

Company commitments on trade union rights



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**UN Global
Compact**



ABN Amro
Allianz
AVIVA
AXA
Banco Espirito Santo
Barclays
BNP Paribas
Credit Suisse
Deutsche Bank
Dexia
Euronext
Fortis
HSBC
ING
KBC
Mitsui Sumitomo
Nordea
Sanpaolo IMI
Santander
Société Générale
Sompo Insurance
Tokio Marine
UBS
UniCredit
Westpac

**Freedom of association
Right to collective bargaining**

Finance survey

UNI Finance Survey on the UN Global Compact

- Summary of Results -

Company Commitments on Freedom of Association and Right to Collective Bargaining

Commitments on trade union rights: standard among multinational finance companies – yet, global implementation wanting

UNI Finance asked 35 major finance companies to elaborate on these commitments based on Principle 3 of the UN Global Compact, *"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining"*. In a second step, a sample of trade unions assessed the actual practice of these companies in different countries.

The objective was to identify commitments and expose them to a reality check as well as to create transparency. The aim was also to distinguish trends and examples of best practice within the finance industry. For UNI Finance, the survey is a foundation for developing a worldwide monitoring system that holds companies accountable for their engagements in labour-management relations and, if need be, for exerting pressure on those that fail to keep them.

The recognition of labour rights by multinational companies lays at the base of the emerging international framework for industrial relations. It is also at the core of any meaningful approach to corporate social responsibility (CSR) and good corporate governance. Commitments made by companies to UNI Finance are summarised in the table provided in this paper.

General trends emerging from both the replies of companies and the assessments of trade unions are:

- The labour dimension of CSR is neglected compared to issues such as the environment and broader human rights.
- Implementation of policies and codes of conduct beyond companies' home countries is limited.
- There seems to be no comprehensive overview by group management of what is happening in other countries in terms of industrial relations.
- Companies' behaviour and practice hardly go beyond national legal requirements.
- Companies have not yet developed tools to truly implement policies and monitor them across countries of operation.

Of the 35 companies surveyed, 10 refused to reply while 3 (indicated with * in the table below) merely stated that they were committed to Principle 3 of the Global Compact. This group missed an opportunity to engage in a constructive dialogue with UNI Finance and its affiliates. As such, they lack transparency and show no commitment to communicating with stakeholders. These were assessed as showing poor practice.

All 25 that responded claimed that they endorse Principle 3 of the UN Global Compact. Based on companies' and trade unions' replies, Barclays is considered to lead the top group that also includes Dexia, KBC and Nordea. They show best practice in the finance industry and lead the way in corporate social responsibility with regard to industrial relations. Their approach is characterised by most of the following: transparency and willingness to engage with stakeholders; commitment to sound labour relations, freedom of association and constructive social dialogue; as well as consistency across countries of operation.

<p>Best practice: Barclays, Dexia, KBC, and Nordea</p> <p>Poor practice: Aviva*, Banco do Brasil, Crédit Agricole, Euronext*, First Caribbean International Bank, Generali, HBOS, Royal Bank of Scotland, Standard Chartered, State Bank of India, UBS*, West LB, Zurich Financial Services</p> <p>Average practice: ABN Amro, Allianz, AXA, Banco Espirito Santo, BNP Paribas, Credit Suisse, Deutsche Bank, Fortis, HSBC, ING Group, Mitsui Sumitomo Ins., Sanpaolo IMI, Santander, Société Générale, Sompco Insurance, Tokio Marine & Nichido, UniCredit, Westpac</p>

Barclays – the only non signatory to the UN Global Compact that replied to the survey – distinguishes itself by the methods it uses to respond to labour issues worldwide. The company has developed an elaborate relationship with trade unions in countries where it operates and innovative ways to consult worker representatives. This is the case even when labour laws do not give many rights to trade unions. Specific instances of best practice set by

Companies' Commitments on Freedom of Association and on the Right to Collective Bargaining

