

The Ethical Corporation
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Lecture - 25
Employees All Over the World

Hello, we are back and we are on the last lecture of the fifth week of our course, the Ethical Corporation.

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Our topic is going to be employees all over the globe, but under that we are going to talk about specifically as you can see diversity management, different kind of diversity that are present in the employee the workforce, and then the phenomenon of race to the bottom and also the concept of co-determination.

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We have so far discussed:

- The employer-employee relationship: Employee as a primary stakeholder, as human capital investor.
- Employee rights and salient duties of the employee
- Employer's salient duties and rights.
- Different models of organization and different perceptions about how the employer-employee relationship should be
- Specific issues of employee discrimination and harassment at workplace

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So, far we have discussed quite a few. We have discussed the employer and employee relationship and the duties and rights from both sides. We have discussed the different models of organizations and accordingly how it colors, that employer employee relationship. We have even discussed the specific issues, employer related specific issues of discrimination and harassment, sexual harassment at workplace and so on.

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Few observations

Not all kinds of employees are covered by the social and legal protection of the existing labour laws:

1. **Informal sector employees:** The labour laws of the formal sector employees **do not** cover the workers in the informal sectors (construction labour, beauticians, roadside food vendors, garment workers, ragpickers, the self-employed). **Nearly 81% of the employed in India work in informal sector (68th NSSO Round), and the number is growing.**
2. **Contractual employees:** In India, within the organized sector, many employees are **contractual**. The % of contractual workers are growing, while % of regular employees have decreased. Their welfare is also **not covered**.
3. **Employees in the outsourced units in global supply chain**

Formal sector: Licensed organizations, must pay taxes, and comply with the labour laws.

- This is globally true, but particularly true in the developing countries.

Unless drastic labour reforms occur, the ethical sense of duty and fairness of the business owners can alone protect the employee welfare in these cases.

The slide includes a 'Fair 4 All' logo with a scale of justice and a small video inset of a woman speaking.

Now, we are coming to talk about today specifically on what is left in that relationship. And, I want to start out by saying that, what we have discussed covers the formal sector

employees. Namely, the employees who are working for the formal sector, where the organizations are licensed, taxpayer, organizations, but that does not cover all kinds of employees. That are employed in various business activities, for instance informal sector sorry informal sector employees, you know the labor laws that are meant for the formal sector, they do not cover the rights or the welfare of the informal sector employees.

Informal sector the examples I have given some for example, you know the roadside shops that you see, the food vendors that you see the garment workers that, that are there the rag pickers even the self-employed. And, of course, construction work or beauty parlor employees and so on, these are these are some examples of the informal sector. This is where increasingly large number of people work. And in fact, in case of India it is nearly 81 percent of the total workforce, that is more than I would say to three-fourth of the workforce. So, and the number is still growing.

Now, this is where whatever we have said those rights and laws, they fall short, they become silent, the protection is not there. Similarly, for contractual or what we call casual employees. You know they their status is somewhere in between, they are workers in the formal sector, but and they do work for the organization, but they are not employees of the organization. How so? Because, the organizations is in a contract with a provider, or a contractor, who supply this labor.

So, these are contractual employees they nonetheless work for the corporation, their number is also growing. Because, various convenient reasons their number is actually growing whereas, the percentage of regular employees are these decreasing. Along with that the responsibilities for the regular employees is also shrinking for the corporations. So, now the contractual laborers though they are employees, their welfare is also not covered by these rights and laws.

Similarly, there is another category that I want to draw your attention to specifically for today's lecture that is the global workforce, who work for large corporations, which are multinational. What we are talking about is the presence of the global supply chains that run from one country to another to another and to another. So, the headquarter might be somewhere, but various parts are getting manufactured in various different countries, that is a global supply chain. And, these are also we are going to look at this particular group

more closely in this in the next lectures, but unless drastic labor reforms happen, that as I told you the existing laws, labor laws are not doing protection of these sets of employees.

So, what do you have to rely upon in those cases is basically the sense of duty the ethical conscience that this business owners have.

