trade called Alliance for Responsible Trade (ART) which had a double mandate: in one hand to develop alternatives to Americas project and on the other hand, to tie connections with similar coalitions elsewhere in North America (Dorval, 1999: 5).

This "coming together strategy" between NGOs and trade unions was reinforced during AFTZ's negotiations. Trade unions and American NGOs gathered to constitute the Continental Social Alliance (CSA) which organized a parallel summit, the "Summit of people", during the AFTZ negotiations in Quebec in April 2001. A peaceful demonstration with more than 100, 000 people enclosed this Summit.

## **Practices of various economics agents**

In this section, we will illustrate the practices of various economic agents as regards corporate social responsibility. To achieve this, we will present 10 case studies covering good practices of CSR from companies, trade unions and civil society.

### ***Patagonia: from eco-conception to political commitment***<sup>17</sup>

This Californian Company specialized in high quality clothing for open air sports has a turnover of 182 million dollars and employs throughout the world 900 employees. Patagonia is directed by the founder Yvon Chouinard, a committed ecologist mountaineer.

This company shows a will to use an economic dynamics "to imagine and put in place solutions to the ecological crisis" what is opposite to the very polluting traditional textile industry (Laville, 2000).

Patagonia started in the middle of the eighties a processes of reorganization of its activities in order to minimize its environmental impacts: reduction of its ranges, voluntary limitation of its growth and engagement of company's sustainability, environmental policy on its sites, eco-design of its products, ecological manufacturing process (Laville, 2000).

For the fabrication of its products, the company uses organic cotton supplied by BeneficilaT's which is the biggest distributor of organic cotton in North America.

Patagonia participates in supporting programmes for environmental NGO's and even has founded a "voluntary tax for the ground": 10 % of the company's annual profits are distributed to the associative world. Patagonia is committed to the preservation of natural environment in Patagonie. This company supports the Californian NGO "Patagonia Land Trust" and "Fundacion Vida Silvestre" by donating important funds.

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17 Laville, Élisabeth. 2002. *L'entreprise verte*. Village Mondial, 304p.

Patagonia's approach is accompanied by a permanent practice of vision and pedagogy sharing with its employees, partners and customers.

Patagonia shows its political commitment through various programmes on the education of the society: the company is currently doing a campaign for the American citizens to vote in *favour of the environment*. Through this campaign, Patagonia incites the citizens to register for the election and vote for the democrats.

### **Teck Cominco: taking into account the stake holders<sup>18</sup>**

Teck Cominco Limited is a company focused on the exploitation of natural resources and has as principal activities mining extraction, melting and refining. The company has its Head Quarters in Vancouver and has 9 productive mines in Canada, the United States, Peru and has important refineries of zinc in Canada and Peru (Natural resources Canada, 2003). Teck Cominco employs currently over 6 000 people and has 5 8000 shareholders. In 2001, Teck Cominco had incomes of approximately 2, 4 billion CAD.

Teck Cominco has a mine in the Metaline Falls locality which is located in north of Washington. This region has a very high rate of unemployment: the closing of a mine and cement factory, and the end of forest production harmed severely the economic prosperity of the area. Teck Cominco estimated that the lifespan of its extraction site was of 12 years. In order to limit the negative impacts of this closing, the company established a dialogue with the community and stakeholders:

Very quickly, the company established a dialogue with the communities and the stakeholders for agreeing on the division of the positive repercussions, to minimize the effect on traditions and local lifestyles, to attenuate the threats on the environment, to plan the communities future after the closing of mines and to work out mechanisms for responding to questions or issues that might come up and concern the communities (Natural resources Canada, 2003: 24).

The company profited from a successful experience with CHICK Inpiat next to the Red Dog mine in Alaska regarding the relationships with the communities that live in close proximity to mines. Thus, Cominco Teak and the Town council of Metaline Fall form in 1998 a committee with about fifteen community and company representatives charged to establish and maintain the necessary contacts and to establish a community economic development plan. Following this collaboration, several priority elements were defined of which in particular the priority access of the job buildings created by the mine and the economic conversion of the exploitation site.

This Teck Cominco openness to dialogue has positive repercussions not only for the community but for the company as well. Communities can express their expectations towards the company, control the positive (creation of jobs) and negative (harmful effect to the environment and closing of the exploitation) repercussions. The company can proceed to the site opening in a trustful environment and thus avoid all conflicts associated with the project.

