

Corporate Social Responsibility in India: Health and Safety Issues

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Abstract

Corporate Social Responsibility (CSR) has developed tremendously during the last decade. Business ethics and social responsibility are the themes that are given considerable attention in companies, as well as in academic journals. Employees, customers, suppliers, competitors, and government are all placing increasing demands on management. Stakeholders expect management to participate in the debate on societal problems (for example, health education, unemployment, poverty, infrastructure, greenhouse effect, etc.) and proactively think about the impact of businesses.

This paper gives a concise overview of the development of corporate social responsibility, its influence on business developments, and its relationship to safety and health at work in Indian context.

Introduction

India is a land of rich cultural heritage. The population is diverse, multilingual and multicultural. It is fast growing economy with a growth rate of 9%. It is booming with national and international firms. In an increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions (known as ethicism) is increasing. Simultaneously, pressure is applied on Indian industry to improve business ethics through new public initiatives and laws.

Business ethics can be both a normative and a descriptive discipline. As a corporate practice and a career specialization, the field is primarily normative. The range and quantity of business ethical issues reflects the degree to which business is perceived to be at odds with non-economic social values. Today major corporate houses lay emphasis on commitment to promoting non-economic social values under a variety of headings - social responsibility being one of them. In some cases, corporations have re-branded their core values in the light of business ethical considerations.

Hardly a day goes by without some mention in the media of corporate social responsibility and its growing significance on good business practices. CSR, as it is commonly known, is becoming increasingly important to us all, both as individuals and in our professional lives. Despite much public focus on large multinationals, it is the changing behaviour of the privately held business sector that is likely to make the greatest impact on global corporate social responsibility. Privately held businesses have always been the economic engine of the world, but in recent years their voice has been lost under the clamour of the large multinationals. Privately held businesses may not be conducting the expensive campaigns that catch the public's attention, but they are making changes which affect their bottom line. Whether changes are made in order to become more attractive employers, or a

more appealing supplier to a large multinational or simply because of the ethical desire of the owner, the changes have made privately held businesses more socially responsible. All privately held businesses are adhering to greater pressure to do business in a more socially responsible and transparent manner. The businesses that are responsive, quick and innovative will be the ones who not only survive the change, but emerge as winners.

What is Corporate Responsibility

CSR is not new to India, companies like TATA and BIRLA have been imbibing the case for social good in their operations for decades long before CSR become a popular cause. And CSR is coming out of the purview of 'doing social good' and is fast becoming a 'business necessity'. The 'business case' for CSR is gaining ground and corporate houses are realising that 'what is good for workers - their community, health, and environment is also good for the business'.

CSR, also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity is a concept whereby organizations consider the interests of society by becoming responsible for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

What is driving corporate responsibility?

The adoption of ethical business practices is fundamental to the success of all businesses. The main factor driving corporate responsibility is the need for business to attract and retain high quality staff to meet current and future demands. The most important drivers behind CSR are: creating new opportunities (market enlargement, better reputation); better control of business risks for the continuity of the organisation. The increasing attention given to CSR is also fed by recent financial/accountancy scandals and the growing demands for integrity and transparency of companies. CSR also raises new issues for management, such as the importance of broad stakeholder involvement and adoption of innovative measures. Human resource management, health and safety at work, business ethics, adaptation to change, and organisational learning — requires participation of workers or their representatives. Global environmental concerns, safety and health in supply companies, corporate citizenship worldwide — requires communication with consumers, investors, globally operating NGOs, etc.

❖ Governments

While corporate responsibility principles are developed within companies and often fostered by non-governmental organisations, national governments have a major role to play. They can set reference frameworks, encourage action and promote dialogue but crucially can enforce action through legislation. Governments can use taxation to encourage 'green' practices, set minimum wages and impose restrictions on working hours. In many countries targets are set on businesses to reduce greenhouse emissions. Yet many businesses stress that government incentives, rather than punitive taxes, would do more to encourage ethical behaviour, especially on 'green' issues. Nevertheless, many business houses are adhering to the highest ethical standards.

