Accounting Forum xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor

Have labour practices and human rights disclosures enhanced corporate accountability? The case of the GRI framework

Sepideh Parsa[a,*], Ian Roper[a], Michael Muller-Camen[b], Eva Szigetvari[b]

[a] Middlesex University, UK
[b] Wirtschaftsuniversität Wien, Austria

ARTICLE INFO

Keywords:
Accountability
Global Reporting Initiative Guidelines
Human rights
Labour practices
Social Accounting
Workforce

ABSTRACT

This paper critically evaluates Transnational Corporations' (TNCs) claimed adherence to the Global Reporting Initiative (GRI)'s 'labour' and 'human rights' reporting guidelines and examines how successful the GRI has been in enhancing comparability and transparency. We found limited evidence of TNCs discharging their accountability to their workforce and, rather, we found evidence to suggest that disclosure was motivated more by enhancing their legitimacy. TNCs failed to adhere to the guidelines, which meant that material information items were often missing, rendering comparability of information meaningless. Instead, TNCs reported large volumes of generic/anecdotal information without acknowledging the impediments they faced in practice.

1. Introduction: workforce reporting as part of corporate social responsibility (CSR) agenda

This paper examines the information that transnational corporations (TNCs) report on their workforce in accordance with the Global Reporting Initiative (GRI) guidelines. The analysis presented contributes to the debates around accountability and legitimacy theory. That is, it examines the extent to which disclosure acts as a platform to embellish or exaggerate 'good behaviour' for the purpose of boosting corporate image, rather than enhancing transparency for the purpose of discharging corporate accountability to their workforce.

With the increasing attention paid to the impact that global value chains[1] have on labour rights, this paper examines the extent and quality of information reported on the internal and external workforce of the world's largest companies. This is done using the GRI reporting guidelines on labour (LA) and human rights (HR). The GRI provides detailed guidelines with the intention of raising transparency and ultimately corporate accountability to stakeholders (GRI, 2011, p. 10).

The extant literature on workforce reporting tends to concentrate on internal workforce issues in one specific country (e.g., Williams & Adams, 2013) while workers further down the value chain (the external workforce) remain almost invisible. This paper focuses on issues related to the external as well as the internal workforce. Issues relating to the employment conditions of the directly employed workforce of the TNC differ to those of reporting on the external workforce. For the former, reporting falls within the boundaries of the TNC and under their direct authority, rendering access to data relatively easy. In contrast, reporting on the external workforce falls outside corporate boundaries, making data access more complex. This is compounded by the international cross-

* Corresponding author at: Accounting and Finance Department, The Business School, Middlesex University, Hendon, London, NW4 4BT, UK.
E-mail address: s.parsa@mdx.ac.uk (S. Parsa).

[1] By definition, a global value added chain is: '… the process by which technology is combined with material and labour inputs, and then processed inputs are assembled, marketed, and distributed. A single firm may consist of only one link in this process, or it may be extensively vertically integrated …' (Kogut, 1985 as quoted in Gereffi, Humphrey, & Sturgeon, 2005, p. 79).

https://doi.org/10.1016/j.accfor.2018.01.001
Received 8 February 2017; Received in revised form 10 December 2017; Accepted 14 January 2018
0155-9982/

border nature of such relationships, bringing additional legal, institutional and socio-cultural dynamics into play. So TNCs may have reasons to find reporting on the external workforce challenging.

Most of the human rights endeavours of civil society activities relating to the external workforce are not enforceable by international institutional benchmarks such as UN frameworks (Sikka, 2011) or by national-level government (Cooper, Coulson, & Taylor, 2011). At a deeper level, promoting the ethical treatment of supply-chain workers is challenged by the global institutional environment: the preeminent neoliberal hegemony on corporate governance not only privileges the interests of capital over labour, it actively promotes the marginalisation of any interests competing with the pursuit of shareholder value (Sikka, 2010).

