



EUROPEAN POLICY BRIEF



GLOBAL RE-ORDERING: EVOLUTION THROUGH EUROPEAN NETWORKS

Does Promoting CSR Hollow-out Public Assistance
in Europe?

BRIAN BURGOON & LUC FRANSEN
University of Amsterdam

20 November 2014

INTRODUCTION

Protecting social and labour standards is usually seen as being the province of public, hard-law regulations in redistributive welfare states, including the tax code, social policies and employment regulations at home, and foreign aid and trade policies addressing labour standards abroad. Increasingly, however, protecting social and labour standards has involved the development of soft-law private regulation, including corporate social responsibility (CSR) and ethical consumer movements supporting them. The promise of such private regulation has inspired many governments of European Union member states to develop public policies such as tax breaks or guidelines to stimulate and support meaningful private labour regulation and CSR.

Such patterns have sparked controversies about the implications of such policies promoting private regulation. There is some concern about whether government policies to promote private regulations and activity actually foster deeper private regulatory activity. But there is substantial controversy about whether private regulatory activity and the policies supporting such activity serve to undermine or undergird 'classic' public interventions like government welfare or aid policies.

One view is that private regulation of social and labour conditions can unintentionally undermine public protections. Regardless of which interventions are the most effective, the governmental and nongovernmental realms may work at cross-purposes, because they are substitutes competing for scarce political resources, or provide incentives to focus on interventions that hollow-out alternatives (Kinderman 2012; Reich 2008; Cutler et.al., 1999). From this point of view, government policy interventions to stimulate private regulatory initiatives might be good for actual development of the private realm, but have the negative side effect of hollowing-out public policies promoting labour standards at home and abroad.

A second view, however, suggests that private regulatory initiatives and the public policies encouraging them can sensitize actors to accept and embolden support for public regulation (Midttun et.al., 2006; Campbell, 2007; Gjolberg, 2009, 2011). These competing views constitute

genuine controversy, hence, over the relationship between public and private paths to social protection.

The problem is that this controversy has played out on thin empirical ice, not least because it is hard to find data and methods-of-analysis to systematically gauge how private regulatory activity and policies promoting private regulation actually influence hard-law public-policy protections (Brejning, 2012). Existing studies have focused either on very narrow sets of countries and CSR experiences, or on overly broad measures of CSR activity that lump together labour-focused activity with many other kinds of interventions (e.g. toward environmental improvements). An important question for European social-policy governance is therefore left unanswered: Do private regulations and consumer movements – and the public policies designed to foster such private initiatives – help or hinder public welfare and labour regulations?

GR:EEN research provides leverage to answer this question by developing systematic measures of CSR activity and of whether these measures affect public opinion on established public policies promoting labour and social standards. This research involves developing new measures of labour-related CSR and of government policies supporting CSR, and analysing how such measures affect opinions as gauged by multi-country surveys of citizen attitudes towards public regulation in 27 European Union polities.

Such research yields important findings on how government support for CSR might indeed be successful in fostering extensive CSR activity, with only very modest negative side effects for the political sustainability of public interventions to promote labour and social standards. First, we observe that government promotion of CSR related to labour and workers does tend to correlate positively with – either to foster and/or reflect – the number of non-governmental organizations (NGOs) active on issues relevant to labour. Second, embracing or living in settings with developed CSR only very slightly dampens support for domestic welfare policies supporting workers. It can also dampen, but again only very slightly, the tendency of individuals facing economic risks to look to the welfare state to mitigate such risks. Third, such CSR conditions do not appear to alter in any way support for other government programs, such as European and national development aid. These patterns suggest that existing policies and activity promoting labour-related CSR may indeed unleash forces that soften support for welfare-state redistribution long central to such protection, but that these forces are to date substantively negligible and in any event do not apply to foreign policy interventions to assist poor countries and their workers.

EVIDENCE AND ANALYSIS

To explore whether labour-focused CSR activity and policies help or hinder classic, hard-law and public regulations we need two kinds of information. First, we need good measures of CSR activity and policies available for a substantial cross section of EU countries. This clarifies which EU countries are most or least ambitious in developing CSR policies relevant to private labour regulation, and reveals also how such CSR policies correlate with measures of actual private regulatory activity. Second, we need a way to systematically gauge how such CSR activities and policies affect the politics of hard-law public policies relevant to labour and social standards. This clarifies whether private regulation might have neutral, negative or positive implications for the maintenance of existing public interventions long associated with European welfare states.

