

# Labour Standards of international CSR initiatives and the standpoints of Asian Employers Organizations<sup>1</sup>

## — Referring to a survey for Asian Employers Organisations in 2011

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### 1. Issues of labour standards and CSR in Asia

For the last few decades the issue of CSR and labour standards has been one of the most concerned business topics not only in business world, but also academics and educational institutes such as university and business schools. Academia has been critical against unilateral link between labour standards and free trade agreement analyzed the multidisciplinary of the issues<sup>2</sup>. From the aspect of business education, the Principles for Responsible Management Education (PRME) initiative is a prominent case for educational relationship for the responsible business between the United Nations and business schools<sup>3</sup>.

The adoption of ISO 26000 in 2010 has been giving effects on the rapidly growing business context in Asia. Furthermore, many international initiatives on CSR with reference to labour standards have been created with solid promoting framework both in public and private institutes. UN Global Compact and the Guiding principle for human rights are the representative ones by the public institutes on the one hand, Global Reporting Initiatives and ISO are private initiatives on the other.

Among them, labour standards are incorporated in these international CSR initiatives. From the original argument on the free trade and labour standards at the 1996 WTO Ministerial Meeting in Singapore the ILO adopted Declaration on Fundamental Principles and Rights at Work. This gave integral effects to defining the core labour standards for joining international free trade system. Recent development of Free Trade Agreement (FTA) requires fair labour conditions led by industrialized countries. In particular, US foreign policy requires the adoption of national legislation in the countries concerning five internationally recognized labour principles identified in the ILO 1998 Declaration: freedom of association; effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour and prohibition of the worst forms of child labour; and elimination of discrimination in respect of

**Table 1: Asian FTA with labour provisions**

Name of trade agreement	Reference to ILO instruments	Commitment to certain minimum labour standards	Non-encouraging of trade or investment through weakening labour laws
New Zealand- Thailand Trade Agreement (2005)	1998 Declaration	Yes	Yes
Chile-China Trade Agreement (2006)	No	No	No
Trans-Pacific Partnership Agreement (2006)	1998 Declaration	Yes	Yes
New Zealand –China Trade Agreement (2008)	1998 Declaration	No	Yes
Japan-Philippines Economic Partnership Agreement (2008)	Yes (refer to the internationally recognized labour standards)	No	Yes
Taiwan, China-Nicaragua Trade Agreement (2008)	No (but the labour principles contain all Core Labour Standards)	Yes	Yes
Japan- Switzerland Trade Agreement (2009)	No	No	Yes
New Zealand – China Trade Agreement (2011) 1998 Declaration	No	Yes	

(Source) Excerpt from Ebert and Posthuma (2011)<sup>5</sup>

employment and occupation<sup>4</sup>.

In Asia, many trade agreements have contained labour provisions as listed in Table 1. Out of the eight trade agreements listed in the table, five initiatives have labour provisions as a form of side agreement or memorandum of understanding.

In fact, the extended Trans-Pacific Partnership Agreement (TPP) agreed in 2015 includes labour obligations in a chapter<sup>6</sup>. The other private initiatives from developed world for promoting labour commitments such as SA8000 have been taken mostly by the US trade and industry policy. This adds the complex picture in Asian developing countries. CSR as the name of universality is always questionable issue for Asia. For example, the government of Malaysia often insisted Asian regionalism in that Asia is diversified and has diversified greatly with cultural, religious and valued background<sup>7</sup>.

The actors relevant to business in the region have always discussed rationality and universality of CSR. Flexibility and rigidity of some rules is an example of the debate in this case. ILO Standards do not permit regional standards, but it allows flexibility. The universality of the standards rests in the process of arriving at the standards and how to implement it<sup>8</sup>. The argument is converged on the issues of human rights and business because the core labour standards are human rights issues which can not be allowed regional application.

Employers organizations are the voicing organizations to express their ideas. They are forming

regional networks according to the regional economic integration. The ASEAN Economic Community (AEC) which aims to transform ASEAN into a single market and production platform based on free flow of goods, trade, investment, capital and skilled labour, has just established in December 2015. Regional networks of business community are softly organized in Asia. Employers Organizations which are in charge of labour standards in business community also forms regional sub-network such as the ASEAN Confederation of Employers (ACE) and Confederation of Asia-Pacific Employers (CAPE).