❖ **Competition between Privately Held Businesses and Multinationals**

Privately Held Businesses are 'the economic engine of the world'. Although public attention is often focused on large multinationals and how ethical their business practices are, Privately Held Businesses are expected to adhere to the same ethical practices. However, the two sets of businesses differ greatly in terms of size and structure. When adopting more ethical business practices, PHBs are at a distinct disadvantage to their multinational counterparts. Primarily due to lack of resources, but PHBs also lack experience to develop examples of 'best practice'. PHBs also are not subject to the weight of expectation and attention which falls on multinationals who impact our daily lives. Yet, in order to survive in the competitive sea amongst the sharks called the multinationals, these small business houses must adapt ethical practices.

❖ **Employment**

Recruitment/retention of staff is a driver of social responsibility in all countries. It has become an essential factor for all the companies to retain their employees and maintain a certain quality of the employees. Most of the companies are finding it difficult to manage the attrition rate of their companies as employees are opting for companies that have better social visibility and are actively involved towards the betterment of the society. According to a survey reported in International Business Report (IBR) in 2008, most of the companies cited employee retention as one of the major drivers for CSR activities. The companies have indicated this factor as a driver for CSR across a wide range from 53% being the factor for countries in Hong Kong to 89% in the companies located at Denmark. While some employers in certain countries face the problem of skill shortage, while in other countries there is a major problem to retain the employees. Corporate social responsibility movement has a capacity to influence employment processes at workplace. The reputation-based effects of good corporate citizenship include attracting and retaining high quality labour. An enhanced CSR reputation can make it easier to invest and conduct business in places where there is considerable concern over CSR performance. The development of CSR together with the reform of corporate governance provides new pressures for applying and reaching countries that have limited labour rights and standards. The CSR movement also offers the potential for new coalitions to emerge at the workplace and within national and global employment relations regimes.

❖ **Cost Management**

It is necessary for every country to manage its expenses and try to reduce the costs whenever possible. One of the ways of keeping the company expenses in check is by

maintaining good quality standards and following the standard operating procedures. In today's competitive world managing the levels of carbon dioxide emission in the environment would also save a considerable cost to the country. More than 50 % of the countries responded this driver to be of foremost importance to indulge in CSR activities. More than eleven countries have rated cost management as the most important driver for CSR activities. Brazil and India are among the top two countries with 89% and 85% respectively for cost management as the most important driver.

❖ **The demand for action**

Corporate social responsibility is no longer the domain of the large corporates and is now a necessity rather than a choice. CSR frameworks are filtering down the supply chain, influencing the business practices of businesses. Small businesses are often able to change the direction of their business more efficiently due to the ability of the owner to individually alter the business's operations vis-à-vis the large corporate. Those privately held businesses adopting ethical business practices quickly and efficiently will survive. These are the businesses who will secure the skilled workers and the contracts with the large multinationals. Those failing to act now face an uncertain future.

❖ **Ethical consumerism**

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand. Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

❖ **Globalization and market forces**

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labour exploitation are problems that can cost organizations millions of rupees. Some view ethical issues as simply a costly hindrance. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Global competition places particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.

❖ **Social awareness and education**

The role among corporate stakeholders to work collectively to pressure corporations is changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-

governmental organizations are also taking an increasing role, leveraging the power of the media and the internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing.

❖ **Ethics training**

The rise of ethics training within the corporations, some of it required by government regulations, is another driver credited with changing the behaviour and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. The most direct benefit is reducing the likelihood of fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization.

