

Corporate Social Responsibility

March 2006

A TLWNSI ISSUE ESSAY

Living Wages: The GRI's Missing Link

The New GRI's "G3 Sustainability Reporting Guidelines" Continue to Avoid Living Wages, the Missing Link of Sustainability

By Álvaro de Regil ^a

Periodically, TJSGA publishes essays of relevance for The Living Wages North and South Initiative (TLWNSI). This essay argues that the new GRI's "G3 Sustainability Reporting Guidelines" fails, once again, to address the critical issue of living wages and relies on the same old multilateral norms that condone the corporate practice of paying misery wages in most countries in the South, despite the fact that a living wage has long been declared a human right. There is an implicit missing link in the world's pursuit of true sustainability.

□ Introduction

The Global Reporting Initiative (GRI) released in January its draft version of its new Sustainability Reporting Guidelines, named the G3. The GRI is a multi-stakeholder process and independent institution. It defines its mission as making sustainability reporting as routine and comparable as financial reporting, a sort of triple-bottom line, often mentioned by other civil organisations, encompassing the financial, environmental and social roles of business, or as the Triple P (people, planet and profit) as defined by others. The GRI pursues its mission through the development and continuous improvement of a reporting framework that can be used by any organisation to report on its economic, environmental and social performance. The GRI has become the popular framework for re-

porting, on a voluntary basis, for several hundred organizations, mostly for-profit corporations. It claims to be the result of a permanent interaction with many people that supposedly represents a wide variety of stakeholders relative to the impact of the activity of business around the world. Yet, the absence of the critical issue of a living wage leads to the conclusion that there is a consistency in the avoidance of this issue by the process followed by the GRI multi-stakeholder working groups, at least since 2002, supposedly created to continuously improve its reporting guidelines.

Content

- Introduction
- The Fundamental and Critical Importance of Living Wages in the Pursuit of Sustainability
- The Missing Link in a Global Market System
- Equal Pay for Equal Work of Equal Value North and South – the Missing Link
- Democratic or Corporate Orientation
- Flexibility and Voluntarism
- Corollary

The GRI explains that components in the reporting framework are created and continuously improved using a series of multi-stakeholder working groups that revise existing content or develop new content. The multi-stakeholder groups aspire to represent a balanced composition of people from all parts of the world and from different professional backgrounds, including business, civil society, investment, labour, accounting, academia, and others. The groups seek to arrive at a consensus about what the most important issues for organizational reporting are, and how these issues should be captured in the form of

reporting indicators, disclosures, principles or other elements.¹ Yet, these groups appear to represent only those who are “practitioners” of the GRI framework and not of the entire spectrum that would represent all sectors of global civil society as a whole. Indeed, the GRI explains that, due to this multi-stakeholder working group approach, the GRI reporting framework is a direct reflection of the experience, learning and opinions of those practitioners that engage actively in the “GRI network”.²

Notwithstanding the evident limitations of this reality, in addition to the working groups, the GRI has always made an effort to reach out to as many people as possible around the world and invite them to participate, through various vehicles, in the development of the Guidelines and reporting framework as a whole. Indeed, I myself participated in the development of the 2002 guidelines. Nonetheless, it seems that the views of the working groups and, ultimately, of the governing bodies –the Technical Advisory Committee, the Board of Directors and the Stakeholder Council– make the ultimate decision on the components, regardless of whether they reflect views frequently expressed by individuals or organizations aside from the “GRI network”. On this occasion, the GRI has launched a campaign to get people involved in the final stage of development of the new G3 by reviewing the draft. The GRI has opened a window of three months, until 31 March, for people to participate in this process. People can attend “Sneak Peek” presentations of the GRI and informally discuss with the speakers the G3 Guidelines. As in past updates to the GRI framework, people are offered the opportunity to contribute their input through a structured feedback process, designed to elicit broad opinions and general views, as well as very specific detailed responses, by filling out a web-based comment form.³ People or organisations can also participate in informal “Discussion Forums” that will bear no input on the final version of the G3.

In the experience of The Jus Semper Global Alliance (TJSGA), for the 2002 Guidelines, or G2, I contributed our opinion by filling out a very detailed “Questionnaire for GRI Guideline Reporters and Users”. I was also invited to participate in the

¹ GRI, G3 public comment. Everything you need to know about the DRAFT G3 Guidelines – past, present, and future, p. 2.

² *Ibid.*, p. 2.

³ *ibid.*, p. 20.

Discussion Forum for “materiality”. These contributions are posted online as messages and an excerpt for each topic is published as a pdf file. Yet, there is no real sense of engagement with the designers of the Guidelines. After submitting the questionnaire and participating in the forums, there is no feedback and no opportunity to sense the reaction to our contributions. This leaves much to be desired, especially when contributions are the result of thoroughly well-documented and informed perspectives.

In the case of TJSGA, its only mission and *raison de d'être* is The Living Wages North and South Initiative (TLWNSI). This is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR), and it focuses on gradual wage equalization based on purchasing power parities (PPPs) to determine living wages in different economies. We believe that real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice and sustainability. In a globalised economy, we have endured the globalisation of labour markets, prices and consumers but not of labour endowments. The benefits have been privatised, but the costs have been socialized. However, there cannot be sustainability without social justice. Yet, living wages is an element that has been systematically excluded by multilateral organisations, governments and the so-called multi-stakeholder initiatives, such as the GRI. To the credit of the GRI, our perception is that they are, by far, the organisation most open to engaging all sectors of global civil society and somehow listen to their views. Yet, the GRI too, has systematically ignored our call to review the Guidelines addressing the issue of wages and labour compensations.