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<sup>18</sup> This case study is based on the final report « *Responsabilité sociale des entreprises: principes, enseignement* » prepared by the Governmental Working Group on the issue of Social Responsibility of companies working with natural resources in April 2003.

Moreover, this collaboration facilitates obtaining exploitation licence to the regulation organizations. According to Natural Resources Canada, such a process made it possible "to reorientate the debate, to focus the debate around the way in which the "mine can contribute to community's social prosperity" rather than on "the negative effects of the mine" and the question of employment compared to the environment" (Natural resources Canada, 2003: 29).

### **1.1 Tiger brand: a Canadian company of social economy**

Before dropping the tariff barriers allowed during NAFTA's establishment, Canada was an important producer of textiles and clothing. Since then, many clothes industries were delocalized in Mexico in the Maquila zones. These factories employ low price labour who is often not well educated and predominantly women and children. Trade unions are prohibited. As a consequence workers do not have any mean to defend themselves and they are even threatened when they try to be collectively organized. Conscious of this problem, the Tiger brand Company began various programs on social responsibility.

Tiger Brand offers a whole line of comforts clothing manufactured in Canada by syndicated employees and working under acceptable conditions. This company is a cooperative where the workers are part of company's decision making structure.

The clothing manufacturer Tiger Brand Knitting offers an environment where the syndicated employees can cooperate with company's managers. These employees take part in the management of human resources. Tiger Brand gets involved also in the community of Cambridge in Ontario where it holds its operations while working in constant relationship with the local community.

Tiger Brand is a pioneer company regarding social responsibility in North America. A significant number of clothing manufactures companies declare to establish socially responsible policies, which means they do not outsource sweatshops. But there exists very few independent institutions to validate these policies. Tiger Brand works closely with Maquila Solidarity Network so to encourage the legislation application of allowing independent certification of these companies.

### **Vancouver City Savings Credit Union <sup>19</sup>**

Created in 1946, Vancouver City Savings Credit Union is the first financial co-operative in the English speaking part of Canada. Today VanCity Bank has become the Canadian most important co-operative of savings and credits with a credit rising up to 7.5 billion CAD. It counts more than 280 000 members and has 39 branches in the British Colombia. As a financial co-operative, VanCity subscribes to the co-operative principles of International Co-operative Alliance (ICA), an international NGO whose mandate is to unite and serve worldwide co-operatives in multiple sectors (Natural resources Canada, 2003).

VanCity is guided by its engagement to corporate social responsibility and its desire to improve the quality of life of its communities (VanCity, 2004). Besides VanCity respects a

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<sup>19</sup> This section is based on the final report, *Responsabilité sociale des entreprises : principes enseignements*, prepared by the Inter-ministry Working Group about Corporate Social Responsibility in April 2003.

Statement of principles entitled Statement of Values and Commitments (SOVAC) which was elaborated in consultation with the concerned stakeholders. In this declaration we find the following "the mission, objectives and values of the credit co-operative are translated into engagements which must be taken upon in order to show that it is faithful to its principles" (Natural resources Canada, 2003: 25).

In this document, VanCity states to have for objective working with people and the community in order to help them to open out and develop. For achieving these objectives VanCity takes several actions of which in particular:

- **Micro loans:** VanCity supports small and medium-sized local companies by offering micro loans of more than 25,000 CAD to enterprises that are in a launching period or that are expending their business;
- **Program ABLED:** Handicapped people are often limited in their access to commercial loans and financial advices. In order to balance the under representation of handicapped people in the entrepreneurial field, VanCity set up a special program ABLED which allows them to have access to loans and financial advices;
- **Support to communities' social companies:** VanCity supports financially community companies that have social and environmental vocation and proposes to them preferential loans and adapted financial counselling.

VanCity published in 2002-2003 a social report which was assessed by an external auditor, the Interpraxis agency. This report is based on the AA1000 standard but includes criteria of sustainable development report of the Total Reporting Initiative (GRI) and also the standards of Canadian Institute of Chartered Accountants (CICA).

### ***Corporate Social responsibility regrouping***<sup>20</sup>

Corporate social responsibility regrouping (CSRR) is an association of investors which joins together a couple of dozen religious communities and association.

