

# Corporate Social Responsibility and Human Rights Abuses: A Cross-section Analysis of Multinational Corporations

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# Corporate Social Responsibility

- Global Fortune 500 (2006): **9 out of 10** companies reported having human rights principles or management practices in place
- Corporate Social Responsibility: “is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract” (Jones, 1980, 59-60)
  - Voluntarily adopted
  - Broad (to all possible stakeholders)

|                                     |
|-------------------------------------|
| SEARCH                              |
| COMPANY OVERVIEW                    |
| CAREERS                             |
| INVESTORS                           |
| MEDIA                               |
| NIKE RESPONSIBILITY                 |
| CONSIDERED DESIGN & THE ENVIRONMENT |
| WORKERS & FACTORIES                 |
| OUR COMMUNITY INVESTMENT            |
| FEATURES                            |
| BOWERMAN TRACK PROGRAM              |
| JORDAN FUNDAMENTALS                 |
| NIKE SCHOOL INNOVATION FUND         |
| REPORTING                           |
| RESPONSIBILITY GOVERNANCE           |
| NIKE GIVING GUIDELINES              |
| NIKE FOUNDATION                     |
| DOING BUSINESS WITH NIKE            |
| SHOP & CUSTOMER SERVICE             |
| CONTACT US                          |
| FAQS                                |



## Nike and (RED)™ Unite to Leverage the Power of Sport to Fight HIV/AIDS in Africa

On the day before World Aids day some of the world's best footballers joined Bono at announcement of partnership between NIKE, Inc. and (RED).

This unique partnership delivers a two-pronged approach to fight HIV/AIDS in Africa by delivering funds to support programs that offer education and medication on the ground and will harness the power of sport to engage youth around the world in the fight against AIDS in Africa.

In making the partnership announcement, Mark Parker, President and CEO of NIKE, Inc., Susan Smith Ellis, CEO, (RED) and Professor Michel D. Kazatchkine Executive Director of the Global Fund to Fight AIDS, Tuberculosis and Malaria were joined by footballers from around the world and U2 vocalist and (RED) co-founder Bono, to emphasize the need for global action and participation to eliminate AIDS in Africa.

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## Our Community Investment

At the core of the Nike brand is passion for sport and the role it can play in life. It's a belief that sport plays a critical role as a source of empowerment to help people reach their full potential.

In particular, we see sport as a means of challenging racism, resolving conflict, building leadership and teamwork and enhancing life skills for youth. Used positively, sport becomes a powerful tool for youth inclusion, helping them fully participate in the social and economic opportunities in their communities.

Play is not an option for millions of young people around the world. There are no safe spaces to play, no coaches, no time, no equipment, no inspiration. It's time to change how we make an impact by using sport as a tool for social innovation and inclusion.

### FEATURES

#### Back for the Future: Nike Partners with the Michael J. Fox Foundation and Original Film Creators to Pursue a Future without Parkinson's Disease

2011 NIKE MAG shoes will be auctioned on eBay, [nikemag.eBay.com](#), with all net proceeds going directly to The Michael J. Fox Foundation.

#### Nike School Innovation Fund Commits \$96,476 to Hillsboro Public Schools to Support its 2011 Early Learning Summer Program