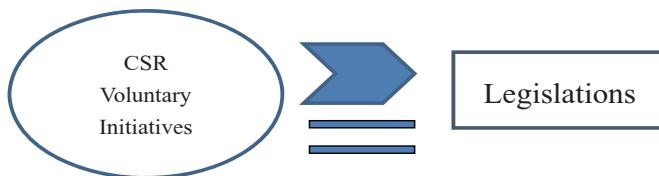
Currently again, we are facing this issue requiring universal application of international labour standards and execution in global supply chains which are located in diversified situations under the name of Corporate Social Responsibility for fair sustainable development. The ILO conference in 2016 will deal with this issues stating its concerns in that “it is notable that governments and the international community are increasingly spelling out what they expect of business, above and beyond compliance with the law. This can be seen in national and regional CSR policies, and in the United Nations Guiding Principles on Business and Human Rights. The distinction between the strictly legal and the purely voluntary seems to be getting blurred, not least as accountability and reporting mechanisms are tightened<sup>9</sup>.”

This paper aims to identify the regional ideas towards labour standards in international CSR initiatives in Asia. The research was originally reported at the AOTS workshop on international CSR instrument and Employers Organizations invited representatives of major Asian employer organizations in January 2011. Questionnaires were prepared by the author.

## 2. ILO approach to CSR

By referring to an agreement of the definition of CSR at ILO governing body in 2006 a basic reaffirmation of the significance of the CSR in Asia can be identified as in the followings. The first prominent feature of CSR is a voluntary initiative above compliance of the laws. The ILO governing body says “CSR is a voluntary, enterprise-driven initiative and refer to activities that are considered to exceed compliance with the law”<sup>10</sup>. As a business entity, an enterprise is free agent

Figure1: ILO Definition of CSR ①



with entrepreneurial and innovative actions in competitive market environment. The consciousness of business in society became an unavoidable topics in growing Asia based on this basic principle. Business side such as employers' organizations, in particular, emphasizes voluntary initiatives of CSR.

The impetus of CSR propagation was given at the aspect of environmental preservation and universally accepted value of sustainable development in the 90s. Symbolic event was Rio Earth summit in 1992. The sustainable development concept has emphasized the importance of CSR requiring long-term and earth-wide perspective. This interconnectedness of CSR and sustainable development has been strengthened in the due course. This argument developed to three dimensional model of sustainable development. It corresponds to the argument of triple bottom line of the CSR in the aspect of economy, society and environment.

Social responsibility was focused facing vulnerable situations as a dark side of globalization. Active voluntary initiatives beyond national legislation were required resulting from losing powers of national government and growing multinational corporations. However, the intervention of the governments in the Asian region has been strengthened at some points such as compulsory CSR reporting. Many countries in the region recognize that CSR includes the compliance of the relevant law.

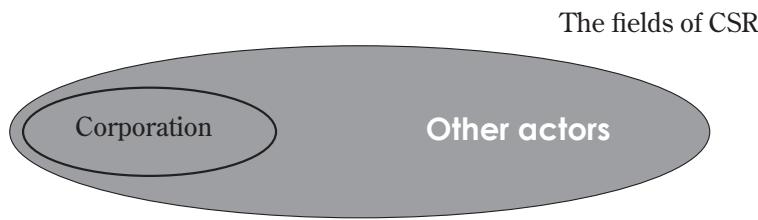
The second important facet of CSR is a deep and extensive recognition of stakeholders. The ILO Governing Body followed "a way which give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors.<sup>11</sup>" The field of CSR should go to all those affected by its activity.

This relates to the extensive influence of business in the world seeing the far reaching supply chain of the multinational enterprises. The scope of CSR included other actors affected by its own business. The term of "stakeholders" has contributed to the promotion of CSR in the field of practical execution and academic research works. In Asia, argument of CSR and sustainable development was centered as national policy and targeted the field of CSR of extensive networks of supply chain of global production systems.

### 3. Survey of the CSR in Asia

The Author's survey at the AOTS<sup>12</sup> workshop in 2011 had self-assessment of standpoints on CSR and labour standards from 11 Asian countries. It covers an overall picture of CSR activities in the Asian countries taking consideration of the labour dimension of the international standards.

**Figure 2: ILO Definition of CSR ②— Fields of CSR**



Although the CSR activities are very extensive, it focused on a picture of current situation of the CSR activities of the labour dimension.

The author sent a questionnaire to the participating countries and received country papers responding to this questionnaire.