Focusing on the accountability of TNCs to their workforce in the complex context of global value chains, this paper provides evidence on how TNCs, across sectors and countries of origin, treat information disclosure. It also comments on the extent to which such reporting is part of a process of incremental progress or merely a platform to gain/maintain corporate legitimacy on the issue of labour rights in the face of popular concerns. One distinguishing feature of this paper is the way we closely examine the detailed information that TNCs are expected to have disclosed once they claim disclosure on their (internal and external) labour practices in their GRI Index table. As part of the reporting process, the GRI index table enables TNCs to explicitly declare – and cross-reference – the extent of their compliance to the reporting guidelines and thus illustrate the materiality of the information reported. The examination of index tables allowed us to reveal how important it was for TNCs to illustrate the level of adherence to this internationally respected set of guidelines (the GRI) even where within the contents of the full report, some TNCs were prepared to declare the 'immateriality' of such disclosure on a variety of justifications. In the absence of mandatory audit or any meaningful assurance provision, TNCs use the GRI Index table to gain and maintain legitimacy. We argue that, in doing so, TNCs are applying Lindblom's (1993) second, third and fourth legitimation strategies with little concern for the risk of being 'found out' or rebuked at a later stage. This undermines the materiality and hence the comparability of the information that TNCs report.

The paper is structured as follows. The next section presents a review of the existing literature on reporting practices on labour issues and how this intersects with legitimacy theory. In the methods section, it is explained how the GRI enabled the examination of the extent and quality of information that TNCs had disclosed. The results are then discussed in two parts; the first concentrating on information found on TNCs that had disclosed on their labour and human rights performance indicators and the second on the extent to which TNCs had over-claimed the true extent of disclosure on each indicator. Conclusions and discussions are presented in the final section.

2. Accountability to the workforce: a global challenge

A company's workforce is regarded as a 'primary stakeholder' in most models (Donaldson & Preston, 1995; Freeman, 1984). Companies that claim a high degree of ethical behaviour toward their workers are likely to be perceived as more socially responsible in general (Cohen, Taylor, & Muller-Camen, 2012) and therefore to be perceived more favourably as a result (Crane, Matten, & Spence, 2008).

A company's concern for workers' welfare can be traced back to the philanthropists of the nineteenth century, when the impulse to improve employees' welfare was deemed to be mutually beneficial (Cannon, 1994). In the twentieth century, such philanthropic approaches were superseded by more instrumentalist concerns about satisfying institutionalised forms of employee interests through collective bargaining. However, due to the decline in unionization globally (Wailes, Bamber, & Lansbury, 2011) and increased labour market deregulation it has become more difficult to promote standardised company employment practices. In the developed world, for example, companies adhere to a range of national and supranational regulatory regimes regarding employment, making generalised policies in companies transcending borders difficult to standardise. Hence, corporations tend not to consider employee issues as a major component of social responsibility, leaving little scope for worker-related CSR initiatives beyond national-level legal compliance. In developing countries, however, the levels of regulation and the enforcement mechanisms that protect workers' rights are considerably lower than those in developed countries (Crane & Matten, 2010). In such settings, employees tend to be viewed at best in a paternalist vein and at worst in a unitarist vein (Fox, 1966) wherein labour-as-cost is the primary orientation for human resource policy.

The concept of accountability to the workforce is rather complex for TNCs. Traditionally, TNCs have been attracted to low-cost workforces and relaxed labour standards in developing countries (Dicken, 2007). However, more recently greater attention has been paid to global value chains (Gereffi & Lee, 2012), a perspective which considers the international workforce in a more nuanced way than some of the more unilateral notions of the international division of labour. Edwards and Kuruvilla (2005) focus on the internal and external power dynamics within global value chains and show how their interdependencies can vary between TNCs, resulting in different implications for the workforce in each case.

TNCs that organise, manage and govern the global value chains have a significant impact on the gains achieved by suppliers and hence workers (Gereffi, Humphrey, Kaplinsky, & Sturgeon, 2001). However, the shareholder-value orientation of (in particular Anglo-Saxon) TNCs which dominates their governance structures (Ezzamel, Willmott, & Worthington, 2008; McSweeney, 2009) is regarded as a major impediment. Sikka (2011) argues that while civil and political rights are manifestly the imperative by-products of economic growth, corporations view economic growth in terms of financial and contractual obligations whereby social, cultural and political rights (which provide a conducive setting for human rights) are ignored and excluded. More broadly, Sikka (2010) alludes to how, under neoliberalism, nation states – particularly in developing countries – are incentivised to compete to attract capital (from TNCs) by making inducements and concessions (at the expense of, for example, welfare of the workforce). Based on this ideology, contemporary accounting practices are designed to promote shareholder supremacy by reducing costs such as wages and other labour related expenses (Sikka, 2015). Thus, it should not be surprising that, in national settings with an emphasis on shareholders, TNCs can