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Results of MSN/PODER Survey on Ratings Systems

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MSN/PODER Survey Results

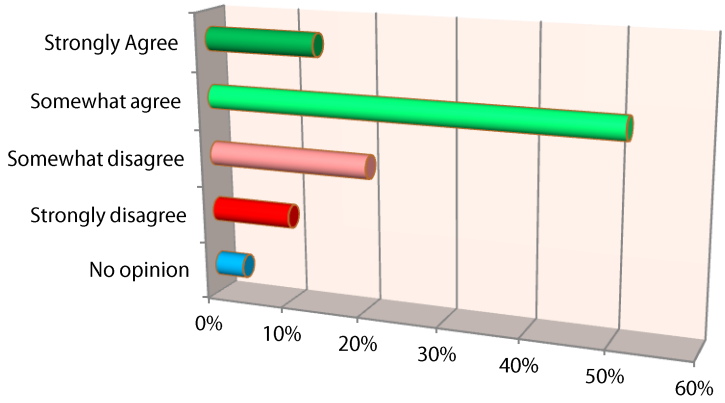
September 2011

Our brief survey on whether CSR ratings can improve labour practices in global supply chains yielded 159 responses from trade unionists, international brands, social investment professionals, NGOs, academics, monitoring organizations, and others.[1] It also yielded some interesting results and comments, which in addition to our initial publication *Can CSR Ratings Improve Labour Practices in Global Supply Chains?*, provide some useful feedback on the practice of rating and ranking companies on social issues.

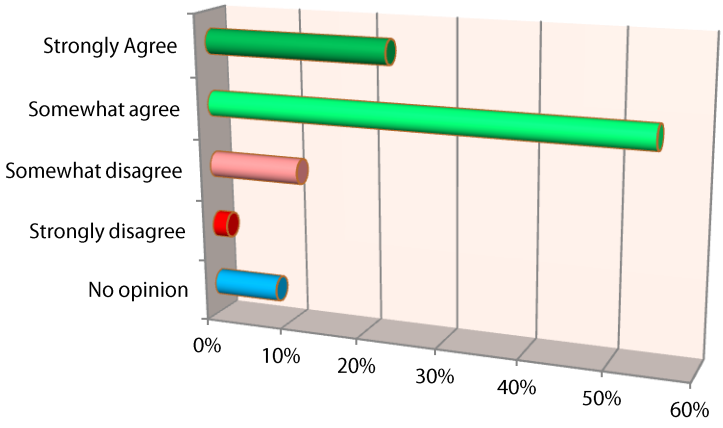
Some of these comments and numerical results are summarized below:

Contradiction?
While a large majority of survey respondents (65%) agreed with the idea that well-designed ratings can give consumers and investors the tools they need to reward companies that have better labour practices, a similarly large majority (78%) agreed that CSR ratings reward public relations departments rather than performance.

Well-designed CSR ratings give consumers and investors the tools they need to reward companies that have better labour practices.



CSR ratings reward the best PR departments, not the best performers.

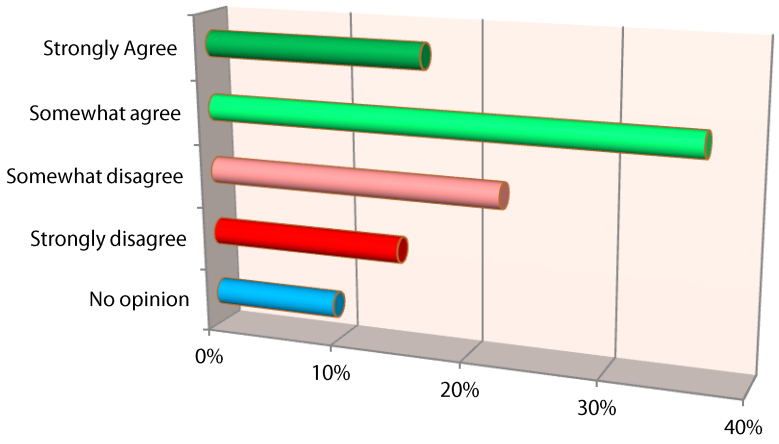


It is possible to reconcile the two statements – the first can be seen as an expression of participants' belief in the potential of "well-designed" rating systems, and the second as indicating a dose of scepticism about the design of current rating systems. As one respondent responded to the first question, "It specifically says 'well-designed'. If that means also well-executed, including using info from labour groups and with analysis of the answers by people who understand the issues, etc, then I ticked the right box. If not, I'd be more negative."

