

## **Case #2. Historical Perspective: Corporate Social Responsibility for Protecting Groups that Cannot Speak for Themselves: Children**

### **Case #2a. Regulating Reproductive Risks in the Workplace**

Knowledge of reproductive risks in the workplace is over 200 years old, dating to the discovery of the high incidence of sterility among chimney sweeps in London in the late 18<sup>th</sup> century. While many chemicals were discovered to have carcinogenic and mutagenic properties in the two centuries that followed, it was not until the 1970s when three social movements converged and catalyzed interest in reproductive risks in the workplace:

1. the growing number of women entering the workforce, especially those in blue collar industrial jobs
2. the growing concern about worker safety and health for all workers
3. the women's movement.

The first of the most widely-publicized responses was a chemical company in the US removing women from a workplace with a high concentration of air-borne lead. Then Dow Chemical Company had to remove men from a workplace when it was learned that a chemical known as DBCP was causing sterility among male employees. Other examples followed.

Because the US Occupational Safety and Health Act of 1970 required companies to provide a "safe and healthy environment for their employees," its research arm, the National Institute of Occupational Safety and Health (NIOSH) began to look specifically at the workplace safety of women of child-bearing age. The result of a NIOSH contract was the American College of Obstetricians and Gynecologists published a document, "Guidelines on Pregnancy and Work."

As companies began to consider removal of women of child-bearing age from hazardous work environments, they encountered an obstacle. The Equal Employment Opportunity Commission, formed in 1970, began to receive complaints about discrimination against women. Industrial unions became involved first in insisting "No women should have to choose between her well-paying job and the health of her baby," but also when companies removed women from high-paying industrial jobs to lower-paying but safer jobs were forced to maintain the women's previous high wages and men in this lower-paying work environment objected.

### **Case #2b. Tris and the Children's Sleepwear Industry**

In 1953, the US Department of Commerce established the first set of standards for flammability of clothing, with the result that in mid-1954 the US Congress passed the Flammable Fabrics Act.

In early 1970, the US Department of Commerce raised a particular concern about the flammability of children's sleepwear, and new standards specifically for sleepwear sizes 0-6x were proposed. Hearings in the US Congress followed in 1971. At the hearings, representatives of the American Apparel Manufacturers Association opposed any need for

new standards, also asserting that the proposed new standards were not technologically feasible.

The largest US sleepwear manufacturer, William Carter Company, claimed it had explored protection through changing (a) changing to flame-resistant fabrics and (b) treating knit cottons with flame-resistant chemical called *Tris*. The first alternative was rejected because the sleepwear yellowed with washing did not adequately absorb perspiration, and high cost.

In 1972, the US Congress passed the Consumer Protection Act, creating a new regulatory commission, The Consumer Product Safety Commission. Two years later, the CPSC “promulgated” (put into existence) new standards, which left the sleepwear manufacturers no choice but to begin to treat their products with *Tris*.

However, in 1973, the US National Cancer Institute launched a study of the mutagenic properties of *Tris*. Based on the results of this study, in 1976, the Environmental Defense Fund, a US-based NGO, petitioned the CPSC to have the use of *Tris* in children’s sleepwear outlawed. In 1977 a ban was enacted, and all *Tris*-treated sleepwear had to be recalled, costing the sleepwear manufacturers 10s of millions of dollars.

### **Case #2c. Infant Formula Marketing in Developing Countries**

At the start of the 20<sup>th</sup> century, technological advances in water purification and milk processing led to a growth in bottle feeding of babies in the developed world. By mid-century, commercial food company such as Nestles and pharmaceutical companies such as Abbott Ross and Bristol Myers began to develop and market infant formula.

In the mid-1970s, after the percentage of breast-feeding of infants had remained almost constant at 22% for 30 years, there was a resurgence of interest in breast-feeding in developed countries, and the percentage climbed to ~50%.

However, in developing countries, the trend took the opposite direction, with traditional breast-feeding giving way to a greater use of bottle-feeding with a range of fluids, including powdered cow’s milk infant formula, and various indigenous foods. By the late 1960s, health officials in developing countries began to note symptoms of malnutrition and diarrhea in bottle-fed babies. Many health officials attributed to the shift to bottle feeding a direct result of the marketing and promotional activities of Western infant formula companies.

As a result, the decade of the 1970s proved a trying one for these companies. They came under attack from NGOs, from institutions that held shares in the companies, in particular religious groups, the United National Protein Advisory Group, and the media. Most notorious was a pamphlet produced by the Arbeitsgruppe Dritte Welt (Third World Working Group) entitled, *Nestle Kills Babies*. Among the charges leveled at the companies was their sending sales representatives into maternity wards of hospitals dressed in white clothing similar to nurses and offering free samples of their formulas and encouragement to use the formula rather than breast feed new-born infants.

