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Tony Blair's governments and corporate social responsibility (CSR)

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Abstract ;

The paper deals with the role of government as a driver to the Corporate Social Responsibility. The paper examines with evidence recent British Labour governments (Blair governments) that push business organisations to adopt social responsibility through various policies including ministerial leadership; stimulating new and existing business associations; subsidising CSR activities and organisations; and the use of regulation. It clarifies the results with reference to a wider societal governance crisis which Labour governments decided to resolve with CSR beside variety of other measures. It concludes that CSR needs to be understood as part and parcel of a wider system of national societal governance incorporating government institutions، business organisations and non- governmental organisations.

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1. *Introduction*

In the late eighteenth and nineteenth centuries, industrialisation and urbanisation changed the face of Britain. The social and environmental consequences were managed in a number of ways. Legislation provided a framework for issues such as product and labour standards. Trade unions, operating on the basis of free collective bargaining, gradually became the main force for extending and protecting workers' rights. The government in Britain provided relief to the poor, but was unable to adapt to the task of providing relief to urban mass society. Philanthropy1 ،often based on religious values ،stepped into the gap. Few companies at the time had responded to such an approach, but Cadbury's and Lever Brothers became corporate philanthropists.

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Over the last twenty years, the social role of British business has changed dramatically and CSR has become more explicit. This development, and the place of CSR in the governance of British society, can be better understood in the context of a crisis in the system of governance that has been so dramatic. Part of the strategy of successive governments in response to this has been to promote CSR.

The purpose of this paper is to describe an important driver; government in the development of corporate social responsibility (CSR) in social governance. Theoretical and policy debates and activities at national and international levels ،suggest a widespread interest shared by government industry ،civil society and non-governmental organisations (NGOs) regarding the role of government and business for the natural environment ،social development and social inclusion.

This article considers the role of the Blair governments in the remarkable growth and institutionalisation of CSR in Britain. It argues that the mainsprings of this governmental interest in CSR are the governance deficits experienced by government and the wider society during this period. It concludes that CSR needs to be understood as part of a wider system of national societal governance involving government institutions, business organisations and non-governmental organisations. What role could the state play in CSR? The aim of this research is to explore the role of CSR in government policy in the context of regulated industries. But first, let us introduce the concept of CSR. What is Corporate Social Responsibility (CSR)?

2. *Definition of corporate social responsibility*

There are many definitions of CSR, but there is no general consensus (Shaw, 1996). The term 'corporation' has been open to different interpretations 'reflecting the relationship between business and society at different times in history.

The broader aim of social responsibility is to create a higher standard of living for people inside and outside the company, while maintaining the company's profitability. CSR is therefore the ethical behaviour of a company towards its stakeholder groups. Some companies use the term 'corporate citizenship', some use 'the ethical corporation', and others use 'good corporate governance', 'corporate responsibility' or the 'triple bottom line'. The triple bottom line refers to the balance and equal promotion of a company's economic, social and environmental interests.

In recent years, CSR has been linked to sustainable development. The sustainable development position holds that business has a moral responsibility to ensure that its activities are environmentally sustainable. Business remains free to pursue profit within the rules of the game, but the rules must be changed to include an obligation to preserve natural ecosystems in the process. The sustainable development model seeks to combine the natural constraints imposed by ecological laws with minimal moral constraints on business activity. The World Commission on Environment and Development defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Contemporary CSR accepts this definition and places an obligation on business not to harm the ecosphere.

The current prevailing view of CSR is that companies should engage with stakeholders to create long-term value. This does not mean that shareholders are unimportant or that profitability is not critical to business success. On the contrary, in order to survive and be profitable, the company must engage with a range of stakeholders whose views on the company's success may vary widely. The process of engagement creates a dynamic context of interaction, 'mutual respect, dialogue and change, which will enable socially responsible companies to achieve lower costs, higher revenues, improved reputation, reduced risk and, ultimately, increased shareholder value. The concept of CSR has evolved over the years, and in this article we try to shed some light on its brief history.

3. *A short history of the corporate social responsibility*

In the late nineteenth century, the emergence of large corporations during the era of the world's greedy industrialists led to the development of the anti-trust movement (Driver, 2006). In response, companies emphasised corporate responsibility and philanthropy to prove that government regulation was unnecessary. In the 1930s, however, the Great Depression produced a second wave of regulation, leading to the emergence of Roosevelt's New Deal in the US and the nationalisation and regulation introduced by the post-war Labour governments in Britain(Driver @ Martell, 2006).