□ The Fundamental and Critical Importance of Living Wages in the Pursuit of Sustainability

A living wage is the most fundamental item in the social and economical responsibilities of business. If a business entity does not compensate its workers with a living wage, or makes sure that the workers of the companies that constitute its supply chain are

also compensated with a living wage, then it can only be concluded that these workers are being exploited, usually dramatically exploited, by receiving hunger wages instead. How can a business entity in this situation be regarded as a responsible enterprise? If a company pays misery wages, then it should be labelled as an exploitative company, even if it behaves in a very responsible manner in all other areas of the social, economic and environmental dimensions of its activity. It is also behaving in a fundamentally unsustainable manner, for paying misery wages has a direct impact on the generation of more inequality and of more social and environmental decay, by contributing to the widening gap between rich and poor both in rich and poor countries. Furthermore, it should be clear that this exploitation of labour does not occur by accident. On the contrary, the exploitation of labour is the result of a premeditated and thoroughly calculated and perverse business decision. Corporations roam the world in search of the lowest labour costs that they can get. This practice is at the heart of today's Darwinian capitalism system of exploitation. In this system, both host governments and corporations work in partnership to exploit the natural and human resources of the host countries. It is part of the historical neo-colonial partnership between the southern oligarchies and the centres of global capital. The only difference is that, with the imposition of global neoliberal capitalism, this exploitation is no longer just a centre-periphery event, for it occurs globally and cuts across societies by including and excluding people, both North and South, from the so-called global market system.

This is why all the available norms, standards and guidelines drafted by multilateral organisations, civil society and governments systematically avoid the issue of a living wage, despite the fact that it must constitute a *conditio sine qua non* element in a truly sustainable and socially responsible business ethos. A living wage must be an inherent and inextricable core element of a truly sustainable CSR framework. Labour endowments are a critical factor in transforming today's unsustainable world, dominated by a *corpocratic* system and not, whatsoever, by true democracy, for we live in a world ruled by the market. The sole purpose of business has been and continues to be to increase shareholder value. Regardless of the rhetoric for corporate responsibility, *shareholderism* is the only purpose of business. In

this way, labour endowments play a determinant role in the unrelenting quest for greater shareholder value. Thus, corporations, with the tacit support of governments, maintain a system of exploitation that keeps a large portion of the revenue that should have been part of the labour endowments in the first place. It is a practice typical of a "robber-baron" culture. And this is systematically imposed in the countries of the South, where the local oligarchies eagerly collaborate with global corporations to enrich themselves, because the so-called democratic host governments systematically and enthusiastically betray their basic and primeval democratic responsibility of procuring the welfare of all ranks of society.

If there is any doubt about how fundamental a role fair labour endowments play in so-called democratic societies, it should be clear that, under the UN charter, a living wage is a human right. Indeed, it is clearly stated in article 23 of the UN's Universal Declaration of Human Rights, especially in points two and three, which refer to equal and just remuneration. Article 23 states that:

- (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
- (2) Everyone, without any discrimination, has the right to equal pay for equal work.
- (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- (4) Everyone has the right to form and to join trade unions for the protection of his interests.

□ The Missing Link in a Global Market System

Nonetheless, as we shall see in all multilateral guidelines regarding wages, there is no description of what a just remuneration should be nor is there any reference to equal pay except in regards to gender. Thus, the concept is conveniently left out for those who are in a position of power to interpret, as they deem fit. Yet, the principle that everyone is entitled to a just remuneration ensuring an existence worthy of human dignity is unquestionable. It is also

unquestionable that only a living wage can allow workers a dignified existence.

The exact same thing occurs in the more specific "Norms on Transnational Corporations and other Business Enterprises with Regard to Human Rights", from the United Nation's Sub-Commission on the Promotion and Protection of Human Rights, under the UN's Economic and Social Council (ECOSOC). Despite the gross oblivion of living wages by most stakeholders, the Norms maintain the same criterion currently used by the International Labour Organization (ILO). This makes the concept of fair compensation clearly ambiguous. The Norms call for corporations to pay a fair and reasonable remuneration that ensures an adequate standard of living for workers and their families. Such remuneration shall take due account of their needs for adequate living conditions with a view towards progressive improvement. They also emphasize the need to take particular care to pay just wages in the least developed countries. Nonetheless, they leave it open to anyone to interpret what are an adequate standard of living and a just wage.⁴

The obvious question is that, if Southern workers continue to endure a system where they are denied a dignified life and the Human Rights framework ignores the problem, then what is the point of these Norms? The Norms are an expression of growing concern for an ethos that is, above all, a generator of the greatest inequality and misery that both North and South have endured in contemporary times. Yet, they fail to tackle, once again, the key element generating such inequality: the globalization of labour markets, prices and consumers but not of labour endowments.

