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A responsible person must learn to unlearn what he has learned.

B. R. Ambedkar

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LIST OF ABBREVIATIONS

BIS	Bureau of Indian Standards
CSR	Corporate Social Responsibility
DIHR	Danish Institute for Human Rights
FLA	Fair Labor Organization
GTZ	German Technical Cooperation
IBLF	International Business Leaders Forum
ICRIER	Indian Council for Research on International Economic Relations
IDSN	International Dalit Solidarity Network
IHRB	Institute for Human Rights and Business
IICA	Indian Institute of Corporate Affairs
ILO	International Labour Organization
ISEAL	ISEAL Alliance (International association for social and environmental standards)
ISO	International Organization for Standardization
MCA	Ministry of Corporate Affairs
NCEUS	National Commission for Enterprises in the Unorganised Sector
PIC	Partners in Change
SA8000	Social Accountability 8000 (Standard for social compliance)
SAFORB	South Asian Forum on Responsible Business
SEZ	Special Economic Zone
SME	Small and medium enterprise
TERI	Tata Energy Research Institute

I. INTRODUCTION

During the last decade, the Indian economy has experienced astonishing growth rates of up to 9 percent (World Bank 2010). Evidently, these impressive economic growth figures have not resulted in an improvement of human development indicators to the same, or a similar, extent. 25,7 percent of the Indian population live below the national income poverty line (UNDP 2010), which amounts to around 300 million people (World Bank 2010). Huge disparities in gender, caste, ethnic and regional terms add complex dimensions to the economic „exclusiveness“. The Indian government has started to acknowledge the necessity of translating economic benefits into improved social indicators, and voluntary company action is one channel it is utilising for this purpose. Prime Minister Manmohan Singh has urged the Indian industry on several occasions to engage in Corporate Social Responsibility (CSR) activities as „part of India’s cultural heritage“ (Planning Commission 2007), pointing to issues ranging from worker’s welfare and affirmative action to skills development as part of his ten-point Social Charter (Prime Minister’s Office 2007).

In late 2009, the Indian Ministry of Corporate Affairs, against the background of India’s human development challenges and the prospect of a more socially inclusive economic growth, and also not to miss the “CSR” bandwagon, after a stakeholder consultation phase issued “Corporate Social Responsibility Voluntary Guidelines” with the following elements:

- Care for all Stakeholders
- Ethics, Transparency and Accountability
- Respect for Workers’ Rights and Welfare
- Respect for Human Rights
- Respect for the Environment
- Measures for Social and Inclusive Development (such as Community Development activities)

The Guidelines were intentionally kept very simple in order to avoid a backlash from industry, and the latter was indeed pleased with the outcome. Criticism, however, came from non-business stakeholders on their basic – if not rudimentary – nature in terms of content as well as implementation guidance for companies (I4, MCA 2010). While it must be acknowledged that very few countries worldwide have officially adopted Guidelines on CSR and it can thus be seen as a big first step towards a common “Indian” understanding on business responsibility, the Guidelines in their current state fail to support companies in actually *implementing* socially responsible business practices.

Implementation guidance for businesses is only one potential positive outcome of Indian Guidelines, provided they are *comprehensive, credible* and *useful for companies*. “Comprehensive” refers to the content of the Guidelines which should cover all relevant topics businesses face. The “credibility” is closely linked to how the guidelines are implemented and enforced. In order to become relevant at all, the Guidelines must provide “useful” tools for companies to properly guide them in implementing responsible business practices.

One main benefit lies in fostering a common general understanding of what socially responsible business means in the Indian context, as the status quo is one of disorientation. Current approaches, be it social compliance standards in the export sectors or community donations, do not encourage companies on a large scale to change their way of doing business. This is because these approaches are punctual and do not raise general awareness on the importance and benefits of acting responsibly (BSR 2007:3, among others). Furthermore, they mostly lack useful tools (like sets of indicators) which help companies implement social responsibility principles, or the solutions provided are not applicable to a firm’s respective context.

The research question thus issues from the above situation:

How can Social Responsibility Guidelines for businesses operating in India be designed to take into account the Indian context in terms of content and social/cultural environment, be useful for companies and credible for all stakeholders and overall foster the implementation of responsible business practices?

The aim of this thesis is to work out a set of Guidelines covering all relevant social responsibility topics¹ businesses in the Indian context have to deal with. Existing pertinent guidance will be presented developed to advise companies on how to address good business practice in specific thematic, sectoral and even cultural contexts.

The idea for this topic arose in the forefront of an internship within a development cooperation project on Responsible Business between German development organisation GTZ and the Indian Ministry of Corporate Affairs² in New Delhi. In early 2009, the development of (the now existing) Voluntary Guidelines³ was mentioned as one of the project components. This was taken by the author as a starting point to conceptualise a thesis. It was clear from the beginning that this work

¹ Due to its limited scope, this thesis focuses on *social* topics only; although it is clear that the social, environmental and governance realms are often interrelated.

² More precisely, the Ministry’s agency Indian Institute of Corporate Affairs (IICA)

³ Through an expert group, coordinated by GTZ

was to be carried out independently from process and outcome of the “real” Voluntary Guidelines.

The present research wants to contribute to a deeper understanding about the social topics businesses face in India, and ways for them to adequately respond to these. Visser (2008), identifying an “urgent need for further research on CSR in developing countries at [different] levels [...]”, points to “[...] a specific need for more sectoral research on CSR codes and practices” (Visser 2008:493f.). The paper addresses this query by suggesting Guidelines for Social Responsibility in the Indian context. This approach was also deemed appropriate by several experts questioned⁴. In this respect, it should be mentioned that in the Indian context, speaking of “*corporate*” social responsibility basically implies the responsibility of big firms in the organised (formal) sector. Hence, “CSR” in this sense would only cover a fraction of the Indian economy. “Inclusive” growth (discussed in chapter I) can only be achieved when SMEs (organised *and* unorganised) and the informal sector as a whole are included in efforts for a more socially responsible way of doing business.

Unorganised sector, that’s why we’re not saying ‘corporate’ social responsibility [...]. It only means that when you talk about [...] human rights and you talk about consumer and [...] all of this, you would say ... look – all of these issues are important when we talk about sustainability; you’re a small informal or you’re a small organised enterprise within the informal sector (I4).

It is also important to note that “CSR” as a concept presupposes compliance with law. In India, enforcement is often weak (due to different reasons) and so the strict definition of CSR as going beyond provisions is too narrow (I7). In this thesis, the term “CSR” is used in a generic sense, when talking about the “broad discussion on CSR”; while most of the time the term “business responsibility” will be used for the above reasons.

Finally, some words on how this thesis is structured. At the outset, methodological details will be clarified. The first chapter starts with a discussion about a fundamental dilemma which is hotly debated under the buzzword of “inclusiveness” in India: The apparent contradictions between social and economic concerns. This is followed by a section on general theoretical models of Corporate Social Responsibility. Subsequently, the “Indian” context is looked into by outlining applicable CSR concepts and questioning the relevance of Indian particularities for social responsibility Guidelines. What constitutes the “Indian context” of business responsibility and how is it influenced by Western concepts? After explaining the potentials of Social Responsibility, the thesis in its main part illuminates the social topics businesses in India face – the *content* of Social Responsibility Guidelines. Each topic is critically reviewed and relevant company guidance presented. From this

⁴ Among them, Viraf Mehta, Chief Executive of Partners in Change (most important NGO advocating CSR in India), and Jitesh Khosla, head of government agency Indian Institute of Corporate Affairs in the Ministry of Corporate Affairs

analysis, topic-wise *Principles* are deviated which in sum form a suggestion of comprehensive Guidelines. The final part concentrates on the factors to be taken into account when *implementing* the Guidelines in an Indian setting. How can they be designed to be user-friendly but at the same time credible and effective? Also, some thoughts have been given to how, and by whom, the Guidelines could be disseminated. The concluding section summarises the research findings, including the most important features of devising Social Responsibility Guidelines regarding content as well as implementation in the Indian context.

II. METHODOLOGY

2.1 Doing development research

Doing research in developing countries has specific implications. First of all, not all methods are applicable in a context unfamiliar to the researcher. Methodologies successfully proved in developed countries cannot simply be transferred to a setting which is fundamentally different (Lentz 1991). Therefore, methods of data collection are needed which are not based on the fulfilment of certain preconditions (e.g. technical requirements for compiling statistical data or functioning institutions). Qualitative research methods have the advantages of being open and flexible; furthermore it is possible to modify them during the actual research process. Standardised practices which tend to oversimplify phenomena are avoided, allowing for adaptation to particular (changing) situations. Qualitative research invites to challenge current concepts and terms (Lentz 1992). In order not to fall short of quality criteria, three dimensions have to be considered: Validity, reliability and representativity of research results. Concerns about the validity of data can be minimised by permanent self-reflection. Reliability is achieved through the principle of cross-examination of different kind of data, the collection of “non-selective” data and the constant reflection and documentation of the research setting and methods applied with particular attention on situations of interaction with research participants. The claim for representativity is settled by establishing a connection with existing similar data or research (Lentz 1992).

A number of additional factors must be considered. Firstly, any research context is influenced by power relations: Between the sponsors of the research and the researcher, between the researcher and the researched, between rich and poor, as part of the culture of the research setting, etc. On top of that, researchers invariably have an agenda of their own. It is important for the researcher to lay open and reflect these relationships and interests (Brydon 2006).

A rather problematic aspect of development research is that it is (in most cases) short-term. It is necessary to spend at least a number of months in a research context to begin to understand power relations influencing respondents’ contributions to the research. Development research also tends to rely on local intermediaries. Gatekeepers (or translators) may facilitate the research process but the position they inhabit needs to be reflected. The former are individuals in an organisation that have the power to withhold access to people or situations for the purposes of research (Scheyvens et al 2003:153).

“It is crucially important in all research that involves social interaction, the recording by whatever means of social events, interviews of any kind, [...] to realize that there is no perfect formula, no

absolutely ‘right’ way of doing things” (Brydon 2006:29). Still, the researcher should be aware of the importance of contexts, the appropriateness of particular research methods and openness and honesty both in the field and in the presentation of results. There are a myriad of factors affecting research in the field ranging from age, gender, status and ethnic background to over-identification, rejection, bureaucratic obstacles, accidents, and good fortune (Punch 1994:87). The role a researcher inhabits must be critically reflected: Power relations, but also personality or appearance, on top of the above mentioned factors, inform participant’s perception of the researcher (Punch 1994).

Some of the ethical issues which arise in development research (and qualitative research in general) have already been touched upon. As Mikkelsen (1995:252) points out, it is vital to constantly question one’s own culture, norms and perspectives when interpreting phenomena. Showing respect for the local culture and traditions, treating the participants in a participatory manner and returning knowledge and information to them are basic “good practices” (Scheyvens et al 2003). While codes of ethics provide guidelines on principles like informed consent, confidentiality, and conflicts of interest, it is the researcher’s personal characteristics – a combination of integrity, maturity and sensitivity to the local cultural context – which guide him or her through the research process (Scheyvens et al 2003:166).

2.2 Grounded theory

Qualitative research involves “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss and Corbin 1990:17). As indicated above, the use of qualitative research methods is appropriate especially in the context of development research (Lentz 1992). In grounded theory, data gathered by a variety of means – observations and interviews, but also documents and books – can be incorporated. Another important component of qualitative research consists of the analytic or interpretive procedures used to draw up findings or theories. Here, the techniques for conceptualising data become relevant. The central process is called “coding” and is adjusted to the experience and purpose of the research (Strauss and Corbin 1990). If the purpose of investigations is to build theory, the “[...] development of theoretically informed interpretations is the most powerful way to bring reality to light” (Strauss and Corbin 1990:22).

Grounded theory is a general methodology for generating theory that is grounded in data systematically gathered and analyzed. Theory evolves during actual research, whereas data analysis

and data collection are closely connected. A main analytic feature is constant comparison. The guidelines and procedures suggested in grounded theory are relatively open and allow much latitude for ingenuity, not least due to the structural conditions of social research which are not in favour of strictly systematised rules for researching (Strauss and Corbin 1994, Strauss 1994). *“One does not begin with a theory, then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge”* (Strauss and Corbin 1990:23). Therefore, I decided against devising hypotheses at the outset and let the context there and then emerge in the research process. Strauss (1994) recommends to study the guidelines of grounded theory and apply them, but to modify them according to the research purpose. Different sources of data, gained through qualitative (possibly in combination with quantitative) research methods, may be used; ranging from interviews and field observations to documents of all kinds, including biographies, letters or newspaper and other media materials. Criteria for judging the credibility of theory are based on distinctive strategies for collecting, coding, analysing, and presenting data when developing theory (Strauss and Corbin 1994).

Analysing qualitative data using grounded theory has the aim of developing theory without being bound to certain types of data, disciplines or theoretical streams. In this sense, it is not a specific method per se, but rather a style according to which data are analysed (Strauss 1994). Social phenomena are complex and the grounded theory approach can help to capture these complexities. From data, concepts are deviated and relationships among these concepts are worked out. In the process, a large part of the variations phenomena are characterised by is encapsulated. In order to avoid a simplified representation of an incidence, as many concepts as possible ought to be investigated. The way concepts (and interpretations) evolve during the research process influences that very process. A detailed data analysis done with much scrutiny ensures that as many aspects of a happening as possible are uncovered (Strauss 1994).

Analytical operations in Grounded Theory encompass three central operations: data collection, coding, and writing memos. Codes and memos guide the search for new data or result in additional coding and memo writing. The whole research process is characterised by continuous and repeating data analysis and comparison. At any given time, it is possible to return to data already analysed at an earlier point (Strauss 1994).

2.3 The research process – general conditions

The research took place between July 2009 and January 2010. For six months I worked as an intern for German development cooperation organisation GTZ (Gesellschaft für Technische Zusammenarbeit) in a programme on Corporate Social Responsibility. It was carried out in collaboration with the Indian Ministry of Corporate Affairs and subordinate government agency Indian Institute of Corporate Affairs (IICA). Among my tasks was to research for a report on the social aspects of company responsibility. To a degree, themes for this research and my thesis overlapped and data from interviews was in some cases used for both the GTZ research report and the thesis. At the outset of each interview, I clearly explained which purpose the data are being used for. My supervisors in the GTZ programme were informed about the research I conducted for this thesis. I organised and conducted my data collection activities autonomously without undesired encroachment by GTZ staff.

The fact that I was part of the GTZ project had a certain influence on how the interview partners regarded me as an individual and presumably also had an impact on the way they responded to me. Firstly, the association with a powerful donor organisation endowed my personality with “professionalism” which probably made the interviewees treat me as being part of the “CSR scene” of India. They could thus assume that I had at least basic knowledge of actors and processes on the topic (which is important for expert interviews – see below). Secondly, being a GTZ employee gave me power in the sense that interview partners might not want to refuse speaking to me in the light of cooperation with GTZ or potential future cooperation. In one case, it became clear that the interview partner used me in order to gain access to GTZ programme officials. Generally, though, I had the impression that it was regarded as “good ethical conduct” within the Indian CSR scene (which, I realised, was limited) not to decline such a favour. Without exception, all interviewees exhibited a high degree of readiness to answer my questions. It is, however, not impossible that research participants depending on an institution (in this case GTZ) in some way avoid expressing dissenting views on the latter. The interview questions for this research did not in any way refer to GTZ itself; the role of development organisations was never explicitly asked for by me and only arose when brought up by the interview partner. Still, it is unlikely that interview partners with negative views on the role of development cooperation and GTZ in particular would have expressed these.

As mentioned, influential persons may deliberately try to direct the research process in a certain way by acting as agents for interview partners. An advantage in my case was that GTZ had no

direct interest in my thesis and so no one interfered in my data collection activities. (It is understood that I was not to cause any negative consequences for GTZ or its relationships with partners.) My supervisor in the programme, project manager Neha Kumar (whom I also interviewed), was informed about my research question. In some cases, she gave me the names of people to question on certain topics, but the gatekeeper as such was more the project itself through which I got in contact with a variety of stakeholders, whether they were GTZ partners or well-known in the “scene” as experts on specific themes. It also happened that I attended conferences or other meetings (as the only GTZ representative) where I met experts who agreed on an interview. In this sense, I depended on the project as a “channel” for information and informants. This dependency may limit the validity of my research findings (Lueger 2000:54).

In the first week of my visit, I questioned Viraf Mehta (at that time Chief Executive of NGO Partners in Change), who has a background in anthropology, and Smitha Singh, specialised in legal concerns of CSR (scientific assistant at PIC), on the research question. They both found my plans to be reasonable and “doable”. Several experts I questioned showed interest in the results of the thesis, among them head of IICA, Jitesh Khosla.

2.4 Data collection: Interviews

Expert interviews as a “special” form of semi-structured interviews

Interviewing in qualitative research significantly differs from interviews in quantitative research. It is less structured and standardised and there is declared interest in the interviewee’s point of view. In qualitative interviewing, divergence from the interview guide is often desired in order to reveal what the interview partner regards as relevant and important. Interviewers are not strictly bound to their schedule but are free to ask new questions, following up on interviewee’s replies. The aim is to obtain rich, detailed answers to find out as much as possible about a phenomenon from the interview partner’s point of view (Bryman 2008). Accordingly, I had a list of questions of fairly specific “business responsibility” topics which served as my interview guide. The questions were designed in a way that gave interviewees considerable freedom in how to reply. I often picked up on things the interviewees mentioned but remained conscious of covering, by and large, all the questions. It was not always easy to find the right balance between letting the interview partner give detailed accounts and at the same time making sure I receive answers to all my questions. I felt that I became more relaxed in this matter the more interviews I conducted and could handle divergences from the interview guide in a better way.

Sampling

In grounded theory, data collection is conducted with the aim of identifying, developing, and relating concepts. The procedure of “theoretical sampling” therefore means sampling on the basis of concepts that have proven theoretical relevance to the evolving theory (Strauss and Corbin 1990:176f.). Concepts which pop up repeatedly when comparing incident after incident earn the status of categories through the coding procedures (Strauss and Corbin 1990). It is thus important to keep in mind evolving categories which are relevant for the research question when striving for new sources of data. Besides this, the research question called for a certain balance with regards to stakeholder groups (civil society, private sector, development cooperation, government). Naturally, the access to interview partners – directly or indirectly through the GTZ project – played a role in the selection of interview partners. On a critical note, being a GTZ employee certainly opened doors for me with regards to new interview partners. Being in the field one notices that interview situations cannot always be planned. Interesting issues often come up in informal talks, e.g. at conferences where I had sudden chances of speaking to experienced practitioners. I have incorporated some of this information in the thesis, referring to the documentation of events I attended.

Interviewing

I found that the research question was best addressed by conducting interviews with individuals who could provide me with information on a) the social issues of business responsibility in India and b) possible ways of implementing Guidelines on Social Responsibility. All “experts” questioned exhibited detailed and specialised knowledge within their area of expertise and were able to give qualified accounts on certain issues from their point of view. Before going more into depth about the interview situations, I find it worthwhile to clarify what constitutes an expert interview, a method which is frequently applied in social science but rarely referred to in literature on qualitative methods (Liebold and Trinczek 2009). At the outset, the logical question is, who qualifies as an “expert”? With respect to the researcher’s area of interest, an expert is someone who is able to make a relevant contribution to the investigation into a specific topic. This implies that, depending on the field of interest, anyone is a potential “expert”, if “only” on his own life. Escaping this methodological dilemma, researchers instead refer to persons who provide knowledge not accessible to everyone in the respective sphere of activity. It must be noted that these expert’s “knowledge advantage” presumes a privileged access to information and only becomes relevant through an institutionalised attribution of competence. Conducting expert interviews poses the researcher with a distinctive challenge: On one hand, the interview guide ought to be open and

flexible enough to encourage the interview partner to reveal areas of importance; on the other hand, the direction of a conversation is somewhat predetermined due to the specific content-wise orientation. In other words, expert interviews encompass a combination of induction and deduction with the possibility to modify the theoretical concepts or categories. Despite being structured, these kinds of interviews are open enough to revise previous assumptions. One important precondition for expert interviews is a certain degree of knowledge on the expert's sphere of activity on behalf of the researcher in order to dwell on certain aspects and be responsive to the interview partner. Furthermore, by incorporating previous theoretical knowledge into the questions new insights can be reintegrated into the research process. It has, however, also been noticed that the suspected ignorance of young researchers, especially if they are female, can be an advantage: If the expert regards the interviewee as innocuous, the conversation turns out more open and confidential (Liebold and Trinczek 2009).

It is recommended to fully transcribe expert interviews. In the case of the present thesis, seven out of a total of ten interviews were recorded. Where I took notes, these were transformed into protocols immediately after the conversation⁵. All interviews were held in English. As the thesis was also written in English, there was no need to translate the transcriptions into German.

Interview situations

Apart from one conversation, which took place as part of a field visit to Chennai, all interviews were conducted in New Delhi (one over the phone). The interviews with Viraf Mehta and Smita Singh, Kapil Mathur, Patrick von Braunmühl, Savita Hanspal, Srimathi Shivashankar and Jitesh Khosla took place at their respective offices. Conversations with Navneet Panwar, Amit Kumar and Neha Kumar proceeded within the GTZ's office building where the Corporate Social Responsibility programme was also located. The length of the interviews varied from 40 minutes to 2,5 hours.

A general statement can be made on the interview situations: All of them were "conversational" in style and all interview partners readily shared their knowledge with me. This readiness probably had to do partly with me being regarded as "part of GTZ" and partly with my status as a young, female student from a completely different cultural environment. In only one case, however, I consciously felt slightly patronised by the interviewee.

At the beginning of each interview, I informed the research participant about my thesis and asked for their consent on recording the conversation. In most cases, this was no problem. A few

⁵ A list of all interviewees is given in the References section.

interviews I decided not to record because it felt inappropriate or because of noisy backgrounds. After each interview, I took down notes on the interview situation and contextually important information on the interviewee, such as gender, approximate age, position in an organisation, experience in the respective sphere of activity and previous occupations. Even though I did not manage to transcribe the interviews there and then due to limited time resources besides my full-time internship, I wrote memos on the most significant points that had emerged during the interview. I discovered my ability to easily memorise interview contents and refer to them in the following conversations. This also helped to develop codes and categories. The fact that the interviews were transcribed at a later stage has a positive and a negative side to it: While the temporal space helped me take a “fresh” look at the material, the contextual sensitivity might have suffered by being back in the European setting (see also Lueger 2000:91).

2.5 Other sources of data

Event documentations

Between July 09 and January 10, I attended several events in New Delhi covering different CSR topics. The documentations were subjected to a content analysis. In the thesis, results from

- a roundtable on human rights and business;
- a symposium on supply chain responsibility; and
- a conference on dalit discrimination in the private sector

have been utilised.