	ABN Amro	Allianz	AVIVA	AXA	Banco Espirito Santo	Barclays	BNP Paribas	Credit Suisse	Deutsche Bank	Dexia Group	Euronext	Fortis Group	HSBC	ING	KBC	Mitsui Sumitomo	Nordea	Sanpaolo IMI	Santander	Société Générale	Sompo	Tokio Marine	UBS	UniCredit	Westpac
UNGC Participant	24	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
A) Endorse Principle 3 of UN GC?	25	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B1) Ensure that all workers are able to form and join a trade union of their choice?	21	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B2) Ensure union-neutral policies and procedures?	21	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B3) Provide facilities to help worker representatives carry out their function?	22	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B4) Facilities such as ability to collect union dues on company premises, posting of trade union notices, etc.?	21	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B5) Recognise representative organisations for the purpose of collective bargaining?	22	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B6) Use collective bargaining as a constructive forum?	22	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B7) Address any problem-solving or preventive need within the imagination and interests of workers and management?	22	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B8) Provide information needed for meaningful bargaining?	22	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
B9) Balance dealings with the most representative union to ensure the viability of smaller organisations to continue to represent their members?	20	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+

Barclays include a Globalisation Agreement with Unite (UK), the signing of a pledge with SASBO (South Africa) as well as different partnership agreements with other African unions, and the creation of the Africa Union Forum. These examples show willingness to inform and consult employee representatives at a global level and highlight commitment to constructive industrial relations.

Dexia also illustrates how a multinational company can implement labour rights across countries of operation. It has established a set of labour principles to be implemented across all its European subsidiaries and has made a pledge to set up a venue for exchange of views and concerted bargaining with employees in countries where no specific legislation or legally organised representations of workers exist. In addition, it is the only company to make explicit reference to the importance of social dialogue. Its “Principles of Social Management” state that the group management “commits itself to ensuring that each business unit sees the social dialogue as a fundamental principle”. Dexia and Barclays are currently negotiating a Global Framework Agreement with UNI. This is an agreement between a multinational company and UNI on behalf of the unions which represent its employees anywhere in the world.

Nordea received excellent assessments from the trade unions based in Scandinavian countries. All underlined the good level of cooperation between management and trade unions. A similar assessment was made by unions in the case of KBC, which only adhered to the Global Compact in October 2006. These two companies have extensive social dialogue and sound labour-management relations in their respective home country. And, through their European Works Council, they are trying to extend an information and consultation culture to their other countries of operation, mainly in central and Eastern Europe.

UNI Finance’s survey raises the question of the reasons that prevent multinational companies from successfully implementing their codes of conduct and CSR policies at the global level. The solution to this problem can come from UNI as the global union representing finance workers worldwide and its international network of affiliates.

Companies must deal more prominently with labour issues within the framework of their CSR policies. And this has to be done jointly with the trade unions.

Global Framework Agreements are a good instrument to achieve this cooperation. They provide a dialogue structure between a company and a global union, define standards, especially on core labour rights and CSR generally, and set up a monitoring mechanism. Such an agreement has the power to give more credibility to a company’s CSR policy and can act as an early warning system for breaches of a company’s commitment in local operations.

With the integration of worldwide finance companies, it is no longer possible to deal with industrial relations solely in separate national boxes. There is an urgent need to develop an international framework that does not replace but links national industrial relations at company level. As a global union, UNI is the natural partner for companies wishing to pursue successful labour relations, in particular in helping them to implement CSR outside their home country.

The survey results provide a powerful case of the benefits, for multinational companies, of entering into a dialogue and concluding a Global Framework Agreement with UNI. For companies that vow to be committed to fair labour practices – in whatever country they operate – such an agreement would be a logical step in consolidating and furthering their CSR commitments.

Among companies that replied, the questionnaire yielded mostly positive answers, which should indicate a high level of commitment in implementing Principle 3 of the Global Compact. Yet, when asked to provide concrete examples of how this was put into practice, most companies had real difficulties in doing so.

On the trade union side, a majority of respondents assessed companies in a satisfactory way. Good to very good assessments were given, on average, to questions relating to freedom of association and to recognition and constructive use of collective bargaining. Nonetheless, there is substantial room for improvement in labour rights, particularly relating to UNI’s recommendations for the implementation and monitoring of these rights as well as CSR.

Implementation of policies and codes of conduct beyond companies’ home countries is limited

Companies’ labour rights records differ greatly from country to country and many companies warned that the answers provided in the survey were only applicable to certain countries or regions. In many cases, the

application is limited to home country operations only. However, the Global Compact principles in general and labour rights prescribed by the ILO Core Conventions are to be applied wherever a company operates. The respect of trade unions' rights must not be limited to developed democratic nations where strong labour legislation is in force.

Many discrepancies were also noted between companies' and unions' replies, some multinationals being assessed very positively in one country and very negatively in another.