### 3.1 General conditions for sustainable growth of enterprises

Options for basic conditions for sustainable growth of enterprises was listed in the questionnaire summarized in the following factors<sup>13</sup>.

- Macroeconomic stability and sound management of the economy
- Physical infrastructure
- Good governance and social dialogue – effective and efficient civil and political institutions and processes
- Society and culture supportive of enterprise
- Equity and economic and social inclusion

**Table 2: General conditions for sustainable growth of enterprises**

#### 1.1 conditions

	economy	infrastructure	governance	social support	social inclusion	environment
Bangladesh BEF	◎	◎	◎	◎	◎	◎
Cambodia CAMFEBA	◎	◎	◎	◎		
China CEC	◎		◎	◎		×
Korea KEF	◎	◎				
Laos LNCCI	○		○			○
Malaysia	◎	◎	◎	◎	◎	◎
Philippines ECOP				○		
Singapore SNEF	◎		◎			
Sri Lanka EFC	◎	◎	◎			
Thailand ECOT			◎			
Vietnam VCCI				×		×

◎ Favorite Requirement    ○ Favorit    × Adverse effect

### — Responsible stewardship of the environment

Among these factors, macroeconomic stability and sound management of the economy is the top of the favorite condition for sustainable growth of enterprise listed in the country papers. It is followed by good governance and social dialogue with effective and efficient civil and political institutions and processes. The most influential factor to affect the situation of sustainable development is economic stability, following by good governance and social dialogue.

Macro and overall economic situation is the most influential variables for sustainable growth. The recognition of the micro factor of good corporate governance and social dialogue in a corporation is also integral part of the basic requirement for the sustainable growth.

### 3.2 Company Motivations of CSR

The survey of the motivations of CSR by the member companies suggests the varied initiatives for CSR activities. It suggests that CSR has a multi-facet concept for the employers. Among the following responses, it can be identified the most common expectation to take initiatives of CSR for corporations.

Choices of selection was in the followings<sup>14</sup>.

- a. Raising the capacity to attract and maintain a qualified and motivated workforce;
- b. Improving relations with the staff;
- c. Increasing productivity and quality in the long run;
- d. Improving risk management including supply chain;

**Table 3: Company motivation of CSR**

**1.3 Motivation**

	attract workers	staff relations	productivity	risk management	market access	credit access	customer loyalty	brand image
Bangladesh BEF	◎	◎	◎	◎	◎	◎	◎	◎
Cambodia CAMFEBA				◎	◎			
China CEC	◎						◎	
Korea KEF	◎	◎						◎
Laos LNCCI	◎	◎						◎
Malaysia MEF		◎		◎	◎	◎	◎	◎
Pakistan EFP	◎	◎	◎	◎	◎	◎	◎	◎
Philippines ECOP	◎	◎	◎		×	◎		
Singapore SNEF	◎	◎	◎	◎	◎	◎	◎	◎
Sri Lanka EFC	◎	◎	◎	◎	◎	◎	◎	◎
Thailand ECOT	◎	◎						
Vietnam VCCI	◎	◎						

◎ Mostly relevant

○ Relevant in some part

× not relevant

- e. Increasing access to the market in foreign countries;
- f. Facilitating access to credits, taking into account the current trend of financial institutions to include environmental and social criteria in their assessments;
- g. Increasing customer loyalty; and
- h. Strengthening brand image and company reputation as essential factors for competitiveness.

As the survey demonstrated, many enterprises in Asia seem to be focusing on human resources policy as a most advantageous factor of CSR for the companies. The human resources matters such as workers commitment and engagement are the common interests for CSR. This corresponds to the recent focus of CSR measures to improve employee engagement for strengthening competitive advantage. Raising the capacity to attract and maintain a qualified and motivated workforce is the top factor as a motivation for CSR followed by improving relations with the staff.