Field visit

One field visit was conducted within the framework of the Project to the Chennai premises of software firm Infosys. One of the interviews that took place there was conducted particularly for the purpose of this thesis (interview with Srimathi Shivashankar). Apart from this conversation, the visit provided the opportunity to experience what an “inclusive” work environment looks like in practice.

2.6. Selection of “social issues”

As set forth in the introduction, for Social Responsibility Guidelines to be relevant they have to be *comprehensive*. This means that in their main part they consist of the most important social areas affected by business conduct in the Indian context. The present chapter tries to meet the claim of

comprehensiveness by illuminating the areas companies must engage in if they want to act socially responsible and in this way contribute to a more inclusive economic growth.

An initial insight into relevant social issues faced by companies in India was gained through an exercise within the Project. As a first step to plan a venture in the social area, a grid was designed allocating “high-risk” stakeholder categories (namely Community, Supply Chain, Consumer and Internal Stakeholders) to “high-risk” sectors. The combination represents a situation which, if violations occur, has either a particularly harsh effect on a certain number of people *or* negatively affects relatively many. Apart from Richa Gautam and Neha Kumar (both GTZ), experts Shankar Venkateswaran, Director at SustainAbility and Aqueel Khan, Director at ASK (Association for Stimulating Know-How) were part of the task force. Indeed, the primary source of data from which I deduced relevant themes was the empirical material gathered in the interviews. Research reports and studies further helped to identify important themes. Thus, even though the task force group provided a first insight it has not determined – as a gatekeeper – the selection of topics.

2.7 Data analysis

As mentioned, the analysis of data gathered from the interviews took place with the help of grounded theory tools. The process of analysing is also called “coding”. There are different types of coding: The first analytical step is open coding. After a first close examination, data are itemised into discrete parts and phenomena are named and categorised so they can be compared for similarities and differences (Strauss and Corbin 1990). After transcribing the conversations, I broke the data down into component parts, which were given names. The interview partners provided important accounts on the content of Social Responsibility Guidelines, so one set of concepts referred to topical matters, such as “Displacement” or “Child labour”. These were carefully arranged and demonstrated with reflection of diverging viewpoints. As Strauss and Corbin (1990:67) point out, it is sufficient to apply open coding if the purpose is to collect themes. Apart from the themes themselves, however, grounded theory tools had to fully be deployed. In particular, asking for the “Indian context” involved going beyond the initial process of open coding: After the primary labelling exercise, concepts which seemed to explain the same phenomenon were grouped. This process is called “categorising”. Some statements belonged to more than one category. Connections between categories that emerged out of the coding were noted on memos. Asking questions about the concepts and constantly comparing them helped me overcome my own biases and assumptions and develop “theoretical sensitivity” (Strauss and Corbin 1990). Furthermore, constant comparison has the purpose of maintaining a close connection between data and conceptualisation so the correspondence between concepts and categories is not lost. The latter is

also stimulated by the use of technical literature - reports, research studies and theoretical papers. Concepts and relationships found there can be checked out against actual data. “Though you do not want to enter the field with an entire list of concepts and relationships, some may turn up over and over again in the literature and thus appear to be significant” (Strauss and Corbin 1990:50f.). The theoretical literature I used dealt with (generic) CSR models (and critique) applicable in the Indian context. “Indian” models of business social responsibility and literature on social standards or guidance for companies also provided useful insights. Studies and reports were particularly important in the sense of guidance documents for company action but also to capture the social themes in an adequate way. Print media reports (mainly of weekly journals, covering the period July 2009 – January 2010) helped to get an idea of the aspects of business and society debated in the public domain.

Eventually, theoretical elaborations of certain categories begin to emerge (Bryman 2008). The next step in the research process is “axial coding”. Here, conditions are explored under which a phenomenon occurs. I asked, for instance, Which are the factors encouraging companies to act socially responsible? Asking for the context further specifies a category: What kind of companies are we talking about? Which areas of “social responsibility”? Furthermore, it is important to investigate strategic actions within the data gathered. An example would be to analyse the way companies in India respond to “Western” standards on social responsibility. In due course, consequences of these strategies should be examined: What if particularly small businesses fail to achieve a certain standard of social compliance desired by Western buyers? Once these aspects have been taken into account, the final process lies in integrating the categories in a way so theoretical accounts can be given on a fairly abstract level. In the course of analysing data, a core category - which points to the central phenomenon - starts to emerge. This phenomenon appears frequently in the data and relates to more categories and their attributes as all other categories (Strauss and Corbin 1990, Strauss 1994).

Conducting empirical research for the first time is certainly challenging. In this case, the biggest difficulty was to capture such a practical topic in a scientific way. At the same time, it is also exciting to see how expected and unexpected themes unfold in the research process.

III. BUSINESS RESPONSIBILITY IN INDIA

3.1 The promise of “inclusive growth”

Under the buzzword of “inclusiveness”, or inclusive growth, fierce discussions take place in India on whether the government is able to keep its promise of a more socially inclusive economic growth. Media reports regularly cover incidences “proofing” that the governments’ – and industry’s – commitment exists only on paper (Planning Commission 2007, The Hindu 2009, Forbes India 2010, among others). The distrust created by contradictory behaviour of government and firms is particularly visible in discussions on displacement policies which seem to accept human rights violations as part of “business as usual” (IHRB 2009).

What is “inclusiveness”? The International Policy Centre for Inclusive Growth defines inclusive growth as

[...] both an *outcome* and a *process*. [...] [I]t ensures that everyone can participate in the growth process, both in terms of decision-making for organising the growth progression as well as in participating in the growth itself. [Furthermore] it makes sure that everyone shares equitably the benefits of growth. Inclusive growth implies *participation* and *benefit-sharing*. [...] (IPC-IG 2010)

Social inclusion, according to Jitesh Khosla, relates to the 250 million Indians in the lowest income group who are excluded from any benefits of economic growth; in contrast to the growing middle class (I2). In his opinion, social inclusion can only be achieved when a) there are enablers in place, such as conducive regulations and education; b) capacity building is ensured to create a level playing field for all and c) a change of mindset takes place with regards to discrimination of certain sections of the population (I2). The urgent need for distributing wealth from economic activities more equally is reflected in the wide gap between economic growth rates and progress in human development:

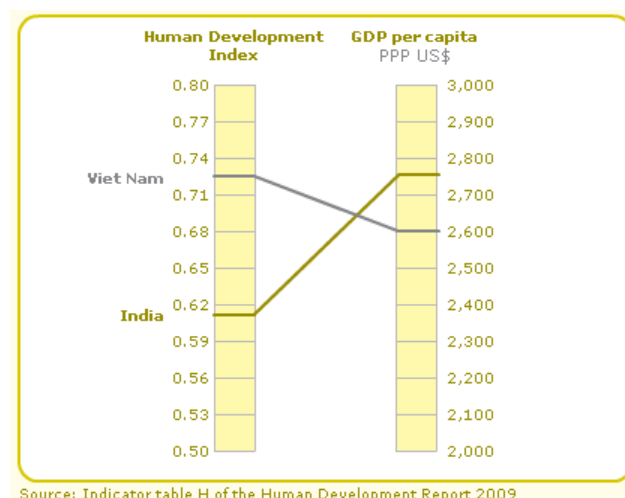


Figure 1: Gap between economic growth and progress in human development (UNDP 2009)

The simple correlation between economic performance and social/human development and poverty reduction can thus not be implied. Consequently, ways have to be found to let currently “excluded” groups participate in value creation. The notion of “inclusion”, however, is to be regarded with scrutiny. Detecting a rise of “inclusive liberalism”, Craig and Porter (2005) criticise the assumption that market and social goals are ultimately compatible and must therefore be consensually supported. In their view, the logics of collaboration and partnership between different stakeholders are significantly at odds with rational marketism. “[T]he apparently consensual and social domains of community, partnership and participation [...] obscure social differences and conflict. ‘Inclusion’ is offered as a surrogate for social equity, even as the institutional and community champions of the poor are invited into partnerships” (Craig and Porter 2005:233). Inclusion – mostly manifesting itself in formal employment – can also in a discerning way be seen as “being included in the responsibilities of paid work” (Craig and Porter 2005:247) and does not necessarily ensure the wellbeing of the “included”.

It is also worth noting that, within the process of “letting excluded groups participate” (or making them participate) in capitalist economic activities, there is a danger of delegitimising differently oriented values or lifestyles. For example, “[i]n the context of adivasis, this means inclusion into a society based on principles of conflict, competition, exploitation and unchecked consumption” (PACS 2010). An observation in the arena of resettlement (referring to new homes built by authorities for displaced villagers) illustrates this danger: “The contrast between houses before and after displacement demonstrates a far-reaching difference in values and culture. Traditional tribal villages [...] have a high quality of life [...]. [The villagers] make their own houses out of earth and wood, and these houses are officially classified as mere ‘mud huts’ – and on this basis people receive minimal compensation for them when they are destroyed [...]. [The houses] are far superior in many ways to pukka concrete houses” [*followed by a description of the advantages of traditional houses*] (Padel and Das 2008:601). Here, modernity is upheld as the desirable norm at the expense of traditional lifestyles which are devaluated. There are other cases where economic modernisation has not entailed social progress, like widespread caste discrimination in the economic sphere (Thorat and Newman 2007).

These processes of exclusion can partly be put down to structural conditions which make inclusion a matter of structure rather than choice. “The overarching structures of social barriers appear to be more inhibiting than is often appreciated. [...] The failure is deeply embedded in the social and institutional processes [...]” (Sreekumar 2007:871). Structural issues are not covered by this thesis, however, the underlying fundamental question – *Are contradictions between social and economic*

concerns ultimately irresolvable? – also becomes relevant on the specific level of how companies do their business. Kuhn and Deetz (2008) conclude from evidence across industries that there is neither a causal relationship between “doing good” and “doing well”, nor do the two necessarily contradict each other. First of all, it must be acknowledged that organisational decisions are not simply economically rational, but inevitably charged with differing interests and values. The inclusion of both social and business values happens not only through managerial goodwill, regulation, or proactive consumer choice. Kuhn and Deetz identify the principle source for value inclusion coming from *within* a company when standard managerial decision routines are transformed. One crucial element of an inclusive corporate governance conception is a participatory decision making mechanism in which diverse values are represented and explicitly contested. “Such value representation and contestation can enhance creativity, productivity, economic performance, and greater fulfilment of social good” (Kuhn and Deetz 2008:186). Indian IT giant Infosys’ “inclusivity” policy which lets employees actively engage in company processes (see chapter IV) has, for instance, made a business case for inclusion (I10). A renewed focus not only on employees but also on other stakeholders is further required and this holds true particularly in India where inclusion essentially refers to vulnerable groups (NCEUS 2009). Rather than “just” giving them an opportunity to articulate their concerns, they must be included in important decisions. At company level, their involvement generates the kind of creativity needed to advance social and economic interests rather than trading them off against each other. The ultimate goal is not to contain stakeholder interests, but to accomplish them *through* business activities. A transformation of stakeholder participation must be accompanied by a novel communication approach which shapes stakeholder interaction in a way that fosters creative possibilities (Kuhn and Deetz 2008). A CSR approach motivated by difference *can* therefore result in a climate where economic, social and environmental principles are upheld, as it is envisaged by “Triple Bottom Line”, the concept behind standards, guidelines and reporting initiatives (Melé 2008:51).

The present thesis acknowledges the fact that structural changes have to be precipitated for India to transform the current challenges into social development for its population as a whole. However, against the background of ample evidence, the analysis basically suggests that responsible behaviour of businesses can contribute to improvements in the social sphere (I7, I8).

3.2 Theoretical Contextualisation

The field of what is broadly called “Corporate Social Responsibility (CSR)” entails a huge variety of approaches which treat many different subjects with a narrow or wide focus. Some models are

brought forward as vague notions or even beliefs, while others build on a more or less elaborate theory on the firm and the purpose of business in society, of which CSR forms part. Those theories usually encompass a certain conception of the human being and society and are (often implicitly) linked to a social philosophy framework (Melé 2008). Consequently, the understanding of what “CSR” means is far from unambiguous. Dahlsrud (2008), after an in-depth analysis of prevalent CSR definitions, concludes that it is not so much the content that causes confusion – it bares many similarities – but the question of how CSR is socially constructed in a specific context and the influence this has on business strategies. From this viewpoint, any definition of CSR is biased (Dahlsrud 2008:2). The following elaborations, however, will shed light on the business responsibilities applicable in the Indian setting and how business responsibility can be understood in this specific context.

In an approach to classify CSR theories, Garriga and Melé (2004) identify four groups of theories in line with the way social reality is perceived: From an economical (the corporation as a mere instrument for wealth creation), political (the corporation as a powerful entity influencing on the political arena), sociological (the corporation must integrate social demands into their conduct) or ethical (the corporation must incorporate ethical values) perspective. Naturally, not all CSR theories fall clearly in a single category as their focus is on more than one aspect. Following this classification, Melé (2008) elucidates four theories about the responsibilities of business in society, which can be seen as contemporary mainstream theories. Three of them will be dealt with in this section due to their relevance for this thesis: The Corporate Social Performance model, which finds among its manifestations standards or codes of conduct (Melé 2008:51); the Corporate Citizenship theory, which sees businesses as an intrinsic part of the society; and the Stakeholder Model, which focuses on those who are affected by a company’s conduct.

3.2.1 Corporate Social Performance: Power comes with social responsibilities

Corporate Social Performance (CSP) theory has its origins in several precedent notions and approaches. Basically, it argues that wealth creation is not the only responsibility business has: Social problems created by firms or by other causes have to be addressed beyond a company’s economic and legal responsibilities. This includes ethical principles and philanthropic measures undertaken in society’s interest. Accordingly, corporate behaviour should be transformed to do less harm and instead positively impact people’s lives. When it comes to specific responsibilities, many authors point to social expectations related to the company’s conduct and concern for social needs.

The main argument in CSP theory is that, firstly, business has power and power requires

responsibility. As one interview partner representing a civil society organisation puts it: “[...] our approach [...] is to support the introduction in India of an understanding by business that they have an impact on human rights, and therefore have obligations to [fulfil] these human rights” (I7). Secondly, a society grants the license to operate to business hence the latter must serve the people not only by creating wealth but by addressing social needs and social expectations. It is also emphasised that a company ignoring its social environment runs considerable risk of impaired performance due to community or public pressures. Conversely, meeting social needs results in community acceptance and enhances a company’s reputation. Most authors do not associate this with financial gains but regard social responsibility as a social and ethical, more so than economic, matter (“doing the right thing”) (Melé 2008).

Archie B. Carroll (1979) first introduced the concept of “corporate social performance”. It deals with three aspects: Firstly, which basic definition of social responsibility can be applied; secondly, which issues exist within a social responsibility; and thirdly, in which ways does a company respond to the issues (Carroll 1979:499). Carroll came up with a range of obligations in the economic, legal, ethical and philanthropic sphere and integrated them into a “Pyramid of Corporate Social Responsibility”. Visser (2008:489) adapted the importance of obligations to developing countries and concluded that economic responsibilities (provide investment, create jobs, pay taxes) constitute the base of the pyramid followed by philanthropic (community development), legal (abide by the law) and ethical (adopt voluntary codes of governance) responsibilities.

The following section elaborates on some important conceptual bases of CSP along the lines of D.J. Wood’s (1991) model in which she synthesises principles of CSR, processes of corporate social responsiveness and outcomes of corporate behaviour. The three principles of CSR are expressed on three levels: The *institutional*, *organisational* and *individual* level. The “Institutional Principle” is also called “Principle of Legitimacy”, developed by K. Davis. He points out that responsibility goes with power, and business has power which in turn has social impact. Accordingly, business must assume responsibility.

Society gave business its charter to exist, and that charter could be amended or revoked at any time that business fails to live up to society’s expectations. Therefore, if business wishes to retain its present social role and social power, it must respond to society’s needs [...]. This has been stated as the Iron Law of Responsibility, which is that ‘in the long run, those who do not use power in a manner which society considers responsible will tend to lose it’. (Davis 1973:314)

Business operations take place in the economic, social and political forum and company action has to account for this; not least due to business’ need for social acceptance. With regards to the “Organisational Principle”, Wood (1991) refers to Preston and Post (1981) who proposed the

“Public Responsibility” approach. Companies should thus utilise public policy as a standard for their behaviour. Public policy in their understanding contains not only the literal text of law and regulation but also the “broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices” (Preston and Post 1981:57). This requires business to constantly pay attention to relevant processes and adjust current decisions to new social concerns. Wood’s (1991) third principle, the “Individual Principle” draws on the “Principle of Managerial Discretion”: Managers are seen as moral actors and therefore they are obliged to take socially responsible decisions. “Processes of Corporate Social Responsiveness” include, according to Wood, “environmental assessment” (adapting to the environment a company operates in), “stakeholder management” and “issues management” (dealing with internal issues such as corporate code of ethics and external issues like community involvement). Finally, “outcomes of corporate behaviour” encompass reports or studies on social programmes or social impacts (Wood 1991).

In recent times, there has been considerable development concerning the CSP related social expectations. These changes have contributed to a specification in terms of actors, processes and contents. An increasing number of different actors – immediate stakeholders, non-governmental organisations (NGOs), activists (among them “shareholder activists”), media, communities, governments, and other institutional forces are calling upon business to implement responsible practices. Companies respond by initiating stakeholder dialogues, publishing sustainability reports or conducting certification exercises. Even though these developments add complexity to corporate social performance models, the conceptual foundations of CSP remain unchanged (Melé 2008:51).

An often-cited weakness of CSP is its lack of integration between ethical normative aspects and business activity. Economics and ethics seem completely separated. Although some advances have been made to solve this, an “integrated theory” of CSP is yet to be developed (Melé 2008:55).

3.2.2 Corporate Citizenship: The company as a good citizen through philanthropy and beyond

In many countries, among them India, business leaders have been involved in philanthropic activities and giving donations to their community for decades (Balasubramanian et al 2005, Melé 2008, Sagar and Singla 2003). This has been regarded as part of corporate citizenship: “Philanthropy encompasses those corporate actions that are in response to society’s expectation that businesses be good corporate citizens” (Carroll 1991:42). Since the 1990s, the term “Corporate Citizenship” (CC) has increasingly been dissociated from the narrow meaning of philanthropy or community development and is frequently used as an equivalent to CSR. Some scholars, however,

see CC as an alternative way of understanding the role of business in society (Melé 2008): While CSR seems to view social responsibilities as an external matter, CC proposes that business is an intrinsic part of society. Established in the 1980s, the CC concept gained popularity a decade later in the wake of certain developments such as globalisation, the crisis of the welfare state, and the power of multinational companies (Melé 2008). A full theory of CC is not yet available but valuable scholarly work has been done on the topic. The term “citizenship” stems from political science whereas “citizen” arouses individual duties and rights within a political community. Businesses are regarded as an integral part of society and therefore they ought to take an active part in societal welfare activities. Consequently, CC centres around rights, but even more so on duties, responsibilities, and possible partnerships of business with civil society groups and institutions. Respect for others is also an important element, implying that building good relationships with stakeholders means doing good business. Logsdon and Wood (2005) are the main representatives of the “Global Business Citizenship” (GBC) model. For them, a global business citizen is “a multinational enterprise that responsibly implements its duties to individuals and to societies within and across national and cultural borders” (Logsdon and Wood 2005:56). In practical terms, GBC envisages the implementation of universal ethical standards throughout a business entity (see chapter on Implementation) (Logsdon and Wood 2005).

Matten and Crane (2005) have, in an extended theory of CC, further elaborated on how a corporation administers citizenship rights in countries like India where governments fail in their responsibilities. “If corporations take over vital functions of governments, one could argue that they should also take over exactly the type of accountability which modern societies demand from government as a facilitator or citizen rights” (Matten and Crane 2005:16). This, however, is unrealistic because the fulfilment of social, civil and political rights by corporations is a non-mandatory aspect of managerial discretion (Melé 2008). A big advantage of Corporate Citizenship as a theory is its emphasis on the social and ethical dimensions of business without neglecting its basic economic responsibility. With regards to globalisation processes, the global scope of CC becomes particularly relevant. Critics of Corporate Citizenship find that the model includes too many different topics making it diffuse. Besides, the concept is criticised for its dependency on managerial discretion and its philanthropic ideology, both of which are not necessarily negative attributions (Melé 2008).

For the present thesis, CC offers interesting thoughts on the meaning of philanthropic activities (like community development) by companies and their partial takeover of government duties in weak governance settings. GBC inspires the discussion on applying universal values, e.g. human rights,

in specific (non-western) contexts.

3.2.3 Stakeholder Theory: Care for stakeholders superseding CSR?

Contrary to the shareholder theory⁶, the stakeholder theory accounts for those individuals or groups with a “stake” in or claim on the company. Stakeholders either benefit from or can be harmed by company conduct. Business responsibilities towards these actors do not necessarily come within the limits of “CSR”: Some authors propose to abandon the CSR concept as it does not even come into play if stakeholders are broadly defined to include suppliers, community, employees, customers, and financiers. Although stakeholder theory was first presented as a managerial theory (Freeman 1984/2005), it is also a normative model which ascribes to management the moral duty of acting responsibly to protect the company as a whole and, associated with this aim, the legitimate interests of all stakeholders. Therefore, if CSR is viewed in a broad sense, stakeholder theory is also a CSR theory. The landmark book “Strategic Management: A Stakeholder Approach” was published in 1984 by R. Edward Freeman and marks the starting point of a series of normative stakeholder theory elaborations. Evan and Freeman (1988, cited in Melé 2008) base the stakeholder model on two ethical principles: “Principle of Corporate Rights” and “Principle of Corporate Effects”. The first one demands from a corporation and its managers not to violate the legitimate rights of others to determine their future. The second principle refers to the responsibility of companies for the consequences of their actions on others. Evan and Freeman established two additional guiding “Stakeholder Management Principles”: Firstly, a company ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities. The rights of these groups must be fulfilled and they must have a say in decisions that substantially affect their welfare. Secondly, the management bears a fiduciary relationship to its stakeholders as well as the corporation itself.

The stakeholder theory grants a relatively wide scope of responsibilities and duties to the management, in contrast to the limited functions it is given in the shareholder theory. Another strength of this theory is the ability to overcome the conceptual vagueness of CSR by focussing on concrete interests and practices, attributing specific responsibilities to specific groups of people. Furthermore, it is not solely built on ethical principles but represents a managerial theory related to business success (Melé 2008). The Stakeholder theory applies to the Indian context insofar as ideas of stakeholder management are gaining ground at the expense of other approaches (especially philanthropy) (Arora and Puranik 2004). One main reason is that companies feel increasing pressure

⁶ The Shareholder theory, from a purely economic perspective, argues that the *only* social responsibility of a business is to make profits and thereby maximise shareholder value (Friedman 1970).

to act responsibly towards their stakeholders, in particular disadvantaged groups in society (NCEUS 2009, 17). A slow but steady change in mindset can be observed moving away from philanthropy towards an approach which empowers stakeholders with positive effects for them as well as the company.