In the late 1960s and 1970s, a new wave of concern about the growing social and environmental impact of post-war multinationals led to a third period of increased efforts to regulate corporate activity. A series of revelations about the activities of large corporations caused great concern. For example, US corporations began to exploit the economies of developing countries around the world. For the first time, the regulation of corporate activity became an international issue, with attempts within the United Nations to establish codes of conduct for the activities of corporations. In both Europe and the United States, many executives argue that these pressures are unnecessary and unfair to business. They point out that companies exist to make profits for their shareholders, not to make the world a better place. As a result, the International Chamber of Commerce, which represents large MCs, launched its Guidelines for International Investment in 1972, and a number of large companies have adopted its codes of conduct (Pope, 1998).

Such codes are formal statements of a company's values and business practices. They are designed to guide the company's employees as they try to operate in countries with different political, social and economic cultures. These codes of conduct describe how companies and their employees should behave. Such codes include the Caux Principles, the Global Sullivan Principles and the Keidanren Charter. The Organisation for Economic Co-operation and Development (OECD) recently reviewed 246 codes, some of which cover suppliers and some of which cover employees (Pope, 1998).

However, in response to the proliferation of these codes, many activists and even company officials have become frustrated with the codes, as most of them have no mechanism for accountability or follow-up. These codes were unable to withstand the global retrenchment of the 1980s and the rise of neoliberalism, which led to a significant shift away from state intervention in both developed and developing countries. This trend was reflected in national policies towards MNCs through a dramatic shift away from regulation of their activities towards 'intense competition to attract foreign direct investment'. It has been argued that by the 1980s it was becoming clear that the various multilateral initiatives and agreements introduced in the previous decade were doing little or nothing to address corporate power.

The 1990s saw a series of corporate scandals around the world and numerous environmental disasters caused by global corporations. Child labour in developing countries caught the attention of community activists in developed societies. The 1990s therefore saw an explosion of community activism, both protesting against and engaging with corporations.

Some activities sought to develop a strategy to encourage managers to report and monitor their social and environmental performance. Other activities pressed governments to develop public policies to promote CSR.

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Demands for greater social responsibility came from a wide range of sources, including international trade unions, development NGOs, human rights organisations and environmental groups. Companies were again forced to respond to bad publicity about their activities. Corporate social responsibility discourses and programmes emerged in part as a direct response to these pressures. Some policymakers have responded by promoting voluntary adherence to CSR strategies developed by international governmental institutions, the UN, the OECD and the ILO (International Labour.

That is why some international organisations and individuals are calling on national governments to legislate for high standards. They do not want to impose codes of conduct, but they do want companies to adhere to high standards wherever they operate. The British government's willingness to embrace CSR was evident as British policymakers began to explore how government and business could work together to improve social and environmental standards around the world. They sought to find a middle way that would hold companies to account without undermining the many benefits they bring to their stakeholders - consumers, employees, suppliers and even competitors. So what is the UK government doing to promote CSR?

4. The British Government as a Drive to CSR:

Britain struggled to find a middle ground between American-style capitalism and the more interventionist European model. The British public was extremely concerned about the behaviour of its companies around the world. In addition, since the early 1990s, civil society groups such as Oxfam, Anti-Slavery International, Christian Aid and Friends of the Earth, and prominent leaders such as Prince Charles, have put pressure on business to protect the environment.

A number of governments have been active in promoting CSR or have sought to play an active role in developing and shaping CSR within their jurisdictions. One of the most active examples has been the UK government through the Department of Trade and Industry's CSR Competency Framework. The UK's Labour government states that its aim is to 'move CSR from being seen as an 'add-on' to a core part of business practice'. The UK government's approach is to encourage the adoption and reporting of CSR through best practice guidance and, where appropriate, smart regulation and tax incentives. Specific actions taken by the UK government include amending the Pensions Act to require pension fund trustees to declare whether they take social and environmental issues into account in their investment decisions, publishing environmental reporting guidelines, supporting awards for some of the best reports, and naming and shaming large companies that do not voluntarily comply.

Following the 1992 Rio Earth Summit, the World Summit on Sustainable Development (WSSD) was held in Johannesburg (26 August - 4 September 2002) to review progress since Rio and begin to address global environment and development issues (Shaw, 1996). However, the world's governments were unable to agree on a binding legal framework for the environmental behaviour of global corporations, despite calls for government action to hold corporations accountable for their activities. Corporate accountability and governance issues were also brought to the attention of Summit delegates, as Friends of the Earth called for a legally binding international framework on corporate accountability and liability.