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Employees all over the globe: Global supply chain

- Nowadays, **multi-national corporations** have employees all over the globe: (a) Employees in subsidiaries in other countries. Technology now enables a Corporation to hire and manage employees from different parts and time zones of the world.
- Or, (b) with outsourced business and global supply chains.
- Thus, corporate workforce now need to understand and handle diversity of different kinds: Racial, genetic, ethnic, cultural, and geographic.
- It started with equal opportunity programs and affirmative actions, but globalization has presented a much larger kind of diversity for Corporations to handle. And a new duty for Corporations: Diversity management.

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In case of the employees all over the world has you know employees these days though they may reside in one country, but they might be working for a corporation, which belongs to another country. Technology now has made it possible, that employees can work in different time zones, for different parts of the world and also in the outsource units.

Therefore, more than before the corporate employee management now has to deal with what is known as the workplace diversity. Diversity that is there in the workforce in the employees why, because the employees come from various different countries, various different cultures, maybe there are racial differences or genetic differences, ethnic, cultural, as in religious, beliefs, and also geographically they are different.

So, what started out you know being thinking of being a homogenized workplace is actually now presents a much larger problem of diversity handling. So, the new duty for the corporation is diversity management.

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Diversity management

- Organizational policies and actions that try to promote a greater inclusion, retention, and promotion of employees from different backgrounds.
- The corporate policies and programs are also supposed to create a welcoming environment for groups that so far have **not** been included in the corporate workforce.
- Diversity management of **at least two kinds:**
 1. **International diversity:** Employees who are citizens of other countries, members of diaspora, members of migrant communities.
 2. **Intranational diversity:** Employees from different ethnic communities, different castes and creed, language and geographic zones, minority groups, recent immigrant groups, within the same country. India has about 25 languages, 29 states with different culture.

Diversity management, if we have to put it in a simple way are those organizational policies and actions that try to promote, a greater inclusion greater retention and promotion of employees from various different backgrounds, all right. So, they are diverse they are not homogenous. And, the policies are supposed to create a more enabling environment for these different kinds of employees.

Specifically for groups that have not been so, far included in the corporate workforce. What kind of diversity in general we are looking at, we can classify them into at least two kinds; one that you clearly understand that is international diversity. What we are talking about that in the same team or in the same office there are employees who are citizens of other countries.

So, probably if you are an Indian, then you are working with say somebody from Nigeria or somebody from Germany. It could be also members of the diaspora people who have settled in different countries or members of migrant communities. This is a new, this is a new, that you need to see it how even the team actually can be so, diverse.

Then, there is the second kind of diversity is the intranational. Intranational not international, but intranational, it means within the nation there could be diversity.

Now, we from India we understand this very very well, because we live in a country where there are about 25 full blown languages, 29 states with very different culture. Our

eating habits are different, our cultural festivals are different, sometimes our calendars are different, but we live in the same country. So, that is intranational.

So, there the management of the diversity means, management of this kind of different ethnicities, communities, their cultural practices, their creeds, their castes and their languages of course, but these are major issues these days.

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Diversity management

- Unlike other labour laws, diversity management is a **non-legal, voluntary, ethical obligation: To be self-initiated by the Corporation.** No coercion.
- Pays strategically: Tap into diverse talents and skills, better understanding of the diverse clients all over the world, and diverse perspectives to provide a more comprehensive feedback.
- One of the ways to manage: **Through a cultural understanding of the differences.** Cross-cultural approach.
- Despite the homogenizing tendencies of globalization, countries and their national cultures differ. Their belief systems and moral values differ. These differences also show up in ethical beliefs, and in what is viewed as acceptable or unacceptable behavior in a business and organizational context.

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Now, in one point that I think needs to be underscored here is that unlike the other labor laws diversity management is not a legal mandate, it is a non-legal initiative that the corporation itself can start. So, it is a voluntary it is a more of an ethical duty on the part of the corporation, because you know you are working with the workforce, that has different representatives of different cultures. And, typically when the team is not that I mean at least I mean in thought they are not synchronized, you can expect some conflicts.