The Norms acknowledge various multilateral sets of principles, guidelines, standards and recommendations, such as the UN Global Compact, the OECD Guidelines for MNCs and the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. However, at this time, these sets of principles and

⁴ The Jus Semper Global Alliance, The UN Sub-Commission on the Promotion and Protection of Human Rights has drafted norms that signal a possible advent of compulsory CSR but continue to legitimize a structure that generates sheer inequality between North and South. TLWNSI issue commentary, September, 2003, p. 2. (<http://www.jussemper.org/Resources:CorporateActivity:Resources:CSRSouthLivingwage.pdf>)

standards adhere to the ILO Conventions. In line with this conception, the GRI, as well as other guidelines such as the EU's Green Book and the SA 8000, adhere to the ILO Conventions as well. Yet, this framework does not address, whatsoever, the issue of a living wage in its core or in any of its other Conventions and Recommendations. To be sure, the ILO Conventions do not cover all of the labour-related elements necessary to pursue social justice and sustainability.⁵

As a consequence, the GRI and all other instruments limit themselves to defending the labour conditions of workers by demanding compliance with the Conventions of the ILO. These include daily number of working hours, legal benefits, fringe benefits, physical conditions of work place, gender discrimination and illegal child hiring. These also include, above and beyond compliance with the legal minimum wage of the host country, paying the best possible wages in the country concerned, where they ought to provide the basic amenities such as housing, medical care and food of a "good standard."⁶ Nonetheless, such compliance, albeit, rhetorically, goes in the right direction, it does not establish the "good standard" or the mechanism to define it.

It should be clear that the CSR guidelines and standards that require corporations to abide by the ILO Conventions do not address the issue of living wages because these Conventions only refer, in a very vague way, to the payment of minimum wages that supposedly should address the needs of workers and their families and the cost of living. The ILO Conventions defer to each government in defining the minimum wage. Yet, the ILO Conventions do not state that minimum wages should be equal to a living wage, much less do they attempt to define a living wage; and when vaguely referring to a minimum wage, they make reference to the general level of wages in the country, productivity, economic policy factors, and the relative living standards of other social groups in the same economy as the criteria to be used as

⁵ Álvaro J. de Regil, CSR without living wages is irresponsible and unsustainable. The Jus Semper Global Alliance. TLWNSI issue brief. July, 2003, p. 5. (<http://www.jussemper.org/Our%20CSR%20Concept/Resources/CSRwithoutLW.pdf>)

⁶ Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. Geneva, International Labour Office, third edition, 2001, p. 7.

the benchmark, as defined in Convention 131 and Recommendation 135.⁷ Thus, if the country's economy pays misery wages as a whole, there is no demand to change this ethos. A minimum wage, in the overwhelming majority of cases, is not a living wage. The best illustration of this reality is that a minimum wage is far from being a living wage in the U.S. Furthermore, market and economic policy considerations are placed above democratic and human rights considerations. If a global corporation is paying a living wage in its home country, whilst it pays in a given host country –where the cost of living is one-third of the cost of living of its home country in PPP terms– one-tenth of it for equal work of equal global market value, then it should be paying in the host country an equal wage in real terms in relation with this country's cost of living. If it does not, it is only because it is perversely placing its business interest, its market logic, above the workers' human right to earn a living wage, because this corporation is perfectly capable of paying a living wage in a country with a lower cost of living (thus lower labour costs) if it pays a living wage in its home country –which has a three times higher cost of living– for equal work of equal global market value. A basic logic of equality is missing. As long as the work performed by the workers in host countries is of equal market value, then the corporation must pay an equal pay, in PPP terms, to that paid to equivalent workers in its home country.

In this way, due to the current ILO criteria based on minimum wages, and because a minimum wage, in the overwhelming majority of nations, does not constitute a living wage, it is incontrovertible that the ILO does not address the injustice of thousands of MNCs profiting at the expense of millions of workers in the South by paying a tenth or less of what they pay in their home countries in the North for doing the exact same job, which in no way provides Southern workers an equivalent quality of life to that of their luckier counterparts in other latitudes.

⁷ ILO Minimum Wage Fixing Convention 131 and Recommendation 135 of 1970: In determining the level of minimum wages, account should be taken of the following criteria, amongst others: (a) the needs of workers and their families; (b) the general level of wages in the country; (c) the cost of living and changes therein; (d) social security benefits; (e) the relative living standards of other social groups; (f) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

This is tantamount to accepting varying degrees of exploitation, for the best possible wage and basic amenities of a good standard do not specifically provide a living wage by Northern standards. Why should workers, in a global market, performing the exact same job in the South, receive a lower standard than their counterparts in the North? Would it be, perhaps, to subsidize Northern wages at the expense of Southern wages? In this case, in order to provide a fair remuneration to Southern workers –if the MNC wants to maintain the same profit margins globally– it would have to increase the real wages in the South and lower the real wages of equivalent workers in the North, if it can get away with it. That would be rather difficult. More likely, the MNC will have to put at par real wages in the South with those of their Northern counterparts and lower its global profit margins and, consequently, its shareholder value, because it must give back to Southern workers the much higher level of labour endowments that they are entitled to, in the first place, in order to provide them with equal pay for equal work of equal value. There is a premeditated missing link. In a global economy where products, prices, consumers and labour markets have been globalised, the globalisation of labour endowments is clearly missing. In a global market, a living wage must be the same in terms of purchasing power parities (PPPs) as the wages of the Northern counterparts. That is, a living wage must guarantee a standard of living at a par with that of equivalent workers in the North, defined as equivalent real PPP wages.⁸