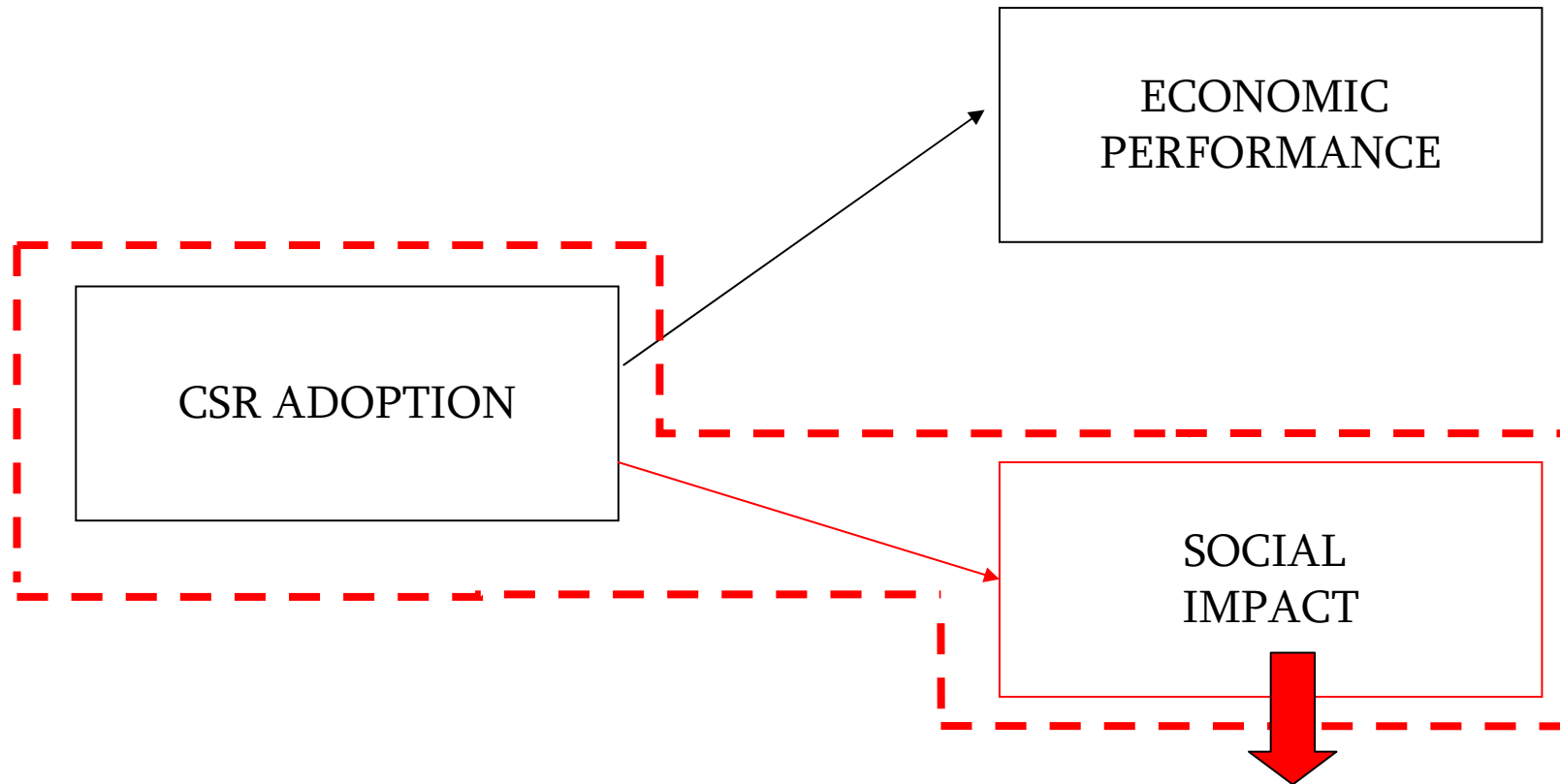
The NSIF's aim is to support our community's major school districts in their pursuit to improve the education of our kids.

#### Nike Announces Second Round of Recipients for OCF Nike Employee Grant Fund Awards

But from the news also corporate involvement in human rights abuses...



# Research Question



1. IS CSR EFFECTIVE IN REDUCING CORPORATE INVOLVEMENT IN DIRECT AND/OR INDIRECT HUMAN RIGHTS ABUSES?
2. DOES THE TIMING OF CSR ADOPTION MATTER?