Corporate social responsibility regrouping (CSRR) was created under the "Taskforce one Churches and Corporate Responsibility" (TCCR). TCCR is an ecumenical coalition gathering the principal Canadian churches. Founded in 1975, the TCCR aims at promoting social and ecological responsibility in companies established in Canada as well as in the financial institutions. Located in Toronto, the TCCR would like to initiate similar associations in other areas of Canada.

In the '90 the Sainte Anne Sisters and Oblats of Marie-Immaculate set up a team which has as main task to make known the TCCR in Quebec. In February 1996, for the official launching in of the working paper in French "*Principles of companies global responsibility: measures for performance assessment* ", the team joined together media and representatives of various churches, religious congregations and engaged organizations in social pastoral and human rights defence.

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<sup>20</sup>This information was collected in the official site of Corporate social responsibility regrouping <http://www.rse.org>

To ensure a successful start, the Quebec team commits to work closely with TCCR - Toronto for the shareholders' shares. In 1996 and 1997, a couple of representatives of three religious congregations submitted to the Power Corporation shareholders assembly a resolution aiming at obtaining more feminine representation within their board of directors.

Following this action, TCCR-Quebec yields officially the place to the corporate social responsibility regrouping (CSRR). Twelve religious congregations, an association and three individuals sign the association contract that constitute them CSRR founder members.

This association's main mission is to "influence on a corporate social responsibility level through the use of the members collective economic capacity while being responsible shareholders inspired by Christian and human values of justice".

CSRR tools are multiple and they consist in "exchanging with associations pursuing the same goals; dialoguing with companies; supporting and presenting shareholders proposals related to the respect of workers rights, environment "

As an engaged shareholder, various actions were carried out by the RRSE of which in particular<sup>21</sup>:

- **Support of shareholders proposals:** In 2003, CSRR has required to its members to support oil shareholders proposals. These proposals required more transparency towards shareholders regarding the costs of Kyoto's Protocol implementation and the use of alternative energy sources (Boudreault, 2003);
- **Co-signature and presentation of a shareholders proposal:** a CSRR member has presented a shareholders proposal and has co-signed another one in an oil company. The first action was withdrawn, because the company agreed on the proposal and was ready to dialogue with the interlocutors on the ways of achieving the proposals objectives. The second one which relates to Imperial has been continued (Ibidem);
- **Dialogue with a company:** the CSRR uses favourably this type of action which can take several forms. The dialogue can be done before the public intervention; the purpose being to question the company on its social and environmental practices and to find a collaboration between the coalitions representatives. Sometimes only a public confrontation can be efficient. Thus, the association has tried to enter in contact with representatives of the Canadian company Alcan before submitting to the annual assembly of shareholders in 2001 in order to question the company on its project of bauxite extraction in India.

In general the CSRR proposals have positive results. Following a proposal of shareholder at Baie, the company currently works for the development of a code of conduct to eradicate abusive work from the workers on its outsourcing companies. This code of conduct will be in conformity with the criteria given by International Labour Organization (ILO) as it was required by the shareholders.

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21 This section is based on the speech of the president of CSRR Diane Boudreault, Responsible investment given in the framework of the meeting Responsible Finance and Social Money organised by the chair of Economy and Humanism from 2à-22 November 2004 and available in the CSRR's website: <http://www.rse.org>

CSRR stresses the need for joint actions between shareholders in order to ensure the impact of such proposals. According to CSRR, the shareholders must be aware of their responsibilities: "the investor's social responsibility should result in a positive influence on the company to help it become more socially responsible" (Boudreault, 2003:9).

### ***The solidarity funds of the Quebec Workers Federation: a collective tool in service of the community***<sup>22</sup>

The Mutual aid funds MAF was created in 1983 at the instigation of the Quebec Trade Union, the Quebec Workers Federation (QWF) and the government of Quebec.

The creation of the Funds is carried out in a context of power change between the social agents. In the eighties, the closing-down of factories and the rise of unemployment were being advantageous to the "responsible of growth" or company and the investors. The MAF positioned itself next to the growth boosters and proposes a form of partnership that profits from the government's support which then starts a new turn in its economic policy (CRISES, 2001).

First in its kind, the Mutual aid funds has the role of collecting the voluntary saving of the workers in particular that intended for their retirement, in order to capitalize Small and medium-sized Enterprises (SME). The Mutual aid fund is a stock development company. Its principal mission is to contribute creating and maintaining jobs in Quebec, while investing in SMEs.