□ Equal Pay for Equal Work of Equal Value North and South – the Missing Link

If we have the honesty to acknowledge the overt existence of a North-South system of exploitation, then we must address the insulting inequalities generated by this system –and its inherent long-term unsustainability, which supposedly the GRI and other CSR frameworks attempt to overcome– by developing a concept that directly addresses the inequalities in the North-South labour endowments. Consequently, a living wage must

⁸ The Jus Semper Global Alliance, The Living Wages North and South Initiative (TLWNSI), March 2003, p. 12. (<http://www.jussempere.org/TLWNSI/Resources/TLWNSING0303.pdf>)

be defined by using the North's equivalent wages as the benchmark. It is not a difficult concept to grasp. In fact, it is based on very basic common sense. It should be based on the basic concept of equal pay for equal work of equal value, in PPP terms. Currently, there is no ILO concept of equal pay (in real wage terms) for work of equal value in a global economy, especially in regards to global corporations. Yet, there is the concept of equal pay for men and women for work of equal value, using as the benchmark the local economy.⁹ Supposedly, the intention is to eliminate gender discrimination in labour practices. However, according to this logic, if men are being exploited in a given country, ILO Convention 100 calls for equal treatment for women. Thus, if men are being exploited, women should also be exploited at the same level but not more. Obviously, the Convention assumes that men are receiving a living wage, but this only occurs, if at all, in the Northern economies. What we need, instead, is a North-South labour endowments system, applicable to both men and women, defined using the same concept of equal pay for equal work of equal value, using the North as the point of reference. Why, in a globalised market, the concept of equal pay for equal work of equal value is only applied on a national basis to avoid gender discrimination and not applied throughout the entire global market system, to avoid the discrimination and exploitation of Southern workers, if article 23 of the UN's Universal Declaration of Human Rights clearly states that *Everyone, without any discrimination, has the right to equal pay for equal work?* Why are governments, multilateral organizations and corporations, conveniently, thinking only in terms of national markets, when article 23 states that there should not be any discrimination, and does not make any reference, whatsoever, to national markets? The obvious answer is that this directly affects the interests of the centres of global capital that directly benefit from this imposed system of global labour exploitation.

Consequently, a living wage in the South must be defined using the North's equivalent wages as the benchmark. Subsequently, the purchasing power parities (PPPs) mechanism must be applied to determine the equivalent wage in each economy. That is, in a globalised market, a living wage must

guarantee a standard of living at a par with that of equivalent workers in the North. In actual practice, in order to determine the living wages that MNCs should be paying in the first place in each economy, the MNCs' home country compensation arrangement must function as the benchmark.

To be sure, the wage gap is so huge that it would be impossible to close it in a few years. Realistically, it will take a generation to accomplish such a goal. TLWNSI, our own initiative, proposes to close the gap in the span of thirty years. Yet, CSR standards must part from the principle that all workers are entitled to a living wage. While all the ILO standards certainly have a role on how fairly a worker is treated, using the home country's per-hour salaries and monthly salaries, for blue-collar and white-collar workers – and then applying the PPP of the host countries – as the key indicators of corporate social justice, is where a fundamental and real frontal attack to inequality lies.

In a rather consistent manner, all multilateral principles and standards, such as the UN Norms for MNCs, the OECD Guidelines on Multinationals and the Global Compact, as well as multi-stakeholder initiatives from civil society, such as the GRI's G3, SA 8000 and AA 1000 are based on the ILO Conventions and Recommendations and, thus, do not address the issue of the blatant global system of labour exploitation that the world endures today. Thus, if these instruments are really serious about building a sustainable ethos for the XXI Century and beyond, it is imperative that they reconsider their concepts and address this major stumbling block. Otherwise, instead of contributing to building a better world, they would continue to directly endorse and contribute to prolonging this Darwinian and extremely unfair system of exploitation. Pretending to invoke the social responsibility of business, to work in pursuit of the construction of a new sustainable social and environmental ethos, without decrying the very culture of business that generates such a daunting degree of injustice, of inequality, and, thus, of unsustainability, is a self-defeating purpose for all these principles, norms and guidelines. To put it bluntly, avoiding the issue of living wages globally is tantamount to effectively condoning the payment of misery wages.

⁹ ILO Convention 100.

□ The Missing Link in the New GRI Guidelines

The brand new G3, in particular, sends a clear message that the GRI has turned the other way when it comes to labour exploitation. Considering that this issue has been clearly brought to its attention, through both its formal and informal feedback processes, it is very discouraging to see the absolute lack of progress concerning the concept of a living wage.

In the new G3 draft, there are two sets of indicators that provide guidelines for reporting organizations to report on labour issues among other topics: the Economic set and the Labour Practices & Decent Work set. In this paper I will focus exclusively on the specific areas of these sets that deal directly with the labour endowments. The economic set is composed of eight indicators. They cover three aspects: economic performance, market presence and indirect economic impacts.