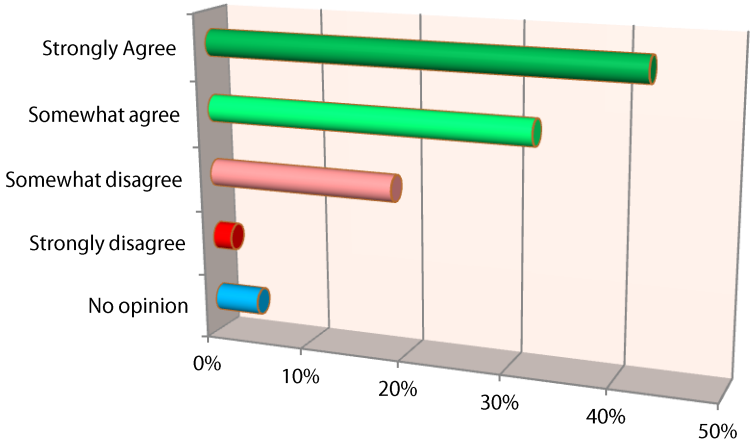
[1] The number of respondents means that the numerical responses are not statistically significant, however they do provide a snapshot of the thinking of a wide range of individuals deeply involved with the issues being tracked.

Transparency?
One way that CSR ratings might live up to that potential is to encourage more transparency by companies on their supply chain labour policies and practices, an idea a majority of respondents supported (54%). 37% disagreed, however, which suggests that more research is necessary to determine whether this is really happening or not.

CSR ratings based only on publicly-available information motivate companies to disclose more information on their labour policies and practices, thereby making them more accountable to the public.



Self-reported data from companies on labour practices in their supply chains can't be trusted.

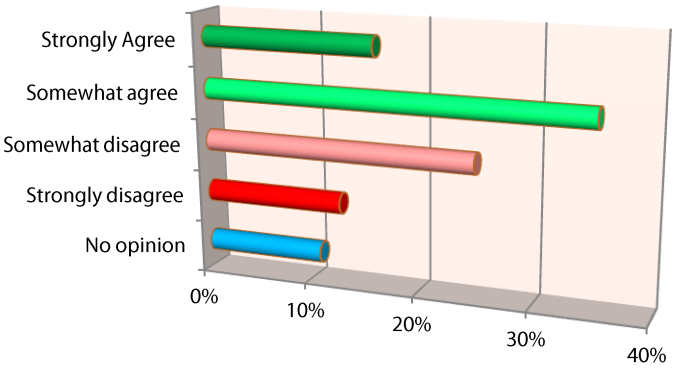


Some of the scepticism may have to do with mistrusting information that is disclosed. 75% of respondents say that self-reported data from companies on labour practices in their supply chains can't be trusted. As one respondent noted, "Reporting can be selective. Reporting can also be dishonest. Legal accountability to clear standards and criteria is more meaningful to me." Another said that companies who make inaccurate claims will be found out. "They may be able to game the system a bit. However, this does not last forever as high ratings invariably invite scrutiny of the ratings and the company's reporting so eventually, companies who are gaming the system are typically found out."