In the UK, the Labour government has appointed a Minister for Corporate Social Responsibility, but at present the government acts as an enabler of business productivity and innovation. Social and environmental policy issues are addressed through the setting of minimum legal standards, the use of 'light touch' legislation such as the Pensions Act 1995 and proposals to reform UK company law, i.e. requiring directors to act in the interests of the company's shareholders but also to take into account the wider interests of customers, employees, suppliers, impact on the local community and the natural environment, annual reports to include stakeholder relations, environmental and community impacts. However, the Coalition for Corporate Responsibility (CORE), which brings together a wide range of NGOs, has upped the ante with Linda Perham's Bill calling for mandatory social and environmental reporting by companies.

In such a political environment, industry bodies such as Business in the Community (BitCct, UK) are working to improve the impact of their members on local communities. Over the past year, BitC has undertaken two specific initiatives to help members improve their social performance. These initiatives are the Corporate Responsibility Index and the Corporate Impact Reporting Initiative. The former is a benchmarking tool that provides companies with a systematic process to compare their management processes and performance with others in the sector. This enables companies to improve their peer performance. The latter is a framework for companies to measure and report on responsible business practices in the areas of marketplace, environment, workplace, community and human rights. Both schemes are voluntary (Arquié, Henry, Poire, Puyjatinet, Roesch, and Sérandour, 1997).

In the UK, the government's privatisation programme in the 1980s changed public expectations of the private sector. Whereas social objectives had previously been primarily the responsibility of the state, the privatisation of gas, water and electricity introduced a new idea. It created public companies owned by shareholders who sought the same kind of financial returns as any other public company, but the companies also had clear social objectives. In the case of the privatised utilities, these social objectives were managed through the regulatory regime, but the existence of the companies as 'stock market vehicles' demonstrated that financial and non-financial objectives could co-exist.

The Labour government maintained an interest in 'bridging' public and private, social and financial objectives by involving the private sector in the provision of social goods, i.e. public-private partnerships. The Government took steps to increase the responsibility of the private sector for its social and environmental impacts. A number of legislative measures were adopted to support sustainable development, including the Climate Change Levy, the Community Investment Tax Credit and the Pensions Act.

The Labour government developed the concept of the Ethical Trade Initiative, a cooperative partnership between government, business, labour and local civil society groups to improve labour standards in factories in the developing world. British companies such as the Body Shop, inspired by activist employees or stakeholders, have tried to lead the way in responsible business practices. Consumers have rewarded these initiatives. Fair trade and ethically produced goods - you could say that market forces in Britain have driven global corporate citizenship.

The UK government has also adopted a wide range of policy initiatives to promote CSR as a key component of development, trade, investment, pensions and other public policies. Prominent British leaders, including the Prince of Wales, frequently speak out on CSR issues. As a result, the UK leads the rest of the world in CSR initiatives. However, it is not a leader in implementing the OECD Guidelines.

In March 2000, the UK government became the first (and still only) government to appoint a Minister for Corporate Social Responsibility. Minister Kim Howells was tasked not only with making the business case for CSR, but also with co-ordinating CSR policy across government. In a document published for the British public and business, Global Citizenship, the Blair government sought to justify a role for government. It argued that government should raise awareness of CSR, use public policy to provide guidance, promote consensus on UK and international codes of practice, and promote a framework for social and environmental reporting and labelling. In his inaugural speech, Howells said: 'My role is not to create new regulatory burdens... it is to raise awareness of the business case for corporate responsibility (Beer, 1969).

The Blair government took a number of steps to promote best practice. For example, in 1999-2000 the UK Foreign and Commonwealth Office (FCO) worked with the US State Department, extractive industry companies and civil society groups on a voluntary code of conduct. This code was designed to govern their operations in conflict-prone countries.

In this case, the FCO not only spearheaded the effort to write the code, but also participated in its development. Companies signing the declaration agreed to report "credible allegations of human rights abuses by government authorities" and to "press for appropriate solutions". The Voluntary Principles received considerable press attention and many of the companies were praised for their work on the voluntary code.

The Department for International Development set up a Business Partnerships Unit in 1998 to promote partnerships with socially responsible companies and "improve the environment for productive investment overseas". Responsible companies could help shape globalisation and improve living and working conditions. In 2000, the department published a white paper, Eliminating World Poverty: Making Globalisation Work for the Poor. This White Paper was designed to promote understanding of development in the business and investment community (shaw, 1996).