A detailed survey of country paper from Employers' Federation of Pakistan (EFP) indicates that improving relations with the staff records highest score, and increasing productivity and quality in the long run comes next as in the following table 3. The Pakistan country report says that "for raising the capacity to attract and maintain a qualified and motivated workforce, CSR is essential and 93% of people believe that improving relations with the staff and access to the market in foreign countries are the key weapons to strengthen the customer loyalty and control the risks in a

**Table 4: A survey of company motivation for CSR by EFP of Pakistan**

Dimensions	Not Relevant (In Percentage)	Relevant in Some parts (In Percentage)	Mostly Relevant (In Percentage)
A) Raising the capacity to attract and maintain a qualified and motivated workforce	6%	32%	62%
B) Improving relations with the staff	0%	14%	86%
C) Increasing productivity and quality in the long run	0%	22%	78%
D) Improving risk management including supply chain	0%	60%	40%
E) Increasing access to the market in foreign countries	10%	36%	8%
F) Facilitating access to credits, taking into account the current trend of financial institutions to include environmental and social criteria in their assessments	14%	34%	52%
G) Increasing customer loyalty	4%	22%	74%
H) Strengthening brand image and company reputation as essential factor for competitiveness	0%	28%	72%

(Source) Employers' Federation of Pakistan (EFP), country report of Pakistan submitted to AOTS workshop, 2011, Bangkok.

business" (EFP country report).

As growing needs for accountability of corporate behaviors, the pressure of demonstrating the justification of CSR activities from shareholders, for example, requires the reasons competitive advantage of CSR. Employee engagement and competitive advantage is becoming hot and popular topics for that<sup>15</sup>.

### 3.3 Challenges of CSR

The challenging issues to response to the CSR can be listed in the following aspects<sup>16</sup>.

- a. Limited financial resources;
- b. Low levels of expertise of human resources;
- c. Lack of information;
- d. Weak initiatives from the top management;
- e. Lack of understanding by share-holders;
- f. Lack of training and education opportunities;
- g. Lack of government support;
- h. Others (describe details);

There are many challenging issues for CSR initiatives. Seeing the challenges encountered by corporations, the expectation to government role is high in Asia. This is the feature of Asian country because there are strong trends of government legislation concerning CSR such as obligation

**Table 5: Challenges for CSR**

#### 1.4 Challenges

	financial resources	expertise	lack of information	top management	share holders	training	government support	others
Bangladesh BEF		◎	◎			◎		
Cambodia CAMFEBA	◎					◎	◎	
China CEC			◎				◎	short-term benefit
India EFI						◎	○	
Korea KEF				◎			◎	
Laos LNCCI	◎	◎	◎	◎			◎	
Malaysia MEF	◎						◎	
Pakistan EFP	◎	◎	○	○	○	◎	◎	
Philippines ECOP	◎	×	×	×		◎	◎	
Singapore SNEF		○	○	○				
Sri Lanka EFC	○	×	×	×	×	×	×	
Thailand ECOT				◎	◎		◎	
Vietnam VCCI		◎	◎	◎		◎		

◎ Mostly relevant

○ Relevant in some part

× not relevant

**Table 6: A survey of challenges for CSR by EFP of Pakistan**

Dimensions	Not Relevant (In Percentage)	Relevant in Some parts (In Percentage)	Mostly Relevant (In Percentage)
A) Limited financial Resources	%	40%	60%
B) Low levels of expertise of Human Resources	18%	42%	40%
C) Lack of information	28%	40%	32%
D) Weak initiatives from the top management	22%	44%	34%
E) Lack of understanding by share holders	28%	44%	28%
F) Lack of training and education opportunities	%	44%	56%
G) Lack of Government support	12%	28%	60%

(Source) Employers' Federation of Pakistan (EFP), Country Report Pakistan submitted to AOTS workshop, 2011, Bangkok.

of CSR reporting. This trend is similar to the CSR policy in European countries, so comparative study between Asia and Europe is interesting for the future trend of CSR in Asia. Definitely, the expectation of government support relate to the interest of national competitive advantage.

On this aspect, the findings of EFP survey are very suggestive. It explains the government role to promote CSR in the country. It pointed out that premature of awareness of the importance of CSR is hindering the widespread activities of CSR. Therefore, it needs a mass awareness campaign supported by the government having "frequent and open discussion defining and understanding CSR, detailing its nature and promoting and developing methodologies on how local businesses adopt and manage their CSR obligations" (EFP,2011).

The country report of MEF of Malaysia explained that the importance of the government role to promote and implement the legislation concerning CSR policy which can affect nation-wide and cross-sectors including SME sector. The Malaysian Institute of Integrity (IIM) approach streamline and improve existing Corporate and Social legislations. (MEF report, p.11)

### **3.4 International instruments of the labour dimension of sustainable growth of enterprises**

A series of the labour standards of international instruments have been formed by many international institutions so far. At the same time, there is growing needs to make it reference as universal standards so that the companies can justify their CSR activities. More in details, glowing necessity for international standards for globally spreading CSR is taking place in the following reasons<sup>17</sup>.