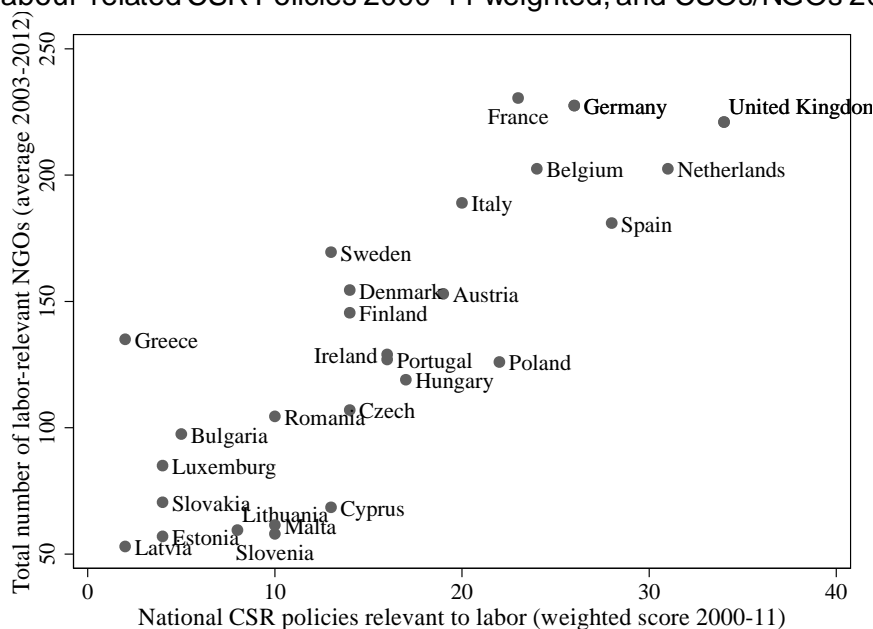
CSOs and CSR Policies in Europe

A simple and useful measure of actual CSR activity focused on labour the number of Civil Society Organizations (CSOs) – which are roughly coterminous with ‘NGOs’ – that are active in a given country between 2009 and 2013, and that are directly or indirectly focused on issues of labour (Yearbook of International Organizations 2012). This includes labour unions, but also organisations promoting labour justice, social justice, human rights, economic development, sustainable development, children and women’s rights (at work), fair trade, anti-corporate movements, progressive consumerism, and progressive business-regulation advocacy.

We can also measure of government policies promoting and popularizing CSR by recoding and combining the information CSR policies contained in existing, EU-financed sources (Steurer 2010; Steurer et al, 2012; Knopf et.al. CSR compendium 2011). We focus on government policies that either focus on labour or all issue areas that could ostensibly have labour dimensions (including human rights provisions, social justice focused policies, and generic CSR agenda promoting activities), including but not limited to programs focusing *exclusively* and *explicitly* on an aspect of fair labour standards. Following Steurer, our measure counts government activities contributing to 1) capacity building of companies to develop CSR; 2) disclosure and transparency policies with regard to societal impact of business activities; 3) Socially Responsible Investment (SRI); and 4) government efforts to lead by example through public procurement or own organizational practices. The ‘presence’ or ‘absence’ of these four categories suggest a total number of policy initiatives for each of these four categories per country. We can then weight these counts based on the ‘directiveness’ of government policies, distinguishing: 1) funding and organizational support activities; 2) creating templates, benchmarks, best practices, standards, codes, as somewhat more directive; 3) creating economic incentives to stimulate CSR, through tax breaks, subsidies, labels and awards, as more directive; and 4) creating a legal framework mandating specific corporate CSR policies as most directive. Quantifying such information yields our measure *Labour-related CSR policy*, the cumulative results for the period 2000 to 2011. We take this measure to be a good general measure of commitments in a given European polity to the development of meaningful labour-related corporate social responsibility activity.

Figure One provides a snapshot of the sample distribution with respect to the above measures of labour-related CSO activity and labour-related CSR policy. It reveals clear positive correlation between the average number of *Labour-related NGOs* and the *Labour-related CSR policy*. This is not surprising, since we theoretically should expect a reciprocal causal reinforcement between these two measures: *Labour-related NGOs* can be expected to lobby for and raise awareness that spurs development of government *Labour-related CSR policy*; and *Labour-related CSR policy* can be expected in turn to give footholds to and inspire creation of *Labour-related NGOs*. More interesting is the basic empirical pattern that we see that Northern European polities like the UK, Germany and the Netherlands tend to have the highest “scores” by both measures, while Central and East European polities tend to have the lowest. But there are some interesting exceptions, including Luxembourg as a low-CSR setting, and the Scandinavian countries in the middle of the pack.