Indicator EC1: *Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and to governments*¹⁰, is the first indicator of economic performance and addresses how the economic value generated by the reporting organization is distributed in its balance sheet. Although this G3 indicator appears to be more specific than its previous 2002 G2 version, since the latter one referred generically to net sales, it does not provide the information required to assess the level of labour endowments in proportion to other areas of capital flow. It specifically asks for the *total monetary outgoings on the employee workforce*. This is useless, in regards to fair labour endowments, if there is no characterisation of the quality of wages and other benefits. It does not ask whether these monetary outgoings constitute a living wage or an exploitative wage standard. Furthermore, it continues to lack a requirement for disaggregating consolidated figures, which has been brought to the attention of the GRI since at least 2003. The reason for the disaggregating of figures is quite simple. If the level of labour endowments on the financial sheet is very low in individual countries in the South com-

¹⁰ Global Reporting Initiative. Draft G3 Technical Protocols. Indicator Protocols Set: Economic, 2 January, 2006, p.5.

pared to the level accrued in the individual balance sheets of a corporation in individual countries in the North, it would be impossible to assess this situation because it would be disguised by the global consolidation of the numbers representing their total labour endowments. Without disaggregating figures, the most exploitative corporations, who do not even comply with paying a minimum wage, can easily hide their exploitative practices. To no one's surprise, Wal-Mart was recently reported paying slavery wages in China of US \$0,165/hour to garment workers instead of US \$0,31 cents, which is the legal minimum wage in China, which is still a hunger wage.¹¹ Albeit the GRI continues to encourage a breakdown by country/region, it is only a suggestion and not its norm.¹² This makes it rather easy for a multinational to hide exploitative practices. Labour compensations in different countries can be consolidated by the report preparer into one global measure and, thus, leave poor labour compensation performance in Southern countries unexposed.

The other economic indicator dealing with labour compensations is EC5: *Entry-level wage compared to local minimum wage for significant locations of operation*.¹³ Compared to the G2 EC5 indicator, it appears that this is an effort to be more specific. Yet, it does not address whether a wage higher than a minimum wage is a living wage. Furthermore, it does not call for disaggregating figures and reporting by country. Thus, hunger wages can easily be hidden. In fact, the concept is very misleading, for it uses as the benchmark a minimum wage. As a result, a reporting MNC could easily look good by showing that its entry-level wage is above the local minimum wage. However, a wage above the minimum wage is not equal to a living wage, and frequently it is still a hunger wage. A good illustration of this case is the typical argument that garment industry sweatshops use to justify their practices in Mexico, which is that they pay more than the minimum wage. In 2003, the legal minimum wage for a garment Industry worker in Mexico was US \$0,88/hour¹⁴ and workers were

¹¹ Jean-Christophe Servant, Multinational supermarket that dominates economies. Slaves of the stacked shelves. *Le Monde Diplomatique*, January, 2006, p. 11.

¹² GRI. Sustainability Reporting Guidelines [draft], G3 Version for public comment. January, 2006, Disclosure Item 2.8, p.14.

¹³ Global Reporting Initiative. Draft G3 Technical Protocols. Indicator Protocols Set: Economic, 2 January, 2006, p.11.

¹⁴ Comisión Nacional de Salarios Mínimos, Secretaría del Trabajo y Previsión Social – México, Salarios Mínimos Vigentes 2003.

getting US \$1,52¹⁵ (1,7 times the minimum wage). Yet, this wage was less than one-fifth (17,5%) of a living wage in Mexico in PPP terms.

The G3's Labour Practices & Decent Work set is composed of fifteen indicators. They cover five aspects: employment, labour/management relations, occupational health and safety, training and education and diversity and equal opportunity. Only the last indicator is relevant for the purpose of this paper. Indicator LA15 is a new indicator, albeit it is currently regarded as *additional* and not a *core* indicator. LA15 refers to: *ratio of average remuneration of men and women broken down by employee category*. The shortcomings of this indicator are self-evident.

As this indicator explains, it is based on the ILO Decent Work Agenda, which claims to be *set in the context of a fair globalization to achieve economic growth with equity through achieving a blend of social and economic goals*. Yet, to assume that the so-called *Decent Work Agenda* of the ILO is set in the context of a fair globalization is a complete delusion. The current globalization of the current Darwinian neoliberal capitalism is at the centre of so much injustice and the growing inequality in both North and South. To ignore this and assume that there is a fair globalization in progress is to refuse to acknowledge the overt evidence. Assuming that there can be a fair globalization without directly addressing the specific factors of injustice, such as the pauperization of the labour endowments, is, in the best case, sheer naivety. In the first place, globalization (we have to assume that the ILO's Decent Work Agenda refers to economic globalization) is the antithesis of true democracy, for it goes directly against the principle of self-determination. In the implementation of the so-called globalization, there has been virtually no government engagement with the people to propose it, so it has been undemocratically imposed. Who decided that the so-called neoliberal globalization was going to be applied in a given State? Were people asked to choose from a variety of economic