Corporations need:

**Figure 3:**

Core subjects of Social responsibility in the fields of Labour  
(ISO26000)

### Human Rights

- Fundamental principles and rights at work

### Labour Practices

- Employment and employment relationships
- Conditions of work and social protection
- Social dialogue
- Health and safety at work
- Human development and training in the workplace

- Reference for Codes of conduct, Corporate « Pledges, Commitments, Principles », CSR policies, supply chain policies;
- Universal reference and guidance in areas such as environment, human rights and labour;
- licence to operate from society.

ISO26000 identified the core subjects of social responsibility in the fields of labour as appeared in the Figure 6.

Although the labour aspects are interrelated deeply and it is difficult to define the scope, the fields listed in the Table 6 indicate the shared understanding. However, the principal part of labour dimension of CSR consists of the Core ILO Standards. These standards are included in various international instruments with various effects. The representative instruments are the followings.

- ▶ ILO Declaration on Fundamental Principles and Rights at Work: Adopted by the International Labour Conference at Its 86th Session (1998) and ILO Core Labour Standards;
- ▶ ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977);
- ▶ UN Global Compact (human rights, labor standards, the environment, and anti-corruption);
- ▶ Global framework agreement (GFA);
- ▶ OECD Guidelines for Multinational Enterprises;

Figure 4:

## International Instruments (Labour CSR)

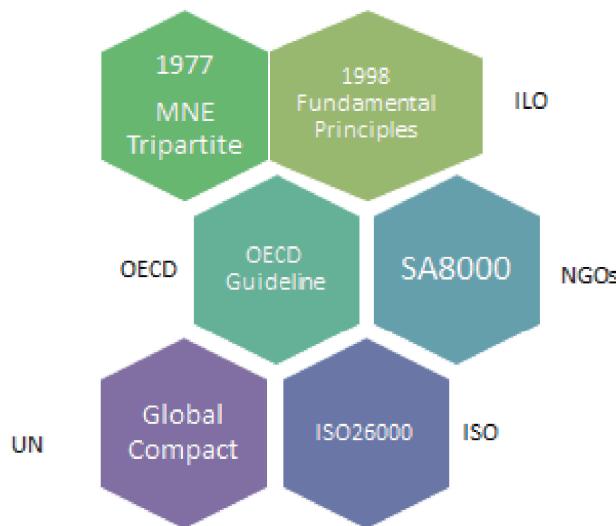


Table 7: The International Instruments of labour dimensions of CSR

### 1.6 International Instruments

	ILO 1998	ILO 1977	Global Compact	GFA	OECD	ISO26000	SA8000	local publication
Binding	×	×	×	○	Government	×	○	
4 fundamentals	○	○	○	○	○	○	○	
China CEC	○		○		○ For MNEs		○	
Korea KEF			○			○		
Laos LNCCI							○	
Malaysia MEF	○	○	×	×	○	○	×	
Mongolia MONEF	○	×	○	×	×	○	○	
Nepal FNCCI	○							
Pakistan EFP	×	×	○		×	×	×	
Philippines ECOP	○	○	○	○	○	○	○	
Singapore SNEF			○					ISO 26000
Sri Lanka EFC	○	○	○	○	○	○	○	
Thailand ECOT			○					
Vietnam VCCI							○	ISO 14001

**Table 8 : A survey of the International Instruments by EFP of Pakistan**

Dimensions	Not At ALL (In Percentage)	Some Knowledge (In Percentage)	Well Known (In Percentage)
A) ILO Declaration on Fundamental Principles and rights at work; adopted by the International Labour Conference at its eighty sixth session (1998) and ILO Core Labour Standards	51%	35%	14%
B) ILO tripartite Declaration of Principles concerning multi-national enterprises and social policy	68%	22%	10%
C) UN Global Compact (Human Rights, Labour Standards, the Environment and anti corruption).	10%	57%	33%
D) OECD (Organization for Economic Co-operation and Development) guide lines for Multi- National Enterprises	68%	25%	7%
E) ISO 26000 (Social Responsibility)	77%	22%	7%
F) SA 8000 (Social Accountability)	71%	23%	6%

- ▶ ISO26000 (Social Responsibility);
- ▶ SA8000;

The country reports indicate that UN Global Compact (GC) is the most well-known instruments. Bland image of UN and its promotional effects to the private companies may contribute to this popularity. Also, the GC local networks are spreading out to the region. Global Framework Agreement with trade unions is less popular possibly and partly because of its binding power. For business and employers, open and interactive relations of the related actors and the stakeholders are regarded as an integral part of the CSR activities.