# Data

- A new dataset
  - 140 multinational firms belonging to 28 different sectors (Fortune Global 500) (5 for each sector randomly selected)
- Data
  - Size, age, nationality, financial data (Datastream)
  - Information about CSR adoption and timing
    - Corporate web-sites and direct contacts with firms
  - Human rights abuses
    - Business and Human Rights Resource Centre (BHRRC) webpage ([www.business-humanrights.org](http://www.business-humanrights.org))



# Business & Human Rights Resource Centre

Tracking the positive and negative impacts of over 5100 companies worldwide

Centro de Información sobre Empresas y Derechos Humanos

Centre de Ressources sur les Entreprises et les Droits de l'Homme

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### Features

UN endorses Guiding Principles on business & human rights

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[Launch of Business & Children Portal: Press release; Side event 14 Jun, UN Geneva](#)

[Tributes to Sir Geoffrey Chandler, 1922 - 2011](#)

[Portal: "Human rights](#)

## NEWS

- Umicore renews its global agreement with trade unions on human and labour rights
- **ES** [PDF] Guatemala: Confederación Sindical denuncia asesinato de otro trabajador y dirigente sindical de la salud
- China: Shanghai environmental watchdog orders 2 factories to halt production after children in nearby village suffer lead poisoning
- 8 companies in chocolate & cocoa industry to donate \$2 million to combat child labour in Ghana & Côte d'Ivoire
  - **FR** Ghana & Côte d'Ivoire: 8 sociétés du secteur cacao & chocolat consacreront \$ 2 millions pour combattre le travail des enfants dans un partenariat avec l'OIT
- **ES** [PDF] Perú: Defensoría del Pueblo recomienda a autoridades realizar consulta previa para nueva legislación forestal que afecta derechos de pueblos indígenas
- UK: 1 found dead in search for 4 missing miners at Gleision colliery in Wales, health & safety executive & police will jointly carry out an investigation
- Discussion on the ethics of doing business in North Korea

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### Special resources

NGO reports

289 companies with a human rights policy statement

Regional briefings

Quick links: Text of business & human rights standards

"On the Horizon"

Special pages index

"BASESwiki" - non-judicial remedies

Corporate complicity: ICJ expert panel

UN Global Compact

Intl. business and human rights



### Job postings

- Executive Director, **Fair Food Standards Council**
- Ethical Sourcing Retail Market Manager, **Wal-Mart**
- Project Officer, **Impact More**

# Data about Human Rights Abuses

- (a) a brief description of the event
- (b) the place (often the country/ies) in which the event took place;
- (c) the year(s) in which the event took place

| code Firm | Name Firm           | Code Event | Brief description   | Workers/ Individuals (0,1) | Communities (0,1) | End-users (0,1) | Direct (0,1) | Indirect (0,1) | Plus Cogens (0,1) | Starting Year | End Year | Year of News | Place of Event | Trial (1) | Who denounces                                | Document file |
|-----------|---------------------|------------|---|----------------------------|-------------------|-----------------|--------------|----------------|-------------------|---------------|----------|--------------|----------------|-----------|--|---------------|
| 53        | Adidas              | 251-N      | Their Chinese supplier YueYuen had bad working conditions, which lead some female workers to commit suicide | 1                          | 0                 | 0               | 0            | 1              | 1                 | 1994          | 2002     | 2002         | China          | 0         | China Labour Watch                           | Adidas-13-neg |
| 75        | Hilton Hotels Corp. | 319-N      | Racial discrimination and sexual harassment of workers  | 1                          | 0                 | 0               | 1            | 0              | 0                 | 2006          | 2006     | 2010         | USA            | 1         | U.S. Equal Employment Opportunity Commission | Hilton-7-neg  |

- *indirectly* associable to the MNC ;
- (g) the type of abused:
  - against *individuals*; *communities* and *end-users*.
- Caveats: allegation and under-estimation
- 1990-2006