In response, a number of companies banded together as the International Council of Infant Food Industries (ICIFI). However, getting agreement between the traditional food retailers like Nestle and the traditional pharmaceutical companies like Abbott-Ross and Bristol Myers proved difficult.

### **Case #2d. Kellogg's and Ready-to-Eat Cereal Nutrition**

Interest in the nutritional content of Ready-to-Eat (RTE) breakfast cereal dates to the 1940s when Kellogg Company, the leading RTE cereal manufacturer worldwide, began to add to their products four nutrients whose concentrations had been reduced during the manufacturing process—iron, niacin, thiamine and riboflavin. In the mid-1960s concern developed among nutritionists over the decline in the households with “good diets” and eventually that concern came to be focused on the makers of prepared foods and specifically RTE breakfast cereal makers like Kellogg.

A US Senate committee decided to hold hearings on the issue, and the testimony of a self-educated consumer advocate named Robert Choate, Jr., received wide publicity in print and electronic media in the US when he argued that

1. our children are deliberately being sold the sponsor's less-nutritious products
2. our children are being programmed to demand sugar and sweetness in every food
3. our children are being counter-educated away from nutritional knowledge
4. important nutritional information is not available on product labels.

A White House Conference on Food Nutrition and Health followed in which experts argued whether RTE cereals should be assessed on their own, or with milk added, or as part of a breakfast that included other items such as juice and breads.

By 1971, Kellogg has responded with fortification of all of its RTE cereals with 1/3 of the minimum daily requirement (MDR) of eight essential vitamins and iron and a “Stick Up for Breakfast” campaign promoting the theme of eating a good breakfast.

This was not enough to preempt further hearings in the US Congress and the involvement of the US Federal Trade Commission (FTC) investigation into possible deceptive advertising by cereal companies. The widely-respected independent Consumers Union, publisher of *Consumer Reports*, a widely-read magazine evaluated consumer products of all kinds, also weighed in with a criticism of the industry and a ranking of RTE cereals as to their nutritional value. As the decade of the 1970s ended, a FTC Staff Report on Television Advertising to Children prepared by its Bureau of Consumer Protection, contained a series of recommendations that essentially accepted all of the criticism leveled against Kellogg and other food makers advertising on television over the previous decade. Further, Kellogg and other companies were fighting against proposed US Food and Drug Administration (FDA) nutritional guidelines for their RTE products.

### **Case #2e. Internet Companies and Data-gathering from Apps for Children**

According to a new U.S. Federal Trade Commission (FTC) report, several hundred of the most popular educational and gaming mobile apps for children fail to give parents basic explanations about what kinds of personal information the apps collect from children, who can see that data and what they use it for. The apps often transmit the phone number, precise location or unique serial code of a mobile device to app developers, advertising networks or other companies. Government regulators said such information could be used to find or contact children or track their activities across different apps without their parents' knowledge or consent.

The agency reviewed 400 of the most popular children's apps available on Google and Apple platforms, and reported that only 20 percent disclosed their data collection practices. "The survey results described in this report paint a disappointing picture of the privacy protections provided by apps for children," the report said.

Regulators said they were investigating whether the practices of certain apps violated a federal law requiring Web site operators to get parents' permission before collecting or sharing names, phone numbers, addresses or other personal information obtained from children under 13.

The report comes as the agency is preparing to strengthen those protections by requiring site operators to obtain parental consent before collecting many other kinds of personal information from children. But over the last few months, the agency's efforts have met with pushback from Apple, Facebook, Google and Viacom as well as from technology associations and marketing industry groups, who say the agency's proposed solution is so broad that it could inhibit companies from offering sites, apps and other services for children.

In its report, the agency did not disclose the names of apps it found problems with. "We think this is a systematic problem," said Jessica Rich, the associate director of the FTC's division of financial practices, adding that parents should not think "if they avoid certain apps, they are home free."

Representatives of the app industry said they had already been working with app developers to make disclosures about data collection clearer and simpler for consumers. But "the FTC report is a reminder that there is more work to do," said Jon Potter, the president of the Application Developers Alliance, an industry group.

The agency's researchers also reported that most apps failed to tell parents when they involved interactive features like advertising, social network sharing or allowing children to make purchases for virtual goods within the app. For instance, researchers found that 58 percent of the children's apps contained ads, even though just 15 percent disclosed this before download. Moreover, of the 24 apps that stated they did not contain in-app advertising, 10 did contain ads, the report said.

Children's advocates said the report's findings reinforced the need to strengthen online privacy protections for children. The agency has not substantially revised its regulations based on the federal Children's Online Privacy Protection Act, or Coppa, since the law's introduction more than a decade ago. "This makes the case as to why we need major revisions," said James Steyer, the chief executive of Common Sense Media, a nonprofit advocacy and education group in San Francisco that focuses on children and technology. "It shows that parents don't have enough information to make good choices."