SA8000 has binding power to the business. But it is, on the other hand, well-known for some country probably because of the pressure on exporting product on the supply chain. The exporting industry such as textile industry needs to accountable on the issue of environmental and human rights performance.

Common factors of these international instruments are;

- Based on Universal principles;
- Include the four Fundamental Principles of Rights at Work;
- Encourage enterprises to establish dialogue and contribute to sustainable development and a fair globalization (no binding except SA8000 and Global Framework Agreement).

Besides these international instruments, Malaysian MEF report introduces the success case of Roundtable on Sustainable Palm Oil (RSPO). Palm oil industry became a target by the environmental NGO to allege and give pressure on palm oil industry as a cause of deforestation and social abuse. RSPO as a not-profit association forms cooperation within the supply chain and

open dialogue between its stakeholders for the sustainable agriculture production. It has developed and implemented the global standard for sustainable palm oil at toughest standards of the world. RSPO assures the transparency and traceability with strict verification of the production process<sup>18</sup>. This is becoming de fact standards for sustainable palm oil production among major oil producers, importers and consumers and related non-governmental and governmental organizations.

The Roundtable on Sustainable Palm Oil is a flexible agreement. It sets up to bring the commercial sector together and involves the producers, civil society groups, governments and other stakeholders for loose agreement. It takes flexible and consensual decision making, but no institutional support mechanism and implementing measures<sup>19</sup>. This flexible organ may fit the Asian circumstances. Regional forum to SR can be listed for agenda in the Asian region.

### **3.5 Awareness of the Core Labour Standards**

As seeing the survey of the awareness of the core labour standards by EFP, the concepts of the Fundamental Principles and rights at work are not recognized by the business especially in SMEs. This means there is a strong need to propagate the meaning of these standards nationwide and internationally.

## **4. Some observations for promoting CSR in the context of Asia**

### **4.1 Asian value and social aspect of CSR**

Firstly, it is pointed out that a priority is given on environmental issues in the CSR context in Asia. Regional and participatory approaches have been established in water supply and other environmental fields. Environmental issues are easily understandable as universal problems such as global warming. Environmental degradation including deforestation is reaching a critical level to be irretrievable.

**Table 9: A survey of the core labour standards by EFP**

Dimensions	Little Knowledge (In Percentage)	Some Knowledge (In Percentage)	Well-Known (In Percentage)
A) Freedom of Association and the effective recognition of the right to collective bargaining	48%	46%	6%
B) The Elimination of all forms of forced or compulsory labour	66%	30%	4%
C) The effective abolition of Child Labour	18%	68%	14%
D) The elimination of discrimination in respect of employment and occupation	14%	78%	8%

(Source) Employers' Federation of Pakistan (EFP), Country Report Pakistan submitted to AOTS workshop, 2011, Bangkok.

Social issues are more complex in terms of cultural, religious and societal aspects. Naturally the discussion between universal application and regional deviation has been controversial among the different countries and regions.

Secondly, flexible approach is another feature of the implementation of CSR initiatives in this field. Asian values are diversified but we can find some common traits in traditional way of thinking in CSR. The discussion of vague feature of Asian values has produced certain common elements in consist of it. These Asian values are fitting the core of CSR in a way of more philanthropic orientation rather than strict interpretation and rule. There are common factor for embedding flexibility on the basis and way of thinking on CSR<sup>20</sup>. Asian values of philanthropic CSR have been pointed out by various scholars; less codification in business activities in Asia<sup>21</sup>, benevolent and paternalistic responsibility to employees, customers and community with value of faith and trust from Buddhism and Confucianism<sup>22</sup>. On the other hand, overlap between the tenet of Islam and CSR such as Global Compact<sup>23</sup> is observed, and Tata group's CSR is close to the that of Western companies<sup>24</sup>.

#### 4.2 Towards constructive Industrial Relations

In stakeholder engagement, the way of engagement has been argued in various occasion. Industrial relations between workers and employers are common debate for a long time. There can be an Asian way. Japanese Industrial Relations (IR) is one example for this. There are not only universal traits, but also regional characteristics.