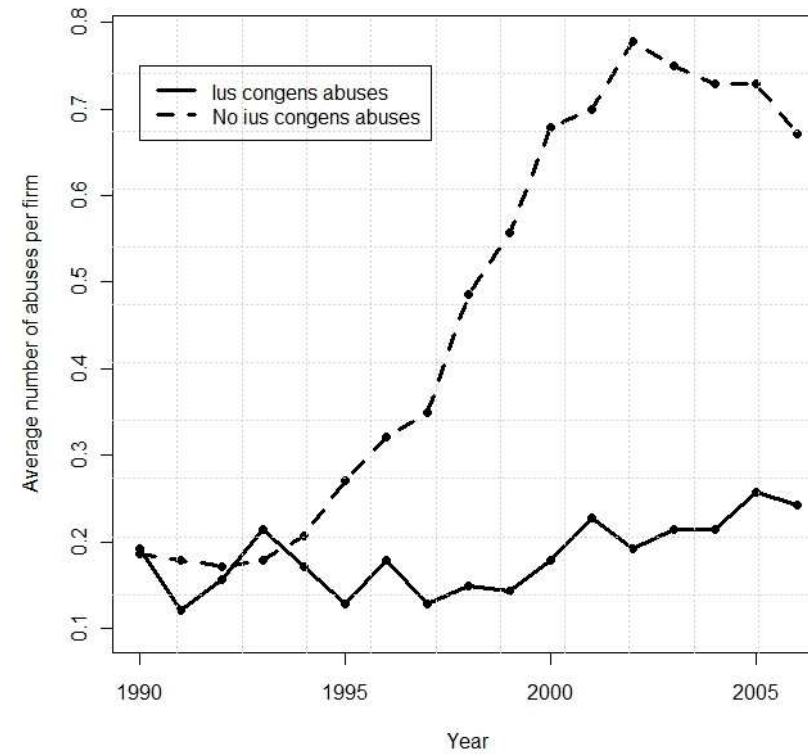
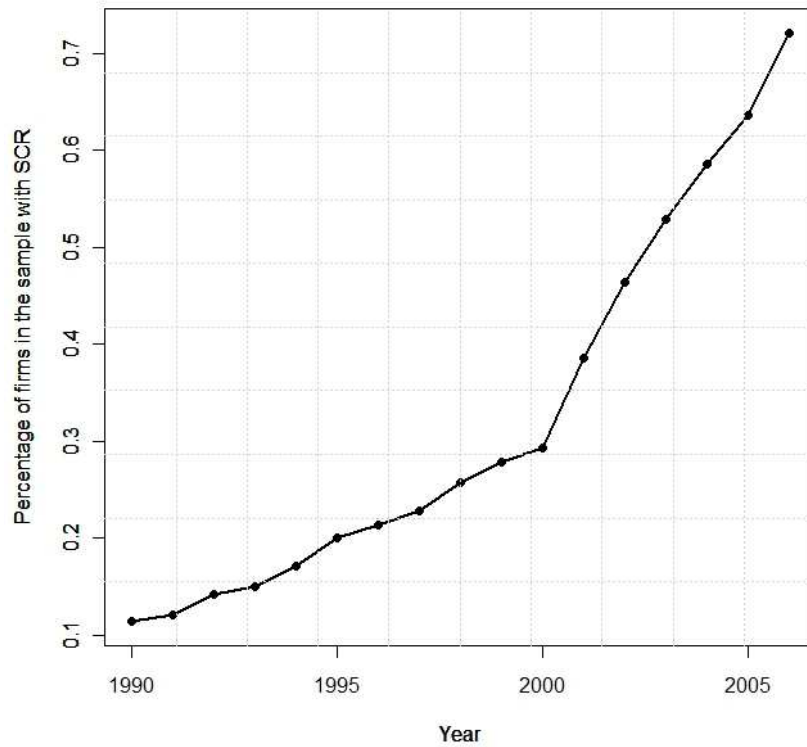
# Model

- $ABUSE = \beta_0 + \beta_1 \text{TIME DUMMIES} + \beta_2 \text{CONTROLS} + \beta_3 \text{CSR} + \beta_4 \text{CSR\_EXPE} + \mu (1)$
- **CONTROLS:** Industry of firms (e.g. primary); Country of origin of firm (e.g. US); Age of firm; Size of firm (proxied by the number of workers)
- **Pooled data estimate:**
  - LPM (OLS) & Nonlinear models (Probit)
  - Endogeneity controlled by 2SLS and Bivariate Probit estimator
- **Panel data estimate:**
  - Different estimators (e.g. RE, FE, etc.) - reflect different assumptions on the structure of random component  $\mu$ .