The above theories give explanations on why companies take up socially responsible measures and are useful as normative models, giving companies an idea how to respond appropriately to society's expectations. In this way, the gap between theory and practice is bridged: Theoretical models can help develop principles for putting social responsibility into practice.

The subsequent section explores specific models of CSR and looks at specific characteristics and processes of responsible business in India. In addition to India-specific literature, theories on CSR in developing countries and emerging economies will be drawn upon.

3.3 Historical considerations

Corporate (Social) Responsibility, regarded by many as a Western invention (Visser 2008), is in no way a new concept in India. A long time before the term “CSR” appeared, business practices based on moral principles were propagated. The Indian statesman and philosopher Kautilya, for instance, took up the subject in the 4th century BC (Frynas 2006). Religious dogmas, expressed in sacred Indian texts, have drawn upon the concept of *karma* since the early days and the spiritual values ingrained into the society not least influenced business behaviour (Sagar and Singla 2003). Around 1850, merchants shared their wealth with society by building temples (Chahoud et al 2007). Responsible business has thus been a well-established tradition particularly in family-based companies following a social welfare philosophy embedded in philanthropy (Balasubramanian et al 2005, Mohan 2001 in Arora and Puranik 2004). Mahatma Gandhi reinforced this line of thought with his philosophy of “trusteeship” regarding businesses as “trusts” held in the interest of the wider community. This has manifested itself in companies supporting schools, hospitals or – more recently – technical training, public health and rural development. Post-independence, state-sponsored CSR activities were conducted through large public sector companies. With a shift in economy from agrarian to industrial, concerns started to come up about an imbalanced economic growth. From the 1960s onwards, under the paradigm of “mixed economy”, non-family-owned businesses began to emerge which led to an augmentation in trusts set up by firms (Agarwal 2008, Mohan 2001 in Arora and Puranik 2004). A strong regulatory focus during this phase included the legislative enactment of labour and environmental standards (Chahoud et al 2007). Still today, CSR activities are preferably implemented through trusts and foundations. Economic development during the 1990s was shaped by liberalisation and privatisation reforms whereby Indian businesses were integrated into the global market. The subsequent rapid economic growth has not seen an alleviation of philanthropic donations – quite the contrary. At the same time, an increasing number of companies got seriously engaged in integrating CSR policies into their business strategy, partly adopting a multi-stakeholder approach (Arora and Puranik 2004, Chahoud et al 2007). In the light of sensitive Western consumers (particularly in Europe), the adoption of international social/labour and environmental standards has been provoked by pressures from MNCs (Multinational Corporations) sourcing from India (Chahoud et al 2007, I8).

3.4 Models of business responsibility in the Indian context

Perceptions of business responsibility these days are closely tied to the aforementioned historical developments. In view of India’s commercial and cultural history, it is not surprising that the “caring” (philanthropic) model is still highly relevant. Many companies have adopted the universal language of CSR but the measures they implement are often limited to community development

activities detached from their core business. The integrated approach, in turn, is slowly finding its way into (particularly large) companies drawing upon the business case for sustainable development. Overall, changes can be observed in one way or another while traditional approaches are re-emerging and are being reinforced (Balasubramanian et al 2005).

Business responsibility in India thus finds itself in a “confused state” (Arora and Puranik 2004:98), with *philanthropic* models still at the forefront and the *stakeholder* model (partly) on the rise. In India, philanthropy is rooted in cultural traditions and is thus prioritised when it comes to socially responsible business practices (Arora and Puranik 2004, Das 2009, Visser 2008, among others). The common nature of giving donations to community not least reflects the dimension of socio-economic needs; therefore philanthropy is an expected norm – “the right thing to do”. According to Corporate Social Performance theory, a society grants the license to operate to business hence the latter must serve the people not only by creating wealth but by addressing social needs and expectations. This is rewarded by community acceptance and enhanced reputation. In Corporate Citizenship, philanthropy is a vital element of a company fulfilling its societal duties (Melé 2008). There is also a growing recognition that companies are unable to succeed in societies that fail. In such cases, donations and similar activities are seen as a direct way to improve the prospects of communities which, in the medium to long term, is clearly in the interest of business (Visser 2008, CSR Asia 2009).

Referring to specific regional contexts, Kumar et al (2001) criticise that the CSR agenda is essentially set forth at a global level with limited space for diversity of approaches in different countries. For the Indian situation, they identify four models of social responsibility (p. 1-6): The *Ethical* or *Gandhian model* comprises voluntary commitment by companies to public welfare, including philanthropy; in the *Statist* or *Nehru model* state ownership and legal requirements determine corporate behaviour; the *Liberal* or *Friedman model* limits corporate responsibilities to shareholders’ expectations and the *Stakeholder* or *Freeman model* involves companies responding to the needs of stakeholders. The ethical and statist model are still widespread in India. In the course of globalisation and privatisation processes, they are gradually being complemented by the stakeholder model (as indicated above).

3.5 Drivers of responsible business in India

What makes companies act responsibly? The reasons are manifold and comprise company-internal as well as external factors. Understanding what drives enterprises to socially responsible behaviour is essential to design Guidelines in a way so that they will actually be implemented.

One major driver of business responsibility is a country's *cultural tradition*. The historical development outlined above illustrates that cultural aspects have significantly shaped the Indian way of doing business with a social impact. In particular, Hindu values have traditionally been integrated in corporate conduct (Visser 2008). A study by Partners in Change⁷ from 2004 revealed that philanthropy, which has its roots in cultural traditions, is still the most significant driver of CSR in India (Partners in Change 2004 cited in Arora and Puranik 2004:97). Historical developments likewise show the importance of *socio-political reforms* for responsible business. Regulatory measures in the mid-20th century have led to the establishment of numerous trusts and foundations which contributed to today's understanding of responsible business. Liberalisation and privatisation reforms in the 1990s had an even more powerful impact on the Indian CSR agenda as they "have shifted the role of business towards taking greater responsibility for social and environmental issues" (Visser 2008:482). In addition, the subsequent "internationalisation" of Indian businesses as well as multinationals venturing into India have also had a considerable effect on CSR processes (see drivers "international standardisation" and "market access"). A widely supported argument stresses that the *socio-economic situation* in which a firm operates drives and shapes the CSR agenda. Acknowledging that developmental priorities vary from country to country, several authors have claimed that imported Western CSR approaches do not account for the most pressing issues of a developing country in their conceptions, tools and methodologies (Schmidheiny 2006 cited in Visser 2008). In India, global principles like human rights or the ILO (International Labour Organization) labour standards (included in all relevant supply chain standards) are deemed appropriate in the Indian context (I7, I8, Planning Commission 2007). However, when it comes to the level of implementation, cultural, sectoral and regional particularities need to be taken into account – including socio-economic factors such as poverty or discrimination of marginalised groups of society (I7, I8). The theoretical foundation for applying global principles is Logsdon and Wood's (2005) Global Business Citizenship model whose principles are further discussed in the Implementation chapter. Another significant driver for CSR measures are *government gaps*. Initiatives such as building schools, supporting health care or providing electricity – widespread in India as part of community development – provoke debates on whether this can be seen as the private sector taking over government functions. Liberal reforms may have widened governance gaps, leaving space for corporates to provide various social services (Visser 2008). Some authors reconfirm business' governance role:

Keeping in view the strengths of the Indian industries at one side, crisis in health care, underprivileged unemployment [...] on the other hand, it seems that business enterprises can play a vital role to solve the [...] problem by promoting corporate social responsibility (Das 2009:35).

⁷ The most important Indian NGO advocating responsible business

Others are more sceptical. According to Matten and Crane (2005), companies step into the arena of citizenship where government has not yet administered citizenship rights like decent working conditions or the financial support of child labourers to enable them to attend school. The authors challenge this development and call for more research on whether corporate actions are in the interest of society (Matten and Crane 2005:16). On a critical note, not least the dependency aspect must be mentioned: Where communities become reliant on companies to provide essential social services, the former have no way of holding a firm accountable in the case of service withdrawal or disinvestment (Visser 2008). Moreover, corporate actors have begun to regard socio-economic drawbacks as *market opportunities* whereby unfulfilled human needs are addressed through new business models (see Consumer Protection chapter). A further driver for CSR in this realm is the *internationalisation* of companies in developing countries. Frequently, it encourages a more strategic CSR tactic, as one of the interviewees illustrates:

Now they have suddenly from being a domestic player they've started [...] acquiring some companies in Europe and the US and [...] of course, [the] European consumer is extremely, you know, aware about all these things. Extremely. [...] Then only the approach changes, otherwise it's very philanthropic" (I8).

Furthermore, *international standardisation* has promulgated CSR measures. Multinational companies operating in India, such as in the garment or automotive sector, respond to the pressure of Western consumers by introducing supply chain standards for social compliance. Ample evidence suggests that CSR codes and standards are a key driver for responsible business practices in developing countries (Visser 2008). An interviewee confirms that

[w]estern concepts come very fast in India. [...] Western companies are coming in[to] India, they are bringing in this concept [of social compliance]. If *they* say something that, you know, they say that no child labour, it is followed en masse in India (I8).

Baskin (2006) in his survey about CSR in emerging markets found that internationally active firms and those that strategically draw on CSR for improved competitiveness are most active in social responsibility. Frynas (2006) confirms the notion that the CSR agenda in emerging economies is strongly influenced by external demands in developed countries, yet he holds that social concerns among businesses are in no way a purely Western concept, as shows the above historic-cultural outline. Closely associated to the previous point, requirements that are being stipulated by multinationals on their *supply chains* must also be mentioned as a driver for responsible business. Here it is important to note that mainly small and medium-sized companies – factories, for example – are affected and in turn have to put into practice buyers' demands. In many cases, allegations of poor labour conditions and human rights abuses in supply chains of high-profile brands (prominently in the garment and apparel sector) acted as a catalyst for CSR action. An interviewee illustrates:

When some incidents happened, like with Nike [...], the child labour thing you know, after that they [the

buyers] started to become very serious and then they started demanding some kind of social compliance in the factories, and then the factory didn't know where to go, and then they sent the standards which were based on SA8000" (I8).

The SA8000 certificate, based on ILO norms, has become widely accepted as an instrument for social compliance. The imposition of such standards on factories comes with its own set of problems which are discussed in detail in chapter IV. Standards, certifications or code of conducts are based on the idea of *Triple Bottom Line* which suggests that social, environmental and financial success can and should be achieved in a synergetic manner (Das 2009, Kumar et al 2001). Das (2009:42) summarises the benefits a company can gain by following such an approach: Easier access to international markets; increased confidence to global partners; enhanced brand image and reputation; greater productivity; increased ability to attract and retain employees; broader recognition for concern towards society; improved financial performance; reduced regulatory oversight etc. Regarding civil society, there is a visible trend towards *stakeholder activism*. "If public demands continue to exert pressure on companies to adopt more responsible practices, very soon companies will begin to be judged not only on their economic performance but also on their environmental and social performance" (Kumar et al 2001:21). In practice, however, lack of consumer awareness and education impedes mentionable changes on those grounds (see chapter on consumer issues).

3.6 On the usefulness of an "Indian" approach

Disquisitions and statements on business responsibility in India generally come to the conclusion that there are "Indian" characteristics which are unique in the Indian setting; most prominently the "cultural heritage" of philanthropy and, closely associated, an environment which enables social responsibility (Balasubramanian 2005, MCA 2010). Sagar and Singla (2003) refer to India's traditional link to spirituality which is responsible for the equal significance of a company's bottom line and respect for business partners. The social responsibility manager of a certification service company (SGS) mentions in this regard:

And you know in India the culture is a little bit in favour of social compliance. [...] It favours the acceptability of social compliance [more] than what I've seen for example in Dubai. [...] Here in India a lot of values come just... they fall very much into place. That is the difference (I8).

To a degree, Viraf Mehta challenges this "nationalist", as he calls it, attitude:

[...] if you wanted something unique in India (but it's not Indian) I would say look for much more value-based, spiritual... part of this discussion... religious, spiritual element of doing good. Is it unique to India? Certainly not [...]. But maybe India is better known for some of it, or more is expected of us to do, because we are still a religious society compared to others, our secular route is different [...]. (I7).

The somewhat idealistic notion of an environment receptive of social responsibility should therefore

be treated with scrutiny. It may contribute in one way or the other to the facilitation of measures in the social field but it will take much more to transform business practices.

Viraf Mehta, instead of focusing on whether issues are “Indian” or not, calls for adopting universal values - human rights, in the first place - as a framework for business responsibility. In his view, purely “Indian” social issues do not exist and companies operating in the Indian context should utilise human rights documents as guidance for social responsibility. His suggestion is in line with Logsdon and Wood’s (2005) Global Business Citizenship model. It applies mainly to multinational enterprises responsibly implementing its duties to societies within and across national and cultural borders and stipulates the adherence to a number of universal ethical standards while respecting local variations compatible with those standards. The authors acknowledge that such a globally integrated approach might be seen as ethically imperialistic and overbearing in the context of developing countries. Yet, although this top-down model is applied uniformly across all branches of a global company, it bears in mind that “[some] situations necessitate responsiveness and adaptability to local norms and contingencies” (Logsdon and Wood 2005:57). A number of international guidelines have been developed, based on human rights, to be utilised by companies for responsible business conduct. Reference to most of them is made in the “Issues” section where the content of Guidelines is worked out.

Some scholars, as mentioned earlier, doubt the appropriateness of Western approaches in the Indian setting for different reasons like the loss of diversity in approaches or the danger of weakening long-established social obligations which potentially have a bigger social impact than codes of practice imposed from the external (Frynas 2006, Kumar et al 2001). UNIDO (2002:viii) notes that “the focus of issues and standards often reflects the concerns and priorities of consumers in the North as well as prevailing technologies and best practice in the countries where they were developed.” However this is evaluated, it is undisputable that international developments have had a visible impact on the Indian business responsibility scene, and it seems that in some cases – especially in the export sectors – Western codes are deemed appropriate in the Indian context and are therefore widely used (I5, I8).

Despite the fact that perceptions differ on the importance of international or Western concepts versus Indian approaches, there is consensus to a large extent with respect to the levels at which both of them become significant: General principles (like human rights or ILO labour standards) are best utilised to inspire general principles for companies and generic guidance on their implementation. The more concrete the level of implementation becomes, however, the more

important it is to incorporate the respective context: At the shop floor, it is inevitable for a successful social responsibility policy to take into account local, sectoral and cultural conditions (I3, I4, I7, I8). The implications for the development of Social Responsibility Guidelines are obvious: Global as well as specific concepts are of great value; the key is to make use of them at the right level in the right situation.

3.7 Potential of Indian Guidelines for responsible business

From the previous passages it becomes obvious that the Indian social responsibility scene is in need of efforts that provide orientation with respect to approaches and themes. It is clear that for the following potentials to be fulfilled a number of preconditions must be met. An important question is how to disseminate the Guidelines, once published, for them to reach a broad business audience. Support and incentive systems will have to be put in place to encourage small(er) companies to take up such Guidelines (depending on the level of obligation). These concerns will be further elaborated on in chapter V.

Firstly, Guidelines will *foster a common understanding about what “social responsibility” means in the Indian business context*. As seen in the previous sections of this chapter, in the academic and even more so the practical field the understanding about what CSR or business responsibility means varies hugely (Balasubramanian 2005, interviews). All experts questioned confirmed that “[...] the understanding [on social compliance] is ... sometimes very impractical. [...] The perception sometimes is very different. The judgement is different” (I8). Neha Kumar adds:

[...] from the point of view of how government sees social issues, it’s very clear that the common ... is talking about the common man, is talking about inclusion, is talking about inclusive growth ... so it is high on its agenda. [...] The Prime Minister Social Charter⁸ which came out in 2007 which had ten points in it was not really welcomed by the industry and it was almost chunked by the industry, because it asks industry to do something in an unknown space, you know, you can kind of quantify environment, but when you start doing things on the social front, there are issues of non-quantifiable nature [...] you know ... if you begin this then where do you stop. (I4)

As an example, she mentions the issue of reservation (affirmative action). “So government would definitely want ... you know the disadvantaged groups like dalits, like minorities to get more representation ... and business has opposed it. On the grounds of meritocracy [...], for the longest time you have known” (I4). There is also a vast gap in understanding between businesses. Neha Kumar points to the well-known divergence of perceptions regarding big corporates on one hand (like the Tata Group) and small entrepreneurs on the other:

[...] These would be the Tatas, these would be the Infosys, this would be these bigger companies for whom competitiveness has been achieved in certain ways and they now are trying to [...] lead the way [...]. So for SMEs it will *not* be the core business. It’s very difficult. [...] It’s definitely a cost allocation in their heads. [...] They have never really made a direct linkage between their activities and their impact. (I4)

⁸ which was mentioned in the Introduction

In this way, common Guidelines can help bridge the gap in understanding of what socially responsible business conduct means in the Indian context. Jitesh Khosla mentions that it is also important for businesses to have guidance on what is desired by their stakeholders, or which concerns they have that can be addressed by companies (I2). The Guidelines, together with recommendation for specific guidance, ideally represent a useful document directing a company on relevant social concerns and the “how” of social responsibility. Overall, the Guideline’s Principles constitute an account of the meaning of business responsibility in the Indian context.

Secondly, Guidelines shall *raise awareness on the importance of social responsibility of business*. Several interviewees pointed out the lack of awareness among different actors such as buyers (in the supply chain), factory owners or the public (I3, I5, I8) on why it is important, and even beneficial, for companies to act socially responsible. In the context of SMEs, Amit Kumar points out that

[a difference in understanding] would be there. First thing is that’s there is a lack of awareness itself. Why should a company, should they be doing this? Why is it in their interest also to do that one? And then definitely even if you keep on meeting certain people then everyone has got their own understanding of what this means (I3).

A common framework can thus help to create awareness on the general importance of accepting social responsibility; the link between business activities and their impact on society (especially among SMEs); and the benefits of responsible business conduct, e.g. better relationships with the local community.

It is also important to raise awareness among the public. Especially consumer rights could be fulfilled in a much better way if awareness was improved (I1, Kumar et al 2001).

Thirdly, Guidelines *encourage government and business to devise strategies for implementation*. The Indian government has clearly articulated its intent to bring social aspects to the forefront; in the economic context under the notion of “inclusive growth” (Business Portal of India 2010, Indian Ministry of Corporate Affairs 2010, Prime Minister of India 2010, I4). “Still however, [the Indian government is] not totally knowing and not totally equipped to actually see how it can be operationalised within the business” (I4). The practical use of Guidelines becomes apparent at company level when it comes to actual implementation.

This is what we have heard even from our interviews and personal and informal discussions with the Tatas and things like that, that standards do have such a practical, you know... *use* at the shop floor, because they are *requirements* to be achieved. [...] And [they] include indicators. And this is... definitely helpful for any business which is trying to... go that path. And this is what even the Indian Guidelines ideally look like or should like (I4).

The practical element of existing standards should be considered at the level of company guidance. Indicators are one way of making Guidelines “user-friendly”.

Lastly, Guidelines have the potential of *favouring disclosure*. Once the Guidelines are applied, “it only becomes the next logical step, that once you start with measuring and managing, why not report. You know. So, disclosure is almost seen like a logical next step not only in terms of that you should report, but once you have started putting some stuff out in the public domain, it does lead back into the cycle of improvement of performance” (I4). The Guidelines can thus increase transparency and when companies start to publish about their social responsibility efforts this potentially creates pressure among other businesses to follow up.

IV. CONTENT OF INDIAN GUIDELINES FOR SOCIALLY RESPONSIBLE BUSINESS

As set forth in the introduction, for Social Responsibility Guidelines to be relevant they have to be *comprehensive*. This means that in their main part they consist of the most important social areas affected by business conduct in the Indian context. The present chapter tries to meet the claim of comprehensiveness by illuminating the areas companies must engage in if they want to act socially responsible and in this way contribute to a more inclusive economic growth. The methodology of selecting the themes is explained in more detail in chapter II, but at this point the author likes to emphasize that the topics were drawn first and foremost from the interviews conducted as part of the research and subsequently analysed in detail using studies and other kind of material.

Looking at the topics, one may get the impression of a “laundry list”. Indeed, it is important to hold that many of the aspects covered cannot strictly be put under a single heading. For instance, the provision of secure jobs is not only a Labour theme but is also an important aspect for Resident Communities. Similarly, Supply Chain issues become relevant when large-scale SEZs (Special Economic Zones) are built for purposes of globalised production entailing the displacement of the resident population. In the process of analysing the topics, one aspect kept occurring which can be seen as a thread connecting the themes: The so-called “disadvantaged” or “vulnerable” groups were regularly found to be the ones affected most by irresponsible behaviour of companies. NCEUS calls these people “poor and vulnerable”⁹. They are excluded from the benefits of economic growth and consist mainly of lower castes and classes and tribes and the Muslim population of India. Social discrimination, educational deprivation and impoverishment are disproportionately high among these groups (NCEUS 2009:iii). In addition, many of the social issues identified have the joint attribute of being human rights violations, be it forced evictions or discrimination¹⁰. The four topical categories I constituted are thus not isolated entities but serve as a broad classification for readers to orient themselves. The way the topics are arranged is not to be regarded as a hierarchical structure; rather, companies ought to consider all dimensions applicable in their respective setting or sector. Point 4.5 (Social Responsibility issues in the context of SMEs) is discussed under this section because without taking into account the difficulties faced by SMEs, Indian Guidelines on Business Social Responsibility can neither be called comprehensive nor applicable to a broad audience.

⁹ Categories such as “the poor” are problematic in the sense that they suggest homogeneous entities. This is by no means the case; “the poor” are in fact a very heterogeneous group (see for example Bane and Ellwood 1986). Moreover, capturing poverty in India is a highly complex undertaking whereby geographical disparities play a significant role (Datt and Ravallion 2002). However, research for this thesis confirms that in general members of society with certain social and religious attributes tend to be affected disproportionately by negative consequences of rapid economic growth.

¹⁰ Appendix I provides an overview of human rights issues according to sectors

Within each topic, the current challenges are explained and subsequently the way forward is elaborated on. What are criteria for “good practice” in the respected area? Which company practices can serve as role models? In what way can existing guidance documents help companies implement good practices, be they generic or specific? These questions are addressed with special attention to the Indian context. From this analysis, generic principles are deviated which in summary form a proposition on Indian Social Responsibility Guidelines.

4.1 Displacement

4.1.1 The Challenge

The displacement issue cannot be left out when talking about a more “inclusive” growth for India. Companies venturing into areas with rich natural resources have frequently caused social conflict and human rights abuses with the weakest parties - mostly tribal peoples¹¹ - as the primary sufferers. Due to their dependency on the land they have inhabited for generations, industrial activities like mining have the potential of destroying these people’s livelihood which can hardly be re-established elsewhere (FIAN 2009, ILO 2009b, Venkateswaran 2009).