Today this Mutual aid funds counts 551 202 shareholders, or 59 % of trade unionists and 41 % coming from general public. In 2003, the Funds represented a credit of 4.6 billion CAD.

One of its objectives is also to provide a fair output to its shareholders. The objectives are defined as follows:

- To invest in Quebec companies and to provide them services in order to contribute to their development and to create, maintain and safeguard jobs in Quebec;
- To promote and contribute for the training of the workers in the field of economy;
- To stimulate the Quebec economy by strategic investments which will be advantageous to employees and companies;
- To raise awareness between the workers for saving for their retirement and to take part in the economies' development by subscribing in Funds shares (Belem and Boulash, 2003).

The Mutual aid funds FTQ selects companies in which to invest according to the following criteria's:

- Experienced, qualified and dynamic team;
- Output equivalent to the risk is being taken;
- Business opportunities and attractive market;
- Judicious business concept and model;

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22 This section is based on Belem Gisèle et Kaïs Boulash. 2003. *Les fonds communs et les fonds de travailleurs socialement responsables au Canada*. Research Report no 1-2003, 47p.



- Shareholders and top management respectful of the Funds mission and objectives;
- Opening to partner-investors and to alliances;
- Creation and maintenance of decent and sustainable job

If these conditions are met, the Funds carries out a demand analysis or a financial situation, a market research, a management assessment and finally a companies' social check-up (Belem and Boulash, 2003).

The Mutual aid funds seem to be a great success: since its creation, it reaches an annual average output of 4.9 %. Since 1983 more than 90 919 jobs have been created in Quebec. The Funds seems today as a good model for many European and African trade unions. The MAF currently collaborates with the Francophone Cultural and technical Cooperation Agency for creating the Senegal workers Mutual aid funds. Other trade unions such as LO of Sweden, CGT and CFDT of France, the Metal-workers of United States, the Metal-workers of Argentina are impressed by the Funds achievements without however seeking to create a similar Fund in their countries. Indeed, although this innovation appears interesting in many respects, it is not necessarily transposable in another institutional context.

### ***Maquila solidarity network***

Maquila Solidarity Network (MSN) is a Canadian network who favours solidarity with groups in Mexico, in Central America and Asia. They are organised to improve the working conditions and to obtain a minimum wage for the workers. The MSN, as a network, claims that is essential in a global economy that North and South groups work towards common objectives, and join their forces.

Since its creation, MSN has made the promotion of international solidarity and they have especially supported the efforts of textile and toy's workers industry. MSN supposes that retailers are responsible for the conditions under which their products are manufactured.

This network supports groups which are organized against manufacturer abuses on various levels. Through corporate campaigns and popular education workshops, the network puts at day the working conditions under which are produced daily consumer goods. Their ultimate objective is to increase the public pressure on the retailers and the clothing companies so they will improve their manufacturing practices. Among the recent campaigns, MSN aimed Nike, the Company Bay d'Hudson, GAP, Gildan Activewear and Wal-Mart.

By this type of initiatives, MSN has played a vital role in the establishment of a "networkage" process of Canadian trade unions, confessional groups, students, and women, groups working in international development, Community groups and people concerned by these types of issues. More than 400 individuals and organizations overall Canada are part of this network. Canada's Work Congress (CWC), Canada Oxfam, the clothing, textile and other industries' Trade union, the Canadian Council for the international co-operation, the Canadians Council, the Canadian Trade union of communications, of energy and paper, Canadian Trade union of Work and immigration, the Quebec workers Federation, (QWF), several teacher's federations and work councils are already parts of this organization and play an active role in the campaign " No to the exploitation!" of the network.

By knowing better MSN's campaigns, it becomes easier to understand the amplitude and the relevance of the network initiatives within the framework of this research on the social

responsibility. The network tries to bring together different actors of civil society so to intensify the pressures on companies for the management of their human resources. This nongovernmental organization plays an important role as a mediator in certain Canadian and US companies. The MSN contributed to the adoption of the first collective agreement by the hats firm BJ&B in Dominican Republic. Within the context of its pressure strategy, FTQ Solidarity Funds withdrew recently their actions in Gildan Activewear because of trade-union practices in Honduras factories. These examples illustrate the new means of pressure used by this network in a Pan-American level.