The timing of the report suggests that the agency is trying to lay the groundwork for its push for broader children's online privacy protections. In interviews, agency officials have said the protections needed to be modernized to keep pace with

developments in mobile apps, voice recognition, facial recognition and comprehensive online data collection by marketers. For example, regulators have proposed a longer list of data about children that would require parental consent for Web site operators to collect, including photos, voice recordings and unique mobile device serial numbers. Agency officials have also emphasized that they considered the precise location of a mobile device to be personal information whose collection required parental permission. If the agency includes these changes in the final version of its updated regulations, apps would need to get parental consent for a number of data collection practices that are in widespread use.

For example, agency researchers reported that almost 60 percent of the children's apps in the study transmitted a device's ID number, most commonly to an advertising network or another third party. But only 20 percent of the apps disclosed information about these kinds of practices. Regulators said their concern was that marketers or other entities could use these unique device numbers to follow individual children across multiple apps over time, compiling detailed dossiers on their activities. "The transmission of kids' information to third parties that are invisible and unknown to parents raises concerns," the report said.

Although state and federal regulators, along with industry groups, have been working to improve disclosures for consumers about how mobile apps collect and use their data, progress has been incremental.

App industry associations have also been working to improve transparency for consumers and parents. For instance, the Application Developers Alliance, in a joint project with the American Civil Liberties Union and other advocacy groups, has created prototype disclosure notices that apps could voluntarily display before consumers download them. "I think the app industry continues to work with our members, companies and consumer groups to identify and eventually implement more effective ways of communicating with consumers," said Mr. Potter, the president of the app developers' group.

Ms. Rich of the FTC said she hoped the agency's report would "light a fire" under such efforts. She added that the agency intended to conduct studies regularly on the children's app market and publicly report its findings.

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## **Case #2f. MacDonald's and Childhood Obesity**

At the 2012 annual shareholder meeting, McDonald's Corp investors soundly rejected a shareholder proposal that would have required the world's biggest fast-food chain to assess its impact on childhood obesity. The shareholder proposal, which also failed the previous year, returned amid growing concern over the social and financial costs of obesity in the United States and around the world - not only in terms of

healthcare-related expenses but also lower worker productivity and diminished quality of life.

Nearly one-third of U.S. children are overweight or obese. America is one of the fattest nations on earth, and the U.S. Institute of Medicine, in a 2006 report requested by Congress, said junk food marketing contributes to an epidemic of childhood obesity that continues to rise. The institute is the health arm of the U.S. government's National Academy of Sciences.

McDonald's executives on Thursday defended the brand and its advertising. "We're proud of the changes we've made to our menu. We've done more than anybody in the industry around fruits and vegetables and variety and choice," said Skinner, who received a standing ovation from investors.

As one of the largest and most influential companies in the restaurant industry, McDonald's often bears the brunt of criticism from consumers, parents and healthcare professionals, who want it to serve healthier food and curb its marketing to children. While the chain has added food like salads, oatmeal and smoothies to its menu, it has pulled ahead of rivals and delivered outsized returns for investors with help from its core lineup of fatty food and sugary drinks.

**Corporate Accountability International**, a business watchdog group, for the second year in a row backed the obesity proposal, which was endorsed by 2,500 pediatricians, cardiologists and other healthcare professionals. It called on the company to issue a report on its "health footprint." The document would evaluate how diet-related illness would affect McDonald's profit.

In the time since the last shareholder vote, McDonald's has changed the contents of its popular Happy Meals for children - reducing the "french fry" (pomme frites) portion by more than half and automatically including apples in every meal. It also won the dismissal of a lawsuit that sought to stop the company from using free toys to promote its Happy Meals for children in California.

Dr Andrew Bremer, a pediatric endocrinologist and professor at Vanderbilt University School of Medicine in Nashville, presented the proposal at the meeting and said McDonald's has chosen to employ "countless new PR tactics" that create a perception of change while "unreasonably" exposing shareholders to significant risk. "It is not enough to point to so-called healthier menu items when children are still the target of aggressive marketing of an overwhelming unhealthy brand," Bremer said.

McDonald's board of directors recommended a "no" vote on the proposal, calling it "unnecessary and redundant." Shareholders heeded that call. The proposal received 6.4 percent of votes in support, up from 5.6 percent a year ago.

Incoming CEO Don Thompson, who said his two children eat at McDonald's, was forceful in his response to questions from Corporate Accountability representatives. "I

would never do anything to hurt them or any other children, nor would we as a corporation ... Do me the honor, and our entire organization, of not associating us with doing something that is damaging to children. We have been very responsible," Thompson said.

*Source: Wall Street Journal May 24, 2012*

**UNGRADED ASSIGNMENT #2:** Why are societies all around the world constantly having to challenge corporations regarding their irresponsibility toward children in so many areas of business? Send your answer to Professor Molander (emolander@yahoo.com) (**maximum length**: 150 words)