

Corporate Social Responsibility in India

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Abstract

Corporate social responsibility (CSR) can be defined as the "economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Carroll and Buchholtz). The concept of corporate social responsibility is to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community, local, state, federal governments, environmental groups, and other special interest groups. This paper explains about CSR, International labour Standard and Guidelines, OECD Guidelines for Multinational Corporation, UN Global compacts and corporate social responsibility in India.

Paper

CSR is closely linked with the principle of sustainable development, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends but also based on immediate and long term social and environmental consequences of its activities. CSR has a significant role in controlling the perils of uncontrolled development, satisfying the needs of

the present generation and at the same time ensuring that the resources of future generations is not jeopardized². Companies are more willing to report on their contributions to the maintenance of a sound environment, a healthier society or more ethical business practices through both internal and external action within the countries in which they operate. The area often lacking is CSR reporting in the area of labour rights and relations. One of the prime concerns of CSR should be the quality of industrial relations within a company.

It must be a contradiction in terms for a firm that fails to apply collective agreements or respect employment contracts to be regarded as 'socially responsible'. One of the most significant issues within the CSR agenda concerns the dynamic relationship between CSR and good public governance. The limits both to corporate accountability through law and to 'voluntary' CSR-related actions by businesses lie with the public good governance agenda. Legislation to deal with worst case instances of irresponsible behaviour and to set a minimum floor for business conduct will not work in the absence of effective drivers for business implementation and enforcement, whether they are market-based, or a result of enforcement through the state.

The scale and nature of the benefits of CSR for an organization can vary depending on **the** nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., [Deming's Fourteen Points](#), [balanced scorecards](#)). Orlitzky, Schmidt, and Rynes^[10] found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include [charitable efforts](#) and [volunteering](#). CSR may be based within the [human resources](#), [business development](#) or [public relations](#) departments of an organisation,^[11] or may be given a separate unit reporting to the [CEO](#) or in some cases directly to the [board](#). Some companies may implement CSR-type values without a clearly defined team or programme

International Standards and Guidelines

ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
OECD Guidelines for Multinational Enterprises
UN Global Compact
The Universal Declaration of Human Rights

I. ILO tripartite declaration of principles concerning multinational enterprises.

The ILO is the first specialized agency of the UN in 1946. It is the only "tripartite" United Nations agency³, bringing together representatives of governments, employers and workers to shape policies and programmes jointly. Its mission, scope, audience,

governance and its relation with other instruments is briefly described below.

The purpose of the Declaration is to encourage the positive contribution which MNEs can make to economic and social progress, and to minimize and resolve difficulties arising from their operations. The Declaration was one of earliest international instruments covering the social dimension of business. It was negotiated between the employees, employers and workers in the year 1977. The Declaration sets out principles in the field of general policies, employment, and training, conditions of work and life and industrial relations. All government, employer and worker organizations are recommended to observe the principles on a voluntary basis.

The main areas covered by the Declaration are:

- # General policies (obey national laws and respect international standards)
- # Employment (employment promotion; equality of opportunity and treatment; security of employment)
- # Training (policy development for vocational training, skills formation)
- # Conditions of Work and Life (wages, benefits, conditions of work; minimum age; safety and health)
- # Industrial Relations (freedom of association and right to organize;

collective bargaining; consultation; grievances; settlement of disputes).

The Declaration was revised in 2000 to include the Fundamental Principles and Rights at Work. It was further revised in 2006 to update references to other ILO instruments. During this update, the list of ILO Conventions that member States are invited to ratify was extended to all the fundamental ILO Conventions.

Multinational enterprises are a key audience; the Declaration's principles regarding the social aspects of MNEs are also for use by small and medium enterprises, as well as by governments, employers and workers organizations. All the parties are encouraged to contribute to the realization of the ILO Declaration on Fundamental Principles and Rights at Work. In addition, governments are urged to ratify, along with the conventions already referenced, the minimum age and child labour conventions. The ILO undertakes periodic surveys on the implementation of the MNE Declaration. It does not have a membership structure, so it does not require that user organizations report their use of the Declaration.

The ILO established a subcommittee of the Committee on Legal Issues and International Labour Standards of the ILO Governing Body to oversee the Declaration, and to

discuss ILO policy concerning CSR issues⁴. The ILO focuses on improved information

.The purpose of the OECD MNE Guidelines is to offer a balanced, multilaterally-endorsed, and comprehensive Code that expresses the shared values of adhering governments. They are “recommendations jointly addressed by governments to multinational enterprises” that provide “principles and standards of good practice consistent with applicable laws”. By providing a clear set of expectations, the Guidelines seek to encourage the positive contributions multinational companies can make to economic, environmental and social progress.