❖ **Laws and regulation**

The issues surrounding government regulation pose several. Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment. CSR critics argue that governments should set the agenda for social responsibility by the way of laws and regulations that will allow a business to conduct themselves responsibly.

problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas. General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant. The second issue is the financial burden that regulation can place on a nation's economy. This view shared by Bulkeley, who cites as an the Australian federal government's actions to avoid compliance with the Kyoto Protocol in 1997, on the concerns of economic loss and national interest. The Australian government took the position that signing the Kyoto Pact would have caused more significant economic losses for Australia than for any other OECD (Organisation for economic Co-operation and Development) nation. Critics of CSR also point out that organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

❖ **Crises and their consequences**

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989. Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup.

CSR and Questionable Motives

The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing more than superficial window-dressing; still others argue that it is an attempt to preempt the role of governments as a watchdog over powerful multinational corporations.

- ❖ Some critics believe that CSR programs are undertaken by companies to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.
- ❖ Another concern is when companies claim to promote CSR and be committed to Sustainable Development whilst simultaneously engaging in harmful business practices. In *McDonald's Restaurants v Morris & Steel*, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide 'do badly in terms of pay and conditions' and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.'
- ❖ Similarly Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, however, this did not prevent the scandal concerning its misreporting of oil reserves—an act which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.
- ❖ Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner.

Implementing Corporate Social Responsibility in Health Sector

As a member of today's rapidly changing global community, we are striving to adapt to the evolving needs of society and contribute to the overall health and wellness of our world. We are continually reviewing and improving our efforts to lessen our impact on the environment, nurture a workplace of diversity and inclusion, conduct responsible business practices, and uphold the highest ethical standards in everything from research and development to sales and marketing. And, we are building partnerships in communities throughout the world to strengthen health systems and find sustainable solutions to the health challenges of today, and tomorrow. Health Sector clearly stands out as a leader, when discussing the CSR issues partly because of its close relationship to its multiple stakeholders of society, government and other private sectors. Another part of the reason may be that its way of making profits has a bigger relationship to people's lives by affecting their health problems rather than other business entities.

First of all, the business units have to be earning in a responsible way. This has to be communicated to supply chain, marketing, finance, HR, and other departments throughout the company. If a company is contributing to HIV/AIDS issue but with the money from illegal transaction or from selling medicines packaged by children, what good is it?

Second, Health Sector, just like other business sectors, needs to focus on certain areas to contribute to the society and link it with their business. This does not have to directly relate to their products or service. This is certainly not an easy task but not impossible. When above two parts are implemented as a corporate strategy, a company in the health sector would be recognized by the public rather than be blamed upon for only chasing after the profit.

Cipla- A Case Study

Cipla is a prominent Indian pharmaceutical company, best-known outside its home country for manufacturing low-cost anti-AIDS drugs for HIV-positive patients in developing countries. Founded by Khwaja Abdul Hamied as The Chemical, Industrial & Pharmaceutical Laboratories in 1935, Cipla makes drugs to treat cardiovascular disease, arthritis, diabetes, weight control, depression and many other health conditions, and its products are distributed in more than 180 countries worldwide.

Cipla offers services like consulting, commissioning, engineering, project appraisal, quality control, know-how transfer, support, and plant supply.

Apart from its presence in the Indian market, Cipla also has an export market and regularly exports to more than 150 countries in regions such as North America, South American, Asia, Europe, Middle East, Australia, and Africa. Cipla is also considerably well-known for its technological innovation.

Today, Cipla is the world's largest manufacturer of antiretroviral drugs, (ARVs) to fight HIV/AIDS, as measured by units produced and distributed (multinational brand-name drugs are much more expensive, so in money terms Cipla medicines are probably somewhere down the list). Roughly 40 percent of HIV/AIDS patients undergoing antiretroviral therapy worldwide take Cipla drugs.

Indian law from 1972 until 2005 allowed no (end-product) patents on drugs, and provided for compulsory licensing, Cipla was able to manufacture medicines which enjoyed patent monopoly in certain other countries (particularly those where large, multinational pharmaceutical companies are based). By doing so, as well as by making an executive decision not to make profits on AIDS medication, Cipla reduced the cost of providing antiretrovirals to AIDS patients from \$12,000 and beyond (monopoly prices charged by international pharma conglomerates) down to around \$300 per year.