So, instead of that it is a duty of the corporation to ease those differences out and to expose, the employees to the differences without the hostility, without the natural suspicion of the different kinds of people.

So, this friendly or enabling environment to have it in the workplace that is the duty of the corporation, and it is strategic in nature because you know to you do want different kind of Italians to come in, specifically if it is a multinational corporation you do want

various regions to come in, and also the different perspectives that they bring into the workplace.

So, you want that, now how do you start, where do you start, how do you manage this? Now, one of the things that might come very easily into your mind is that true of cultural understanding of the differences. This is why cross cultural studies are done, to understand the differences, to have comparisons, and yet to find some commonalities where we can stand and still have a dialogue. So, cultural understanding, you know that is a required, whether you are talking about international diversity or intranational diversity, the cultural approach is a good approach, it is a positive approach to start.

So, even in India we know very little about people who live in other regions. For example, north east, if you if you belong to the northern part of the country it is not necessary, that you know everything that happens in the eastern zone of India, or northeastern part of India, or in the deep interiors of the southern India and so on so, this exposure.

This willingness to understand the difference of other sides culture, that is what I am referring to by this cultural understanding. Why this is important? Because, the cultural and differences show up through their belief systems and values in their practices. So, what may be obvious to you may not be so, obvious to people from another culture.

So, this is the reason why this needs discussions, why this needs mediation, by the by the workplace administrators and then that is how the understanding between different kinds of people grow. The difference does not get erased, but that does not become a barrier to have a productive workforce, that is the magic of diversity management.

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Geert Hofstede: Cultural Dimensions Theory

Hofstede (1980, 1991): Effect of culture of a nation / society on values and behavior of its members in the workplace. Six dimensions:

- 1. **Individualism / Collectivism:** "I or the we". Preference for individuals to take care of only themselves and immediate family, or for a collective approach to well-being.
- 2. **Power distance:** How the less powerful in a society accept and expect that power is distributed unequally
- 3. **Uncertainty avoidance / acceptance:** Degree of comfort with vagueness and uncertainty
- 4. **Masculinity/ Femininity:** Preference for material things, success and assertiveness, or preference for cooperation, modesty, care and compassion.
- 5. **Long-term / Short term orientation** ||
- 6. **Indulgence / Restraint:** Degree to which gratification of basic human drives are tolerated and accepted.

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This kind of cultural understanding you know the major study which has been done by Hofstede, that is known as cultural dimensions, it actually points out that how a culture can affect on our values and behavior even in the workplace. Actually Hofstede mentioned about 6 dimensions, some of you might be already familiar with this, but let me quickly go over this. Hofstede mention that some there are cultural differences on this point some cultures are very individualistic.

They understand things from the perspective of the I, where I means the single person and the immediate family, then there are other cultures, which is collective in nature. So, there is necessarily understanding of situations not from the single individual's point of view, but from the point of view of community. Even, if it is a health problem of the person, that problem would be discussed with everybody in the extended family perhaps with the elders of the community, and the decision will be arrived at collectively this is one kind of a difference.

And, therefore, this difference is going to show up in the workplace behavior also. If, you, if you think as a manager, you can get this employee to take a decision by himself or herself, then you do understand, which culture the person belongs to similarly some cultures take it for granted, that some people will be more powerful than the others in the society.

Their acceptance of it is very as if there is something very normal, other cultures have very big problem to accept the fact, that in the same society some people would be more powerful and some people will be necessarily less powerful. You understand this so, this is about how society should be the vision here. Some cultures avoid uncertainty, some cultures are ok, or they are accept they accept uncertainty they can work with it.

There are some cultures which are masculine in approach in the sense that the prefer material things, that they choose success, that they are very assertive, they value these things whereas, there are other cultures, which give more value to relationships to care to modesty as a value and to cooperation not competition, but cooperation. There is of course, cultures who believe in long term value and there are those who are short term oriented.