The government also developed the Ethical Trading Initiative in 1997 in the hope of encouraging British companies to improve their labour standards. The ETI aims to develop and promote the use of a widely accepted set of standards, embodied in codes of conduct and monitoring and auditing methods, which will enable companies to work with other organisations outside the business sector to improve working conditions around the world. Although supported by both the Department for International Development and the Department of Trade and Industry, the ETI is now an independent organisation.

The UK government has also sponsored several conferences on CSR and a seminar on the Green Paper on CSR. Together with the governments of Ireland, the Netherlands and Denmark, ministers and civil servants formed an informal governmental network on social responsibility to share best practice and experience. As a result, government officials took every opportunity to speak and publish information on the links between CSR and globalisation and the potential of CSR.

It has been argued that the most influential action taken by the UK government was its decision to require UK pension trustees to disclose how they take account of social, environmental and ethical factors in their investment decisions. As a result, pension funds soon began to demand more information from the companies in which they invested, forcing more of those companies to publish information on their social and environmental performance. It became increasingly fashionable for companies listed on the UK's main stock exchange, the FTSE, to report on the triple bottom line (social/environmental as well as profit) (Pope,1998).

To encourage this change, the Department for International Development is funding a project run by two NGOs (Tradecraft Exchange and War on Want) to produce guidance on development-related issues for pension fund trustees, fund managers and pension fund advisers. DFID will then disseminate this information to the investment community through seminars and briefings. This strategy uses transparency and market forces to pressure multinational companies to contribute to sustainable and equitable governance.

The Labour government has issued guidelines on corporate environmental reporting, following Prime Minister Tony Blair's call for all top companies to start producing environmental reports. The government also provided guidance on how companies could report on key environmental impacts (greenhouse gas emissions, waste and water use) and set up an inter-departmental group to look at how labelling schemes could be made more consistent and coherent. The government announced its future plans for CSR, including "strengthening international co-operation, engaging a wider range of businesses in CSR, particularly smaller businesses, and improving the coherence of government action through consultation with business and other groups".

In addition, the Labour government encouraged greater family and individual responsibility for social provision. This can be seen in the declining value of pensions and benefits, the introduction of tuition fees for higher education, and incentives for personal savings. It can be seen in the greater use of NGOs to deliver public services and in attracting private finance to public projects in transport and infrastructure. Another strategy, initially to accommodate and later to offset a crisis of governance, was the promotion of corporate social responsibility.

In his first speech to the Labour Party Conference as Prime Minister, Tony Blair announced his intention to expand public-private partnerships in British schools. This call was echoed more recently by Education Secretary David Milband: 'We cannot do this alone. Education is a shared enterprise - between teachers and pupils, but also between schools and the wider community. Business can sponsor specialist schools and academies. Business can help improve the curriculum. Business can provide work placements and work experience. Business can provide mentoring and governor support.

Under the Labour government, it is clear that CSR is not seen as a piecemeal addition to government activity. Rather, it is seen as a more systematic part of the emerging governance mix. This is illustrated by the fact that Prime Minister Blair has appointed ministers with specific responsibility for CSR within the Department of Trade and Industry. This ministerial post provides a focal point for CSR within government in terms of encouraging research and development on CSR issues. It also hosts a website for society and business which sets out a number of ways in which government can support CSR, such as promoting the business case and celebrating business achievements; supporting partnership and business involvement in key priorities, including co-funding, tax incentives and brokering new partnerships; ensuring that government business services provide helpful advice and signposting to other resources; encouraging consensus on UK and international codes of practice; and promoting effective frameworks for reporting and product labelling (Bear, 1969).

Here too, the government is promoting the idea of CSR in general and advising individual companies on how to comply with standards. In addition to subsidising CSR projects, it also supports a number of CSR organisations (e.g. Business in the Community, International Business Leaders Forum) and NGOs working with socially responsible companies (e.g. Tradecraft Exchange, War on Want). It also played a key role in launching the Ethical Trade Initiative. It is also worth noting that the nature of many of these projects (e.g. Ethical Trade Initiative, Business Environmental Reporting) is that companies perform to defined standards and report on them - a key factor in the increasingly institutionalised nature of CSR in the UK. More recently, the DTI has taken the lead in announcing plans to develop a new Corporate Social Responsibility Academy to develop skills and competencies in this area.

