

Presentation to Roundtable on Corporate Social Responsibility

**Wednesday, October 11, 2006
Calgary, Alberta**

**Gil McGowan
President, Alberta Federation of Labour**

(Please check against delivery)

Good morning. My name is Gil McGowan and I'm the President of the Alberta Federation of Labour.

As most of you probably know, our Federation is the largest umbrella organization for unions in Alberta. We represent 29 unions in both the public and private sectors, with a combined membership of about 125,000.

I won't pretend that I'm coming here this morning as any kind of expert in international investment or foreign affairs.

I don't follow the inner workings of federal government committees – and I haven't participated in any national or international panels on issues related to corporate social responsibility.

But as a provincial labour leader in the province with Canada's most rapidly growing economy, I have for years been a close observer of corporate behaviour.

And one of the most important things my years of observation has taught me is to be very wary of self-regulation and voluntary compliance.

Here in Alberta, like all other provinces, we have rules on the books designed to define and protect employment standards, environmental standards and standards related to things like human rights and occupational safety.

But when it comes to making sure that all of these rules are actually observed, in most cases our government has relied on a kind of honour system.

Companies do their own environmental testing. Businesses are given little booklets on safety rules and told to report accidents if they happen.

When it comes to employment standards, employers are never inspected unless a formal complaint from an employee is filed.

Even then, the provincial budget for enforcement is only 75 percent of what it was 15 years ago – when our province was significantly smaller.

As a result of this lax approach to regulation, the rules are routinely ignored – especially in areas like employment standards.

A recent audit of employers operating under the Federal Labour Code, for example, showed a shocking 25 percent rate of non-compliance with the rules.

Similar audits have never been done on employers working under the Alberta Code, but I'm certain they would reveal even higher rates of non-compliance.

From where I sit, the record clearly shows that self-regulation leads to abuse and non-compliance.

In some sectors of our economy, especially in industries like retail and hospitality, as troubling as it may sound, some employers literally laugh at the rules.

And this is happening here in Alberta – our country's wealthiest province; a province with an extremely well-educated population and a well-entrenched respect for the rule of law.

If self-regulation is problematic here, how well can we expect it to operate in countries where governments are corrupt and citizens have even fewer resources to fight back?

I raise all of these points this morning, not to divert attention from the main work of your committee, but because of the dangerous drift I see happening within the federal government on the issue of corporate social responsibility abroad.

Back in June 2005, when the standing committee on foreign affairs and international trade issued its report, many of us in the labour movement were pleased with the direction the government seemed to be taking.

In that report, there seemed to be a recognition that at least some Canadian businesses – in particular businesses in resource extraction industries like Talisman Energy from here in Calgary – were engaging in activities that were having adverse social and environmental impacts on developing countries.

The report also seemed to recognize that there was a need for tough rules and tough enforcement.

Unfortunately, since the release of that important report, all we've seen is back-sliding.

When the government officially responded to the committee's report, they dismissed the need for more active enforcement and again returned to the position that voluntary compliance was the best available option.

As far as I can see, there are two main arguments behind the return to this much more passive approach to promoting corporate social responsibility.

First, there seems to be a willingness on the part of government to trust our business community. There's a sense that Canadian business leaders, as pillars of the Canadian community, can be trusted to raise the bar and bring Canadian values to their business dealings abroad.

As someone who has, at times, worked closely with corporate leaders, I can attest to the fact that many, and even most Canadian business people are honourable and well-intentioned.

They are cut from the same cloth as other Canadians, and, for the most part, they share the same values.

But because our businessmen are good people and well-intentioned does not mean they are immune to the pressures and temptations that are part of the dog-eat-dog business world – especially the world of business abroad.

This problem was addressed earlier this year by Donald Johnston, the Secretary-General of the OECD in a speech on corporate social responsibility he delivered in Beijing.

As most of you know, Johnston is a Canadian, with years of experience in both government and business.

And he's about as far from a radical as you can get. But even he said, and I quote, "I have noticed in my relatively long professional life that some individuals are capable of acting, in the name of a corporation, in ways they would never contemplate doing as individuals on their own account."

What Johnston was acknowledging is the basic truth that we all understand at least at some level – namely that without rules bad things happen and without meaningful enforcement rules are often ignored.

In other words, even good people can be bad corporate citizens.

So when I hear people tell me that soft targets and voluntary compliance will be enough to raise the bar on corporate behaviour, I say you're either being naïve or willfully blind.

The second argument that has been advanced in favour of a voluntary approach for corporate social responsibility abroad is that regulation and enforcement are more properly the responsibility of host governments.

I would argue that this ignores the power relationship between developing countries and international corporations.

Canada, as a developed nation, may have the political, legal and economic stature to discipline corporations within its borders – but the same cannot be said of developing nations.

With that in mind, to download responsibility for promoting and enforcing corporate social responsibility to the governments of developing nations is tantamount to not having any corporate social responsibility rules at all.

So what would we like to see from the government on the issue of corporate social responsibility?

Our recommendations are similar to those you've heard from other groups, but they bear repeating.

First, the federal government already has a suite of financial services and political services that they make available to Canadian companies doing business abroad. We would encourage the government to beef up these services to make them as useful and attractive as possible – but if Canadian companies want to access those services, the precondition has to be that they meet clearly defined labour, human rights and environmental standards.

Second, we urge the government to develop legislation – similar to what we have domestically – that would hold companies and their managers accountable for their actions overseas. Working overseas should not be seen as a “pass” for bad corporate behaviour.

If our business people transgress in other countries, they should face the same kind of penalties – including jail time – that they would face in Canada.

Third, I want to stress again the importance of enforcement. We can develop all sorts of codes and guidelines for corporate social responsibility, but without robust and meaningful mechanisms for monitoring and verification, they will amount to very little.

In conclusion, I'd just like to urge the government to stand firm and find the courage to do the right thing.

Yes, the business community will squawk if you adopt more aggressive mechanisms for enforcement.

They will squawk because meeting higher labour, human rights and environmental standards cost money.

But once you make the tough decisions, Canadian businesses will do what they do best – they will adapt. They will learn to work and prosper within the regulatory environment.

So don't lose heart. And don't be timid.

Let's seize the opportunity to lead the way. Let's not wait for the rest of the international community to do what's right because that may never happen. Let's take Canadian values around the world with Canadian business.