This is also a fact that some cultures actually are self-indulgent, they prefer to gratify their basic human rights other cultures who want to restraint in that. So, these are some of the cultural differences I hope it clarifies the point that I was trying to make namely how the cultural difference is can show up in workplace behavior and also in workplace decisions.

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Diversity management

- It follows: The more different the national cultures are, the more differently the people from the two countries will view the duties, rights, and the responsibilities of the employer and the employee. The expectations may sharply differ. An ethical Corporation needs to be prepared for that.
- Some of the measures it may adopt:
 1. **Define diversity:** Everyone may have a different idea about what diversity means. Beyond the obvious gender and caste, religion, articulate what else considerations should be included: Disability, sexual orientation, ethnicity, language, etc. Can align with the nature of the business.
 2. **Introduce measurable metrics:** Establish specific, measurable long-term and short-term goals. E.g. % of representation from minorities. Or, supplier diversity.
 3. **Arrange the resources:** Both financial resources and the people.
 4. **Educate and inform:** Managers and employees must be trained on handling diversity.
 5. **Demonstrate CEO support:** The top leader must set the tone.

The slide also features a circular graphic with the text 'Diversity Management' in the center, surrounded by colorful lines. A video inset in the bottom right corner shows a woman with glasses and a pink top speaking.

So, it follows that, the more different the national cultures are the more differently people are going to view what are the rights, what are the duties, how the employer employee relationship should be what can we expect from this relationship and so on.

If, you are working with a very diverse workforce, then being an ethical corporation you should be ready to accept these differences and work with it. So, what are could be some other measures that an ethical corporation can adopt in this regard. One of the suggestion is that first of all define diversity. You know everybody may not understand diversity in the same way.

In India for example, diversity typically and very very importantly refer to say gender, the male female difference, religious difference, and we have the major diversity problem in terms of caste. That is typical of India, which may not exist in other countries for United States diversity is about race.

So, we are talking about the whites, the blacks, the Hispanics and so on. So, this is therefore, there is need to talk about what diversity mean? Other than these things, if you whether you want to make room for other groups for example, the disabled or people from different sexual orientation is that, is that how you understand diversity. So, there is need to first of all defining diversity.

Second, in terms of diversity management the company can introduced measurable metrics, whether they are they can be achieved in so, many days, this is target setting. For example, if you want to include employees or people from a certain community, perhaps a minority group, then set a percentage set a deadline and see whether it has been achieved or not.

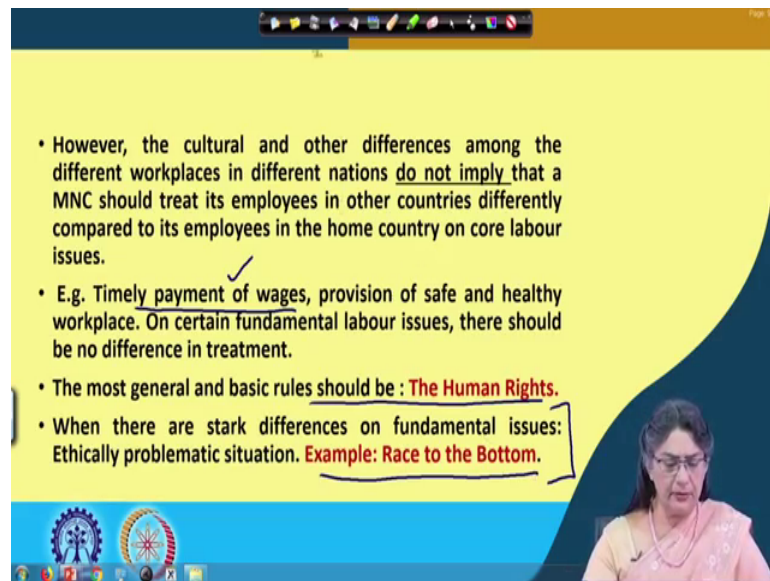
So, in recruitment you can set these targets, in promotion you can set targets and so on. Some people even suggest that there can be also supplier diversity. People that you are procuring things from, the companies procuring things from even their people can work with diversity, it does not have to be the same or the same similar group of suppliers, you might try it somebody. For example, you might look for women entrepreneurs specifically or women entrepreneurs from a certain community also.