The Guidelines comprise a set of voluntary recommendations in all the major areas of corporate citizenship, including employment and industrial relations, human rights, environment, information disclosure collection, analysis and dissemination, and coherent action, drawing on its tripartite strength and bringing together contributions from all parts of the organization. It also conducts surveys on use of the Declaration. The MNE Declaration includes procedures for the examination of disputes concerning its application. The ILO also has a standing tripartite committee on Freedom of Association, which deals with complaints concerning freedom

of association and collective bargaining. The MNE Declaration is unique in providing clear guidance of how companies and governments can work together, to help advance national and local economic and social development goals – advocating public-private partnerships long before the term existed. The MNE Declaration also encourages dialogue between home and host countries for foreign direct investment, linking CSR initiatives to a broader dialogue concerning trade and investment. By situating CSR in the broader context of government policies which critically impact enterprise decisions, the MNE Declaration emphasizes that CSR is an important complement to government regulation, but never a substitute.

The MNE Declaration references other authoritative international instruments, such as the Universal Declaration of Human Rights. As a result of the thematic and sectoral complementarity of the ILO Declaration and the OECD Guidelines, there is a good collaborative relationship between the two organizations. In June 2008 they will jointly host a Conference on CSR, aimed at promoting responsible business conduct in the globalizing economy. The MNE Declaration also references instruments such as the Millennium Development Goals and the UN Global Compact. ILO is establishing

a helpdesk for companies, industry initiatives and employers, workers and governments to promote full and accurate inclusion of the principles of the MNE Declaration.

II.OECD Guidelines for Multinational Enterprises

The OECD MNE Guidelines are subscribed to by all thirty members of the Organization for Economic Co-operation and Development (OECD). A further ten non-member countries (Argentina, Brazil, Chile, Egypt, Estonia, Israel, Latvia, Lithuania, Romania, and Slovenia) have also adhered to the Guidelines. Four additional applications for adherence are currently under consideration by the OECD⁵. The Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) were involved in their development and endorse the Guidelines. OECD Watch, a coalition of more than 65 civil society organizations, also supports the Guidelines. The Guidelines have been referenced by the UN Security Council and other interested non-OECD bodies, combating bribery, consumer interests, science and technology, competition, and taxation. They form part of a broader OECD investment instrument, the Declaration on International Investment and Multinational Enterprises, which is designed to

promote direct investment and international economic development and growth. Implementation of the Guidelines involves a unique combination of binding and voluntary elements⁷. Adhering governments commit to promote them among multinational enterprises operating in or from their territories. The instrument's distinctive implementation mechanisms include the operations of National Contact Points (NCP), which are government offices charged with advancing the Guidelines and handling enquiries in the national context. NCPs also support a unique mediation and conciliation procedure – called “specific instances” – involving claims that the Guidelines have not been respected. Since 2000, some 160 such specific instances have been considered by the NCPs. This process may be engaged whether or not a company has recognized the Guidelines.

While the Guidelines are primarily addressed to MNEs, they are not aimed at introducing differences of treatment between multinational and domestic enterprises. Accordingly, multinational and domestic enterprises are subject to the same expectations in respect of their conduct wherever the Guidelines are relevant to both. Likewise, while SMEs may not have the same capacities as larger enterprises, they are invited to

observe the Guidelines “to the fullest extent possible”. The Guidelines are free”. The Guidelines are freely available to all user organizations⁸. Since the Guidelines do not require users to publicize their use, the actual number of users is not known. Nonetheless, surveys among large enterprises indicate that a significant proportion refer to the Guidelines in their CSR policies.

The OECD Investment Committee, in consultation with BIAC and TUAC, is responsible for oversight of the Guidelines. Adhering governments are individually responsible for promoting use of the Guidelines, and for processing any “specific instances”, through their NCPs. They meet annually at the OECD and report to the Investment Committee, which conducts a “peer review” of implementation.

The Guidelines were expressly designed to strengthen the existing international normative framework. Among other norms, they reference the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and Agenda 21, and the Copenhagen Declaration for Social Development. The Guidelines can readily be used in conjunction with other instruments⁹. Explanatory materials have been developed to outline their relationship with the

UN Global Compact, the Principles for Responsible Investment, and with the GRI Guidelines.

III.UN Global Compacts-

UN Secretary-General, one of the principal organs of the United Nations, with support from UN agencies, governments, and representatives of business, labour and other civil society bodies. It accepts new adherents on an ongoing basis from all major categories of societal actors.

UN Global Compacts Explain 10 CSR Principles

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition principle 6: Labour standard

Environment
Principle 7: Businesses should

support a precautionary approach to environmental challenges
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The ILO Declaration on Fundamental Principles and Rights at Work:

It is based on the core labour standards outline in the ILO Conventions. The Declaration is not binding but applies to all ILO member states. As part of a strategy to help countries to have well-functioning labour markets, it provides for a mechanism for annual review of the efforts made by member states that have not yet ratified the core labour standards. The Declaration also reinforces the application of core labour standards in private voluntary instruments. The 1992 Rio Declaration sets out 27 principles defining the rights and responsibilities of states in relation to human development and well-being. The Agenda 21 agreement provides guidance for governments,

business and individuals on how to contribute to efforts to make development socially, economically and environmentally sustainable. Its Chapter 30 recognizes the value of promoting “responsible entrepreneurship”.