“Eminent domain” is the legal principle under which a government reserves the right to acquire land for public purpose. It can even do so – after providing for due compensation – if the private owner does not agree. The definition of “public purpose” is mostly context-specific and laws are ambiguous about weighting the rights of indigenous people and prior occupants (whether indigenous or not) in relation to other claimants. Generally, the state has an interest in making productive use of land. Acknowledging that governments, among them the Indian government, have used such clauses for legitimate purposes under the development paradigm (to build highways, hydroelectric projects such as dams, airports and other major infrastructure projects for the greater common good or national interest), controversy is caused through the fact that individuals or communities are expected to give up their property rights. If the respective land plot contains natural resources, the state claims sovereign rights to these resources and allows economic actors, such as companies, to exploit these under certain conditions. The search for promising economic opportunities leads corporations into distant areas, seeking raw materials, natural resources, available labour pool, and markets for their products. A conflict of interest with wide-ranging implications emerges when there are communities living on that land, often for many generations, who wish to continue living there, or have differing views on how that plot of land should be used and how benefits from it should be shared (IHRB 2009).

Land negotiations often take place in a context where power equations are uneven. Those dispute processes criticised most by civil society organisations and human rights groups usually occur between companies and indigenous communities. The latter are often the ones that are already the

¹¹ The Indian government repudiates the term „Indigenous Peoples“ stating that all citizens are indigenous to India. Instead, it has preferred “Scheduled Tribes” referring to those communities who are “scheduled” in accordance with the Constitution. Scheduled tribes tend to live in particular “scheduled areas”. They identify themselves as Adivasi (literally “the original inhabitants”) or indigenous peoples (ILO 2009 Tribal Rights...p.8).

most vulnerable groups in society, e.g. due to gender, caste or age discrimination. As the weaker party, they have suffered the negative consequences of sudden eviction, lack of information, failure to prepare rehabilitation plans, low compensation, loss of assets and livelihoods, traumatic relocation, destruction of community bonds, discrimination and impoverishment (Hemadri et al 1999, IHRB 2009). The legacy of inappropriate behaviour by superior disputants has caused severe human rights abuses and a huge distrust between communities and companies. This in combination with the asymmetrical nature of power relationships has intensified public scrutiny towards land acquisition (IHRB 2009).

In February 2009, the Lok Sabha passed the Resettlement and Rehabilitation Bill, 2007 and the Land Acquisition Amendment Bill, 2007 in response to widespread criticism of the lack of state intervention in the form of policy and law. The former aims at preventing large-scale displacement of people over the acquisition for projects such as Special Economic Zones (SEZs). The bill now needs to be approved by the Rajya Sabha and President of India before turning into a law. The two main pieces of legislation propose that the government can own land for private entity only after the latter has purchased 70 percent of the required land on its own (indiaserver.com 2009). Furthermore, the scope of interpretation of the “public purpose” definition has been confined (Gautam 2009). Recently, a proposition was made to amend the Mines and Minerals Act of 1957 to include a provision where annuity equal to 26 percent of the profit, after tax, is to be given to persons with traditional rights over the land on which the lease has been granted¹². This is in addition to cash compensation and employment opportunities. Not surprisingly, industry representatives fight the amendment, pointing to the large amounts they allocate to their CSR policies and saying that “[the affected people] are tribals and do not understand the concept of equity”, as the Secretary General of a chamber of commerce puts it (Dutt 2010). In fact, a company’s displacement policy ideally incorporates a system that lets the resettled partake in the profits generated by a new undertaking. Benefit sharing approaches enable the displaced to become direct project beneficiaries. For example, in a Brazilian scheme, 90 percent of the royalties charged on electricity generated goes to the states and municipalities where the displaced people have been relocated (SustainAbility 2009). In India, Jindal Steel practices benefits sharing, making land losers stakeholders in the projects by offering free shares equal to the compensation, besides employment opportunities (Dutt 2010).

While in the past, major industrial projects like dams were mostly state-backed, the private sector plays an increasingly significant role. This shifts more responsibility towards industrial actors with

¹² Special resolutions can be blocked by a party holding 26 percent or more equity shares (Dutt 2010).

respect to local livelihoods, and exposes companies to community protests (Venkateswaran 2009). In a number of eastern Indian states, where many plots contain rich deposits of coal and bauxite, villagers find themselves caught in the middle of a fight for valuable real estate between Maoist rebel groups on one and industry on the other side (Bahree 2010). In the process, the Indian government adopts an ambiguous standpoint: Through contracting public-private partnerships, a widely practised model in resource extraction, it serves industry interests which are seldom consistent with indigenous people's rights. Sawyer and Gomez (2008), after a review of case studies from various countries (among them India), constitute that the government's support of big corporates in setting up their operations undermines its ability to protect (indigenous) community rights. Multinational corporations, at the same time,

[...] become embroiled in various levels of corruption by selectively engaging with consensual (often elite) groups and invoking the language of indigenous rights; buying consent through building infrastructure, awarding contracts, offering scholarships or paying 'salaries'; and maintaining often compromised relations with security services - be that the military, private security forces, paramilitary forces, criminal networks or disenfranchised youth [...]. (Sawyer and Gomez 2008:25)

The existence of a large number of charters and legislation to protect indigenous peoples clearly stands in contrast to the *de facto* situation of affected groups and poses serious questions about the effectiveness of these legal instruments.

Displacement issues occur mainly in the extractive sectors (mining, oil, gas and coal) and in the course of massive infrastructure projects and logging activities (Business and Human Rights Resource Centre 2010). A specific aspect of displacement in India is the proliferation of SEZs. According to the Centre of Education and Communication (CEC), a minimum of one million persons will face eviction due to the establishment of such enclaves over the next years. Countrywide movements raising the issue are concerned with the compensation to farmers and rehabilitation of displaced persons (Pratap 2009). Civil society action against displacement in general is becoming increasingly emancipated (Venkateswaran 2009) which results in "[...] growing difficulties in acquiring land [forcing] companies to more strongly demonstrate tangible objectives for community development" (Handique 2008). Critics attribute the negative effects of poorly handled displacement processes to inadequate funding as well as corruption, delays in paying compensation, lack of participation of those affected and weak governance and systems for redress (Venkateswaran 2009).

In the Indian context, an often-cited negative example is that of UK-based Vedanta Resources setting up bauxite mining facilities in Orissa. In 2008, despite harsh protests of opponents claiming that the project was destroying the local tribe's way of life (due to their spiritual and cultural attachment to that part of the land) and raising environmental concerns, the Indian Supreme Court

reconfirmed the proceeding of the joint venture between Vedanta and the Orissa government. A year later, in 2009, a UK government agency criticised Vedanta's conduct (Business and Human Rights Resource Centre 2009). Another incident which hit the headlines was Tata Motors' drawback from its plan of setting up a production plant for Nano, the world's cheapest car, in West Bengal. This came after intense protests from local farmers who opposed the project. After they had refused to move, the state used military force against them. When the security situation deteriorated, Tata Motors decided to relocate its factory to the western state of Gujarat (BBC News 2008, Tata Motors 2008).

As far as company action is concerned, an increasing number of corporates in the extractive and infrastructure sector – not least due to growing pressure from civil society – have understood the importance of human rights protection and are working on respective policies (Global Business Initiative on Human Rights 2009, Event Documentation #1). In the context of displacement, addressing community concerns can be seen as a *strategic* approach, and is not philanthropy, as in other sectors (I7). At a 2009 peer exchange session on Community Relations as part of a Human Rights Roundtable (Event Documentation #1), industry leaders stated some major difficulties they face in the process:

- Deficient legal framework leading to confusion on business' responsibilities
- Lack of a common "Human Rights" definition
- Confusion about the distribution of revenues
- Heterogeneity of community causing uncertainties about whom to address
- Confusion on how to deal with hierarchical/patriarchal community structures (e.g., when community members, asked about the number of family members, consider only male children)

A multitude of guidance documents, global and specific, are available for corporations wanting to address these questions. The most useful ones are analysed in the sections below.

4.1.2 Good Practice

Taking up a standpoint advocating "inclusiveness", the first and foremost goal is to avoid, wherever possible, coercive land acquisitions.

[i]t has become clear that market negotiated land deals (though tedious and with problems of their own), as opposed to compulsory acquisition, have delivered large consolidation of land due to more flexible and satisfactory negotiations, often on a one-to-one basis (Mitra 2007:xi).

Where displacement cannot be avoided, a certain course of action can be followed to cause least

possible harm to the resettled communities and rehabilitate their livelihoods. At a 2009 Regional Roundtable on Human Rights (Event Documentation #1 with additions from Venkateswaran 2009 and I7), the following points were raised as critical for a successful resettlement policy on behalf of a company:

- Have an adequate information policy and stakeholder engagement mechanism in place
- Understand the heterogeneity of community group(s) and ensure that the weakest community members are taken into consideration
- Set up an effective conflict resolution mechanism
- Do not regard compensation as a sole isolated measure but instead design an integrated policy. This involves incorporating community concerns in any plans for new operations

These are basic rules potentially applicable in any situation of displacement. Struggle for land is not exclusively an Indian issue, as Viraf Mehta (I7) points out, hence universal concepts are also applicable in the Indian context. The following section presents helpful guidance documents for companies on displacement, taking into account different dimensions and contexts.

4.1.3 Guidance

Practical work advising companies on how to deal with the issue has been done from the angle of *development/business case*, emphasising the beneficial effect of community development progress and good community relations for business operations (Venkateswaran 2009), as well as that of *human rights*, pointing to a company's responsibility not to breach them. The former is drawn upon in various documents of the IFC/World Bank and demands certain procedures from its clients in cases of economic or physical displacement as a result of project-related land acquisition (IFC 2006, World Bank 2001). Human rights (Universal Declaration of Human Rights and International Covenants, Declaration on the Rights of Indigenous Peoples) have been taken as a basis by various initiatives on business and human rights such as the Institute for Human Rights and Business or the Danish Institute for Human Rights.

A range of useful guidance documents for companies utilise human rights as a framework for addressing displacement issues. Particularly useful is a Guide to Human Rights Impact Assessment and Management, providing companies with guidance on how to assess human rights impacts and how to make appropriate management decisions¹³. With a focus on the extractive industries, a

¹³ IFC/Global Compact Office/International Business Leaders Forum (2007): *Guide to Human Rights Impact Assessment and Management. Road-Testing Draft*. Available at http://www.unglobalcompact.org/docs/news_events/8.1/HRIA_final.pdf

Community Development Toolkit¹⁴ is a step-by-step guide on how to pursue sustainable community development within a project. Finally, a comprehensive tool¹⁵ is worth mentioning designed to detect human rights risks in company operations. It comprises a database of about 350 questions and 1000 indicators measuring the implementation of human rights in company policies (see example below).

B.2.2. Does the company ensure that it does not participate in or benefit from improper forced relocations, and adequately compensates inhabitants in voluntary relocations?

YES	NO	F/A	N/A	NO INFO
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Relates to the right to an adequate standard of living, the right to adequate housing, the right to property, and the right to freedom of movement

Forced relocation must only be conducted by the government and only in accordance with domestic law and international human rights protections. It should be emphasized that forced relocation of non-consenting inhabitants is only allowed in limited circumstances for a public purpose when necessary to promote national security, economic development or to protect the health of the population. Thus, forced relocation must not be used for private sector developments that do not have some public purpose. Once removed, those who were displaced (whether willingly or not) must be provided with adequate compensation and not be rendered homeless. The company must ensure that it is not complicit in forced relocations that do not fulfill the requirements set forth above.

In the case of voluntary relocations, the company should always seek to engage in a dialogue with the current inhabitants of the land before any property is rented/purchased to ensure that the inhabitants are willing to move and are adequately compensated with substitute land and housing of equal and suitable quality. This practice should be undertaken even if the land transaction is conducted with a middleman (such as a formal title-holder to the land) or a government.

Suggested Indicators:

	TRUE	FALSE	F/A	N/A	NO INFO
1 The company has a procedure for ensuring that it is not complicit in any forced relocations, unless the relocation is done in conformity with international law and all alternative solutions have first been explored.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 When purchasing or renting property from governments or large-scale land owners, the company investigates the occupation of the land to ensure that no forced relocations have been performed, unless these have been done in conformity with international law.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 2: Abstract from Human Rights Compliance Assessment (DIHR 2006)

The human rights approach serves as a good foundation to tackle social issues surrounding displacement. It is complemented by sectoral guidance and tools which account for thematic and industry-specific variations.

¹⁴ ESMAP/World Bank/ICMM (2005): *Community Development Toolkit. Background Volume. Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector*. Available at <http://www.goodpracticemining.org/uploads/859ToolsBackgroundVolume.pdf>

¹⁵ Danish Institute for Human Rights (2010): *Human Rights Compliance Assessment Version 2.0*. Available at <https://hrca.humanrightsbusiness.org/>

4.1.3.1 Specific Guidance

The India-specific displacement situation paints a highly complex picture. An important dimension is that of *conflict* or *security*, respectively, as resettlement plans have led to violent outbreaks in the past. In some cases, companies have directly contributed to such conflicts, often through private security guards (see Amnesty International 2007, The Hindu 2008, Nageshwar 2009). In order to avoid human rights abuses in this respect, the Voluntary Principles on Security and Human Rights¹⁶ give guidance with regards to Risk Assessment, Interaction with Public Security Forces and Interaction with Private Security. Additionally, International Alert offers guidance on conflict-sensitive business practice aimed at extractive industries¹⁷. Secondly, in the Indian context the concerns of *indigenous communities* are particularly significant as tribal groups usually represent the weakest party in the struggle for land acquisition. It is therefore vital for companies not to compromise their rights. Apart from the United Nations Declaration on the Rights of Indigenous Peoples¹⁸, some more concrete guidance is available. “Indigenous People’s Rights, Extractive Industries and Transnational and Other Enterprises”¹⁹ looks in more detail at the relation between indigenous people’s rights and extractive industries. O’Faircheallaigh and Ali (2008) have published “Indigenous Peoples, the Extractive Industries and Corporate Social Responsibility”²⁰ which, among other topics, examines the conditions under which CSR can contribute to a redistribution of benefits and costs from large-scale resource development. It is primarily aimed at mining executives and developers. Thirdly, *SEZ related issues* are important for the Indian context. They are dealt with in a CEC working paper²¹ addressing the questions of 1) whether benefits of industrialisation more than compensate the losses, 2) the way the acquisition and subsequent rehabilitation takes place and 3) whether the employment generated by industrialisation improves the living standard of peasants. In the SEZ context, Pratap (2009) also alludes to the issue of safeguarding *food security* of former peasants who have been given employment.

¹⁶ Available at www.voluntaryprinciples.org

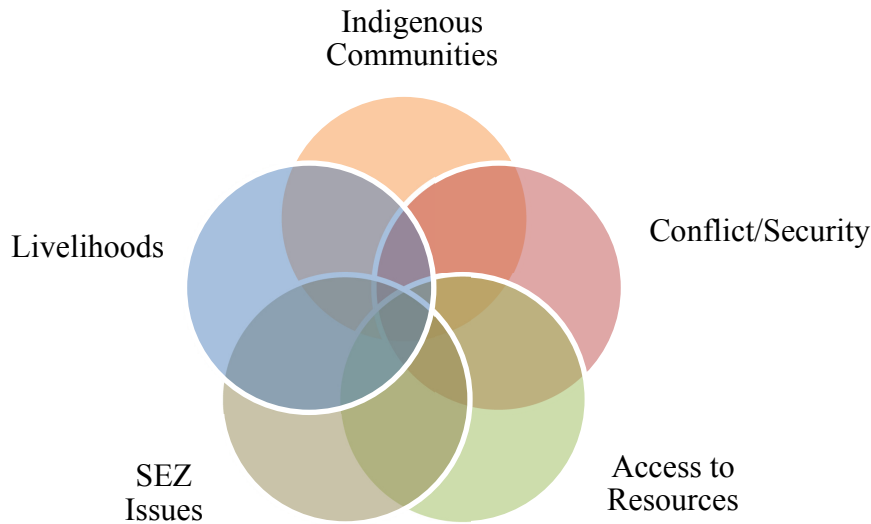
¹⁷ International Alert (2005): *Conflict-Sensitive Business Practice: Guidance for Extractive Industries*. Available at http://www.international-alert.org/pdfs/conflict_sensitive_business_practice_all.pdf

¹⁸ Available at <http://www.un.org/esa/socdev/unpfii/en/declaration.html>

¹⁹ Forest Peoples Programme and Tebtebba Foundation (2006): *Indigenous People’s Rights, Extractive Industries and Transnational and other Enterprises*. Available at <http://www.business-humanrights.org/Links/Repository/970228/jump>

²⁰ O’Faircheallaigh, C. and Ali, S. (eds.) (2008): *Earth Matters. Indigenous Peoples, the Extractive Industries and Corporate Social Responsibility*. Sheffield: Greenleaf Publishing.

²¹ Pratap, S. (2009): *SEZ Rush in India: Challenges and Opportunities before Labour*. New Delhi: Centre for Education and Communication (CEC). Available at http://www.ccc-india.org/images/stories/pdf/CECWork_paper/SEZ_study_final.pdf



Graphic 1: Dimensions of Displacement in the Indian context (own graphic)

In order to take into account a company’s respective context, attention should also be given to sector-specific guidance. The World Commission on Dams, a global multi-stakeholder-body, has set up an innovative framework for planning *water and energy* projects, especially dams, in a sustainable manner²². Insofar as the *extractives* sector is concerned, the International Council on Mining & Metals (ICMM), a CEO-led collaboration initiative, has developed a wide range of guidance documents on topics such as indigenous communities, handling local level grievances, sustainable community development and transparency²³. Furthermore, the World Resources Institute has come up with principles for effective community engagement for extractive and infrastructure projects²⁴.

4.1.4 The Principles

From the above analysis of topics surrounding “displacement” and respective guidance, two basic principles, plus short explanation, can be deviated:

- ❖ Avoid, or minimise land acquisition/involuntary resettlement
- ❖ Mitigate adverse social and economic impacts through:
 - Compensation for loss of assets; re-establishment of community’s livelihood and standard of living
 - Applying a benefit sharing model

²² Available at <http://www.internationalrivers.org/node/348>

²³ Available at <http://www.icmm.com/library>

²⁴ Available at <http://www.wri.org/publication/breaking-ground-engaging-communities>

- An appropriate information policy and direct consultation and participation of community at all stages of the project
- Setting up a grievance mechanism for settling disputes
- Partnering with local civil society organisations
- Integrating displacement policies into the core business which includes the incorporation of community concerns in any plans for new business operations

4.2 Resident Communities

4.2.1 The Challenge

Industrial development in former industry-free or farmland areas can affect resident communities in a variety of ways. Negative effects from pollution (India Environment Portal 2009c), hazardous waste (India Environment Portal 2009), poisonous gases (India Environment Portal 2009b) and the industrial exploitation or destruction of natural resources (India Environment Portal 2009a, FIAN 2009) have one common ramification: the direct (wresting the actual resource) or indirect (disenabling people to pursue their living) deterioration of people's livelihoods – their ways of securing the necessities of life (Pearsall 1998). The fact that the majority of those who suffer the consequences of resource depletion belong to marginalised groups in the unorganised sector – small farmers, Adivasi, Schedule Castes members – aggravates social exclusion (National Commission on Labour 2002:605). In many cases, the adverse livelihood effects lead to social tensions, as in the infamous case of Nandigram where land acquisition plans for the erection of a Special Economic Zone caused deadly violence (The Hindu 2007, The Times of India 2008). In reverse, as it is true in the case of displacement, good community relationships bring positive results for the company itself like enhanced reputation (Das 2009:42).

4.2.2 Good Practice and Guidance

The International Council on Mining and Metal, World Bank and Energy Sector Management Assistance Program (ESMAP) authored a toolkit to support industry, government and community efforts to realise sustainable community development around mining and mineral processing operations. One key responsibility of business is to conduct exploration, construction, operation, and closure of mines in accordance with regulatory requirements. Furthermore, stakeholders must be coordinated around the project site; it is also expected from firms to give financial, material and facilities support to the local community. Additionally, the latter should receive technical and management skills. Lastly, it is vital to have monitoring and evaluation systems in place (ICMM 2005:10).

Sector-wise issues companies should look at to support their resident community can be mapped out broadly along the lines of human rights. In the extractive and infrastructure sectors, special attention must be given to relationships with security forces, indigenous people's rights, forced displacement and access to resources (especially water). Chemical sectors, including pharmaceuticals, can negatively affect communities through contamination (Amnesty International and IBLF 2002:1;4).

Overall, detrimental effects on the environment which impinge the livelihoods of residents, such as pollution, waste, emissions and exploitation of natural resources must be taken into account (I7, India Environment Portal 2009b).

4.2.3 The Principles

On social issues regarding Resident Communities, the following basic principles can be devised:

- ❖ Consult community on company action and let them participate in planning and implementation of projects
- ❖ Ensure access to water and other resources indispensable to residents for their livelihoods
- ❖ Provide decent employment opportunities to the local communities, including vocational training
- ❖ Avoid natural resource depletion and interventions with adverse environmental impact

4.3 Labour Issues and Discrimination

4.3.1 The Challenge

The lack of inclusiveness in the Indian economy is imposingly reflected by the challenges faced surrounding labour. The Planning Commission (2008:64) notes that “[i]t is only through a massive effort at employment creation, of the right quality, and decent conditions of work for all sections of population [...] that a fair redistribution of benefits from growth can be achieved”. A number of issues discussed in this chapter can also be found in other emerging economies, for instance poor work conditions in export-oriented sectors. Others generally apply in developing countries, such as implications of a vast informal economy. Certain topics, however, are particularly relevant in the Indian context, the prime example being caste-based discrimination.