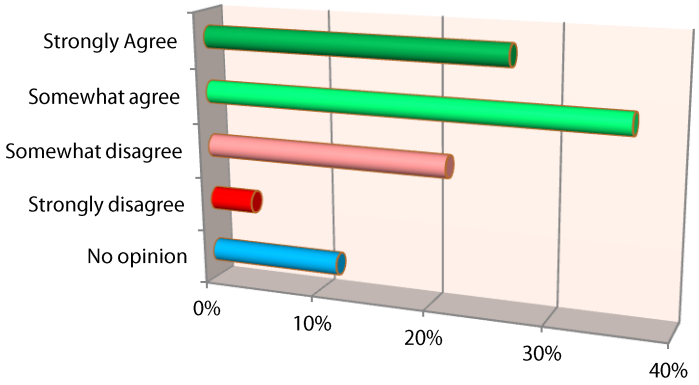
Focus?
Now, another set of seemingly contradictory results: a majority (51%) felt that ratings systems that only focus on a narrow set of issues unfairly ignore the other positive things a company may be doing. However, 63% felt that ratings systems that evaluate a broad set of CSR issues allow companies to look good while doing very little on the really important and difficult issues. The results really showed more of a split down the middle, with softer support on each side of the issue (in both cases, the "somewhat agree" and "somewhat disagree" categories got more votes than the "strongly agree/disagree" categories). It's likely a difficult question to answer outside of a particular context. Ratings should be clear about their objectives and the scope of the ratings will flow from that.

On a more fundamental note, one respondent added: "CSR diverts attention from what is required: independently monitored and enforced regulations. Social investment organisations have a role to play, but do more harm than good if they award the so-called 'best in class' rather than applying minimum acceptable standards that may exclude all companies."

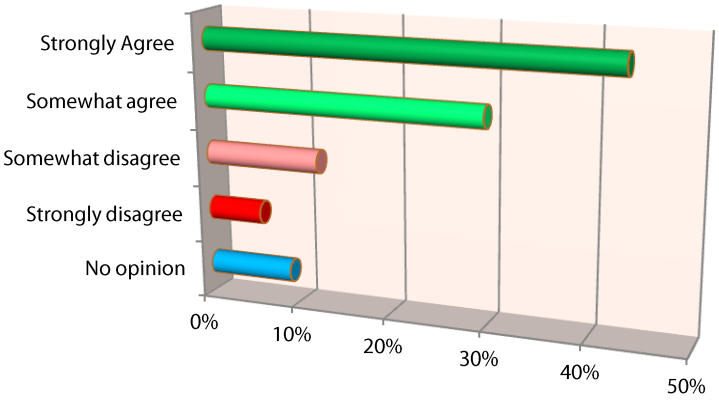
Rating systems that only focus on a narrow set of issues, such as whether workers receive a living wage, unfairly ignore the other positive things a company may be doing.