Social dialogue is the case in point. Direction of social dialogue in Asia is leading to dialogue based engagement. In the negotiation in collective bargaining, the forms of discourse is based on dialogue, whereas cooperation between workers and managers take the form of dialogue. Figure 9 describes distinct comparisons between stakeholder debate and stakeholder dialogue. Consultation system between workers and employers is well-known practices in Japanese industrial relations.

**Table 10: Stakeholder Debate versus Stakeholder Dialogue**

Stakeholder Debate	Stakeholder Dialogue
Competition	Cooperation
Speaking	Listening
Confronting	Constructive
Separate Responsibility	Shared Responsibility

Adopted from Kaptain M, Tulder R V, "Toward Effective Stakeholder Dialogue", 108:2 *Business and Society Review*, 2003.

ITUC- AP Trade union are moving to the constructive industrial relations. Toward decent work agenda constructive social dialogue is particularly important in Asia. In September 2009, trade union leaders from Asia and the Pacific gathered in Singapore for the ITUC-AP Conference on Industrial Relations. They adopted a definition of “constructive industrial relations.” It declared that “on the basis of full recognition of the operations of trade unions in compliance with the ILO Conventions 87 and 98 in pursuit of Decent Work and common welfare, and in a stable political climate where social partners can operate without fear of reprisal; the parties concerned share a common interest in labor standards, performance of business, conditions of national economies, industries and the labor market; and share the principle of fair distribution of output to stakeholders”<sup>25</sup>.

Two channels of engagement with employees are kept in social dialogue. One channel; collective bargaining deals with issues such as fair distribution of outputs, employment, wages, working hours, and the other labor conditions. Another channel; Labor-Management Consultation System deals with the issues such as increases in outputs, management policy, productivity increases, human resource development, Occupational Safety and Health, and the others.

#### **4.3 CSR as challenges for strategic business cases and competitive advantage**

CSR is not just charity. CSR is not burden. These kinds of feeling by corporations hinder the diffusion as voluntary corporate initiatives in the region. Consequently, employers need to understand the merits of implementation of social responsibility. Since the matters concerned employees seems to be the most interesting motivation for CSR. The strategic implication of CSR like improving working conditions has to be clarified for the effective means of productivity enhancement by employers and workers. For example, how can long working hours be reduced and hourly productivity be improved at the same time?

Recent experiences in introduction of flexi-time working hours at working place show the growing potentials of synergy effects with shorter working hours and higher productivity.

The topic of reducing working hours is one of the oldest working condition concerns. In the early 19th century, it was already recognized that working long hours was dangerous to workers' health and to their families. For example, the International Labour Organization (ILO) standards on working time, adopted in 1919, limited hours of work and provided for adequate rest periods for workers. Since then, ILO has added standards on working time to provide a framework for regulated hours of work, daily and weekly rest periods, and annual holidays. The ILO states that these standards have had positive effects to ensure high productivity while safeguarding workers' physical and mental health.

The concept of productivity can be considered in different aspects, e.g. labour productivity, capital productivity and total factor productivity. Productivity can be recognized as a wide social concept. In 1958, the European Productivity Agency described the concept in the following way. "Productivity is, above all, an attitude of mind. It seeks to continually improve what already exists. It is based on the belief that one can do better today than yesterday and better tomorrow than today." This phrase has often been quoted as a basic approach to the successful application of the productivity improvement movement at high economic growth periods in Japan.

Currently, the issues of working hours are often discussed in the context of work-life balance. Lockwood (2007) suggests that work-life balance is an important lever for employee engagement which will contribute to improvements in productivity. The debates on work-life balance are moving from the negative side of conflict between work and life to the positive side of enrichment between work and life<sup>26</sup>.

Therefore, reduction of working hours should be applied in the workplace in harmonious and flexible ways to fit the work-family enrichment of the employees. It will improve employee engagement and result in higher productivity. Flexible working time arrangement with shorter working hours based on social dialogue can improve hourly productivity through employee engagement.

Another issue for further promotion of CSR is the difficulties for SMEs. Since small enterprises generally exhibit lower productivity than large enterprises, they believe there is no room for CSR activities. The mindset of this kind of idea within the SMEs has to be changed in that less favorable working conditions hinder the productivity enhancement. Better working conditions can be regarded as an important base for better productivity. However, there are no clear correlations between the size of enterprise, productivity and working conditions.