For economic growth to contribute to social inclusion it is indispensable to address India’s challenges regarding the *quantitative* and even more so the *qualitative* dimension of employment which includes productivity, wages and earnings, conditions of work, social protection and worker’s rights – essential elements of Decent Work²⁵. Economic reforms have augmented value-addition in the formal economy but have hardly contributed to employment creation. Enterprises in the organised sector increasingly turn to outsourcing in their production, thereby boosting *informal employment* (ILO2007b). About one-third of the employed are unable to make a living beyond poverty from what they earn and thus belong to the *working poor*. Only a fraction of the workers have access to *social protection*; those in the unorganised sector (92 percent of the total workforce) almost completely miss out on social security provisions like health insurance, maternity benefit or pension despite a variety of schemes on national and state level. Basic rights to organise and negotiate are guaranteed under the constitution and law, however, poor compliance, lack of organisation and labour market pressures prevent the right to *collective bargaining* from being asserted (Papola 2008:15f.). Regarding *health and safety* at the workplace, legal provisions concentrate mostly on the organised sector (including protections for contract and inter-state migrant labourers) while far more labourers in the informal sector work under appalling conditions (Gautam 2009, NCEUS 2009, Papola 2008). Moreover, the Indian law deals with *child labour*. Official estimates say around 12.6 million children between five and 14 years of age are affected (ILO 2009); contributing factors being parental poverty and illiteracy, social and economic circumstances, lack of awareness, lack of access to basic education and skills and adult unemployment. According to official sources, around two million children are employed within

²⁵ Indicators of the ILO Decent Work concept include work opportunities, freedom to choose work, productivity and incomes, equity and security and dignity (Papola 2008:V).

hazardous industries like brick manufacturing or glassware production (ILO 2009). In agriculture, child labour is often linked to *bonded labour* – in India particularly evident in the harvesting of cotton (Venkateswarlu 2007). In addition, export industries comprise a large number of child labourers in the supply chains of garment, footwear, carpet and soccer balls (ILO 2009). Debt bondage is largely confined to the most vulnerable sections of the population, namely Scheduled Castes and Scheduled Tribes, one reason being the caste system and the requirement that “untouchables” should perform certain types of work for the community, often without payment. Due to the fact that the affected person’s status is hereditary, debts are being passed on from one generation to the next resulting in a vicious circle of family indebtedness. Bonded labour predominates in agriculture but is also to be found in other sectors like manufacturing, mining, brick kilns, weaving, garment, footwear and cutting of semi-precious stones (DIHR & IDSN 2008:48, ILO 2007b:7).

On the Indian labour market, there is a general alarming tendency towards *casualisation* in response to a high demand of flexible labour by industry, going hand in hand with a sharp rise in contract labour. While the Contract Labour Act tries to absorb some of the negative effects of unstable work relationships through provisions like minimum wage and Provident Fund benefits, stipulations are often not being followed (Papola 2008, Rajeev 2009). An analysis of the characteristics of contract and *migrant labour* reveals that there is wide overlap between the two. Seasonal migrant workers are mostly to be found in agriculture and plantations, brick kilns, fish processing and on construction sites (Salve 2009). Contract labour typically applies to the plantation and agriculture sector and large-scale construction sites (Patel 1993), both requiring vast quantities of labour. The workers usually represent an underprivileged part of society, originating from the states with the highest poverty rates and belonging to the categories of landless labourers, small and marginal farmers, Scheduled Castes and Scheduled Tribes and Other Backward Classes (Salve 2009)²⁶. It is those already marginalised who are adversely affected when labour standards in the migration-prone sectors are not implemented. In addition, they often face denial of rights with regards to their living conditions off-work, as seen during the completion phase of Commonwealth Games 2010 projects in New Delhi (Jayati 2009, Williams 2010). Migrant labourers are not the only section of India’s workforce that is being discriminated against. Other vulnerable groups are either a priori excluded from employment or, although “included”, face intolerable working conditions. Clearly, companies are at the heart of making positive changes towards social inclusion in this matter. The following paragraph looks into social responsibility challenges that occur predominantly in *supply*

²⁶ The lower castes are officially documented as Scheduled Castes (SC), Scheduled Tribes (ST), and Other Backward Classes (OBC). The term “untouchables” stems from the belief that they are polluted or dirty; nowadays they are commonly referred to as “dalits” (Bal 2010:6).

chains. A separate section below highlights the complex dimensions of discrimination and diversity issues.

4.3.1.1 Supply chain

A firm's risk of violating minimum labour standards is given especially in sectors where the production is largely outsourced, entailing the employment of a large and growing share of the workforce in emerging economies (ICC 2006). Over the last decade, public scrutiny of business behaviour among Western consumers (particularly in Europe) has risen sharply and companies are expected to oversee production processes of its goods worldwide. Allegations mainly concern local working conditions and worker's rights such as collective bargaining and minimum wage (FLA 2010, I5, I8, SustainAbility 2005). Entering the area of supply chain with a focus on social topics, a whole range of complexities unfold which become even more confusing the further one looks into lower tiers beyond first tier manufacturing (Event documentation #2). Two experienced practitioners dealing with social compliance in export-oriented manufacturing shed light on the most important issues²⁷. Generally, the most severe violations of worker's rights occur through subcontracting, not in the factories themselves. The garment sector, for instance, is of seasonal nature which means factories do not want to employ regular staff throughout the year or cannot afford to (I3). Hence contract labourers are hired to temporarily work in the factory itself or externally. The principle supplier does not feel responsible for workers or working conditions outside his factory. This external dimension is also relevant with regards to child labour. It is found in the unorganised sector, very often at farm level (e.g. harvesting of cotton) as stricter enforcement has put an end to child labour in factories. Due to the fact that the subcontractors are small entities operating in a highly unorganised environment, it is very difficult to venture into that area. Generally, the disconnection between the formal and informal economy is one root cause of many obstacles in emerging economy's supply chains:

[...] relations between large companies and small enterprises remain unstable (e.g. due to the lack of contracts and legal enforcement) – leading to high production costs and problems in quality consistency; [...] in quality-sensitive sectors such as the food industry, buyers are unable to trace products to their origins; workers and employees in informal enterprises are deprived of their rights for social protection and labour standards. [...] (ILO 2009c:3)

To continue with supply chain topics, another big issue is that of working hours. Small companies, especially in the informal economy, are rarely familiar with the eight hour workday concept or, in case of bigger registered factories, working hours soar during peak season (I3). The latter is in many instances to be blamed on the buyers. Approvals for the mass production of goods, like garments, are kept on hold repeatedly until the original timeline of, for example, three months comes down to

²⁷ Kapil Mathur, Manager Social Responsibility at GAP and Navneet Panwar, CSRS (Corporate Social Responsibility Solutions) India Manager at SGS Group

one. “You still have to do it somehow. And that ‘somehow’ is where all the social compliance goes down the drain [during peak season].” (I8). Besides, the documentation of working hours is faulty or non-existent in the informal sector. Transparency plays a role in other situations too such as minimum wages. Double bookkeeping, separately for the inspector and the buyer, is a common factory practice; furthermore, as minimum wages are frequently reviewed by authorities in the area it happens that the suppliers are not aware of recent changes. Lack of awareness on behalf of the factory owners is a general problem which prevents them not only from making positive changes but also from seeing the business benefits of social responsibility.

They [the workers] produce more and [...] the turnover will be less. [They are] more motivated to work, so that is another very good aspect of health and safety. And of course there are less accidents. And I’ve seen that you know that the workers are quite contented and they will come back to that place [...] (I8).

Further positive changes include the quality improvement of goods, higher sales and less rejected items. Kapil Mathur of GAP points out that working with vendors on workplace issues brings to the surface the root causes of non-compliance. As a result, systems can be developed to avoid the recurrence of obstacles. The closing of factories due to non-compliance is increasingly seen as the very last resort as it has adverse effects on workers and other stakeholders (I5 and I8).

At a 2009 Supply Chain Symposium in New Delhi (Event documentation #2) a trend became visible from mere "ticking boxes" in audits on behalf of the buyer towards "supplier responsibility" which includes real commitment of both the buyer company as well as the supplier, adequacy of prices for suppliers and increased participation and capacity of supply chain stakeholders (e.g. workers) (Event documentation #2, Verité 2009). Conducting a dialogue over the problems instead of "dictating" conditions has proved a successful strategy for many companies like GAP or Hewlett-Packard (Event documentation #2). This does not mean that audits become obsolete; they remain an integral part of social compliance. While independent third-party verification enjoys the highest level of credibility (see chapter V), some companies prefer to work directly with their suppliers and point to certifying agency’s “own issues” (I5) earning money with third-party services. GAP sees many advantages of their approach. The solutions, which encompass unannounced audits, are tailor-made with respect to a factory’s specific issues. Building long-term relationships with suppliers includes giving training to vendors and providing them with incentives for compliance (rise in orders), and once an “enabling environment” for social compliance is created problems can be solved in a much more straightforward way (Event documentation #2). For GAP, the collaborative approach also involves other brands and external stakeholders (Event documentation #2). In discussions on supply chain responsibility, critical voices typically bring forward the question of who carries the cost of certifications (Event documentation #2). In the eyes of small factories, social compliance measures are first and foremost a cost factor (I4). Incentives like a guaranteed number

of orders are one way to approach this problem; but as seen in chapter V, capacity building needs to take place on a much broader level. A big obstacle for buyers who want to address their supply chain is the traceability of product components. Acknowledging the fact that unorganised conditions and missing transparency outside factories make tracing a product a very difficult task, the main reason why companies shy away from it seems to be the funds needed for such an undertaking (I8 and I5, Event documentation #2). Currently, strategies are being developed to make the lower supply chain levels more sustainable, as for instance in the garment sector where a range of issues such as child labour and the use of pesticides are prevalent at farm level (Event documentation #2, I8).

In line with the trend, Hewlett-Packard in cooperation with the Association for Stimulating Know-How (ASK) developed a successful model of supply chain responsibility. Over a period of two years, a system to promote social and environmental responsibility practices within the HP supply chain in India was put in place. The approach comprised an open dialogue with suppliers, taking their concerns into account and understanding the unique issues in the Indian context. The supplier participants were a company dealing with e-waste disposal and one manufacturer of special mechanical parts. The engagement started with an initial assessment of the facilities and identification of challenges in implementing the Electronic Industry Code of Conduct supplier standard. Specific areas for improvement were identified in line with the main problems: Lack of knowledge regarding the expected standards and a low level of awareness and sense of responsibility amongst employees. The subsequent trainings were held in a targeted manner on all company levels. Management training focused on roles and responsibilities, whereas employees learned about Environmental, Health and Safety standards and worker participation. One year after the capability building process was initiated, both suppliers reported tangible improvements in employee motivation, use of health and safety equipment, work efficiency (cleanliness, punctuality, regular attendance), working atmosphere, reputation, communication culture and legal compliance (Event documentation #2).

Speaking of supply chains, it is important to note that while multinational companies are at the forefront of corporate responsibility interventions, small and medium enterprises (SMEs) are ultimately the “executive“ party (Partners in Change 2007:110ff.). They frequently face obstacles in implementing social responsibility measures (see chapter on SMEs). As indicated above, those SME sectors which are not part of the formalised supply chain are more affected by labour and other kind of non-compliance in the social dimension. Where there is a linkage with big companies, be it domestic or international, the issues are more controllable (I3).

4.3.1.2 Discrimination and diversity

Discrimination at the workplace violates a basic human right and has far reaching economic and social consequences as it stifles opportunities, wastes the human talent needed for economic growth and causes social tensions and inequalities (ILO 2010, Thorat and Newman 2007). ILO Convention 111 defines discrimination as

any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation (ILO 1958)

and allows additional criteria according to specific conditions in member states. Discrimination may occur when a person is looking for a job, is on the job or upon leaving and means differential and less favourable treatment of certain individuals on certain characteristics, regardless of their ability to fulfil the requirements of the post. Legal provisions (covering the formal sector) touching upon discrimination in India are those dealing with child labour, forced labour and equality at the workplace (Gautam 2009:28ff.). Structural discrimination is an issue in the informal as well as the formal sector and is inherent or institutionalised in social patterns, institutional structures and legal constructs that reflect and reproduce discriminatory practices and outcomes (e.g. inferior conditions of training available to ethnic minorities) (ILO 2007a). The notion that discriminating practices within a competitive market situation has negative effects on a company's performance is accepted – in theory. “In practice, however, labour market discrimination has shown to be quite durable. Market discrimination will persist, if all firms practice discrimination” (Thorat and Newman 2007:4123). Under the policy focus of “equal opportunity”, affirmative action instruments such as reservations²⁸ have been utilised by the Indian government to provide employment opportunities for the underprivileged. In rapid succession, discussions emerged over quotas in the private sector (e.g. HindustanTimes 2008). Industry leaders fight reservation provisions claiming that those would only exacerbate caste divides and generate a loss in productivity (Karunakaran 2009). Many put this kind of discrimination down to a problem of the past. In fact, a 2007 research series on the topic suggests “[...] serious evidence of continued discriminatory barriers [...] even for highly qualified dalits and Muslims” (Thorat and Newman 2007:4124). *Caste* based discrimination on the labour market is particularly critical in India. According to International Dalit Solidarity Network, 200 million Indians are affected (IDSN 2009). The Office of the UN High Commissioner for Human Rights (OHCHR) links it to discrimination based on descent, afflicting members of communities due to the inherent social stratification of inherited status subsequently impairing the equal enjoyment of human rights (OHCHR & UNESCO 2003). Fixed economic rights according to the Hindu hierarchy

²⁸ Quotas for certain sections of the population – Scheduled Castes, Scheduled Tribes and Other Backward Classes – in public service and public sector units (Béteille 2002).

of social groups, determined by birth, lead to a kind of permanent "enforced exclusion" resulting in occupational immobility. Restricted access to capacities like capital, education, and labour inhibits commercial activities (Event documentation #3, Sen 2000:41, Thorat and Newman 2007). The situation worsened for Scheduled Castes and Scheduled Tribes in the course of India's liberalisation paradigm realised from the 1990s onwards when the public sector grew even smaller and with it employment opportunities for the marginalised (Event documentation #3). As indicated above, these groups are often unable to compete with others on the labour market due to lack of skills or education. This factor is disregarded by the so-called "meritocracy" approach which assumes that all groups in society have similar access to education and experience. However, "the production of merit is itself a highly unequal business and hence, the linkage of modernism with merit, and merit with cultural capital, effectively eliminates dalits, for example, from the competition" (IIDS 2009:5). Clearly, the current situation is reflected in this statement and it is not by coincidence that those who suffer greatest from discrimination are also the most economically marginalised.

We describe these people as Poor and Vulnerable, as against the remaining 23 % of Middle Class and Higher Income groups who seemed to have captured most of the benefits of high income growth. We analysed the characteristics of this poor and vulnerable group, which contains about 88 % SC/ST [Scheduled Castes and Scheduled Tribes], 80 % of OBCs [Other Backward Classes] and 85 % of the Muslim population of this country. [...] These groups emerge as a sort of coalition of socially discriminated, educationally deprived and economically destitutes, whereas less than one fourth of our population only was enjoying a high rate of growth of their purchasing power (NCEUS 2009:iii).

A 2007 field experiment by Thorat and Attewell where the authors replied to job advertisements a) as an upper class Hindu, b) as a dalit and c) as a Muslim, brought to light that „caste favouritism and the social exclusion of dalits and Muslims have infused private enterprises even in the most dynamic modern sectors of the Indian economy“ (Thorat and Attewell 2007:4144). Thus civil society and academic voices argue that „caste blindness“ as it is currently practiced under the meritocracy paradigm (e.g. in the form of neutral recruitment) will not end discriminatory practices against the marginalised (Event documentation #3, Karunakaran 2009) and the only effective tool is the extension of legal provisions for affirmative action to the private sector (Thorat and Newman 2007, Varma 2009, among others). Against this background, it can safely be said that sincere company efforts to combat discrimination must *highlight* caste and other differences. This insight, and with it concepts of diversity are slowly gaining ground in India's boardrooms, mainly due to action of MNCs exposed to similar situations in the US and elsewhere (Karunakaran 2009). Still, measures on the shop floor are scarce. Even multinationals known as CSR "pioneers" operating in India do not mention "caste" in their diversity policy; main reasons being the meritocracy argument and the global applicability of diversity policies (Bal 2010). Criticising the latter, CSR Asia notes that "[...] it is insufficient to translate a diversity framework to the Indian context that does not mention caste explicitly" (Bal 2010:6). There is furthermore an assumption that the inclusion of

caste is unnecessary because a manager would not discriminate on that base anyway. This notion reveals a certain degree of naivety, assuming that caste is not in the minds and hearts of the employees, and in turn disregards the vast human rights implications of caste discrimination (Bal 2010).

The Tata group, employer of 350,000 people, has taken the first step by transforming its non-discrimination approach into “positive discrimination“. This came under the recognition that a neutral approach to hiring was not eliminating caste prejudices and inequalities (Karunakaran 2009). The Tata initiative started with undertaking an elaborate caste profiling of its workforce across all its major companies. Employees were asked to provide information on their caste on a voluntary basis. Once the findings were analysed, the group began correcting caste imbalances across its plants. Now, hiring, training and integrating dalits is a top priority. Applying a deliberate bias towards dalits in the recruitment process, a dalit candidate will be preferred even if his or her scores are slightly lower than that of others. According to J.J. Irani, Chairman of Tata Sons, looking after the weak section of resident communities is a clear business case. In mining areas, Tata employs many members of Scheduled Tribes and as hard-working, loyal and efficient individuals they have realised the Tata’s business case for diversity (Event documentation #3, Karunakaran 2009).

Another powerful dimension of discrimination is differential treatment on the basis of *sex*. Women’s inferior status in the Indian economy was highlighted by World Economic Forum’s “Gender Gap Index 2008” which, in terms of “economic participation and opportunity”, ranks India at position 125 of 130 countries incorporating labour force participation (participation gap), wage equality, female earned income over male value (remuneration gap), female legislators, senior officials and managers over male value and female professional and technical workers over male value (advancement gap). Women constitute 36 percent of India’s working population, they earn substantially less for similar work than men and only a tiny fraction of women find themselves in senior positions (WEF 2008:89). Substandard wages (for comparable work) are one reason for low participation of women in the labour force, alongside with inaccessibility to certain occupations and unbalanced skill development limited to a few labour-intensive jobs only (such as stitching) (Planning Commission 2008). Like in other emerging economies, a large number of women have been engaged in globalised production at the very bottom of the occupational hierarchy, in India especially in the southern parts of the country (Calvert & UNIFEM 2004, Event documentation #2). Operating frequently as unorganised labourers, they have no possibilities of improving their skills, no job security, poor working conditions and no ability to claim even basic labour rights (Calvert &

UNIFEM 2004). “For vulnerable groups, especially poor women, globalization is producing mixed results, often exacerbating existing inequalities and relegating women to low-paid, dead-end jobs in the manufacturing, service and agriculture sectors” (Calvert & UNIFEM 2004:4). Insofar as the SME landscape is concerned,

[...] there is some kind of preconceived notion that if you have women, then, you need them to work beyond the normal eight hours and that may be a little difficult for women. That’s in the mindset. Also some preconceived notions on the productivity issue... that the male workers are more productive or the female workers are less productive. These kind of issues are there (I3).

It is important to note that “gender discrimination” in India cannot be treated as an isolated subject. The Eleventh Five Year Plan’s chapter on Inclusive Growth acknowledges gender as a cross-cutting theme and points out that “[...] women are not a homogeneous category. Their situations, and consequently requirements, differ based on their locations within various castes, communities, religions, geographic and development zones [...]” (Planning Commission 2008:4). One example of multilayered discrimination is the fact that, among the already disadvantaged dalits, young girls have least access to skill development and hence remain uneducated (Event Documentation #3). A comprehensive analysis of dimensions of gender discrimination is beyond the scope of this thesis, rather, attention is given to how companies can work against it.

Similar to the issue of caste, neutral recruitment as a sole measure will not contribute to narrowing the gender gap. The Planning Commission has identified three conditions that must be met for female labour participation to increase: Equal opportunity in the recruitment process, remuneration of women’s work on par and adequate training (Planning Commission 2008:74). A diversity officer in the IT sector reports that

[w]omen promotion is far higher than the men[‘s]. So women are able to move up there [into] the promotion pool. They get there. Today, when we are talking about meritocracy, right, here meritocracy exists. But the support system is whether you are generating enough women to go into the pool. That’s where you need support systems in terms of working mothers, coaching, driving, mentoring [...] (I10)

Indian software giant Infosys has a diversity policy in place that serves as a role model of employee engagement especially with regards to gender. The firm describes its over 100.000 staff members of 76 nationalities (33 percent of them women) as its “greatest asset” leading to the conclusion that the strive for inclusivity stems right from the firm’s core business (Infosys 2009:20). Having found that employee satisfaction increases productivity, minimises staff turnover and attracts talents, a wide range of demand-oriented policies were set up with special focus on the female workforce. Demands are identified through an annual Inclusivity Survey whose results also measure an inclusivity index. For 2008-2009, the index revealed that both male and female employees feel equally engaged. Secondly, a formal system for resolving grievances and instances of discrimination – including cases of sexual harassment – allows for such problems to be dealt with in

a swift manner. Infosys' diversity management is based on an organisational culture which celebrates commonalities among staff members from different backgrounds. Supporting the female workforce is an important building block of the firm's inclusivity concept. Apart from granting paid maternity leave and paternity leave, provisions include satellite offices for new mothers, telecommuting for employees, adoption leave, flexible work hours, part-time work policy, one-year childcare sabbatical policy and near-site daycare facilities (Infosys 2009, I10). A complex system of sets of indicators for each department measures whether the policies are actually successful. One example is productivity: It was discovered that many women returning from maternity leave (an impressive 80 percent) work a lot more efficiently than they used to because this way they are able to return to their families sooner after a workday (Interview Infosys senior staff, I10). In this sense, the Infosys approach to diversity is clearly performance-oriented albeit Srimathi Shivashankar, Infosys' Diversity Officer, links this orientation to the company's cultural values:

I think the women and gender part many people love it, because we are one of the very few companies worldwide that started with affirmative action. Many of the so-called global companies, affirmative action and legal compliance [...] issues, they started from the inclusion [viewpoint]. Here I think we come more from the culture perspective, the organisation culture. The societal issue, for us it basically means good for business. So we create a business case naturally (I10).

Another significant dimension of discrimination at the workplace includes *religion*. In India it is principally experienced by Muslims, whereas discrimination against Muslim or Christian dalits is aggravated (ILO 2007, Thorat and Newman 2007). Among newly recognised forms of discrimination are differential treatment on the basis of *disability* and *HIV/AIDS*. The disabled face societal and institutional barriers to equal opportunities making it extremely difficult for them to find decent work. Stigma and discrimination on the grounds of actual or perceived HIV/AIDS status are a multi-faceted issue; however it can be said that women suffer to a higher degree from it than men (ILO 2007).

4.3.2 Good Practice Criteria

While the government holds the principal responsibility to realise worker's rights, private sector engagement is vital to balance shortcomings in law enforcement and in some cases even bring positive results through going beyond compliance. Domestic as well as multinational companies have different reasons (such as public pressure or business benefits) for paying increased attention to work-related responsibility issues (I8, I10, SustainAbility 2008). Although they have therefore developed different strategies according to their needs, a common feature lies in regarding the ILO Fundamental Principles and Rights at Work ("core labour standards"), besides national laws, as the basis for workplace measures²⁹ (ILO 2010a):

29 India has ratified the ILO conventions on Forced Labour, Equal Remuneration and Discrimination but has yet to

- Freedom of association and the effective recognition of the right to collective bargaining
- The elimination of all forms of forced or compulsory labour
- The effective abolition of child labour
- The elimination of discrimination in respect to employment and occupation

Additional non-sector specific provisions are Employment Promotion, Occupational Health and Safety, Working Hours and Compensation (ILO 2009a, SAI 2008). Aside from these basic principles, focus areas of responsible behaviour vary highly according to different sectors (I4). Whereas, for instance, inhumane and degrading working conditions are a major issue in heavy manufacturing, maximum working hours are a particular problem in seasonal sectors like garment (Amnesty International & IBLF 2002, I8). The following section on Guidance is organised according to themes. Annex 1 provides an overview of labour and human rights issues along the lines of sectors.