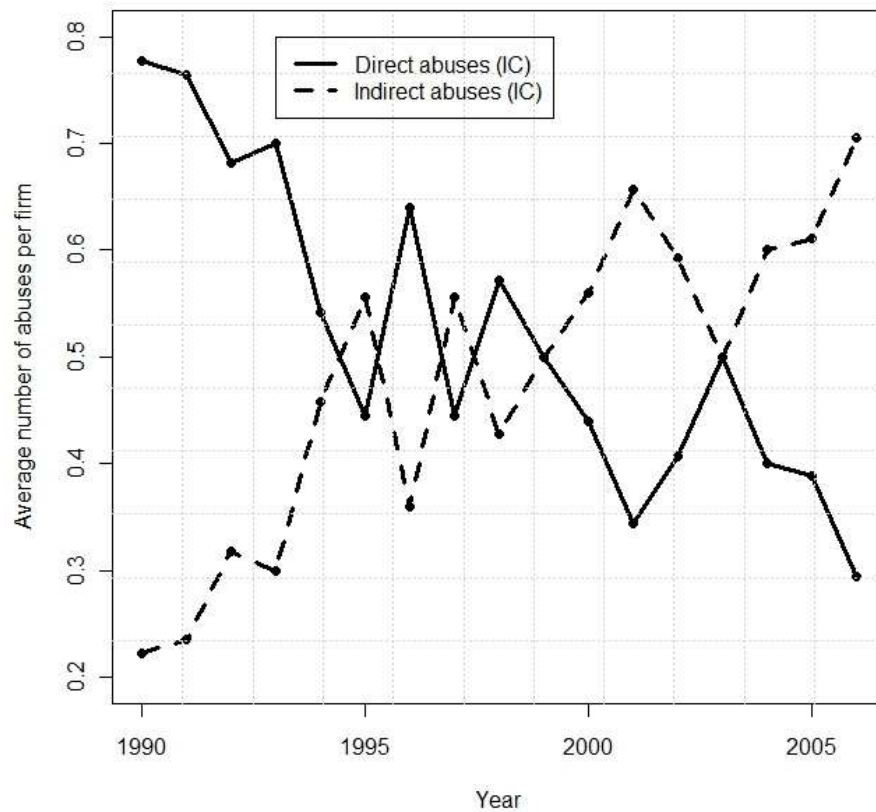
# Descriptive statistics

|   | <i>Jus cogens</i> | <i>Not Jus Cogens</i> |
|---|-------------------|-----------------------|
| <b>i) Frequencies of abuses</b><br>Number (% on total sample) |                   |                       |
| Number of MNCs with at least 1 abuse (1990-2006)              | 44 (31%)          | 73 (52%)              |
| Number of MNCs with at least 5 abuse (1990-2006)              | 25 (18%)          | 31 (22%)              |
| Number of MNCs with at least 10 abuses (1990-2006)            | 13 (9%)           | 22 (16%)              |
| <b>ii) Average number of abuses per MNC (Average)</b>         |                   |                       |
| Average number 1990-2006                                      | 0.18              | 0.47                  |
| Average number in 1990  | 0.19              | 0.19                  |
| Average number in 2006  | 0.24              | 0.67                  |

