



Corporate Codes of Conduct: Self-Regulation in a Global Economy

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Voluntary codes of conduct to promote corporate responsibility are proliferating. They tend to focus on the impact of transnational corporations (TNCs) in two main areas—social conditions and the environment—and range from vague declarations to quite substantive efforts at self-regulation.

This paper examines the different types of codes that have emerged and assesses their benefits and limitations. It also identifies the range of stakeholders involved in drawing up codes of conduct and which are affected by their adoption. It finds that provisions for code implementation and effective monitoring are vital and constitute the basis of any real and meaningful impact. It also finds that one of the major weaknesses of voluntary codes is that only a small proportion makes provision for independent monitoring.

At the same time, changing public attitudes positively affect the context in which codes are adopted. TNCs in rich countries can no longer ignore the social and environmental impact of their activities at home and abroad. This is because the rapid development of global communications facilitates international transmission of information about conditions overseas, increasing public awareness and facilitating campaigning activities.

Despite their limitations, codes have generated positive benefits. Examples where working conditions have improved show that codes can provide leverage on corporate behaviour.

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Furthermore, because such codes exist, TNCs increasingly accept responsibility for the activities of their suppliers as well as their own subsidiaries.

However, there is a danger that codes may be seen as something more than they really are. They can be used to deflect criticism and reduce the demand for external regulation. They can also undermine the position of trade unions in the workplace.

This paper finds that the limitations and dangers of codes of conduct are real. It shows how vitally important it now is to develop strategies to ensure that codes are complementary to government legislation and provide space for workers to organize. They are most likely to do so when they are multi-stakeholder codes, rather than when companies or trade associations develop them unilaterally. Codes of conduct must be seen as an area of political contestation, not as a solution to the problems created by the globalization of economic activity.

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