4.3.3 Guidance

A number of guidance documents on labour, targeted at companies, have been designed for global applicability utilising the ILO principles as a basis³⁰. In order to realise basic labour rights, these documents (and those deviated from the ILO core labour standards, such as SA8000, see below) are deemed appropriate in the Indian context (I8, I5). The so-called “ILO MNE Declaration” presents firms with a list of points to adhere to particularly relevant in developing countries³¹. The Human Rights Compliance Assessment features a part on “Employment Practices” including useful indicators for companies to assess whether their labour policy is in line with human rights³². In addition, Social Responsibility standard ISO/DIS 26000 which comprises “Labour Practices” as a core subject offers detailed guidance on Employment and Employment Relationships, Conditions of Work and Social Protection, Social Dialogue, Health and Safety at Work and Human Development and Training in the Workplace³³. Reflecting the Indian situation as outlined in the “Business

ratify those regarding Freedom of Association, Collective Bargaining, Minimum Age and Worst Forms of Child Labour (Government of India, Ministry of Labour and Employment: India and the ILO <http://labour.nic.in/ilas/indiaandilo.htm> – accessed Nov 09).

³⁰ Such as International Labour Organization (2008): *The Labour Principles of the United Nations Global Compact – A Guide for Business*. Available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/instructionalmaterial/wcms_101246.pdf

³¹ International Labour Organization (2001): *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Third Edition*. Available at <http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/normativeinstrument/kd00121.pdf>

³² Danish Institute for Human Rights (2010): *Human Rights Compliance Assessment Version 2.0*. Available at <https://hrca.humanrightsbusiness.org/>.

³³ International Organization for Standardisation: *ISO Draft International Standard 26000*. Available at http://isotc.iso.org/livelink/livelink/fetch/-8929321/8929339/8929348/3935837/3974907/ISO_DIS_26000_Guidance_on_Social_Responsibility.pdf?nodeid=8385026&vernum=-2

responsibility in India” section, the Indian Standard IS 16001:2007 “Organizational Accountability at the Workplace”³⁴ dedicates separate sections to Community Engagement and Employees’ Welfare Measures. The former includes access to sanitation facilities, waste management in the immediate vicinity, health and sanitation awareness and access to primary medical facilities. Welfare measures for employees and their families should be taken in consultation with the workers. The Indian Standard’s core element on Equality of Opportunity explicitly mentions discrimination based on caste, creed, religion, gender, age, disability, ethnic background, membership of any legal associations, marital status and sexual orientation and HIV status or any other health related concern. Human treatment of employees encloses cultural rights, like celebrating festivals and participating in important events, functions or rituals “related to marriage, death and any other important functions related to employee’s immediate family” (BIS 2007:5). The problem of temporary work is also specifically addressed calling upon organizations to scrutinise the terms of labour engagement by third parties.

The ILO Conventions principles are also referred to in *supply chain* instruments. Social Accountability International’s certifiable (global) standard SA8000, which is the most widespread social compliance tool in industrial sectors (I8), expands the ILO scope by adding criteria on Health & Safety, Discipline, Working Hours, Compensation and Integration of the standard into Management Systems (SAI 2008). Initiatives like Fairtrade or the Fair Labor Association apply comparable principles (FLA 2008, Fairtrade 2009). Some of the world’s leading standard bodies have developed OHSAS 18000 which provides specific guidance on Occupational Health and Safety³⁵.

³⁴ A copy has been kindly provided by Khurram Naayyar at Partners In Change, New Delhi

³⁵The Occupational Health & Safety Group: *OHSAS 18001*. <http://www.ohsas-18001-occupational-health-and-safety.com/index.htm>

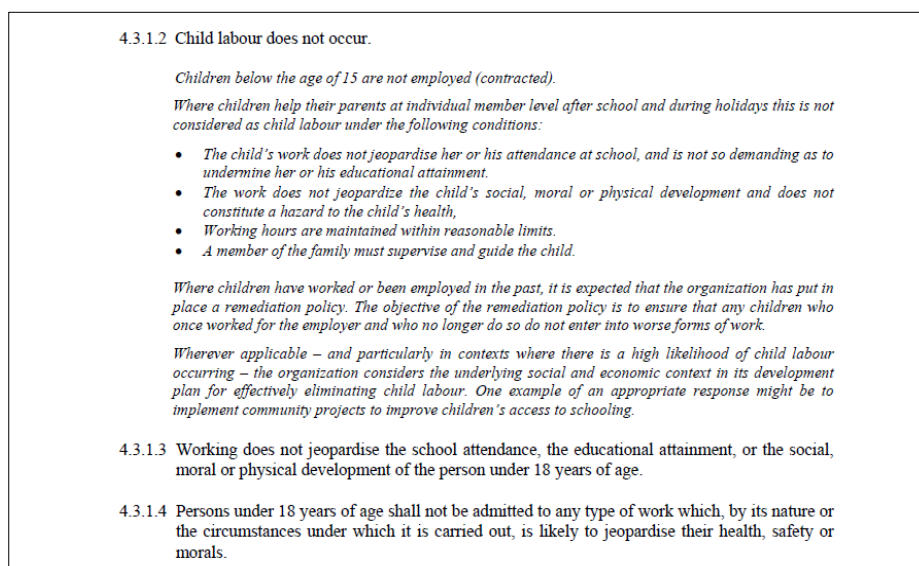


Figure 3: Abstract from Fairtrade's Generic Fairtrade Standards for Small Producer's Organizations (Fairtrade 2009)

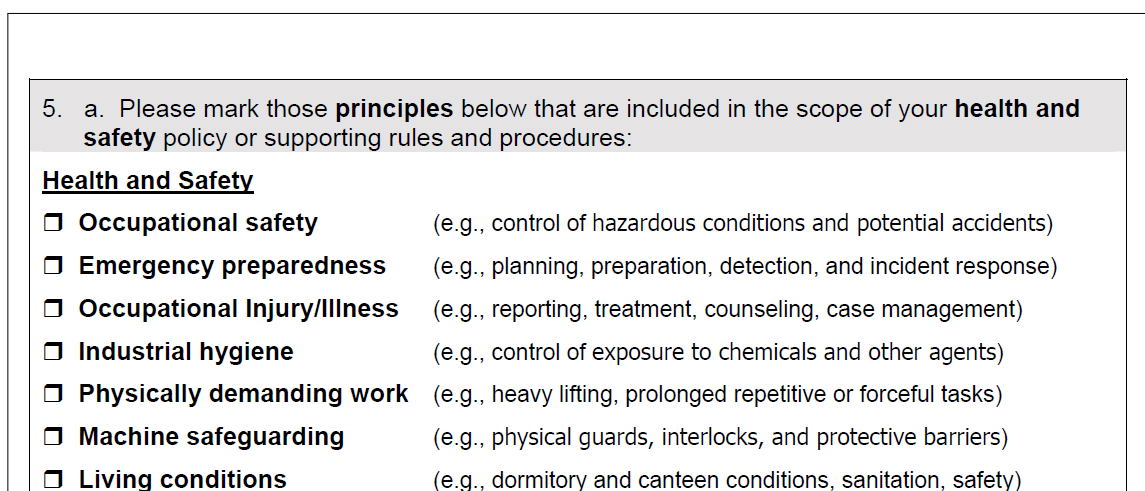


Figure 4: Abstract from ICT Supplier Self-Assessment Questionnaire (GESI and EICC 2007)

Apart from the above mentioned standards, a number of documents help companies implement supply chain responsibility. Among them is a guidance brochure of the International Chamber of Commerce on integrating social and environmental considerations into supply chain³⁶, as well as a comprehensive World Bank study on how to eliminate barriers to CSR compliance in global supply chains at supplier level³⁷. A paper on new strategies for responsible supply chains identifies four pillars for success (namely Buyer Internal Alignment of purchasing practices, Supplier Ownership,

³⁶ International Chamber of Commerce (2006): ICC Guide to Responsible Sourcing. Available at http://www.iccwbo.org/uploadedFiles/ICC/policy/business_in_society/Statements/ResponsibleSourcing%20Brochure%20final.pdf

³⁷ World Bank Group (2003): *Strengthening Implementation of Corporate Social Responsibility in Global Supply Chains*. Available at <http://info.worldbank.org/etools/docs/library/114197/Strengthening%20Implementation%20of%20CSR%20in%20Global%20Supply%20Chains%20-%202003.pdf>

Empowerment of Workers and robust Public Policy Frameworks) in line with the “supplier responsibility” trend outlined above. Going a step further, it criticises the partial replacement of state governance with global standards in areas of weak law enforcement. Rather, it calls upon companies to support existing public policy frameworks, for example by advocating the inclusion of social and environmental into trade agreements or work with suppliers on strengthening the local government’s capacity and commitment to enforce labour standards. (BSR 2007:14f.). Although long-sighted approaches are welcome in principle, it is questionable whether both parties in a concerted manner commit to social goals considering the powerful position multinationals enjoy in developing countries (Visser 2008). The latter, in turn, may be reluctant to favour nationwide *enforced* regulations threatening their competitive advantages in a globalised economy. Thus, companies will not cease to partly fulfil social rights (like improving working conditions in sweatshops or ensuring employees a living wage) under the label of Corporate Citizenship in the near future, as problematic as it may be (see Matten and Crane 2005:15f.). Finally, a working paper is worth mentioning which outlines how a company can address human rights issues in its supply chain. A matrix helps to detect the level of a company’s responsibility for violations and according to that level, a company policy on Human Rights Monitoring is set up³⁸.

As suggested in the introductory passages, social inclusion in India is very much about vulnerable or “historically disadvantaged” groups (I4). This is not least due to an extremely diverse population which requires a good portion of sensitivity on the part of the employer to avoid, or even combat, discriminative practices. A good starting point for a company is to look at *anti-discrimination* from a human rights perspective. The Human Rights Compliance Assessment features valuable indicators for non-discrimination. Important for the Indian context, guidance is also given on how to create a culturally respectful work environment. “The company may find that minority, female or ethnic employees are effectively prevented from expressing themselves, their religion or their culture, unless company policies are particularly attuned to securing an environment of equality in the workplace” (DIHR 2006:27). Moreover, skills development for disadvantaged groups is indispensable to fight discrimination and foster inclusion (I4).

³⁸ Danish Institute for Human Rights (2006): *Complicity in Human Rights Violations: A Responsible Business Approach to Suppliers*. Available at http://www.humanrightsbusiness.org/files/320569722/file/complicity_in_human_rights_violations_a_responsible_approach_to_suppliers_m_jungk_march_2007.pdf.

Suggested Indicators:	TRUE	FALSE	F/A	N/A	NO INFO
1 Company benefit and vacation policies allow for the observance of different cultural/religious holidays.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Company training programmes are culturally appropriate, gender neutral, and respectful of diversity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Training manuals and company literature do not use examples or illustrations that stereotype or categorise any groups of people.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 The company allows employees to dress in traditional cultural garments if the clothing is appropriate for business and does not increase the risk of accidents in the workplace.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Workers' representatives and employees confirm that the work environment is culturally sensitive and non-discriminatory.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[The above question is based on general principles contained in the following: Universal Declaration of Human Rights (1948), Articles 1, 2, 23, and 27; International Covenant on Civil and Political Rights (1966), Article 26; Convention on the Elimination of all Forms of Racial Discrimination (1965), Article 1; Convention on the Elimination of All Forms of Discrimination Against Women (1979), Article 1; Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990), Article 7; ILO Discrimination (Employment and Occupation) Convention (C111, 1958), Articles 1,2 and 3; ILO Social Policy (Basic Aims and Standards) Convention (C117, 1962), Article 14(e); UNESCO Declaration of the Principles of International Cultural Co-operation (1966), Article 1; ILO Workers with Family Responsibilities Convention (C156, 1981), Articles 3 and 4; ILO Maternity Protection Convention (C183, 2000)]

Figure 5: Suggested indicators for a culturally respectful work environment (DIHR 2006).

The ISO/DIS 26000 standard also dedicates a broad subdivision to discrimination and specifically refers to vulnerable groups such as migrant workers, indigenous peoples and people discriminated against on the basis of caste (p. 29)³⁹. Migrant workers, subjected to work-related violations in supply chains, can benefit greatly from protective measures. Business for Social Responsibility has designed a framework for company action based on three steps: 1.) Understanding migrant labour in the respective supply chain; 2.) Designing policies for protection with the help of contractors; 3.) Engaging with external stakeholders to address key systemic issues leading to violations of migrant worker's rights (BSR 2007:4). Tribal peoples⁴⁰ in India, or adivasi, eminently suffer from human rights abuses in the context of mining or other industrial activities carried out in the vicinity of, or directly on the territory they have inhabited for generations. As the ILO guide for putting tribal and indigenous people's rights into practice points out, the livelihood strategies and occupations of such peoples are highly specialised and adapted to conditions of their traditional territories, entailing high dependency on access to lands and resources (ILO 2009b:153). Companies operating in areas with tribal population should therefore consider sector-specific guidance (see section on Displacement) as well as generic guidance on indigenous peoples. Where they provide work opportunities to affected communities, labour standards must be upheld and discrimination due to their indigenous

³⁹ International Organization for Standardisation: *ISO Draft International Standard 26000*. Available at http://isotc.iso.org/livelink/livelink/fetch/-8929321/8929339/8929348/3935837/3974907/ISO_DIS_26000_Guidance_on_Social_Responsibility.pdf?nodeid=8385026&vernum=-2

⁴⁰ The Indian government repudiates the term „Indigenous Peoples“ stating that all citizens are indigenous to India. Instead, it has preferred “Scheduled Tribes” referring to those communities who are “scheduled” in accordance with the Constitution. Scheduled tribes tend to live in particular “scheduled areas”. They identify themselves as Adivasi (literally “the original inhabitants”) or indigenous peoples (ILO 2009 Tribal Rights...p.8).

status avoided, with particular attention given to indigenous women (UNPFII 2009). The ILO guide to implementing Convention No. 169 on Indigenous and Tribal Peoples⁴¹ stresses that limited access to education and vocational training on those skills required in the private sector, coupled with discrimination, makes it incredibly difficult for them to compete. The work they end up doing is in most cases precarious and does not fulfil fundamental rights; nor is it adequately remunerated (ILO 2009b). Here is where companies can step in to make a difference through providing decent work opportunities, including vocational training, and working against discriminating practices. Business implications of Convention No. 169 are described in detail in an International Finance Corporation (IFC)⁴² document which also points out the business benefits of considering indigenous people's rights.

Differential treatment on the basis of caste, particularly significant in the Indian context, is dealt with in the “Ambedkar Principles”⁴³ which provide international and national companies as well as investors with a framework to contribute to the elimination of caste discrimination. Besides guidelines relating to employment, the document includes provisions referring to community development. For instance, firms ought to ensure the participation of dalits in planning and implementation of community development programmes and equality of benefit distribution. Other elements include affirmative action measures such as selecting dalit enterprises as business partners or offering targeted training and education programmes (IDSN 2009). The Ambedkar framework in turn recommends the use of the Dalit Discrimination Check⁴⁴ which, in similar manner as the Human Rights Compliance Assessment, guides a company through all relevant areas of business conduct with a risk of discriminating against “untouchables” by dint of indicators. It looks at employment practices (including affirmative action), community impact and utilities and services; besides, a separate part (“Supplier Check”) goes into detail about how to deal with discriminative practices on behalf of business partners. Certain supply chain issues have a particular connection with caste discrimination, among them forced and bonded labour; worst forms of child labour; harsh, inhumane or degrading treatment or punishment of employees; living wage, and discrimination (IDSN 2008:47).

⁴¹ India has ratified Convention No. 107 on Tribal and Indigenous Population, of 1957, but not the revised version in the form of Convention 169 (see http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---normes/documents/publication/wcms_106474.pdf).

⁴² International Finance Corporation (2007): *ILO Convention 169 and the Private Sector*. Available at [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_ILO169/\\$FILE/ILO_169.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_ILO169/$FILE/ILO_169.pdf).

⁴³ International Dalit Solidarity Network (2009): *The Ambedkar Principles. Principles and Guidelines to address Caste Discrimination in the Private Sector*. Available at http://idsn.org/fileadmin/user_folder/pdf/New_files/IDSN/Ambedkar_Principles_brochure.pdf

⁴⁴ International Dalit Solidarity Network (2008): *Dalit Discrimination Check*. Available at http://idsn.org/fileadmin/user_folder/pdf/New_files/CSR/Dalit_Discrimination_Check.pdf

SUGGESTED INDICATORS:	YES	NO	F/A	N/A	NO INFO
1. The company has a policy that prohibits the segregation of employees based on caste.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. All employees, regardless of caste are able to draw water from the same wells and eat at the same canteen facilities, use the same sanitary facilities, buy food from the same shop etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The company offers vegetarian food as well as non-vegetarian food, including beef and pork in their canteens.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. If the company offers worship facilities, all employees are allowed access.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. If the company provides housing facilities to employees and/or relatives, there is no caste-based segregation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. An examination of the workplace and work facilities and services offered to employees and/or relatives show that Dalits are not segregated from other employees in any way.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Figure 6: Eliminating segregation and exclusion [of dalits] in the workplace: Suggested indicators (DIHR & IDSN 2008)

On a 2009 conference on “Assessing Marginalization of Dalits in Economy and Private Sector”, it was concluded that the business responsibility regarding dalits lies in supporting their rights in the private sector and, by providing training to them, contribute to skill development (Event documentation #3).

Focussing on another vulnerable group, Calvert Investments and UNIFEM have employed a *gender* perspective on business in the design of a gender framework for corporations. As core themes, the “women’s principles”⁴⁵ cover Employment and Compensation; Work-Life Balance and Career Development; Health, Safety, and Freedom from Violence; Management and Governance; Business, Supply Chain and Marketing Practices and Civic Community Engagement and Transparency and Accountability. A point worth stressing is Work-Life Balance as it must be kept in mind that increased female participation in the labour market will only become a reality when the employment is consistent with off-work duties, particularly childcare (Calvert & UNIFEM 2004). As a global code, the majority of Calvert’s principles certainly apply in India considering the drawbacks in women’s economic participation. From an entrepreneur’s view, it has furthermore been suggested that engaging in gender issues is an appropriate first step in devising a company diversity policy (I10). However, in this approach lies a certain danger of misconceiving the complex dimensions of gender discrimination prevalent in India. Then again, it could be argued that engaging with women’s concerns raises awareness on other/additional forms of discrimination

⁴⁵ Calvert & UNIFEM (2009): The Calvert Women’s Principles: *A global code of conduct for corporations*. Available at <http://www.calvert.com/nrc/literature/documents/8753.pdf?litID=8753.%2026.08.2009>.

which might be less obvious or visible. The above mentioned guidance documents on discrimination naturally include the gender issue and also show that a woman's inferior position in the labour market is even lowered if she belongs to a vulnerable group. Generally, specific reports on gender and business place conspicuous emphasis on the business case for diversity particularly in higher skill sectors like IT (I10, McKinsey&Company 2007, Whitney 2008) which stands in stark contrast to the low overall level of gender inclusivity in Indian companies.

Taking a glance at this guidance section it is noticeable that all guidance documents in one way or another intend to protect vulnerable groups. It could thus be an argument for the applicability in the Indian context of the stakeholder theory which holds that, if all stakeholders – suppliers, community, employees, customers, investors – are taken care of as part of managerial processes, the concept or Corporate Social Responsibility in a narrow sense becomes somewhat redundant (Melé 2008). Not all scholars, however, see these two concepts as separate fields – if “CSR” is viewed in a broad sense, stakeholder management is an element of CSR (Carroll 1999).

4.3.3.1 Sector-specific Guidance

As Neha Kumar (I4) points out, social issues surrounding the workplace vary from sector to sector. During the last decade or so, specific codes incorporating the particularities of different industries have been developed mainly by industry associations (such as the Electronic Industry Code of Conduct). NGOs and standard-setting organisations have been very active in (co-)designing certifiable standards such as the product-specific Rainforest Alliance label or Clean Clothes Campaign. These initiatives also have valuable guidance for certain sectors to offer. The “Tools & Guidance” section of www.business-humanrights.org lists tools, guidance documents and standards according to issues as well as sectors.

4.3.4 The Principles

The following principles apply to work performed within, or on behalf of any business. Their scope is not limited to an enterprise and its direct employees but includes sub-contracted and home based work.

- ❖ Contribute to the provision of secure work opportunities, especially for disadvantaged members of society
- ❖ Wherever possible, complement state provisions on social security; grant insurance cover, maternity/paternity leave benefits, medical facilities and other employment benefits
- ❖ Uphold the freedom of association and the right to collective bargaining
- ❖ Be transparent with regards to contracts and wages and openly declare worker's rights and

grievance mechanisms in the employees' language(s)

- ❖ Do not employ child labour, forced labour or bonded labour, paid or unpaid, and ensure involuntary labour does not occur in your supply chain
- ❖ Fight discrimination on the base of sex, caste, religion, tribal status, disability, regional or social origin or on any other grounds at every stage of the employment process. Actively support especially female members of vulnerable groups through providing decent work opportunities and vocational training. Be culturally sensitive and adapt diversity policies to the local context
- ❖ Provide all workers with access to training and development of necessary skills on a non-discriminatory basis
- ❖ Provide a safe and hygienic workplace and decent off-work facilities (such as dormitories)
- ❖ Protect employees from any form of harassment, abuse or inhumane treatment
- ❖ Ensure timely payment of adequate wages to meet basic needs of employees and their families
- ❖ Respect the work-life balance of employees and abide by legal provisions on working hours
- ❖ Consider working conditions in the informal sector by addressing lower tiers of the supply chain
- ❖ Engage with local communities and help them improve their quality of life in areas such as health and hygiene, education, skill development etc.

4.4 Consumer Issues

4.4.1 The Challenge

The Planning Commission (2008:246) refers to consumer awareness and protection as “a true indicator of development of the country and progressiveness of civil society”. This statement highlights the significance and scope of safeguarding the interest of consumers in India. The size and complexity of production and distribution systems has grown consistently. At the same time, modern technology caused a surge in the variety of goods and services. Consumers’ increased mobility and more sophisticated forms of marketing have resulted in the decline of personal interactions between buyers and sellers (Planning Commission 2008). For all these reasons, it is vital to take consumer protection into account in any strategy for a more inclusive growth.