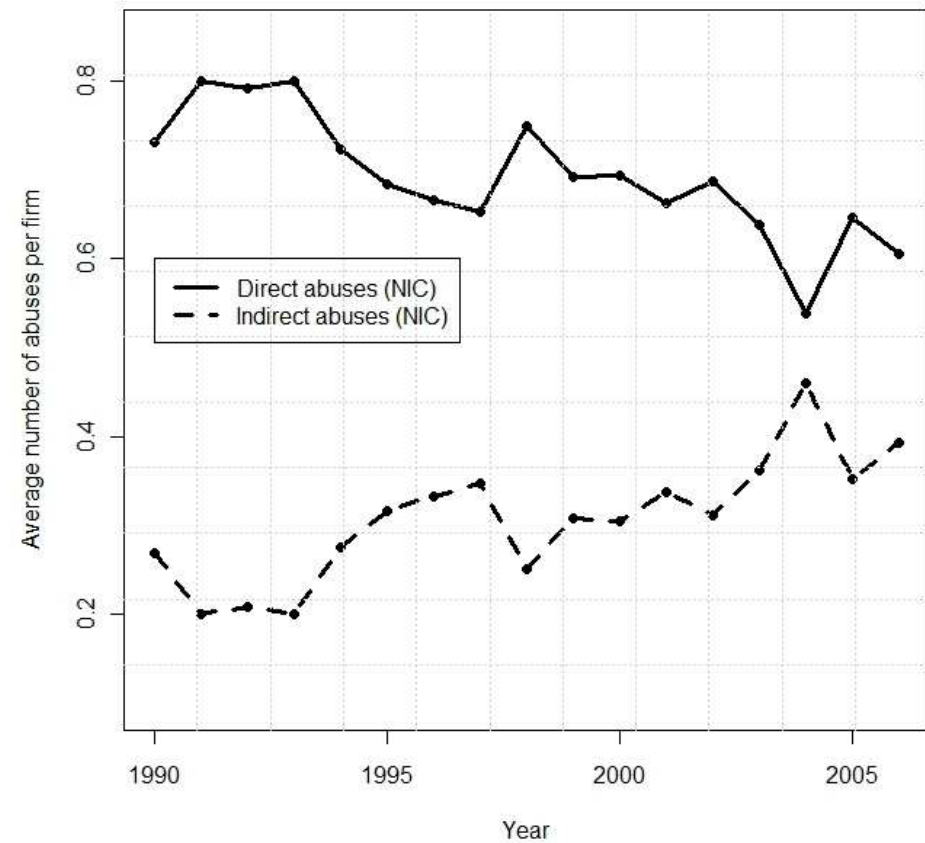
# CSR and Human Rights Abuses: 1990-2006