There is clearly need to arrange the resources both financial resources and people who are going to manage this diversity. You knows having a program is one implementing it requires at least the commitment of the resources. There is this education, education and information, the key persons managers and employees, supervisors of the employees, they themselves must be trained to handle diversity. Because, exposure is not enough you know you need to get people on board to think in a certain way to simulate situations, too

because you know it is not desirable that you bring in different kinds of people and everybody is very awkward around them.

Not only the newcomers are awkward, but also the people who are already in the office they themselves are also very conscious about this other people being present that is not a very desirable scenario. So, you need to train and inform and suddenly there has to be commitment from the top.

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- However, the cultural and other differences among the different workplaces in different nations do not imply that a MNC should treat its employees in other countries differently compared to its employees in the home country on core labour issues.
- E.g. Timely payment of wages, provision of safe and healthy workplace. On certain fundamental labour issues, there should be no difference in treatment.
- The most general and basic rules should be : **The Human Rights.**
- When there are stark differences on fundamental issues: Ethically problematic situation. **Example: Race to the Bottom.**

While talking about differences especially cultural differences and diversity of various kinds, we do not want to imply, that on fundamental labour rights. There should be any different treatment to the employee, no matter what background the employee comes from. Let me repeat that we are saying when we said diversity management, we are saying two things one, that you need to understand that everybody is not the same.

Given their background, they may expect differently they may behave differently. We also said that the corporation has to have an environment ready to accept that diversity. Namely, the people have to be trained people have to be ready to accept the different kind of people that we also said.

So, this is treating different, employees differently, that we have said, but when we said that, we are not saying that on major important labor rights, core employee issues, people should be treated differently just because their from different background, that is not

what we said. For example, you know timely payment of wages; it has nothing to do with whether you are from Nigeria or from Botswana or from Nepal. If, you are an employee this is at least what the corporation owes you. So, that is what I meant that on these issues there should be no differences.

The most general and basic rules in that regard would be the human rights. The most I have told you earlier most of the labor rights have come from basic human rights. So, at least ensure that, when you are dealing with diversity management that minimum human rights are being applied to. When we have differences in this fundamental core employee issues that is where it becomes really ethically problematic. And, one example of that is the phenomenon of the race to the bottom. So, that is what we will talk about now.

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The phenomenon of 'Race to the Bottom'

RACE TO THE BOTTOM

- Globalization enables to have offices in different geographic locations. A Corporation clearly has a broad range of choices of locations all over the world to go to and set up its offices.
- In the hope of economic prosperity and the employment opportunities that a MNC may bring with it, developing countries vie with each other to lure foreign investment into their own countries with more tax regulations or no restraints.
- For better profit and ease of operations, the investing companies often prefer those countries which have the 'more preferable' conditions: Lax labour laws, a careless or negligent social protection provisions for the employees, a desperate and poor workforce seeking employment at any cost.

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See what this race to the bottom is let me explain little see with globalization, it has now the corporations are now enable to have offices in various different countries, which country to go to that is a question. Clearly, if you are a powerful and a very wealthy corporation, you have a very broad range of choices. Everybody's interested in you and the countries want to host you, because they typically think by your arrival somehow, there would be some prosperity that would go into their own communities.

So, as a result of that expectation developing countries specifically, they compete with each other to lure foreign investment in terms of setting up units in their countries. How do you lure a corporation, by promising them more and more business friendly

environment. So, typically; that means more relaxed regulations and practically no restraints for the business.

And, typically when that happens the corporation take advantage of that relaxed attitude and they prefer those countries, which practically have no restraints or very relaxed or no regulations, basically there is no protection available from the law for the employees in that country. And, there is a very desperate and poor workforce ready to do any job that they get and they do not mind what cost it may involve.