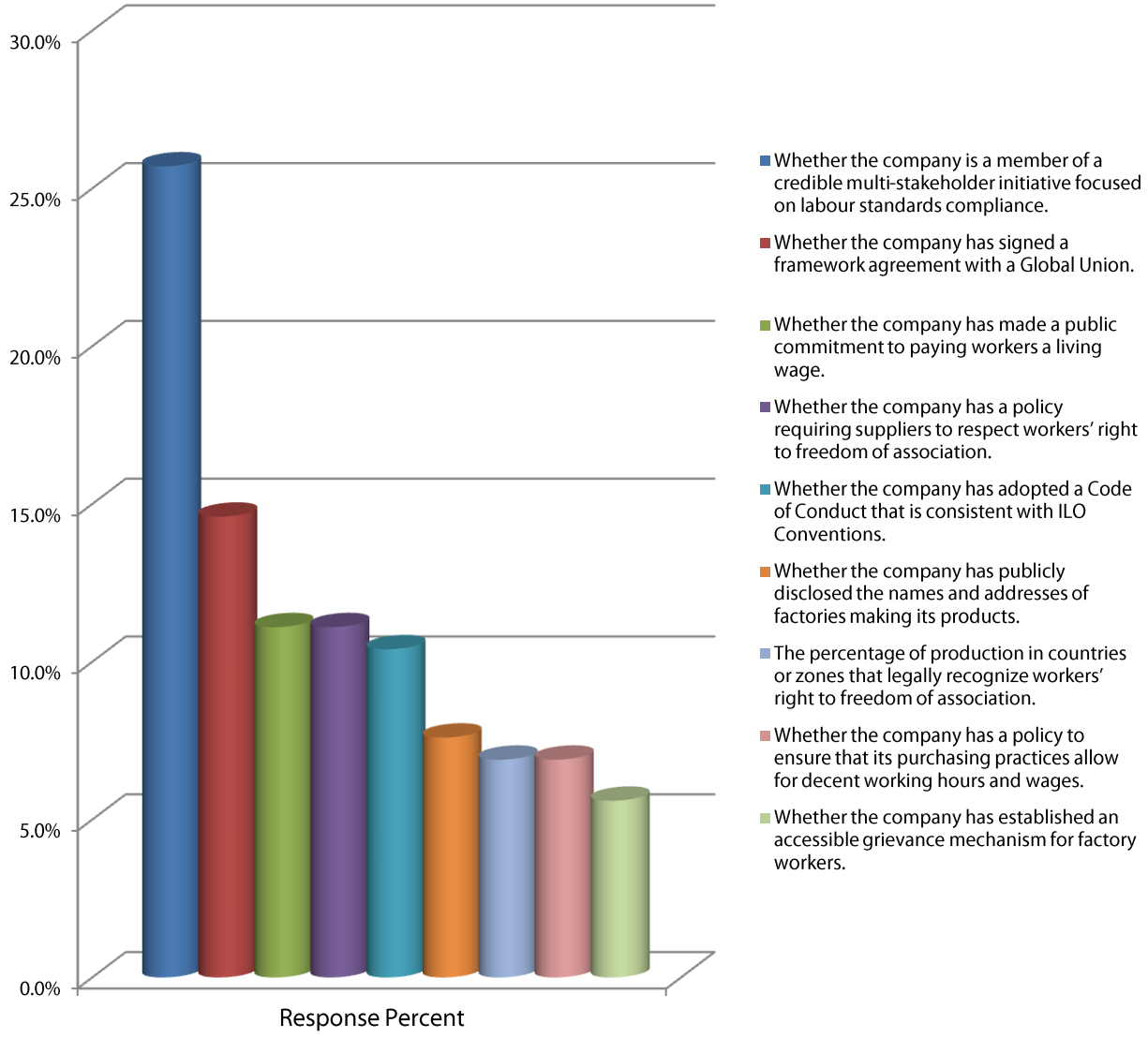
Rating systems that evaluate a broad set of CSR issues allow companies to look good while doing very little on the really important and difficult issues.



I would trust a subjective opinion on a company's performance from a trusted labour rights group more than a rigorous rating from a social investment organization or private company.



Rating the raters?
Finally, not surprisingly the identity of the raters themselves mattered to respondents. A whopping 43% strongly agreed that they would trust a subjective opinion on a company's performance from a trusted labour rights group more than a rigorous rating from a social investment organization or private company. That doesn't mean labour rights groups shouldn't be rigorous in their evaluations – but it might mean that private raters need to work on their credibility.



If you could use only one indicator to measure a company's commitment to labour rights in its supply chain, what would it be?

25.7% of respondents felt that, if they could only choose one indicator to best measure a company's commitment to labour rights in its supply chain, participation in a credible multi-stakeholder initiative focused on labour standards compliance was the one. Runner-up was signing a framework agreement with a Global Union, at 14.6%. Other suggestions:

- "None of the above. Whether workers' are actually members of independent trade unions, demonstrating that they are indeed able to exercise their right to freedom of association."
- "These options suggest intent rather that actually delivering on labour rights …. Indicators which reveal actual implementation of labour rights might be better …. It might be worth thinking about other ways of capturing implementation of labour rights. Public disclosure of actual pay and benefits might be a good start."

Obviously there is no one right answer, and it's unlikely that a rating would ever rely entirely on a single indicator, but it is useful to consider what people value most or are most likely to rely on when evaluating a company's performance.





To view the full MSN/PODER study,
Can CSR ratings help improve labour practices in global supply chains? visit:
www.maquilasolidarity.org/node/1010.
Also available in Spanish at http://es.maquilasolidarity.org/node/875