# Direct vs Indirect Abuses: 1990-2006



**Jus Cogens**



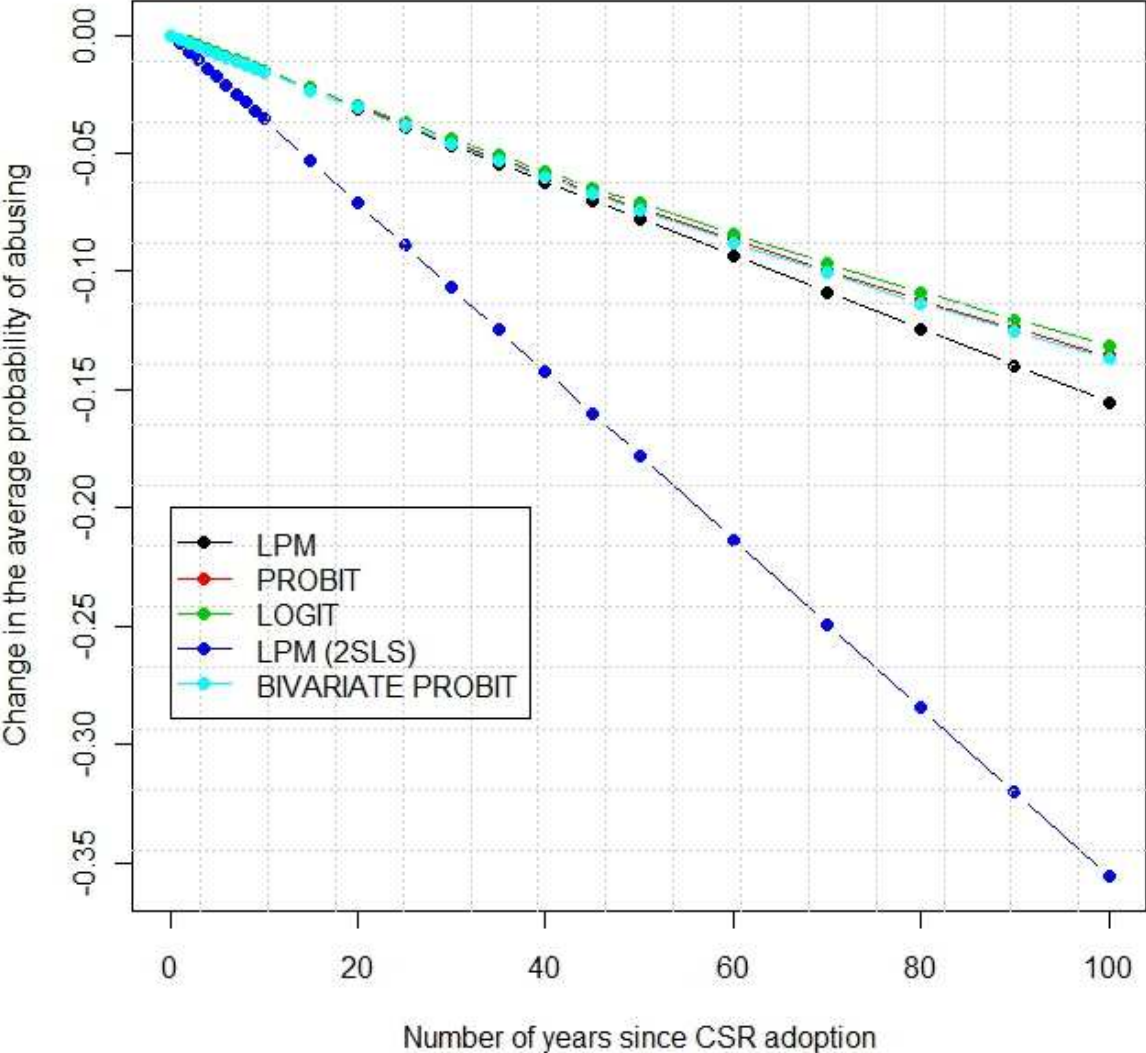
**Not Jus Cogens**

# Key results

| Total abuses           | LPM2SLS<br>(pooled<br>data) | BIPROBIT<br>(pooled<br>data) | 2SLSPP<br>(panel data) | REIV<br>(panel<br>data) | FD<br>(10 years,<br>panel data) | HT<br>(panel<br>data) |
|------------------------|-----------------------------|------------------------------|------------------------|-------------------------|---------------------------------|-----------------------|
| SCR ( $\beta_3$ )      | 0.283***                    | 0.053**                      | 0.283***               | 0.097                   | 0.107**                         | 0.067**               |
| CSR_EXPE ( $\beta_4$ ) | -0.0036***                  | -0.0015**                    | -0.0036***             | -0.0013                 | -0.0016                         | -0.0009               |

- ◆ The coefficient of CSR measures the difference in probability to be reported as committing an abuse if you have CSR: on average firms with CSR are reported with higher probability of being reported as committing an abuse
- ◆ The coefficient of SCR\_EXPE measures the change in the probability to be reported as committing an abuse if you have CSR one year more: we find that over time firms with CSR reduce their involvement in human rights abuses – but very little
  - ◆ a value of 0.001 means that you need 10 years to decrease of 1% the probability to be reported as committing an abuse (the sample average probability to be reported is 20%)

Magnitude of the effect  
(ALL ABUSES;  
ALL SAMPLE)



## Issues for discussion

- CSR and the higher probability of firms being involved in human rights abuses:
  - CSR make them more “visible” and monitored
  - CSR is used by corporation as a window dressing tool
- CSR reduces the probability of being involved in human rights abuses over time – a weak learning effect?

## Limitations: next steps

- CSR a binary variable – does not account for the heterogeneity in corporate commitment toward CSR
- Unobserved heterogeneity at corporate level: corporate culture or governance characteristics may be influential aspects
- Context-level characteristics are not accounted for (e.g. press freedom, country civil/political rights, etc.)



# Thank you

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