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The phenomenon of 'Race to the Bottom'

RACE TO THE BOTTOM

This competition thus creates a 'downward' race to the bottom to locate the most "business-friendly" location in terms of lower standards in labour laws, employee rights, protection and treatment. MNCs have been directly blamed for this: Sweatshops.

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Nike in Vietnam (1996): Minimum wage violation, did not provide proper working conditions, no health and safety measures, etc.

Walmart, selling US\$ 300 Million Kathy Lee Gifford line of clothing made in sweatshop in Honduras (1996): Underage employment or child labour, 13-hour workdays, pitiful wages paid, employees humiliated and physically beaten by the guards at the clothes factory etc.

When that happens? What do you think, where do you think the corporations would like to go? Typically, they would like to go to the most friendly country. So, there is a downward race to the bottom, to locate the most business friendly location in that sense, in terms of the lowest possible labor laws, the lowest demand for employee rights and lowest protection and treatment for the employees.

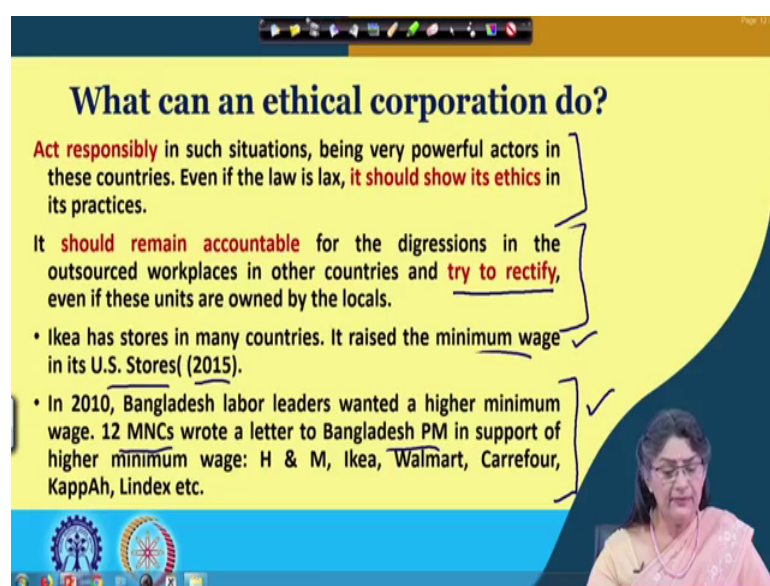
As a result what comes out are known as Sweatshops. Sweatshops means, those workplaces where employees are treated in humanely. They work under absolutely unacceptable work conditions. And, if you want examples I can cite at least two, but there are many more very well-known case is that of Nike; Nike you know the shoe manufacturer, this was way back in 1996.

And, they went from Japan to other countries and they finally, came to Vietnam. Race to the bottom, because as they found more and more attractive offers from the country to have no bars regarding labor rights, that is where you want and what do you expect. In Nike in Vietnam, the investigative report showed, that there was minimum wage violation there was no proper working conditions in fact, unsafe conditions prevailed, there were no health and safety measures, this is coming from and multinational corporation.

Now you might say, but the unit that was there in Vietnam did not belong to Nike it was the vendors, it was a local vendor who owned it. So, how do you blame Nike? The answer to that is that ultimately that unit is the part of the supply chain of Nike. So, the responsibility does come back to Nike, you cannot observe a corporation just like that by saying that it is somebody else's.

Similarly, you know Walmart had an big problem with it is sweatshop condition units in Honduras. Anytime, you can look this things up where the workers finally, when they could not take it anymore, they came to complain and one of them came all the way to and talked to an investigative reporter from the us regarding, this and that is how the story came out about the abominable inhuman work conditions, that existed in that sweatshop.

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What can an ethical corporation do?

- Act responsibly in such situations, being very powerful actors in these countries. Even if the law is lax, it should show its ethics in its practices.
- It should remain accountable for the digressions in the outsourced workplaces in other countries and try to rectify, even if these units are owned by the locals.
- Ikea has stores in many countries. It raised the minimum wage in its U.S. Stores(2015).
- In 2010, Bangladesh labor leaders wanted a higher minimum wage. 12 MNCs wrote a letter to Bangladesh PM in support of higher minimum wage: H & M, Ikea, Walmart, Carrefour, KappAh, Lindex etc.