The scale of productivity is measured as value added at the company level and the individual employee level. Value added at the company level can be influenced by various factors. These include good management and workplace practice, the skills and engagement of employees, constructive labour management relations, capital factors, research and development (R&D), production methods, and technological factors. Working conditions can be regarded as indirect factors which affect direct factors, such as the skills and engagement of employees, and constructive labor-management relations. Therefore, a factor of working conditions is basis for better productivity.

There are many cases which show smaller companies with more favorable working conditions and higher productivity. The important question for a company to ask is whether less favorable working conditions would impede the basement for improvement of productivity and strengthen

competitiveness. It is a question for all the companies regardless of company size.

## 5. Concluding remarks

CSR is not only a concept but also a movement exploring sustainable development and better relationship between corporation and society. According to the examined survey suggests that common and universal agreements are making progress and influencing larger than before in a globalized Asia for the last decades. However, there is a strong sentiment in Asia that CSR is not regulation and should be based on voluntary initiatives of corporations and the stakeholders. Any unilateral pressure should be carefully treated in due course. The labour dimensions of CSR require participatory and open forum with social partners. There are many multi-stakeholder or tripartite forum on CSR. There is a mix of promotional measures, market-based, voluntary agreements, education and information measures such as seminar and training session.

The labour standards of international CSR instruments play an importat role in this context. Caire (1977) identified three possible roles of international labour standards such as freedom of association and the other core labour standards<sup>27</sup>. Three roles are: 1. how to gauge the influence of the standards in the legal fields, 2. how to assess their educational roles, 3. how to advance their roles through ILO technical assistance in developing countries. Concerning second and third roles, the employers organizations can play a lot of roles. Employers' Organization and its member companies can share the knowledge of better implementation of CSR and international instrument concerning labour CSR. Dissemination and training of relevant information in member companies are important services of employers' organization. Advocacy to the government is getting more importance than before.

Technical cooperation referring to the core labour standards are spreading out to the Asian region. Better Work project by ILO and IFC (International Finance Corporation). Better Work aims to achieve both the improvement of working conditions and promoting sustainable competitive advantages in collaborating companies mostly in textile industries. It helps to set up a joint committee called PICC (Performance Improvement Consultative Committee) composed of workers and management in a factory<sup>28</sup>.

The common factors of Asian good practices of CSR can be learned each other. There are lot of choices of cooperation among the employers and the stakeholder to be explored. CSR is beneficial for business especially for sustainable business. It can raise employee engagement, productivity, financial performance, branding position, competitive advantage and national competitive advantage. We should consider CSR strategically. The awareness of the positive effect

of CSR is very important for local economy and SMEs. Hence, information and educational activities in local economy should be reached out to the SMEs and Micro enterprises.

There are strong focuses on employees. It can be regarded as internal CSR and the priority is given on employee engagement by CSR. Also, labour and management relations are one of the central issues of the labour dimension of CSR. Industrial disputes are hindering constructive industrial relations.

The labour dimensions of CSR is larger than any definitions of CSR. It is evolving and can be applied in different way. CSR is contextual and situational responses according to diversified background of the countries and region. Amongst this labour dimension, we have many issues to be tackled and promoted as CSR activities. The labour dimension is quite multi-facet. And, this field has strong interrelated relations with labour law. Minimum wage fixing, for example, is the relevant case in point. Wage should be fixed by the voluntary decision within the corporations while minimum wage fixing is giving effects to this voluntary decision.

So-called Ethical sourcing of MNEs and international trade has grown as a pressure for improving CSR performances in exporting industries. Business sectors and Employers Organization in Asia have to champion the value of Asian approach at the time of regional economic integration.

1 This paper is a revised paper which originally drafted, and included in the report of the AOTS workshop for employers organizations of Asia in January 2011 in Bangkok as mimeographed paper. AOTS is The Association for Overseas Technical Scholarship.

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4 USTR: Trade facts: Bipartisan trade deal (May 2007). Available from: [http://www.ustr.gov/sites/default/files/uploads/factsheets/2007/\\_asset\\_upload\\_file127\\_11319.pdf](http://www.ustr.gov/sites/default/files/uploads/factsheets/2007/_asset_upload_file127_11319.pdf)

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- 11 *Ibid.*
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- 28 The author visited in a project site of Better Work Vietnam on the 13<sup>th</sup> of March 2014. Interview was accepted by the project manager; Mr. Nguen hong Ha, BSS manager; Ms. Ham Quoc Thuan, and the vice president of the host company ( Eins Vina co.ltd); Mr. Arnold Jung.