Figure One:
Labour-related CSR Policies 2000-11 weighted, and CSOs/NGOs 2003-12



Sources:
Steurer (2006, 2011); Yearbook of IGOs/NGOs (2003, 2014); own calculations (see text)

How Labour-related CSOs and CSR Policies Affect Welfare State Support

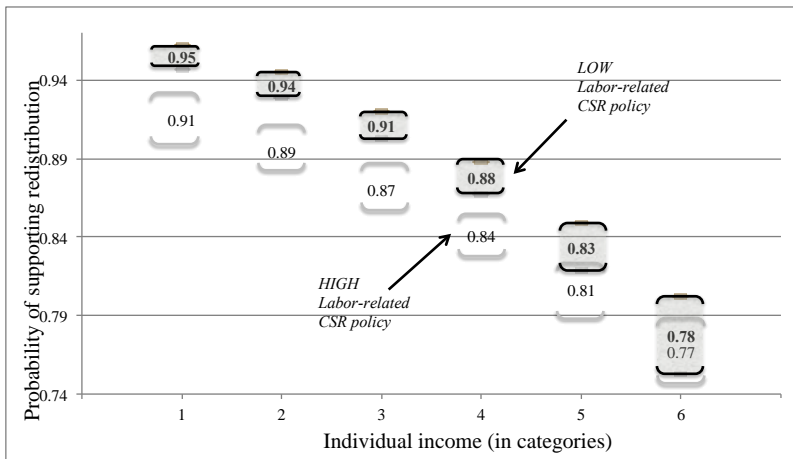
Our interest, however, is not just in the details of such CSO and CSR-policy patterns, but in how such patterns influence citizen attitudes about public policy interventions to provide social assistance at home and abroad. Recent Eurobarometer survey data helps with this goal, because they include questions about welfare states and government redistribution, or about support for European national and EU-level official development assistance to developing countries. Such survey questions gauge citizen-voter opinions, worker attitudes, and consumer tastes that are political bases of public protections of labour and social standards at home and abroad. The most important of these latter are support for government redistribution ('...to reduce differences in income'), from Eurobarometer 74.1 (2010) and support for EU and national governments to increase foreign aid (development assistance), from Eurobarometer 76.1 (2011).

Such data allow judgment of whether the above measures of activities promoting CSR and regulation have negative, positive, or no significant implications for individual support for government redistribution and for foreign aid. The data also allow judgment of whether individual economic risks like low income affect support for government redistribution differently among respondents living in settings with denser labour-related CSO activity and more active government policies promoting CSR. Our analysis considers a wide range of estimation approaches to gauge these relationships, and included many controls for the influence of other factors, including a battery of individual demographic characteristics of respondents (e.g. gender, education, employment, income, residence, marriage, etc.) and national-level characteristics (e.g. existing levels of social spending and aid). The range of estimates yield very stable results that do not appear to be the artefact of any particular method or specification for analysing the survey data.

And those patterns are important. On the one hand we see that our measures above on existing labour-related CSOs and labour-related CSR policy tend to statistically significantly reduce support for government redistribution. And we also see that such measures tend to dampen the tendency of manual work and low income to increase individuals' support for welfare provisions and government redistribution. On the other hand, this pattern of CSR activity and CSR policy potentially hindering support for public social policies is in substantive terms very modest. Figure Two below provides a snapshot of the substantive effect revealed by the more extensive statistical analysis (see Burgoon and Fransen 2014 for details). In that Figure we can see that respondents in settings with more established labour-related CSR policy tend indeed to have lower levels of support for government redistribution – averaging, as it were, the results for all 27 EU countries in the sample and holding all other characteristics of the respondents and their countries at their sample means. And we can see that the effect of income on support for government redistribution is more modest in settings with more developed CSR policy. But the differences, while statistically significant, are *substantively* very modest. Even in settings with very developed levels of CSR we still see very high levels of support for government redistribution, all other things equal. And we see that such support is still higher among poorer respondents.

The results with respect to citizen support for other aspects of government policies relevant to social standards are even more reassuring. For instance, we find no significant relationship between CSR activity or policies on the one hand, and various measures of support for development assistance. All-in-all, we have an answer to our central question: Private regulation and CSR policies supporting it do not substantively hollow-out support for government policies to protect social standards – even if the danger of such with respect to domestic welfare redistribution cannot be completely ruled out.

Figure Two:
Support for Government-provided welfare redistribution,
conditional upon *Labour-related CSR policy*



Source: Burgoon and Fransen 2014 (based on Table Two).

POLICY IMPLICATIONS AND RECOMMENDATIONS

We remain cautious about whether the patterns found here hold for other manifestations of public regulatory forms than the measures we have developed; or for the actions of policymakers and for policy outputs as well as for the citizens we have studied. If the patterns found here do hold tone, however, then this research brings important news on the future of the established public regulation and newer private regulation that manifest “Social Europe.” The pattern may be cause for hope for those who care about government welfare policies and foreign assistance, that the growth and deepening of CSR commitments and activity should not stand in the way of generous welfare redistribution and foreign assistance. However, the statistically significant (if substantively modest) pattern of how CSR activity and policy can slightly dampen (still strong) citizen support for welfare redistribution should council vigilance among those trying to sustain established social-welfare policies, that the promotion of CSR and ethical consumerism not be allowed to erode those policies in the long term.