policies so that governments in turn would obey the will of the people? At the very least, were people informed when governments decided to shift from one economic paradigm to another? Were the citizens of any nation informed, in layman's terms, that the deregulation and privatization of entire economic sectors was part of the neoliberal paradigm and that this means that economic policy would stop supporting the generation of demand on behalf of the support of supply, which belongs to the industrialists? Were they informed that, in order to do this, the neoliberal mantra calls for the reduction of taxes and the drastic reduction of the Welfare State? Were they explained that, under this ethos, the role of government is greatly diminished and is reduced to act as an agent of the supply side by focusing on monetary and fiscal policy? Were people told that, during times of recession, governments would no longer use public spending to energize the economy in order to maintain employment levels and wages and eventually resume the aggregation of demand? Were people informed that the market was going to be placed above the people and that the primeval responsibility of so-called democratic governments, to procure the welfare of all ranks of society, was going to be ignored? The answer to these questions is obviously no. Therefore, the ILO Decent Work Agenda and the G3s Labour Practices & Decent Work Indicators clearly avoid reality and the underlying issues that need to be confronted in order to achieve a fair and democratic global market system; for, as long as the governments of countries pretend to be democratic, they are obliged to respond to the needs of the people first and not the market. In real democracy, the market must never be the end but only a vehicle to procure the welfare of all ranks of society, which must be the only end.

That the GRI continues to obliquely address issues as fundamental as a living wage, in the construction of a sustainable economic, social and environmental ethos anchored on a global market system, is to prolong, by supporting them, the tremendous inequalities of the current economic paradigm and to doom the future development of corporate social responsibility practice to a cosmetic public relations corporate tool that very few outside corporate and

(<http://www.conasami.gob.mx/archivos/TABLA%20DE%20SALARIOS%20M%20NIMOS%20PROFESIONALES/2003.pdf>)

¹⁵ U.S. Bureau of Labour Statistics, *Hourly Compensation Costs for Production Workers: in U.S. Dollars*, p. 17, Apparel Manufacturing (NAICS 315), 30 September, 2005.

(<ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/ind315naics.txt>)

government halls will take seriously.¹⁶ As long as addressing the huge asymmetries of the current system is avoided, the pursuit of a truly sustainable business ethos is completely unrealistic. As long as *shareholderism* remains the guiding light of business culture and of the so-called democratic governments' economic, social and environmental policies, there will be no sustainable paradigm, regardless of how many CSR principles, norms and guidelines are developed.¹⁷ There is an implicit oxymoron between all the sustainability talk and the actual facts. In the case of the G3, as in all other cases, the issue of a living wage is systematically avoided. It appears to be an intractable taboo issue, not to be addressed, despite the dramatic consequences that it has on the lives of people and the impact on the sustainability of our world. There cannot be a sustainable ethos without social justice. In the vast majority of cases, poverty is not an endogenous trait of poor societies, it is the direct result of conscious decisions taken by those who are in power to impoverish them. Thus, global inequality does not exist due to endogenous traits or spontaneous events, but because of a global capitalist system that is based on the exploitation of the many for the benefit of the few.

In this way, the G3 Guidelines continue to leave a lot to be desired by not confronting the realities of the global capitalist system's exploitation of people, which could be easily addressed, in terms of reporting guidelines for sustainability, by addressing the issue of fair labour endowments and the need for corporations to pay a living wage everywhere and not just in the countries where they cannot avoid it.

□ Democratic or Corporate Orientation

Another disturbing finding, is that there appears to be a clear sign that the G3 Guidelines have not been developed in the context of democracy. Despite the fact that they are supposedly developed by a diversity of stakeholders, there is no mention, whatsoever, of democracy in this concept. There is mention of a fair

¹⁶ Álvaro J. de Regil, *The Future of CSR will Mirror the Health of Society: Pondering the Evolution of CSR*. The Jus Semper Global Alliance. TLWNSI issue essay. November, 2005, p. 5.

(<http://www.jussempere.org/Resources/FutureCSRMirrorSociety.pdf>)

¹⁷ Allen White, *Fade, Integrate or Transform? The Future of CSR, Business for Social Responsibility*, August 2005, p. 9.

globalization, but I could not find a single mention of the term democracy in any of the documents of the G3, including the draft of the Guidelines, the Indicator Protocols set as well as the *Everything you need to know about the DRAFT G3 Guidelines –past, present, and future* paper. This is a major concern since most people would agree that the *raison d'être* of CSR and/or sustainability reporting frameworks is to make organizations, mostly for-profit corporations, accountable to the people. Therefore, it seems that the G3 has been developed based on the idea that reporting organizations must be accountable to its stakeholders, but it is the organization and not the stakeholders who chooses which stakeholders the organization should be accountable to. Indeed, the G3 regards sustainability reporting as a broad term that is considered synonymous with other terms used to describe accounting for economic, environmental, and social impacts, such as CSR. Furthermore, the G3 defines sustainability reporting as the practice measuring, disclosing and being accountable for organizational performance towards the goal of sustainable development.¹⁸ However, albeit the G3 regards inclusiveness as one of its guiding principles, it considers that the reporting organization is the one who should identify its stakeholders. This is why one of the tests that the GRI recommends to organizations, in order to be inclusive, is to describe the stakeholders to whom it considers itself to be accountable.¹⁹ Consequently, the G3 is designed, from the perspective of organizations, as a business tool to report their sustainability performance as they best deem. In this way, they are free to cherry pick which stakeholders they wish to be accountable to.