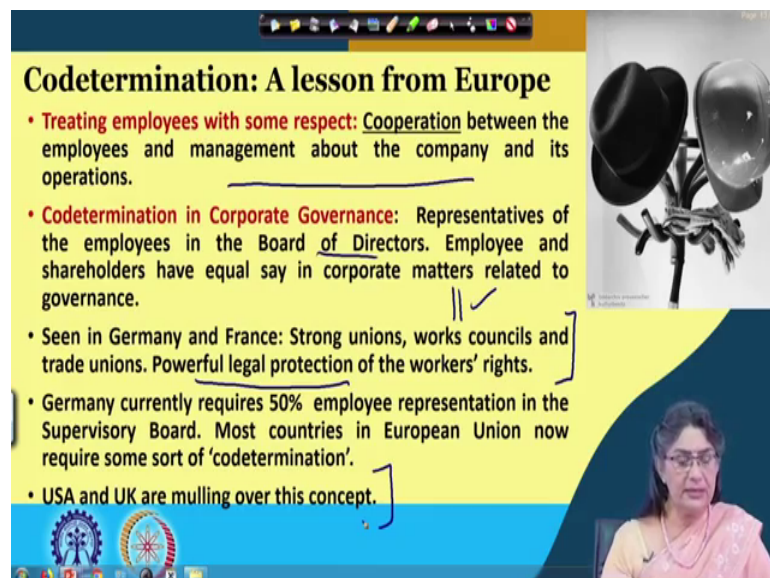
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So, this is race to the bottom. Therefore, this is to be avoided, what is an ethical corporation to do I will talk very quickly. This is to act first of all responsibly. Just because there is no law or just because the law is very relaxed does not mean that the corporation should take advantage of that. In fact, that is when we get to see for the first time, the ethics of that corporation.

Second, even when there is the workplace is outsourced, there is room to show accountability as I just said and the corporation has the power and the presence to rectify the situation. Let me give you two quick examples, you know Ikea has many stores all over the world. In it raised the minimum wage in the United States stores it did not have to, but in 2015 it tried to do that.

In 2010 there was an issue about the minimum wage payment, lower than minimum wage payment in Bangladesh. And, that is when 12 MNCs got together and they wrote a letter to Bangladesh Prime Minister in support of higher minimum wage. You know this is not legally required, this was not legally required, this was not legally required, it is what the corporations felt they should do and that is what we are talking about being respecting responsibly.

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Codetermination: A lesson from Europe

- **Treating employees with some respect:** Cooperation between the employees and management about the company and its operations.
- **Codetermination in Corporate Governance:** Representatives of the employees in the Board of Directors. Employee and shareholders have equal say in corporate matters related to governance.
- Seen in Germany and France: Strong unions, works councils and trade unions. Powerful legal protection of the workers' rights.
- Germany currently requires 50% employee representation in the Supervisory Board. Most countries in European Union now require some sort of 'codetermination'.
- USA and UK are mulling over this concept.

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My last point for today is this lesson from Europe, it is called co determination. It is another feather to the cap of those who have worked on employer employee relationship. What this is Co determinations means, both sides are going to determine. Who are the

both sides the employer and employee, where can they come together about the management of the company and its operations, this is one.

The second is what I have already mentioned to you in corporate governance. So, representatives of the employee present in the board of directors, where important decisions are taken about the company's future, the strategy, the policies and so on. This is clearly seen in Germany and France, where the workers' union is very strongly present and there is also powerful legal protection of the workers' rights.

So, and this is a concept that also can be considered in other countries such as the United Kingdom and the United States. Why I am mentioning this is because, it brings another dimension, another ethically desirable quality in the employer-employee relationship.

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With that I am going to finish my talk today, we have finished this topic of employer-employee relationship and from next lecture; we will take up on a new topic.

Thank you very much.