Today they are able to do so for under \$150 per patient per year. While this sum remains out of reach for many millions of people in Third World countries, government and charitable sources often are in a position to make up the difference for destitute patients. However, in producing generic versions of drugs which are patent-protected, the company has provoked the ire of the pharmaceutical companies which own the patents. Whilst Cipla has argued that the ethics of humanitarian relief should outweigh Intellectual property considerations, brand-name pharmaceutical companies have countered that high prices are vital to offset high

Research and development costs (though typically such companies spend far more on marketing and administration than they do on research.

Cipla developed a three-in-one tablet called *Triomune* containing a fixed-dose combination (FDC) of three ARVs (Lamivudine, stavudine and Nevirapine), something difficult elsewhere because the three patents were held by different companies. Another popular fixed-dose combination is produced under the name Duovir-N. This contains Lamivudine, Zidovudine and Nevirapine. Cipla manufactures generic versions of many of the most commonly prescribed anti-retroviral medication in the market, and is a highly capable manufacturer in its own right. This innovation made ARVs far more accessible and easy-to-take for patients everywhere, but particularly in poor- and middle-income countries, where the vast majority of people on anti-retroviral therapy (ART) now take such combination pills. Cipla is one of the first companies to register AIDS drugs under the US program PEPFAR. In May 2009, Cipla won approval from the World Health Organization certifying that its drug Antiflu was as effective as Tamiflu, and Antiflu is included in the World Health Organization list of prequalified medicinal products.

Indian Oil - Case Study

At Indian Oil, corporate social responsibility (CSR) has been the cornerstone of success right from inception in the year 1964. The Corporation's objectives in this key performance area are enshrined in its Mission statement: "*...to help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience*".

Indian Oil have defined a set of core values for themselves – Care, Innovation, Passion and Trust. That's why, they have coined the phrase, "Indian Oil – India Inspired", in their corporate advertising. Public corporations like Indian Oil have significant public resources deployed in their capital base. They are aware of the need to work beyond financial considerations. They know that they are not just the chariots of profit maximization, but they are expected to work towards improving the quality of life of its customers, employees and society as a whole.

By building value for its shareholders and customers. Indian Oil has been taking concrete action to realise its social responsibility objectives. The Corporation respects human rights, values its employees, and invests in innovative technologies and solutions for sustainable energy flow and economic growth. In the past four decades, Indian Oil has supported innumerable social and community initiatives in India. Touching the lives of millions of people positively by supporting environmental and health-care projects and social, cultural and educational programs.

Besides focusing primarily on the welfare of economically and socially deprived sections of society, Indian Oil also aims at developing techno-economically viable and environment-friendly products & services for the benefit of millions of its consumers, while at the same time ensuring the highest standards of safety and environment protection in its operations.

Every year, Indian Oil sets aside a fixed portion of its profits for spreading smiles in millions of lives across the country through a comprehensive community welfare and development programme. About one-fourth of the community development funds are spent on the welfare of Scheduled Caste and Scheduled Tribe beneficiaries.

Indian Oil has a concerted social responsibility programme to partner communities in health,

family welfare, education, environment protection, providing potable water, sanitation, and empowerment of women and other marginalised groups. Indian Oil has always been in the forefront in times of national emergencies. Indian Oil People have time and again rallied to help victims of natural calamities, maintaining uninterrupted supply of petroleum products and contributing to relief and rehabilitation measures in cash and kind.

Indian Oil's community-focused initiatives include allotment of petrol/diesel station dealerships and LPG distributorships to beneficiaries from among Scheduled Castes, Scheduled Tribes, physically handicapped, ex-servicemen, war widows, etc. The Corporation has also unveiled kisan seva kendras as small-format retail outlets to reach quality products and services to people in the rural areas. Indian Oil has also set up the Indian Oil Foundation (IOF) as a non-profit trust to protect, preserve and promote national heritage monuments. The Corporation also supports a variety of endeavours in arts, culture, music and dance, apart from organising programmes on its own under the banners of Indian Oil Art Exhibition, Indian Oil Sangeet Sabha and Indian Oil Kavi Sammelan.