International consistency in the implementation of labour rights was thus seldom found in companies' and trade unions' replies. While many companies have adopted, at the group level, policies or codes of conduct which include provisions on labour rights, they are rarely successfully implemented globally. This follows from the assessments and comments made by affiliates in some countries as well as by the lack of information given by companies to support claims of international implementation of their group policies. Therefore, adopting a CSR policy or including CSR clauses in a code of conduct does not ensure worldwide implementation of labour rights.

There seems to be no comprehensive overview by group management of what is happening in other countries in terms of industrial relations

Trade unions assessments also suggest that the implementation of socially responsible labour standards by multinational companies faces a specific challenge: local management attitude towards labour rights. Many replies indicate that management, at the group level, officially supports labour rights but that the group's policies may not be thoroughly applied at the local level. This highlights the importance of appropriately training employees, in particular managers, on the principles of the Global Compact and on labour rights specifically as well as on putting in place effective monitoring mechanisms.

Moreover, many trade unions reported that companies either do not provide enough information for meaningful bargaining or fail to inform employees and their representatives on decisions affecting them. This was particularly the case in countries where labour laws are weak or where trade unions do not have much power.

Companies' behaviour and practice hardly go beyond national legal requirements

Companies' records on labour rights issues appear to be closely linked to two factors. Firstly, the legal framework in the country of operation seems to greatly determine companies' behaviour. Trade unions tended to grade companies better in countries where labour legislation is more developed than in those where labour laws are weak.

Secondly, and related to the first factor, the power and rights of trade unions in countries of operation play an important role in the definition of industrial relations.

Trade unions based in countries where collective bargaining or consultation mechanisms are strongly institutionalised have graded companies in a more positive way than other countries. For instance, Scandinavian countries and Malta have established forms of collective bargaining between employers and trade unions. Unions from these countries assessed companies more positively than, for example, British or Australian affiliates. In the UK, bargaining institutions are comparatively weak while, in Australia, the new labour laws give greater power to employers and undermine the role of the trade unions.

Thus, it appears that companies respect national laws but that they hardly go beyond what is required by legislation. This explains overall good assessments given by affiliates since replies came mostly from European countries where labour laws tend to be stronger than in developing countries. This attitude does not illustrate real commitment to CSR. There is more to social responsibility than meeting legal requirements. CSR is about showing leadership and best practice as well as applying the same standards across countries of operation, regardless of differences in legislation and trade union power.

Companies have not yet developed tools to truly implement policies and monitor them across countries of operation

Questions regarding the implementation of strategies to further Principle 3 of the Global Compact were negatively answered by companies and trade unions. Companies rarely include unions or workers representative bodies in

their monitoring mechanisms. The lack of consultation with these structures is counterproductive since they can provide advice on a number of issues and are key to successful implementation of labour rights. Trade unions need not to advise purely on matters of freedom of association and collective bargaining, but may also provide expert advice on issues such as remuneration, offshoring, restructuring and lifelong learning.

Companies should then promote the involvement of employees in the monitoring of their CSR policies. It is important that there exists a structure that allows employees to report eventual breaches of labour rights. This is especially true since CSR is a global, transnational issue. Commitments taken by companies in this area are international ones and must be applied across all countries of operation.

On a more positive note, it is encouraging to note that the use of external monitoring mechanisms is widely spread among finance companies surveyed. Effective monitoring systems are crucial for the successful implementation of CSR policies within a company. And it can be observed that companies that make the most extensive use of external monitoring are the ones that answered the survey in the most comprehensive manner. However, issues relating to Principle 3 do not generally feature prominently in such monitoring exercises.

Appropriate training on the UN Global Compact is not given to staff. This is essential for implementing its principles throughout the company's hierarchy, as is the formal delegation of responsibility to managers of respective units. Both managers and employees should be aware of the Global Compact's principles and trained to recognise companies' failure to implement them successfully. Moreover, responsibility to uphold these principles must be formally delegated to managers of respective units as their commitment to the initiative is essential to its full implementation within the company and its subsidiaries.

Companies also need to communicate their endorsement of the Compact more extensively. A great majority of trade unions consider that companies do not sufficiently communicate their commitment to the UN initiative. The Global Compact is based on the idea that the signatories must not only communicate their endorsement to the principles but also the progress made in implementing them. This is one prerequisite for stakeholders, including trade unions, to be able to monitor the behaviour of multinational companies.