CSR - The Indian Scenario :

In an economically globalized world, corporations are subject to global expectations, and a globally accepted and broad concept like sustainable development fits well with the economic, social and environmental responsibilities of global corporations. Accordingly, the triple bottom line approach to CSR suggests that a business organization must strive to balance these three areas of responsibility. Because of its alignment with the concept of sustainable development, this approach is widely applied around the world. Associating CSR with sustainable development has become so common that CSR reporting is often called sustainability reporting. In India, till very recently, the focus was on charity, which is not really CSR. Sustainable CSR programmes mean a cohesive mix of economic, legal, ethical and philanthropic tenets. In today's changed business scenario, there is an increased focus on giving back to society and creating a model which works long term and is sustainable and it is imperative that

the best practices for inclusive growth are shared with the stakeholders. Recent rash of scandals involving major corporate giants throughout the world have brought to the attention of public and academia the need to analyze these issues.

CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Several major CSR initiatives have been launched in India since the mid-1990s. Among these is the first voluntary code of corporate governance, “*Desirable Corporate Governance: A Code*”, established in April 1998. This was an initiative by the Confederation of Indian Industry (CII), India’s largest industry and business association.

A *National Foundation for Corporate Governance* (NFCG) has been established by the Ministry of Corporate Affairs. This is a partnership with the Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI). The purpose of the *National Foundation for Corporate Governance* is to promote better corporate governance practices and raise the standard of corporate governance in India towards achieving stability and growth.

Legislation authority in India is shared between the Central Government and the State Governments. Some laws, such as those regulating minimum wages, differ from state to state. Likewise, the implementation and supervision mechanisms may vary between states.

Labour Laws

India has altogether ratified 333 labour laws. The ways these laws are supervised and implemented, vary.

Sub-contracts are common in India. One challenge is that 90% of the Indian labour is in the informal sector, which is not protected by the labour regulations.

Most Indian states have enforced an act for minimum wages for labourers in scheduled employment, as stipulated in the *Minimum Wage Act* from 1948. However, the minimum wage is often not paid. According to ILO, labour under minimum wage is considered a form of forced labour. According to ILO estimates, there are more than one million forced labourers in India, particularly in the southern part. Many of these are children.

India was in 1976 the first country in the South Asian region to enact legislation against bonded labour.

Contract labour in India is another complex area. The contract workers do not get the same protection and benefits as permanent workers. Many work as contract labour for longer periods of time. Although the

ILO Conventions related to forced Labour have been ratified, certain forms of bonded labour still persists, especially in the informal sector.

India has enacted legislation that prohibits discrimination due to gender, religion, ethnicity or caste. Again, the record of implementation is varied. ILO has observed some violations in India's implementation of the Discrimination (Employment and Occupation) Convention, (No 111, from 1958). This convention obligates the state parties to hinder discrimination due to e .g caste or gender, such as different salary scales and labour conditions.

The Environment

The main law on environment and production is *The Environment (Protection) Act* (1986). This law gives the central government the authority to protect and improve environmental quality, as well as control and reduce pollution from all sources.

The responsibility for environmental governance is shared between the corporations and the government. Many Indian institutions have come up with voluntary guidelines on environmental friendly practice. Among these is a partnership on voluntary pollution control, developed by the Indian Ministry of Environment and Forests together with the industrial sector. Other initiatives include the Energy Efficient Initiative by the Indian Chamber of Commerce, the Indian

Eco mark and the Clean Technology initiative by the Confederation of Indian Industry and others.

With regard to the implementation of environmental laws, a challenge has been lack of knowledge on how to fulfil the laws in practice. There are also weaknesses in the implementation and control mechanisms, The budget and infrastructure for control has not been sufficient, although greatly improved over the last years.

Right to information and corruption

In the Transparency International Corruption Perceptions Index in 2008 in was ranked as number 85 out of 180 countries. The biggest problems were found in regards to politics and governance. According to a Global Compact report, there are low levels of government capacity for law enforcement and implementation in India, causing relatively high levels of corruption.

In 2005, Right to information (RTI) act was established, This law gives the general public right to government information, and is meant to promote transparency and responsibility in the work of all governmental institutions.

The introduction of RTI has led to changes in the transparency regarding establishment and implementation of strategies, programmes and laws. It is also opening for access to information in

areas where the authorities have left out important aspects, and give the public a possibly to require important information. RTI is additionally an important tool in regards to environmental management.

Conclusion

In India, till very recently, the focus was on charity, which is not really CSR. Sustainable CSR programmes mean a cohesive mix of economic, legal, ethical and philanthropic tenets. In today's changed business scenario, there is an increased focus on giving back to society and creating a model which works long term and is sustainable and it is imperative that the best practices for inclusive growth are shared with the stakeholders. Getting multinationals to comply with local laws is not an easy task. Many countries, north and south, do not direct sufficient resources to enforcement. Management practices that evade regulations persist. Furthermore, labour laws can indeed be difficult to interpret. But suppliers, companies, and countries can't point to these difficulties to elude legal accountability. Legal compliance will be hard to achieve, whether within the CSR rubric or not, but extracting legal compliance from CSR has the advantage of bringing to light a range of workplace and wage issues that companies are required by law to

attend to. Finally the author of this paper hopes that the companies' attitude towards CSR is more on transformation rather than giving information in web sites.

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