This is wrong. Sustainable development, which is the purpose of sustainability reporting, is a central element of a true democracy. The purpose of true democracy is to pursue the welfare of every rank of society and not of corporate welfare. In order to achieve this purpose, we need to create a balanced ethos where everyone benefits including the environment, the entire planet to be sure. We need to build a new global culture that gives preeminence to the sustainability of the community and the environment in solidarity, instead of promoting sheer and irrational individualism. In this new ethos, a balance

¹⁸ Global Reporting Initiative. *Sustainability Reporting Guidelines [draft]*, G3 Version for public comment. January, 2006, p.4.

¹⁹ *ibid*, p. 7.

between the needs of Mother Nature and the needs of all communities as well as a balance between the needs of the community and individual needs must be achieved. From the perspective of business, the preeminent goal of all business entities in real democracy should be to generate wealth through innovation and competitiveness to procure and sustain the welfare of societies and the environment. In this new ethos, the entire social strata are investors in the business of private enterprise. Shareholder value, as we know it today, ceases to exist. The purpose of business to maximize gains to continuously increase shareholder values is completely incompatible with the principles of democracy and sustainability. So as long as the people are not placed above the current purpose of business, sustainability reporting will remain a moot point, a mockery, and it will remain serving corporate interests and not the peoples' interest. CSR and/or sustainability reporting must be a tool of the people to assess the sustainability performance of all organisations. In this yet-to-be-balanced ethos, people are stakeholders, and all stakeholders are investors of all organisations.

In this way, in a truly democratic ethos, the public interest always prevails over the private interest, superseding the private interest of business and its shareholderism culture. The undisputable precedence of the public interest over the private interest is a *conditio sine qua non* element of true democratic life and of the pursuit of a balanced ethos. Thus, business must answer to civil society for its social and environmental behaviour relative to how this contributes to sustainability, for it is individual members of society who create the enterprises, and these in turn exist and derive their wealth from society, which acts as markets that consume the enterprises' products and services. Consequently, all members of society are stakeholders and effective investors with a vested interest in the social and environmental sustainability of business. CSR must be a resource of the people and not of corporations. For corporations it must only be the vehicle to report on their business practices relative to the sustainability of a new balanced ethos. Business must be accountable to society and not just to their financial shareholders. To be sure, all members of society must be who define the content, depth and scope of sustainability reporting.

□ Flexibility and Voluntarism

Logically, this takes us to a last issue of major concern, which is the voluntary nature of the G3 as well as its extreme flexibility. As it is well known, the prevailing view towards CSR, in governmental and corporate halls, is to impose it as a voluntary practice. This is very consistent with the current neoliberal culture of self-regulation of business with no government intervention in many areas of business activity. To be sure, voluntary practice is a very desirable outcome from the perspective of corporations. It is a common corporate strategy in many spheres to take the initiative to advocate self-regulation instead of government regulation. In the sphere of sustainability performance, this allows corporations to appear to be good without really doing the public good. Currently, there are no legally-binding national or international CSR frameworks. Everything is voluntary. Moreover, reporting corporations cannot only cherry pick their stakeholders, for they can also cherry pick the areas and specific items to be included in their reports. Obviously, they will never report on areas where they would not generate a good image, and there is no one to enforce comprehensive reporting. This is another clear evidence that the current vein of sustainability reporting was envisioned to please the very private interest of business and not the public interest. In a recent exploration of the future of CSR, Allen White imagines one possible scenario as one where corporations understand that CSR issues — including fair wages— *are not only wise business but also integral to fiduciary duty*.²⁰ It has to be a duty both morally and legally binding. How can a business-driven, voluntary and self-regulated CSR be up to the job of contributing to build a social, economic and environmentally-sustainable ethos?

The fact is that there is a struggle between society on one side and business and governments on the other side. Corporations have long advocated voluntary reporting while a great majority of stakeholders has called for mandatory reporting. The end result so far is a stalemate, which works to the benefit of corporations and governments, for the latter have clearly aligned with corporations. Thus, it comes to no surprise the fact that there is no real debate regarding legislation about CSR to

²⁰ Allen White, Fade, Integrate or Transform? The Future of CSR, Business for Social Responsibility, August 2005, p. 2.

develop national legal frameworks with a single set of standards and guidelines, much less a global framework. In this way, what we have is a proliferation of frameworks and standards available for corporations to cherry pick at their convenience, or design their own if they prefer.

This is absolutely wrong. Once again –presuming that we aspire to build a truly democratic ethos for market-based societies– a CSR sustainability report must be comprehensive and must address all of the issues brought up by all stakeholders, namely every sector of society. And it must be mandatory by making it legally binding and not an option. CSR reporting must be an instrument of global civil society and not a competitive tool for corporations. The current Darwinian paradigm, where governments are predominantly acting as agents of the centres of global capital by implementing the economic, social and environmental policies demanded to fulfil the institutional investors' shareholderism interests, is creating a great deal of insecurity and dissatisfaction in people.²¹ For this reason, there is a consistent belief, by a majority of stakeholders, –everyone is a stakeholder– that CSR reporting must be a legally-binding duty. In the most recent survey by Pleon, in 2005, in 58 countries around the world, 72,5 percent out of 495 diverse stakeholders support mandatory reporting.²²