The Labour government took initiatives to adapt the regulatory environment for CSR. In 1996, the Occupational Pensions Schemes (Investment) Regulations were amended to require pension funds to disclose how they take account of social, environmental and ethical factors in their investment decisions from 2000. This could be described as 'soft' regulation, as it does not require any particular behaviour other than reporting. It is a way of encouraging greater responsibility by requiring transparency, which in turn encourages companies to be explicit about their CSR.

The UK government has introduced tax changes to encourage more CSR. For example, the Climate Change Levy, which came into force in 2002, encourages greater energy efficiency in industry and a landfill tax encourages better disposal or reuse of waste. The Community Investment Tax Credit, introduced in 2002, is a means of attracting private capital to disadvantaged areas (shaw, 1996).

The context for the Labour government's promotion of CSR may not seem so apocalyptic; it can clearly be linked to the inability to solve social problems alone. Moreover, the Labour government used partnership and soft legislation as a more positive and subtle way of reshaping corporate behaviour in line with changing social expectations than the option of more mandatory legislation, which can be difficult and expensive to enforce and can drive companies overseas.

The creation of CSR organisations clearly implies that they have members. Membership of such organisations is a badge of commitment to CSR, which companies may choose to substantiate in order to deflect criticism. Endorsement of CSR standards is a further incentive for companies to institutionalise their socially responsible practices, values and reporting.

There are a number of ways in which British CSR has grown and become more institutionalised compared to earlier corporate social responsibility in the UK and another comparable system. The first indicator is the emergence of CSR umbrella organisations, the most prominent of which is Business in Community with over 700 members, including most of the major UK-based multinationals and accounting for 20% of private sector employment. Other business membership organisations for CSR include the London Benchmarking Group, the Institute for Social and Ethical Accountability, the Institute for Sustainability and Tomorrow's Company.

A number of other organisations have also emerged to provide CSR consultancy services. A number of other organisations are also active in this area. For example, Ethical Corporation organises CSR conferences and publishes a newsletter, and Ethical Performance publishes a newsletter and runs a CSR jobs website.

In addition to the emergence of a number of new organisational manifestations of CSR, there is ample evidence that leading UK companies are much more explicit about their CSR than in the past. This is evident in a number of ways. There is an increase in the number of CSR roles and functions within companies. Many companies are embedding CSR into their internal systems, using codes of practice across a range of activities from the allocation of CSR budgets to the environmental and human rights impacts of the business. Some of these standards are imported from outside (e.g. the Institute of Business Ethics, Accountability) and others are 'home-grown'. Some companies further embed CSR in the company and its community relations through employee volunteering programmes. In some cases, companies have linked CSR to their corporate branding. As well as joining CSR business associations, many individual companies are more likely to have entered into partnerships with NGOs or government organisations to underpin their CSR. These range from high profile head office level partnerships with leading NGOs to branch level partnerships with community organisations. It is interesting to note that a survey of European business leaders concluded that UK companies are more committed to CSR than their European neighbours (Driver, 2006).

CSR is attracting increasing media attention. The Financial Times and the Guardian have dedicated CSR reporters. The Times includes a social responsibility index in its weekly company profile. In business education, CSR appears to have a much more explicit profile in the UK than in other European countries, both in terms of the nomenclature of courses and their quantity. In these different ways, we have seen that CSR has grown and become more institutionalised in the UK. It is the argument of the research paper that government has been an important, but not the only, driver of the growth of institutionalised CSR in Britain.

5. *CONCLUSION*

Other drivers of CSR can be broadly categorised as business and societal. Business drivers include imperatives placed on companies by investors, suppliers, partners and customers, as well as imperatives identified by companies themselves, such as reputation (with government or other stakeholders and the public), marketing, branding, employee relations and knowledge. Social drivers may include demands from consumers, specific publics, e.g. residents of specific geographical areas affected by a business, (organisations claiming to act on behalf of society, e.g. non-governmental organisations, community groups) and employees. It can be expected that government stakeholders will often act in relation to some of these other stakeholders. For example, in developing many of its policies, the government has worked with business organisations committed to CSR and, in any case, government initiatives require a positive response from business to be effective. Also, the articulation by governments of the view that business has a social responsibility may have encouraged the development of this perception among NGOs.

It could be argued that governments also have an interest in being uniquely responsible for the provision of public goods as a key to gaining popular support. From the perspective of corporations, they clearly have no interest in being held accountable for governance failures for which they do not feel responsible. This may also vary from country to country, which brings us to more general comparative issues.

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