As part of its environment-protection initiatives, Indian Oil has invested close to Rs. 7,000 crore in state-of-the-art technologies at its refineries for production of green fuels meeting global standards. To further reduce dependence on precious petroleum products and secure the nation's energy security, the Corporation is now in the process of commercialising various options in alternative fuels such as ethanol-blended petrol, biodiesel, and Hydrogen and Hydrogen-CNG mixture.

With safety, health and environment protection high on its corporate agenda, Indian Oil is committed to conducting business with a strong environment conscience, so as to ensure sustainable development, safe work places and enrichment of the quality of life of its employees, customers and the community. Indian Oil is also committed to the Global Compact Programme of the United Nations and endeavours to abide by the 10 principles of the programme, some of which are already part of the Corporation's Vision and Mission statements. It is the firm resolve of Indian Oil people to move beyond business, touch every heart and fuel a billion dreams.

Workers Health is a Corporate Social Responsibility!

A look at corporate responsibility for workers' health in developing countries reveals stark inequities. In many countries, a corporation's prime responsibilities are to expand the bottom line for shareholders (corporate economic responsibility) and comply with regulations the health and safety of its workers (corporate legal responsibility). But social responsibility is an ethical or ideological concept operating through informal legal and social controls. Thus, social responsibility is self-imposed and is beyond legal obligations. It is normed by social mores and values already ingrained in societal belief systems. Occupational health should aim at the promotion and maintenance of the highest degree of physical, mental and social well-being of workers in all occupations; the prevention amongst workers of departures from health caused by their working conditions; the protection of workers in their employment from risks resulting from factors adverse to health; the placing and maintenance of the worker in an occupational environment adapted to his physiological and psychological capabilities. Despite the increasing awareness of health being an important determinant of the productivity and progress of a nation, occupational health and safety remains neglected through-out the

world. Work related risk factors are responsible for occupational injuries, work place exposure to carcinogens, dust, noise and ergonomic stressors. These afflictions bring hardship not only to the victims but also to their families, because most of the affected individuals in the developing countries are in the prime of their lives. They are the sole earners in their families, with neither social security nor any form of health insurance. This human suffering is coupled with an economic dimension. Unfortunately, the major instruments to protect health and safety of workers, namely, regulatory mechanisms and the provision of occupational health services are available only to about 10-15% of the working population of developing countries. Furthermore, in these countries, even where such regulatory mechanisms do exist, they are largely ineffective due to weak institutional infrastructure and stakeholder apathy and failure to recognize the health of the workers as a corporate social responsibility.

Conclusion

Corporate Social Responsibility Practices in India sets a realistic agenda of grassroots development through alliances and partnerships with sustainable development approaches. At the heart of solution lies intrinsic coming together of all stakeholders in shaping up a distinct route for an equitable and just social order.

The roots of social responsibility lie in the moral obligation of the corporate entity; to give something back to the society in which it functions. The rise of ethical consumerism in recent years has led to greater concern in the corporate sector with regard to environmental and occupational impact of their products and activities. Thus, many companies now certify their products with ISO standards guaranteeing sound environmental management, occupational health and safety. Protection of health from the adverse work environment may be seen as a legal obligation that is burdensome to the employer. However, far from being a burden, health promotion and placement of workers in healthy work environments are an economic benefit. Positive environments and better health for workers mean greater efficiency, less sickness and absenteeism, less spending on health care, less labor turnover, higher longevity of the workers (less spending on training of fresh workers), avoidance of legal actions, and a better corporate image in the society. All of these benefits ultimately lead to better business outcomes. A win-win situation for employer and employee!

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