As is the case with business responsibility in general, notions of consumer protection in India can be traced back many centuries. Around 300 B.C., the philosopher Kautilya pleaded against exploitation through trade and retailers by quality, short weight, measurement and adulteration of goods (Chandrasekaran 2006, Planning Commission 2008). Mahatma Gandhi was also an advocator of consumer rights:

A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing any favour by serving him. He is doing us a favour by giving us an opportunity to do so (NCH 2009:13).

A systematic approach to consumer protection, however, only developed in the late 1970s resulting in the enactment of the Consumer Protection Act in 1986. This piece of legislation was the most important milestone for institutionalising consumer’s rights. The Consumer Protection Act envisaged a speedy and inexpensive redress of consumer grievances through a three-tier adjudicative machinery and the provision of compensation to the aggrieved customer. Furthermore, consumer protection councils for promoting and shielding consumers’ basic rights were set up under the act (Verma 2002). However, despite comprehensive legislative measures, effective consumer protection is not yet a reality. Increasing awareness created by the government, consumer associations, and the mass media has led to an ever growing inflow of cases in the consumer courts while the latter lack the resources to deal with the complaints in a timely manner. At the same time, companies are constantly appealing against pro-consumer court decisions. Customer complaints that arise regularly concern the supply of defective goods, the provision of deficient services, unfair and restrictive trade practices and adulterated, sub-standard, fake or misbranded drugs and cosmetics (Verma 2002). “[...] [A] consumer is a stakeholder and should be informed about the safety of the product and should be informed about almost all aspects, and this is a very weak area

in India” (I4).

The extensive one-billion Indian consumer market is characterised by a wide range of quality and pricing levels of goods and services and by a considerable variety in their availability. Small and micro retailers which make up 97 percent of the market (versus a three percent share of large retail chains) operate in a complex and multi-tiered system (ASEM 2008). Its intermediaries all keep their profit before a product reaches the consumer. The deficits in retailers’ organisation and their dependence on intermediaries lead to excessive prices of final products, often accompanied by unfair trade practices and poor quality of goods and services. Consumers in the rural markets, with limited access to consumer information and education programmes, primarily suffer the consequences of these drawbacks. There is a general lack of awareness about rights and means for legal redress (ASEM 2008). Consequently, the fulfilment of customer rights is often subject to the producer or merchant’s voluntary measures (I1).

No reliable system exists to ensure good quality of products, which leads to *adulterated and poor quality products*, especially food, on the market. Another factor is the impossibility of tracing back the goods to where they were produced or manufactured (this, again, is linked to the complexity of the trading structures). In the pharmaceutical sector, plagiarism is widespread. *Medical negligence* overall refers to failures in diagnosis and treatment. Furthermore, the underlying unequal relationship between consumer and producer/seller leads to an *information symmetry* disabling consumers to take informed buying decisions (CGS India 2010, I1, Planning Commission 2008). The *labelling* of edibles and other products is often deficient and *false advertising* is common in all sectors. At the same time, there is no institution mandated to take action against such behaviour (I1). Misleading product information is increasingly an issue with internet purchases (I9). Another problem is that consumers do not know whom to turn to in case of a query. As there exists no effective *warranty* or guarantee provisions (although regulations exist for some sectors), actors in the value chain usually pass on their responsibilities, leaving the customer without a *contact point* to turn to (I1). Many products and services with an impact on health, safety and the environment lack regulation and mandatory standards. Among these are electronic goods and IT equipment, industrial equipment and toys. With different implications, there is also a huge shortfall in quality standards for educational service offers, such as computer courses (I1, Planning Commission 2008).

Standards, playing a huge role in quality control, are vastly applied in developed countries (such as Quality Management System ISO 9001, Environmental Management Systems ISO 14001 and hazard analysis and critical control points HACCP). Apart from providing management system

standards, they regulate technical requirements, standard terminology or good practices (codes). These standards are usually set by governmental or inter-governmental bodies, but private standards like OHSAS 18000 (Occupational Health and Safety) or SA8000 (Social Accountability) have also gained importance (Planning Commission 2008). In India, “[t]here is apathy among businesses towards standardization in general, and lack of awareness among them about the impact of standards on quality, competitiveness, and profitability” (Planning Commission 2008:248).

Accountability with respect to all stakeholders is one of the main objectives for consumer rights advocates (19). The Right to Information Act of 2005, mandating timely response to citizen requests for government information (Government of India 2010), is “[...] the most critical act we have”, and civil society representatives want to see it applied in the private sector, “[...] to destroy this, once and for all, this [...] information being kept by private hands, which is information to do with their public impact” (17).

Delhi University and the Ministry of Consumer Affairs have established a toll-free National Consumer Helpline (NCH) where consumer grievances are heard and eventually solved after approaching the involved company (legal action is considered as the last resort). NCH’s annual report (2007-08) provides valuable information on the sector-wise distribution of consumer complaints. Accordingly, most complaints in the respective time period concerned the telecom sector, followed by queries about defective products and complaints against banks and LPG providers. A high number of calls are also received on general inquiries, suggesting a great demand for consumer education (NCH 2009).

A precondition for consumer protection to become effective is for customers to be aware of their rights. The current situation is far from satisfactory with more than half of Indian consumers unaware of their consumer rights, let alone them being informed about the Consumer Protection Act (Planning Commission 2008:247). This *lack of awareness* prevents Indian consumers from demanding quality goods and services. With trade barriers falling worldwide, customer demand is a catalyst for positive change coming from *within* the country. “Nothing can have a more powerful impact on the producers than the demand for quality products by quality-conscious domestic consumers” (Planning Commission 2008:248). This is also true for sustainable consumption which is essential for achieving a more sustainable economic growth (p. 247). Interestingly, the notion of ‘sustainable consumption’ had already been promoted by Mahatma Gandhi when he pointed out that “the rich must live more simply so that the poor may simply live” (Planning Commission 2008:247). In this way, consumer education and sensitisation are indispensable building blocks for

“inclusive” growth. A first step would be to sensitise consumers on a large scale to basic aspects such as the maximum retail price (MRP) specified on each product, hallmarking of gold jewellery, expiry dates and Indian Standard Institute (ISI) quality mark on products⁴⁶. The Bureau of Indian Standards (BIS), acting as the National Standards Body of India, is responsible for ISI and also formulates product-specific quality standards for a wide range of goods or services and relevant certification schemes (BIS 2010).



Figure 7: ISI quality mark including licence number from Bureau of Indian Standards (BIS). The growing demand for ISI products entails its misuse by manufacturers marking products with fake logos (BIS 2010).

4.4.2 Good Practice Criteria

Protection of consumers has three important pillars: 1.) Minimum quality specifications and safety standards for both goods and services; 2.) effective mechanisms to redress customers’ grievances and 3.) actual competition among producers to avoid collusive pricing and other market failures (to be regulated at state policy level) (Planning Commission 2008). As an “external” but crucial point, consumer awareness should be added. In these realms, companies have many possibilities to contribute to consumer protection: From adhering to quality standards and safety norms to appropriate pricing and customer grievance mechanisms; thereby being efficient, accountable and transparent (Planning Commission 2008). In absence of effective governance, voluntary company action has a huge potential of upholding customer’s rights (I1).

As a good practice example⁴⁷, Maruti Suzuki’s customer care programme can be drawn upon. Customers can call a toll-free (even for mobile phones), 24/7 service hotline to submit inquiries. Women car owners benefit from a special car pick-up and delivery facility. To serve semi-urban and rural customers better, a doorstep service facility for these regions is in place. “Mega-camps” are organised throughout the year in different areas where customers receive complimentary services like product information and general car check-up. Maruti Suzuki’s policy has been rated first several times in independent body’s J.D. Power Asia Pacific’s survey on customer satisfaction

⁴⁶ A common problem with product quality labels such as ISI is counterfeit and corrupt practices in issuing (BIS 2010a, I1).

⁴⁷ This example was pointed out by Savita Hanspal, Associate Professor in Commerce at Kamala Nehru College, New Delhi

(Maruti Suzuki 2010). With regards to consumer education, “GoldPlus” can be mentioned, an initiative by jewellery retailer Titan (a Tata division): As part of a programme to attract customers in rural areas, a number of stores in villages all over India have been opened. For their new customers, Titan organises trips to their showrooms and factories to educate consumers on gold purity and branded jewellery (Bhupta and Vaish 2009).

4.4.3 Guidance

The *UN Guidelines for Consumer Protection*⁴⁸ identify the need to protect consumers from hazards to their health and safety, safeguard their economic interests, enable consumers to make informed choices, provide consumer education, make available consumer redress, guarantee freedom to form consumer groups and promote sustainable consumption patterns. Areas like food, water and pharmaceuticals require special attention (ISO 2009:50f.). Although targeted at governments, the guidelines provide companies with an overview of the main consumer protection principles. Furthermore, *ISO/DIS 26000* comprises all relevant consumer issues and gives instructions for action to organisations⁴⁹. Acknowledging the Indian context, the Consumer Protection Act (last amended in 2002) applies to all goods and services unless specifically exempted, and covers the private, public and cooperative sectors. It provides for the following rights which directly fall into the sphere of activity of companies (Ministry of Consumer Affairs 2010, Gautam 2009):

The right to be protected against marketing of goods and services which are hazardous to life and safety

→ Marketing of hazardous goods and services

The right to be informed about the quality, quantity, potency, purity, standard and price of goods and services, as the case may be, to protect the consumer against unfair trade practices (e.g. false or misleading advertisement or description regarding price, special offers, standard, quantity, warranty)

→ Transparency and accuracy regarding product or service information

The right to be assured of access to a variety of goods and services at competitive prices

→ Reasonable pricing, price fixing

The right to be heard and assured that consumer interest will receive due consideration at appropriate fora

→ Mechanism to appropriately deal with consumer complaints

The right to redress against unfair or restrictive trade practices (e.g. delay by a trader in supply of

⁴⁸UN Department of Economic and Social Affairs: *United Nations Guidelines for Consumer Protection*. Available at http://www.un.org/esa/sustdev/publications/consumption_en.pdf

⁴⁹ International Organization for Standardization: *Draft International Standard ISO/DIS 26000. Guidance on social responsibility*. Available at http://isotc.iso.org/livelink/livelink/fetch/-8929321/8929339/8929348/3935837/3974907/ISO_DIS_26000_Guidance_on_Social_Responsibility.pdf?nodeid=8385026&vernum=-2

goods, tie-in sales) or unscrupulous exploitation of consumers

→ Compensation in events of damage or loss

The right to consumer education

→ Consumer awareness raising

The National Consumer Hotline initiative adds to these rights the right to *basic necessities* (NCH 2009:1). Full enforcement of the Consumer Protection Act, including effective redressal mechanisms, could clear the way for making consumer protection a reality. However, the complex, largely unorganised trade structure and various other factors such as shortcomings in judicial infrastructure and fragmentation of voluntary consumer organisations prevent this from happening (II). As mentioned above, big companies often prefer to legally fight consumer claims instead of taking complaints seriously in their own interest. By institutionalising a straightforward grievance mechanism, queries could be solved in a timely and inexpensive manner. Delhi University and the Ministry of Consumer Affairs have set up a National Consumer Helpline and urge companies to get involved in their Convergence Programme, aimed at directly forwarding consumer's complaints to the respective enterprises. A big drawback of the initiative is the lack of commitment on behalf of companies (Menon 2008).

Responsible behaviour of companies can therefore make a positive change contributing to the assertion of customer's rights.

I think that that push or impetus should come from Guidelines. Because we have... if there is that impetus there it provides some kind of action on that front. Until now at least on the consumer issues, awareness and safety issues – nothing. And finally [...] businesses are in business because of the consumer (I4).

4.4.3.1 Specific Guidance

The *pharmaceuticals industry* has been exposed to allegations concerning ruthless business practices in the marketing of drugs including the provision of financial incentives to doctors for prescribing certain medicine, promoting misleading or false claims about a drug or using disease awareness campaigns for drug promotion instead of health promotion (CI 2008, OPPI 2010). A range of guidance documents are available on responsible marketing practices (taking into account the Indian context)⁵⁰ and environmental, health and safety issues⁵¹. The *food industry* is addressed

⁵⁰ IFPMA (Int. Federation of Pharmaceutical Manufacturers & Associations): *Code of Pharmaceutical Marketing Practices*. Available at <http://www.ifpma.org/EthicalPromotion>; OPPI (Organisation of Pharmaceutical Producers of India): *Code of Pharmaceutical Marketing Practices*. Available at <http://www.indiaoppi.com/OPPI%20Marketing%20Code%202010%20-%20Complete%20-%20Final-Final.pdf>

⁵¹ IFC (Int. Finance Corporation): *Environmental, Health and Safety Guidelines for Pharmaceuticals and Biotechnology Manufacturing*. Available at [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_Pharmaceuticals/\\$FILE/Final+-+Pharmaceuticals+and+Biotechnology+Mnfg.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_Pharmaceuticals/$FILE/Final+-+Pharmaceuticals+and+Biotechnology+Mnfg.pdf)

in the Food Safety and Standards Act 2005. This act acknowledges hazards which make food injurious to health. Improper agricultural practices, poor hygiene at all stages of the food chain, lack of preventive controls in food processing operations, misuse of chemicals, contaminated inputs, or inappropriate storage and handling cause threats to public health (ILSI 2007). The Food Safety and Standards Authority of India (FSSAI) set up under the Act has, among others, the duties of setting science based standards and limits for contaminants, prescribing labelling requirements and developing guidelines for accreditation of laboratories (FSSAI 2010). FSSAI has issued *Guidelines for Food Safety* targeted at medium and small food establishments, giving advice on preparation and processing of food, transportation, storage, waste disposal and special requirements for high risk foods and other problem areas bearing in mind the Indian background⁵². The IFC offers *Environmental, Health, and Safety Guidelines for food and beverage processing*, noting that a robust food safety policy can protect a company from product adulteration, contamination, and the impacts of food recalls (IFC 2007). The guidelines recommend the use of internationally recognised food safety standards in line with the Hazard Analysis Critical Control Points (HACCP) and Codex Alimentarius. The former is a system for producing food in a safe, hygienic way, whereas the latter includes standards for specific products and processes such as canned or quick frozen food (Magistrat der Stadt Wien 2010, IFC 2007).

In order to account for the consumers' right to product information, a commodity's *label* must give details on quantity, price, manufacturer, packer or distributor, weight, measurement or number of the contents and names of the commodity (Dubey 2009). This is according to the Standards of Weights and Measures Act, 1976⁵³.

4.4.4 Excursus: Turning "the poor" into consumers – to everyone's benefit?

Some civil rights advocates are taking the scope of consumer rights beyond the "basic" definition of consumer rights as such (like outlined in the Consumer Protection Act). Instead, from the point of view of *neediness*, they point at areas in which the poor – potential consumers – are denied access to products and services which could improve their lives. A pamphlet by Consumers International, for instance, lobbies for formal banking services for the "under-served" in the informal sector and tries to disprove common misperceptions deterring companies from offering services to "bottom of the pyramid" (BOP) consumers (CI 2010). C.K. Prahalad, the most prominent proponent of BOP

⁵² Food Safety and Standards Authority of India: *Guidelines for Food Safety (Medium to Small Food Establishments)*.

Available at <http://www.fssai.gov.in/Website/LinkClick.aspx?fileticket=a2Td9JoXXIs%3D&tabid=95>

⁵³ Ministry of Consumer Affairs, Food and Public Distribution: *Standards of Weights and Measures Act, 1976*. Available at <http://fcamin.nic.in/Events/EventDetails.asp?EventId=1690&Section=Weight%20and%20Measures&ParentID=0&Parent=1&check=0>

investment, identifies a win-win situation with companies profitably serving “the poor” while augmenting their standard of living (Prahalad and Hammond 2002). The way in which multinationals thereby contribute to development is, however, to be regarded with scepticism (Harcourt 2004). For instance, Prahalad and Hammond (2002:52) suggest outsourcing jobs to BOP markets as a strategy for companies to keep costs down and “[...] enhance growth, since job creation ultimately increases local consumers’ purchasing power”. Problematic factors like whether these jobs are of decent quality and thus sustainably improve people’s lives remain untouched. Business activities which – whether intended or not – ultimately take up governance functions by offering basic services are particularly critical. As discussed above, Matten and Crane (2005) raise questions on the accountability of firms in case of misbehaviour; adverse consequences caused by dependencies the governance gap approach to CSR creates (e.g. sudden disinvestment from a region) are also a point of concern (Visser 2008). The provision of essential commodities and services (like food, water, healthcare) by companies is thus to be analysed with scrutiny. Returning to a broader rights perspective which includes, for instance, access to formal banking or information technology as part of basic rights, it seems that solutions developed by companies can have an empowering effect on the new consumers. One example of an innovative service with a considerable social impact is “Reuters Market Light” (RML) developed by Thomson Reuters. The idea was to provide useful information services to Indian farmers via text messages on mobile phones. Against the background of a rapidly increasing mobile penetration not just in urban but also rural areas and the significant information asymmetry present in Indian agricultural markets (ICRIER 2009), the aim was to give farmers timely and affordable access to decision-critical information, taking into account the information needs at different stages of the agricultural cycle. Information categories comprise know-how (crop choice; seed variety), context (weather; plant protection; cultivation best practice) and market information (market prices; market demand; logistics), whereas the data is sent in the local language and customised according to the context a peasant operates in (ICRIER 2009:25). By end-2009, the service covered 12 Indian states, reaching 15.000 villages. The effect of closing the information gap is multiplied as farmers frequently pass on the data to fellow producers who do not have a subscription (I6). Main benefits for farmers are improved yields by adopting new seed varieties and cultivation practices or adjustment of irrigation levels depending on the weather forecast. Farmers are not dependent on middlemen dictating prices any longer as they receive the daily rates on their mobile phone which also saves them time (ICRIER 2009). The social impact of RML has won broad recognition by the media, international organisations and academic institutions. UNDP attributes towards the initiative the potential of contributing to the Millennium Development Goals (Thomson Reuters 2009).

4.4.5 The Principles

By following these principles, companies operating in India can significantly contribute to the fulfilment of consumer rights.

- ❖ Adhere to the provisions of the Consumer Protection Act as well as sector/product-specific regulations (e.g. Standards of Weights and Measures Act, 1976 and Food Safety and Standards Act, 2005) including BIS (Bureau of Indian Standards) quality standards
- ❖ Protect consumers from harmful effects of goods and services hazardous to life and safety
- ❖ Be transparent and accurate with regards to product or service information, not least in product labelling. Give details in the languages of the point of sale on quality, quantity, potency, purity, standard and price of goods and services and refrain from unfair trade practices including false or misleading advertisement or description regarding price, special offers, standard, quantity, warranty. This particularly concerns essential commodities such as food, water and pharmaceuticals.
- ❖ Ensure that the distribution of essential goods and services is not compromised, particularly in rural areas
- ❖ Avoid restrictive trade practices (such as price manipulation, delay in supply of goods, tie-in sales) imposing on the consumer unjustified costs or restrictions
- ❖ Appropriately deal with consumer complaints through a grievance mechanism and provide for adequate compensation in events of damage or loss
- ❖ Actively contribute to consumer education about the product/product category or service and its environmental impact. Work in collaboration with government and civil society organisations on programmes to foster sustainable consumption

4.5 Social responsibility issues in the context of SMEs

4.5.1 Challenges

The Indian small scale industrial units (SSI), commonly referred to as “small and medium enterprises”⁵⁴, together account for seven percent of the Indian GDP, 40 percent of exports and 70 percent of employment (around 30-40 million) (Ministry of Science and Technology 2010, SME Chamber of India 2009). The contribution of the SME sector to economic growth and poverty reduction is thus significant (MSME Foundation undated). Talks about *Corporate Social Responsibility*, however, generally imply the social responsibility exercised by big companies like Tata or Infosys and these firms are presumed to be the pioneers of CSR in India (I4). SMEs in turn seem to “silently” practice social responsibility in different forms which is seldom explicitly mentioned (UNIDO 2002). If India’s economic growth story is to take a more inclusive path, there is no way around the small-scale industry.

As the elaboration of regional and sectoral particularities Indian SMEs work in is beyond the scope of this thesis, this section provides a general overview of the social responsibility issues which occur in the Indian SME context, along with a review of barriers smaller companies face in implementing social responsibility measures.

SMEs encounter a wide range of social responsibility issues ranging from workplace and community issues to pollution caused by company conduct. Those enterprises operating in the regularised supply chain are generally more active in addressing social topics due to the pressure they encounter from big (domestic as well as international) retailers/buyers (I3, UNIDO 2002, von Weltzien Hoivik and Melé 2009).

The following issues have been discussed in the course of an interview with Amit Kumar who is Senior Expert in GTZ India’s SME Finance and Development Programme. Regarding workplace topics, *health and safety* provisions are often deficient with sectoral differences. Naturally, some industrial branches are more accident prone than others. The payment of *minimum wages* is also a problem as workers’ contracts are frequently false (e.g. they display a different occupation) and/or the agreements are not adhered to at all. On *working hours*, the situation is not clear-cut as in sectors of seasonal nature there seem to be cases where excessive working hours are in the interest

⁵⁴ The definitions of micro, small and medium enterprises depend on their investment in machinery or equipment and differ according to companies producing goods and those providing services. Detailed definitions can be found at http://msme.gov.in/MSME_Development_Gazette.htm.

of the employee⁵⁵:

[...] it's basically an interest from both sides. Worker also wants to work for extra hours to gain money. Because most of them are migrant workers. And they are not based here, they come for some period of time when there is not crop season in back their home. So basically they want to utilise this limited period of time, want all the work they can do. They don't have any family to go back so it's a kind of mutual convenience relationship between the management and the workers because management also when the order time is there, in peak season and they have to supply the goods, they find it convenient (I3).

Child labour is still an issue particularly in the unorganised sector. With respect to *discrimination*, gender discrimination is predominant in certain manual labour sectors where male workers are preferably employed due to their perceived higher flexibility in working hours and greater productivity. Caste or religion based discrimination is, according to Amit Kumar, not a visible phenomenon among SMEs from the entrepreneur's point of view. There is also negligence concerning *social insurance* deductions. Under the Employees State Insurance (ESI) scheme, aimed at providing social security benefits for workers, both employers and employees contribute a certain percentage of wages (4,75 and 1,75 percent respectively) (ESIC 2010). The Employees Provident Fund (EPF) regulation, set up to encourage saving among workers, also imposes considerable financial obligations on mainly the employee (around 10 percent) (EPFO 2010). *Consumer protection* is basically not addressed at all. The overwhelming part of SMEs operate in the unorganised retail market where consumers do not or are not able to put pressure on companies. The complex nature of a completely unregulated market makes it virtually impossible for consumers to trace products (see chapter on Consumer Protection). Another issue worth mentioning is the negative effects that company, or factory conduct can have on resident communities through polluted air, contaminated water or careless waste disposal. This is one area where *negligence in the environmental sphere* has concrete impacts on livelihoods.