Notwithstanding these realities, the G3, as in previous versions, is not only conceived as a voluntary instrument for CSR reporting, but also stands out for its extreme flexibility. As part of my participation in the GRI structured feedback process for the G2-2002 version as well as in the forum for "materiality", I expressed the following concern regarding materiality:

I feel that regardless of the size and nature of the company, all stakeholders must agree on a mandatory and universal framework of core indicators and on the level of materiality that each of

²¹ Álvaro J. de Regil, *The Future of CSR will Mirror the Health of Society: Pondering the Evolution of CSR*. The Jus Semper Global Alliance. TLWNSI issue essay. November, 2005, p. 15. (<http://www.jussempere.org/Resources/FutureCSRMirrorSociety.pdf>)

²² Pleon. *Accounting for Good: the Global Stakeholder Report 2005*. The Second Worldwide Survey on Stakeholder Attitudes to CSR Reporting. Amsterdam and Bonn, September 2005, p. 12.

these universal indicators should have, and the appropriate level of disaggregation. There is too much flexibility in reporting and what is emerging does not meet the expectation of many stakeholders.

...the fact that everything is so flexible and that there is no universal framework of core and mandatory indicators, and of their level of materiality, leaves everything up to the goodwill of corporations to define on individual negotiations with the rest of their stakeholders. This is wrong. We must agree on a set of mandatory core universal standards and on a minimum level of materiality, for each universal indicator, with as much disaggregation as necessary to fulfil the needs of all stakeholders. The mere fact that GRI Guidelines currently available include core as well as additional indicators proves that it is perfectly possible to agree on a basic and "required" universal CSR framework.²³

Almost three years later, full flexibility in reporting using the G3 Guidelines remains a basic premise of this framework. In 2002, the GRI provided ample reporting flexibility. A user could report "in accordance" as an option or using an informal approach. Reporting "in accordance" required meeting a set of conditions, including responding to all core indicators or explaining why they were excluded.²⁴ Everything was very user friendly.

In 2006, the G3 explains that *The 2002 Sustainability Reporting Guidelines offered two options for declaring use of the GRI Guidelines: incremental and "in accordance."* *In the future, a system of approximately 3-5 reporting levels that reflect the extent of application of the GRI Reporting Framework will be designed.²⁵* In this way, ample flexibility will remain a central element of this concept; for users will be able to cherry pick from 3-5 reporting levels the one that best suits their interests. Even if the final G3 provides a level to be regarded as "in accordance", it will remain one of several options. The GRI concept remains reporting organisation

²³ Global Reporting Initiative. *Sustainability Reporting Guidelines 2002*. Structured Feedback Process. GRI Network E-Discussion Series, Topic 1: Materiality, July-September 2003, pages 3, 4 and 7.

²⁴ Global Reporting Initiative. *Sustainability Reporting Guidelines 2002*, pages 12-14.

²⁵ Global Reporting Initiative. *Sustainability Reporting Guidelines [draft]*, G3 Version for public comment. January, 2006, p. 24.

friendly, but not stakeholder friendly. It remains up to stakeholders to be able to negotiate with the organisation inclusive-ness, relevance and materiality, sustainability context, and comprehensiveness. Considering the great asymmetries in power between civil society and corporations, given the absolute absence of any legal obligation, it will continue to be quite difficult to make corporations report on issues relevant for many stakeholders, such as living wages, but detrimental to the shareholder-value vested interests of business.

□ Corollary

Despite all of its shortcomings, the G3 Guidelines is a valuable effort to make corporations accountable for their business activity from a sustainable perspective. Yet, assuming that we all agree that there is no possibility of building true sustainability without procuring the welfare of all stakeholders, the minimum aspiration that the G3 must have is to include critical issues that are fundamental in the pursuit of sustainability and social justice, such as living wages. Excluding such an element from its framework is completely incompatible with its mission and can only be regarded as supportive of business interests and not of society and of true sustainability. Currently, indicator LA15, regarding the ratio of average remuneration of men and women, is not even considered a core indicator. Thus, there is much to be considered in the area of labour endowments, in the context of a globalised market, if the G3 truly aspires to become a sustainability-reporting framework. Furthermore, the GRI must vie for "in accordance reporting" with a mandatory set of core indicators, and regard anything less than that as mere exercises of "training in reporting," not to be taken seriously by stakeholders. As I suggested in 2003, the mere fact that the GRI Guidelines include core as well as additional indicators proves that it is perfectly possible to agree on a basic and "required" universal CSR framework. This is something that has to become a basic principle of any sustainability-reporting framework. Otherwise, the GRI and all other voluntary principles, norms and guidelines, with all their paraphernalia, will have no future and will remain PR tools to let MNCs look good without really doing the public good.

Addressing these critical issues, nonetheless, it should be clear that as long as governments and multilateral organization refuse to create a legally-binding sustainability reporting framework for business, the multi-stakeholder-developed guidelines will never be more than a mere set of recommendations for corporations to consider. This means that global civil society, as part of our pursuit for real democracy, will remain responsible, as the main beneficiary, for engaging MNCs directly and demanding that they practice a sustainable business culture according to the public interests of global civil society and not the private interest of corporations. In this context, the CSR norms, the reporting guidelines and other instruments currently available, can only be the vehicle for civil society to demand the sustainable business practices that we deem necessary.

^a Álvaro de Regil is Executive Director of the Jus Semper Global Alliance