The MSN's success can be explained not only by this "networkage" and the popular education campaigns in North America, but also by the direct support brought to the workers in the Maquila. Moreover of these North-American popular education campaigns, the trade unions of the Canadian Car Workers (CCA) have introduced an initiative of trade-union trainings between syndicated workers in North and South in order to develop new strategies of pressure on companies.

In addition to this, the Confederation of National Trade Unions (CNTU), one of the three larger trade-unions in Quebec, who works close to MSN, believes that solidarity between the workers should certainly not stop in national borders. In the global world economy the world regions are integrated: jobs, working conditions, public services and social programs are determined by external economic influences. Thus, the priorities for the majority of North-American trade unions become the improvement of working and life conditions of the workers in north and south. The Quebecor printing company employees have just launched a North-American awareness raising campaign to increase public pressure against the sweatshops in South.

Other organizations are implied in the MSN network, in particular Taskforce on Churches and Corporate Responsibility (TCCR). By occupying companies open spaces, this religious community seeks to install codes of conduct. The TCCR invests also assemblies of shareholders to question companies' practices with respect to their employees, the environment and the society in general.

Maquila Solidarity supports a strict legislation for the certificates' use in the textile industry.

### ***The example of students against sweatshops***

Students Against Sweatshops - Canada (SAS-C) is a students regrouping, formed during a conference held in the University of Toronto in February 1999. The general goal of this regrouping is to gather various student groups all over Canada that claim sweatshops prohibition.

The network works regularly with Groups of public research interest (GRIP) on several campuses of Canada. The SAS-C is part of a more important network that is linked to the US group: United Students Against Sweatshops (USAS). USAS is already present in more than 200 campuses in United States. The network Students Against Sweatshops (SAS) elaborates in different Universities public pressure campaigns and popular education.

The short and long-term network objectives are similar to the objectives of Maquila Solidarity Network (MSN). First of all, SAS tries to support the sweatshops workers efforts for the improvement of their social rights and working conditions. Then, the network is given as



mission to make aware the university population about sweatshops issues particularly those related to unionisation rights and the right to a decent minimum wage. Finally, SAS recognizes and uses the strategic position occupied by students in their Universities.

SAS tries to install codes of conduct within the Canadian universities, that make regularly business with sweatshops for buying clothes (bought by the university administration), such as for the sport teams uniforms, etc. By elaborating codes of conduct for the certification of university clothing, SAS believes to have a true impact on consumer's level of awareness, but especially on the factories workers which, most of the time, are unaware of these codes existence.

The network affirms that sweatshops workers are often unaware of the existence of these codes of conduct which establish basic norms in factories. The network's job is also about the information on existing alternatives. Although lots of companies establish a code of conduct, there are very few of them to require to contractors to inform, supervise and administer those codes (the codes that inform about workers rights) to their employees. According to SAS, codes of conducts are used as norms and through these standards it becomes possible to judge corporate responsibility and university responsibility. In parallel, the network group members recognize the strategic place occupied by Canadian universities in the role of public institutions.

### **Corporate Responsibility Assessment Tool (CRAT)** <sup>23</sup>

The Conference Board of Canada is a Canadian non-profit-making organization that has as objective to raise companies' awareness regarding their responsibilities in social and environmental issues. In collaboration with the firm Imagine, the Conference Board of Canada has just created the Corporate Responsibility Assessment Tool (CRAT). This is a tool which will facilitate the adoption and the implantation of corporate social responsibility policies within enterprises. (Lafrance, 2003).

The CRAT was elaborated in a collaborative approach between the industry and multiple stakeholders interested by the corporate social responsibility. Thus, this data-processing software allows to asses the corporate policies and strategies in relation to criteria defined by the stakeholders. CRAT is an original tool for confronting the various existing visions on the corporate social responsibility and proposes a place of uncommon dialogue between the company and the rest of the society (ibidem).

The CRAT works on the principle that there is a growing number of people aware of the potentially negative impacts of the decisions taken by some corporates. These impacts can touch all of company aspects starting from the human rights to the environment. The corporate social responsibility as a philosophy and a practice puts forward the principle that the company must consider not only its obligations and responsibilities towards its shareholders, but must also widen its obligations and responsibilities towards the civil society in a broader sense. Thus, according to this approach, the company is also indebted towards its customers, employees, suppliers, communities in which it holds its operations, but also towards the future generations (ibidem).