Another area where companies must significantly improve their labour rights practices is in procurement processes. Few companies specifically demand their contractors and sub-contractors to use the Global Compact principles as the basis of mutual relations. Taking this measure would ensure that a company's supply chain is free of labour rights abuses and would show that the management is truly committed to implementing CSR principles.

Finally, no company surveyed made reference to the role of international trade union organisations or Global Framework Agreements in implementing and monitoring companies' CSR strategies at the international level. Such agreements would enhance a company's transparency and facilitate global implementation of trade unions' rights.

The labour dimension of CSR is neglected compared to issues such as the environment and broader human rights

When considering freedom of association and collective bargaining in the CSR context, it is evident that many companies choose to express their adherence to human rights in general rather than to fair labour-management relations. References are made to ILO Core Conventions and to human rights, but specific trade union rights and the need for social dialogue are seldom mentioned.

Themes such as the environment, community engagement or broader human rights can be more easily placed on the media spotlight and then have a more immediate influence on public opinion and therefore on the company. Thus, labour and trade union rights are not given the central position they deserve within the CSR debate. In addition, when discussing CSR in relation with employees' issues, the focus will be on non-discrimination, training and learning, and work-life balance. Seldom are references to the importance of trade unions, collective bargaining or social dialogue.

These latest findings go against the spirit of the Global Compact, which challenges the business community to take its universally accepted values and apply them at company level. The United Nations General Secretary, Mr. Ban Ki-moon, has recently stressed that the voluntary character of the Compact "*does not mean unaccountable*"

and called on business leaders to ensure that the Global Compact is fully implemented within their companies and through their subsidiaries, suppliers and business partners.

In the last UN Global Compact Leaders Summit, businesses made a pledge to openly and accurately communicate on progress made to integrate the Compact principles in order to allow stakeholders to assess that progress. Transparency and public accountability are important for stakeholders as this initiative is not a regulatory instrument. Thus, companies that commit to its principles are not formally monitored.

The replies and commitments provided by companies in this survey then constitute a good foundation to create a monitoring mechanism involving management and UNI Global Union with its extensive network of unions and staff representative bodies. This would aim at promoting the implementation and respect of labour rights worldwide and at influencing the direction and development of the CSR concept and practices towards a greater inclusion of these rights. This would also promote the inclusion of CSR issues in collective bargaining and in social dialogue.

The UN Global Compact is an international initiative that brings companies together with UN agencies, trade unions and civil society to support ten universal principles in the areas of labour, human rights, the environment and anti-corruption. This aims at encouraging businesses worldwide to adopt social and sustainable policies and to communicate the progress made in implementing them.

With regard to labour rights, the Global Compact states that, “freedom of association and the exercise of collective bargaining provide opportunities for constructive rather than confrontational dialogue, and this harnesses energy to focus on solutions that result in benefits to the enterprise, its stakeholders, and society at large.” Indeed, this initiative emphasises the need for collaboration between the business community, labour and other stakeholders to address the challenges of social responsibility in a context of globalisation.

UNI Finance Survey on the UN Global Compact was conducted in 2006 and 2007. In a first step, the survey was sent out to 35 finance multinational companies worldwide. The questions focused on the following issues:

- Companies’ commitments regarding Principle 3.
- The means through which companies mainstream them in management practices throughout their group.
- How companies monitor implementation and measure progress.

The sample of companies varied in size, locations, operations and structure. 29 of the companies are signatories of the UN Global Compact and the other 6 were chosen based on the assumption that they have a good record on the labour dimension of corporate social responsibility. Of the 29 signatories, 25 are listed in the FT Global 500. Multinationals based in different regions were chosen in order to make the results more representative. Companies from different countries must respond to different challenges as they face different legal, cultural and economical frameworks. UNI affiliates are active and organise in most of these companies.

In a second step, a sample of trade unions from around the world assessed the actual practice of these companies. Each affiliate was asked to evaluate the company’s behaviour in its own country.

Key addressees of this survey are pension funds, other institutional investors and (social) rating agencies as well as the United Nations, the ILO and other Global Compact stakeholders. This will give UNI Finance a better basis to respond to investors seeking its assessment of companies with regard to their corporate social responsibility and performance.

About UNI Finance

UNI Finance is the global union for finance workers. It is part of UNI Global Union that represents 20 million working men and women – 950 unions in 145 countries.

The full report is available at the following web address:

<http://www.uniglobalunion.org/unisite/sectors/finance/globalcompactsurvey>



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