This suggests in general that supporters of private CSR regulation can develop their realm of governance of labour-standards governance with some confidence that their interventions do, indeed, foster development and proliferation of actual CSO activity. The results also suggest that supporters of private CSR interventions, and the policies supporting them, can flourish without doing substantial harm to the base of political support for established policy protections. The patterns do suggest, however, that policymakers promoting CSR and those social actors carrying-out private regulation of labour standards ought to be careful to tailor their activity to not substitute for already substantial areas of public regulation. This would involve not duplicating effort and formal policy initiatives, or developing their private regulatory initiatives in explicit coordination with policymakers seeking to preserve and improve social-policy protection.

References

Brejning, J. (2012). *Corporate Social Responsibility and the Welfare State: The Historical and Contemporary Role of CSR in the Mixed Economy of Welfare*, London: Ashgate Publishing.

Burgoon B. and L. Fransen. (2014). ‘Does Enabling and Promoting CSR Hollow-out Support for Government-provided Social Protections?: A Public Opinion approach’. Paper under review.

Campbell, J. L. (2007). Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. *Academy of Management Review* 32(3), 946–967.

Cutler, A. C., Haufler, V. and Porter, T. (1999). *Private Authority and International Affairs*, Albany, NY: SUNY Press.

Eurobarometer/Gesis. (2010). Eurobarometer 74.1: Poverty and Social Exclusion, Mobile Phone Use, Economic Crisis, and International Trade. (8-9/2010). 1st archive edition. Dataset v4.2.0, 2013-4-30 doi:10.4232/1.11625.

Gjølberg, M. (2009). The origin of corporate social responsibility: global forces or national legacies? *Socio-economic Review* 7(4), 605-637.

----- (2011). Explaining regulatory preferences: CSR, soft law, or hard law? Insights from a survey of Nordic pioneers in CSR. *Business and Politics* 13(2), 1-29.

Kinderman, D. (2012). "Free us up so we can be responsible!": The co-evolution of Corporate Social Responsibility and neo-liberalism in the UK, 1977–2010. *Socioeconomic Review* 10(1), 29-57.

Knopf, J., Kahlenborn, W., Hajduk, T., & Weiss, D. (2011). Final draft CSR compendium: Public policies in the European Union. *Brussels: Adelphi*.

Midttun, A., Gantesen, K., and Gjølberg, M. (2006). The Political Economy of CSR in Western Europe. *Corporate Governance* 6(4), 369-385.

Reich, R. (2008). The case against corporate social responsibility. Goldman School of Public Policy Working Paper No. GSPP08-003.

Steurer, R. (2010). The role of governments in corporate social responsibility: characterising public policies on CSR in Europe. *Policy Sciences* 43(1), 49-72.

Steurer, R., Martinuzzi, A., & Margula, S. (2012). Public policies on CSR in Europe: Themes, instruments, and regional differences. *Corporate Social Responsibility and Environmental Management*, 19(4), 206-227.

Union of International Associations. (2012). Yearbook of International Organizations. Brill Publishers. (online edition: <http://www.uia.org/yearbook>)

PROJECT IDENTITY

PROJECT NAME Global Re-ordering: Evolution through European Networks (GR:EEN).

COORDINATOR Professor Shaun Breslin, The University of Warwick, Coventry, United Kingdom.
E: shaun.breslin@warwick.ac.uk

CONSORTIUM

Universiteit van Amsterdam
Amsterdam, Netherlands

Boston University
Boston. United States of America

Université Libre de Bruxelles
Brussels, Belgium

University of Cape Town
Cape Town, South Africa

Copenhagen Business School

Copenhagen, Denmark

Central European University
Budapest, Hungary

Facultad Latinoamericana de Ciencias Sociales
Buenos Aires, Argentina

FRIDE
Madrid, Spain

Istituto per gli Studi di Politica Internazionale
Milan, Italy

Nanyang Technological University
Singapore, Singapore

Norwegian Institute of International Affairs
Oslo, Norway

Peking University
Beijing, People's Republic of China

United Nations University- Comparative Regional Integration Studies
Bruges, Belgium

University of Western Australia
Perth, Australia

Waseda University
Tokyo, Japan

FUNDING SCHEME

FP7 Framework Programme, Collaborative Project, SSH – Europe facing a rising multi-polar world

DURATION

March 2011- February 2015 (48 months)

BUDGET

EU contribution: 7 944 718 €.

WEBSITE

www.greenfp7.eu

FOR MORE INFORMATION

Contact: General queries to green@warwick.ac.uk
Contact: Project management matters to Laura Downey,
L.Downey@warwick.ac.uk

FURTHER READING

All working papers, policy briefing papers and other publications are available on our website: www.greenfp7.eu/papers