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<sup>23</sup> Cette section se base sur l'article de Lafrance Marc-André. 2003. Corporate Responsibility Assessment Tool de la Conference Board of Canada. *Oeconomia Humana*, novembre 2003, p.10

However, the Conference Board of Canada and Imagine noted that in front of the growing interest for corporate social responsibility, there exist very few concrete tools to guide the industry. As accessible software on Internet, the CRAT serves as a tool for the managers so they can use it to manage measures and improve their performance in terms of corporate social responsibility. This software makes it possible to reconcile the various definitions of social responsibility and expectations towards the company. The ultimate objective of CRAT was to develop a reliable tool that can be implemented and used by private companies (ibidem).

CRAT's creators define the corporate social responsibility in five precise categories: Governance and managerial practices, Human Resources management, Community Investment and involvement, Environment, Health and Safety and finally Human Rights. This tool was elaborate according to expectations expressed by the various guarantors within the framework of a national consultation. CRAT integrates and synthesizes codes of conduct, norms and general principles adopted in an international level who reflect the corporate social responsibility vision (ibidem).

These codes and standards include the UN Total Compact, AccountAbility 1000, Amnesty international, and the OCDE's conduct guide for multinationals, Taskforce on Churches and Corporate Responsibility and the CERES's Principles (ibidem).

During this tool's creation, a dialogue has been established between the actors. It was possible to raise concrete appreciations, concerns and suggestions for an improvement of this tool. Finally, the CRAT is a dynamic tool and absolutely not stagnant, but rather able to reconcile the companies changing needs and society's expectations in an integrated and continuous way. Indeed, in order to keep CRAT's relevance, the stakeholders will inevitably see themselves forced to continue their commitment in this consultation process which has started in 2001 (ibidem).

## **1.2 The Bingaman's law project**

In the United States, the Corporate Social Responsibility emerged as a national debate during the eighties. Even if United States positioned itself in favour of the liberalization of exchanges within America, the company's delocalization, particularly in the manufacturing sector and clothes industry, harms American employment. This is why a bill had been considered during the Clinton administration to stop the American companies drain towards the southern countries. This bill planned to establish a legal framework on social responsibility but was abandoned by this administration because they preferred to support voluntary measures.

The democrat senator Mr. Edward Kennedy proposed in Congress in 1995 the adoption of a taxation system to favour companies that create employments in United States. He proposed to assign tax penalties for companies who close up their fabrics or who dislocate abroad their productions sites. As a matter of fact, the American employment has been severely touched by NAFTA which, since 1994, involved a massive delocalization of the American industry.

The Senator suggested the possibility of a law requiring to companies to identify - and write in a report - their efforts regarding corporate social responsibility and to offer to the most virtuous the priority on contracts offered by the federal Government (Hemphill, 1997). The

Senator Jeff Bingaman introduced in a forum to democratic senators, the details of this proposal entitled "*The A-Corporation*". The first objective was to encourage companies to behave in a responsible way towards their employees, communities and the society as a whole. This proposal was based on the certainty that, to be more competitive in a volatile and global economy, companies and employees should act as allies to carry out successfully corporate strategies.

To make companies more responsible and to create a spirit of partnership, necessary to national competitiveness, Bingaman proposed tax relief, less constraining administrative procedures and priority on the contracts emitted by the federal Government. In order to profit from these measures, companies should be listed on the "A-Corp", which means "Businesses Allied with America's working families". In order to stabilize the financial capital and to reduce the pressure to make profits in the short term, Bingaman's proposal included the creation of a 0.5 % tax on shares sales acquired on less than two years. The funds thus collected were to be used to create a special fond for education and Research and Development (R/D).

This bill proposal was rejected in 1996 by President Clinton who opted for incitative and non constraining measures in making responsible the American companies. Moreover, this project was against Clinton policies that were focused at that period in the decrease of governmental interventions in economic issues and a cutting down of the public function.

## **Identified needs in relation to the CSR stakes in North America**

In this section, we identify the specific needs as regards CSR in the North-American context:

- a political good-will of the American and Canadian governments to put in place a constraining legal framework regarding CSR;
- a definition reached by consensus of Corporate Social Responsibility to guide the companies in the setting up their actions (Natural resources Canada, 2003);
- the creation of institutional authorities focused in the dialogue such as the Pan European Companies Committees in order to allow negotiations between social agents and companies' top management at an intercontinental level;

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