These issues have to be included in any guidance for SMEs, but this will not suffice to convince smaller companies to transform their business practices. In a business setting without formalised processes, a lot more groundwork has to be done on creating an enabling environment for social responsibility. This becomes clear when looking at the factors which impede the implementation of social responsibility in SMEs. Interestingly, it has been suggested that SMEs, due to stronger links to the local civil and the cultural environment, are more aware of local risks and emerging issues than big corporate. One could also conclude that most family-owned companies exhibit strong religious and/or philanthropic affiliations (UNIDO 2002:35) and thus the owners "naturally" know what is the right thing to do, e.g. to invest in social capital.

⁵⁵ Certainly, the concept of Decent Work stipulates a living wage which allows workers and their families to live off what they earn without doing excessive working hours (ILO 2007). The seasonal nature of many agricultural and export sectors, however, seems to limit work opportunities to a few months per year in which employees have to earn most of a year's living.

Our study, however, reveals the reverse. No evidence was found of prevailing or future plans for assistance with continued education, re-skilling or up-skilling for management and employees. Subsidized accommodation, meals and child care were amongst the commonly cited issues on social capital building (Perera 2009:18).

The “silently” happening social responsibility of small companies can after all not be taken for granted. Neha Kumar points out that “[SMEs] never really made a direct linkage between their activities and their impact. Because they have been... doing their business” (I4). The notion that an SME’s way of doing business is “naturally” socially responsible is further disproved by an account of the garment industry:

[Due to lack of consumer awareness] the requirement for social compliance is at the whims and fancies of the [factory] owner. You know, you said philanthropy. So they may give but it is more based on [the] religious ... feeling of that person [...] Donating for religious cause rather than taking care of their employee who is working [for them] (I8).

The manner in which small companies usually operate is one of the key barriers for improved social responsibility.

4.5.2 Barriers

From the entrepreneur’s point of view, a number of factors impede the realisation of social responsibility. First and foremost, SMEs, unlike big corporations, mostly lack the capacity to invest in social responsibility measures. They are often unable to access technology, credit, information and training (Perera 2009, UNIDO 2002). Having to allocate funds for monitoring and certification can bar developing country SMEs from some markets (UNIDO 2002). Due to the specific setting in which the owner-managers are responsible for a variety of tasks and solve problems on a day-to-day basis, there is simply no time to develop expertise in strategic questions including CSR. Apart from scarce time resources, it is also difficult to allocate financial resources to training, certification or monitoring in view of already minimal profit margins. SMEs would also have to invest in marketing of their social responsibility efforts in order to reap reputational benefits. Besides, the latter does in most cases not count as a strong argument for CSR measures considering that hardly any SME is in direct relationship with their (Northern) consumers (Perera 2009, UNIDO 2002). It is thus as hard as it is important to develop a SME business case for social responsibility. Unless there is pressure from MNCs demanding social compliance, which comes with its own set of dependency problems, elaborate strategies are needed to scale up social responsibility among Indian SMEs (Bremann 2010:44). One approach for conveying sustainability benefits is to begin with tangible, cost-cutting measures such as energy saving⁵⁶. This, however, stands in contrast to the argument for an “inclusive” business case which combines environmental and social improvements in order to gain benefits of increased productivity, improved image and cost savings (Perera 2009:16). UNIDO

⁵⁶ GTZ’s SME Financing and Development Programme in India, for instance, is following this logic.

similarly argues that a strong SME business case links social and environmental responsibility with financial success and must be developed in accordance with the product, industry and/or service in question (UNIDO 2002:viii).

Furthermore, in the Indian setting another factor is highly significant:

First thing is that's there is a lack of awareness itself. Why should a company, should they be doing this? Why is it in their interest also to do [it]? And then definitely even if you keep on meeting certain people then everyone has got their own understanding of what this [social responsibility] means (I3).

The entrepreneurs, many of whom own family businesses and operate in the unorganised sector, lack awareness and knowledge on social issues. It is not clear to them why a company should respond to social challenges and in what way the company can also benefit from the results. In addition, there is no common understanding about what “social responsibility” means and which social issues should be prioritised (I3, Perera 2009). The International Institute for Sustainable Development has found that SMEs tend to select one or a few discrete activities, like energy saving or community projects, and conduct them without a formal monitoring process in place. IISD even discovered cases where the uncertainty was so high that entrepreneurs were afraid of performing poorly and for that reason decided against any measures (Perera 2009). The confusion among SMEs on how – and why – to tackle social responsibility calls for very specific guidance accounting for the context smaller companies operate in.

Apart from the cost and awareness factors, structural drawbacks can make it difficult for entrepreneurs to act socially responsible. Social insurance schemes like the Provident Fund are not functioning effectively (e.g. disbursement of funds often proves to be problematic) thus discouraging employers and employees to comply with regulations. A hotly debated issue centres around the question of whether to have a so-called “hiring and firing” policy. Currently, once a worker is on a payroll, the employer – compensating for a missing social security system – is obliged to grant extra benefits to the employee before dismissing him or her. Consequently, it happens that companies especially in seasonal sectors are reluctant to employ workers on a (permanent) payroll basis (I3).

There are also voices claiming that despite the barriers they face, SMEs are better positioned to implement social responsibility measures than large companies. “It’s much harder to manage a large company and come up with one strategy than it is for smaller businesses” (I7).

Let’s be very honest, diversity policies are repeatable [regardless of] the size and revenue of the company. I think it’s largely to do with the business focus and employee focus that the company has taken. [...] There is a misconception that diversity activities [for instance] can take place only if you have a budget. It is more about [...] creating more sensitivity and awareness among each employee. [...] In my view, smaller companies are much more well positioned in terms of number of people in the company, to address the issues. [...] It’s the

scalability. Scaling up of diversity programmes is a major task. You do a diversity training for 100 people much faster than 100.000 people. (110)

To sum these arguments up, a number of barriers impede socially responsible business practices among SMEs. These hindrances measures make it clear that SMEs in the Indian context require capacity building support to implement responsible business practices (this question is dealt with in more detail in the chapter on Implementation). The development of guidance documents in a general context (like the Global Compact's "Operational Guide for Medium-Scale Enterprises") is a step in the right direction but will not solve entrepreneurial difficulties in specific settings. Therefore, "guidance" must be understood in a much broader sense in the case of SMEs. At the same time, small companies have – at least in principle – the advantage of being able to implement social responsibility measures in a more straightforward way than large businesses.

V. IMPLEMENTATION OF INDIAN GUIDELINES ON SOCIAL RESPONSIBILITY

This chapter refers to “implementation” in the sense of implementing socially responsible business practices at the company level (in the sense of “operationalising“ social responsibility). Where “implementation” is understood in general terms, as in “realising social responsibility in Indian companies”, this is expressed as “overall implementation” or “dissemination”.

A standard is defined as a “[d]ocument that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory” (ISEAL 2010:5). In this thesis, the term “guidelines” was preferred to “standard” as the latter is generally associated with certifiable Western standards. The way Guidelines are designed in terms of content, structure and level of obligation (to which degree they are binding) determines their *comprehensiveness*, their *effectiveness and credibility* and their *usefulness*. The following section looks at ways to meet these requirements. In doing so, the role of the Indian context is once more taken into account.

5.1 Comprehensiveness and ways to structure the Content

As discussed above, to be deemed relevant, Guidelines on Social Responsibility ideally incorporate all social topics businesses face. In the case of India, the analysis of topics has revealed an urgent need to *include and protect vulnerable groups*, be it internal (e.g. workers) or external (e.g. community members) actors. They represent the weakest parties among a company’s stakeholders. Freeman (1984/2005:118), in the stakeholder theory he established, gives several reasons for the importance of “balancing the multiple claims of conflicting stakeholders” in order not to jeopardise the survival of the business. Accordingly, interests of community members who grant the firm the right to build facilities and utilise local services ought to receive the same attention as economically powerful actors like investors. Employees, who usually have their livelihood at stake, in return for their loyalty expect security, wages, benefits and meaningful work. Failure to fulfil these expectations results in distrust and unproductive work (Freeman 1984/2005:116f.) (The latter was confirmed by two of the interviewees, Navneet Panwar and Srimathi Shivashankar). The Clarkson centre for Business Ethics (1999:4) as part of their “Principles of Stakeholder Management” points out that

Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.

Safeguarding the interests of vulnerable groups also plays an implicit role in both the Corporate Social Performance and the Corporate Citizenship model. In CSP, companies have an ethical duty to

respond to societal expectations in a manner which society considers responsible in order not to lose their legitimacy. Corporate social responsiveness includes analysing stakeholder relationships and dealing with external issues such as community involvement (Melé 2008, Wood 1991). Corporate citizenship, moving beyond its traditional focus on philanthropy, stipulates that being a responsible corporate citizen involves adhering to universal human rights (Logsdon and Wood 2005, Melé 2008).

In connection with giving attention to vulnerable groups, challenges to social development which can be influenced by company conduct deserve attention. Viraf Mehta is in favour of having such global frameworks applied in India, however, he mentions a crucial cross-cutting issue especially relevant in India that must not be ignored:

If there was to be a 12th principle [to the Global Compact⁵⁷], [...] I would have brought in the word “poverty” somewhere. Not community. But “poverty” somewhere. Whether it’s linked to human rights or whether...How can one in India, a country like ours, talk about socially responsible business and not talk about poor people? It’s impossible. [M]any countries don’t have this sort of poverty in numbers that we have. But it’s a global problem. In that, yes I’m prepared to say yes there’s a 12th principle, but am I prepared to say that India has to have 12 separate principles? Absolutely not.

The last point he mentions touches upon the question of whether to take existing global frameworks as a basis for “Indian” Guidelines. This is discussed further below. Viraf Mehta believes that “[i]t’s generally business in general that violate and say, specifically you have issues, the finance sector has issues, the mining sector has issues, but those issues may be very little or very small compared to the whole area of issues which all of them have in common”. Amit Kumar also finds that, among SMEs of different sectors, “the problems [in the social area] are almost common. There could be some variations, some sector-specific... but almost it’s the same.” These statements suggest that there could be a generic set of principles with social issues concerning all businesses in India for which universally applicable frameworks can provide helpful input.

To briefly sum these arguments up, there exists first of all the question *which* contents Guidelines would have to feature in order to be comprehensive. These were analysed in Chapter IV. As a next step it is important to ask how these contents can be sensibly structured within the Guidelines document. How, for instance, can guidance for companies be added to the social responsibility principles in order to make the Guidelines more easily applicable? The ISEAL Alliance, an international non-profit organisation that codifies best practice for the design and implementation of social and environmental standard systems, in their Code of Good Practice for setting standards recommends a logical approach which is widely accepted. It links (social and/or environmental)

⁵⁷ The UN Global Compact encompasses ten principles in the areas of human rights, labour, the environment and anti-corruption (UN Global Compact 2010).

objectives to required practices through principles, criteria, indicators and verifiers. Principles represent fundamental statements about a desired outcome and specify the objectives. Criteria describe the conditions that need to be met in order to achieve a principle; they add meaning to a principle without being direct measures of performance and facilitate the implementation. At the next hierarchy level, indicators provide for measurability of the principle and assess whether criteria are being met. Finally, the means of verification describe the type of information used to demonstrate that the required indicator state is being realised. Verifiable criteria can be checked for compliance through an audit process and apply to certifiable products or processes (ISEAL 2010:14). At the “most elaborate” level – in the case of standards approved by ISEAL – the structure is adopted in the way described. An example of Rainforest Alliance’s Sustainable Agriculture Standard illustrates what this looks like in practice:

7. COMMUNITY RELATIONS

Summary of the Principle (not binding for audit purposes): Certified farms are good neighbors. They relate in positive ways with neighbors, surrounding communities and local interest groups. The farms periodically inform the surrounding communities, neighbors and interest groups about their activities and plans, and they consult with interested parties about changes on farms that could have potential impacts on the social and environmental well-being of surrounding communities. Certified farms contribute to local economic development through training and employment and try to prevent negative impacts on the areas, activities or services that are important for local populations.

7.1 The farm must respect areas and activities that are important to the community socially, culturally, biologically, environmentally and religiously. These must not be affected by farm activities.

7.2 The farm must implement and carry out policies and procedures for identifying, consulting and considering the interests of local populations and community interest groups regarding farm activities or changes that could have a negative impact on their quality of life or on local natural resources.

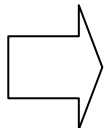


Figure 8: Principle 7: Community Relations (from Sustainable Agriculture Standard) (SAN 2009a)

To complement the Sustainable Agriculture Standard, additional specific criteria for oil palm, sugarcane, soy, peanuts and sunflower farms were developed. They provide corresponding guidance (from Interpretation Guidelines):

Objective: Value and take into consideration communities' points of view for considerable farm activities with possible impact on community resources					
	<table border="1"> <thead> <tr> <th>Indicators for small farms</th> <th>Indicators for big plantations</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Small farmers form an integral part of communities and mitigate potential risks for the communities' natural resources. </td> <td> <ul style="list-style-type: none"> Before the farm management plans to implement activities with possible impact on the natural resources of communities - in the range of the farm's influence – it actively seeks for the opinion and comments from community representatives, in order to develop these activities with lesser impact. The farm management files all complaints it receives from community representatives, as well as their responses and makes them available to the public. The farm management makes its responses known to the persons or groups that complained about the farm's activities. The farm management reaches out to the public to communicate the farm's responses and their effects. </td> </tr> </tbody> </table>	Indicators for small farms	Indicators for big plantations	<ul style="list-style-type: none"> Small farmers form an integral part of communities and mitigate potential risks for the communities' natural resources. 	<ul style="list-style-type: none"> Before the farm management plans to implement activities with possible impact on the natural resources of communities - in the range of the farm's influence – it actively seeks for the opinion and comments from community representatives, in order to develop these activities with lesser impact. The farm management files all complaints it receives from community representatives, as well as their responses and makes them available to the public. The farm management makes its responses known to the persons or groups that complained about the farm's activities. The farm management reaches out to the public to communicate the farm's responses and their effects.
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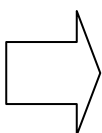


Figure 9: Interpretation Guidelines - additional specific criteria for Principle 7 of Sustainable Agriculture Standard (SAN 2009)

This example shows how a generic objective - “consideration of impact of farm activities on

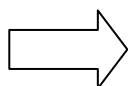
community” - can be implemented in a specific context. The ISEAL suggestion on how to structure a standard can be useful for the discussion on “Indian Guidelines” regardless of whether they – on a specific level – lead into certifiable standards. Basically, Guidelines need clear objectives, to which principles are connected, specified by guidance in the form of criteria and/or indicators. The “Frame of Reference for Responsible Business in South Asia” gives an idea of what this could look like:

[...]

1.	Basic Principles of ‘Responsible Business Practises’ (RBP)	1
1.1	Compliance	
1.2	Accountability to all stakeholders across its sphere of influence (particularly, supply chain)	
1.2 A	Core Operations	
1.2 B	Business Partners / Suppliers (Vendor Partners)	
1.2 C	Value Chain (Business Customers)	
1.2 C	Consumers	
1.2 D	Communities (surrounding operations)	
1.2 E	Government / Public Advocacy	
1.3	Business for Achievement of Millennium Development Goals (MDGs)	
2.	Corporate Governance	11

Figure 10: Frame of Reference for Responsible Business in South Asia: Table of Contents (excerpt) (SAFORB 2008)

[...]



1.2A Core Operations

We believe that “A company must ensure the human rights of its employees and must minimise its negative impact on the environment on which the survival of humankind depends. Further, it must protect the rights of the marginalised and disadvantaged among its business partners, supply/value chain and shareholders”

i. Rights of Workers

SAFORB expects businesses to adopt the ILO Declaration on Fundamental Principles and Rights at Work (1998) as a commitment to uphold basic human values - values that are vital to our social and economic lives. We identify the following areas as critical to ensure rights of workers:-

a. Health & Safety

Businesses must recognise the particular health and safety risks that their employees may be exposed to in the workplace which can be detrimental to their immediate and long-term health and safety. They must develop practises and standards to minimise, if not eliminate, such hazards and risks.

b. Work / Life balance

- Working hours and overtime must be practised as per the ILO Hours of Work (Industry) Convention (No. 1) of 1919, if national legislations are weak. ILO has introduced a maximum standard working time of 48 hours per week and eight hours per day as an international norm.
- In exceptional cases, if working time exceeds the limits as specified above, daily working time must not be higher than ten hours, and weekly working time must not be higher than 56 hours as per ILO Conventions No. 1 and No. 30. In such cases, the rate of pay for overtime must be not less than one-and-one-quarter times the regular rate.



[...]

Figure 11: Frame of reference for Responsible Business in South Asia – section on Core Operations (SAFORB 2008)

On a generic level, the themes can be comprised in a “list” of topics or can be described according to stakeholder interests. “Generic” does not mean that the principles cannot refer to a specific context (country-specific in the present case). In this way the selection of themes reflects the Guideline’s focus on a certain context. Listing all relevant social themes businesses face in India, however, does not fully suffice to meet the claim of “comprehensiveness”. The subject matters must be accompanied by pertinent guidance helping companies to actually implement necessary measures at the shop floor or farm level, as in the Rainforest Alliance example.

ISEAL recommends that on a generic level a standard should be based on international frameworks, except where the latter are ineffective or inappropriate (in cases of fundamental geographic or cultural factors or local economic conditions, for instance). The corresponding national or regional standards shall be as consistent as possible with international standards⁵⁸ and at least as stringent. With regards to applicability at the local level, ISEAL points out that “[i]t is important for the standard-setting organisation to take into account local and regional differences in technological capacity, economic, social and ecological realities, and, where relevant, traditional knowledge” (ISEAL 2010:15). This implicates that generic standards or guidelines do not conflict with specific principles. Quite the contrary: It is even recommended that international frameworks are complemented by local interpretations. This recommendation is in line with Logsdon and Wood’s (2005) “Global Business Citizenship” (GBC) model mentioned earlier on. For them, a global business citizen is “a multinational enterprise that responsibly implements its duties to individuals and to societies within and across national and cultural borders” (Logsdon and Wood 2005:56). A set of policies and practices enables businesses to a) adhere to a limited number of universal ethical standards; b) respect local variations compatible with those universal standards; c) test different ways of reconciling conflicting local practices with universal standards; and d) implement systematic learning processes beneficial for the organisation and the global community. The authors acknowledge that such a globally integrated approach might be seen as ethically imperialistic and overbearing in the context of developing countries. Yet, although this top-down model is applied uniformly across all branches of a company, “[some] situations necessitate responsiveness and adaptability to local norms and contingencies” (Logsdon and Wood 2005a:57). The World Bank, in a 2003 study on the implementation of CSR in global supply chains, holds that “[establishing] implementation guidelines in distinct locations, for example, in specific country contexts, appear to hold considerable promise” (World Bank 2003:41). In the report it is argued that such an approach has a number of advantages. Local stakeholders are engaged working within a common framework,

⁵⁸ This is not least to avoid a standard being considered a trade barrier with regards to the WTO Technical Barriers to Trade agreement.

and time and effort is reduced to reach agreement regarding base standards. Furthermore, a level playing field for suppliers is created as well as a favourable climate for investment due to greater assurance that social (and environmental) concerns important to consumers in the North are being taken seriously.

In order to find out how the content of Social Responsibility Guidelines is best organised in the Indian setting, the interviewees were questioned on what such a structure could look like. The responses turned out quite similar. Generally, it was proposed that Guidelines should consist of generic principles, applicable to all businesses operating in India, and specific guidance for specific sectors, different-sized companies or distinct locations.

[W]hy do we need Indian guidelines, you've got the ten principles of the Global Compact, 200 countries have signed them all, they're examples, [or]... start with... the Millennium Goals [...] They apply to all countries, which MDGs do we work on, the ones that are most relevant to us? Obviously, so in the same way, why don't we start with some generic principles [...]. And then you operationalise it to the extent that you want.

At [one] level, I think they [the Guidelines] should be generic enough, so whether the public sector comes and looks at it, a domestic one, large or small, this is not intended to be sector specific ... it is meant ... this is a basic framework for any entity involved in business. [T]hese are generic guidelines and we will see how much into detail [one can go]. [T]here will have to be separate attention for the special responsibility that a state-owned enterprise has, depending on some sectoral clarifications, for types of businesses in different sectors, and based on size – family-run businesses, very small companies [...].

The difference is in the practice, or the level of detail we expect you to go to or the quantum of resources if you like [...]. I mean, the Global Compact, ten principles at that level, what is said there that is not applicable to an SME? You follow [that] human rights are not violated, you respect the environment, you respect labour in the following ways, bribery and corruption, I mean at that generic level, there is no argument. I mean, once you operationalise them and say, SMEs must also have complicated boards, meet 20 times, this level of regulation, independent directors... they can't afford that fiscal burden. So, in operationalising, that you might suggest are the structures or mechanisms, but the principles remain the same. (I7)

Viraf Mehta goes on to emphasise that, although he believes India must adopt global frameworks on business responsibility, like human rights, Global Compact and MDGs, “the sub-documentation, how to operationalise, that must be rooted completely in our ethos. That is why we [would] draft this as Indians, funded by Indians, without any external interference.”

In the context of SMEs, Amit Kumar points out the following:

See, at the moment if you talk about the SMEs and Social Responsibility Guidelines, we are ... at the starting level [...]. So maybe it could be an ideal thing, in my view, [to] find out okay which are the things that are common in nature for all sectors.

Interviewer: Like, to have principles?

Yes. And first start building on that one before we go into the sector-specific. [...] So to have something which is basic in nature, follow the issue of Social Responsibility Guidelines and let's encourage industry, or let's create the kind of awareness and mindset in them that 'okay, this is good to follow'. And then maybe in due course of time you could go into the issues of sectoral kind of things (I3).

One interviewee, a CSR manager of a certification company operating mainly in export sectors, was asked if Western concepts, such as SA8000 (see Chapter IV), are appropriate in the Indian context or whether he encounters cases in which the Indian setting is not adequately addressed through

those. He responded,

It is appropriate. Completely appropriate. Completely appropriate. I still feel that you know these are the things which have to be there. Everybody... you know the respect of human rights is a universal thing. But it is just that you know it is right now at an enforced level you know... From this it has to come down to, you know, a different level of adaptability by the people of... [...] the Indian owners [...] who have to own this social compliance programme.

One way of increasing the ownership of social responsibility is to be culturally sensitive at the implementation level:

You know there are certain things which are very... very cultural. I've had... I've seen [Western] buyers demanding that no worker should sleep on the floor. Now – when you go to South India, now I know I understand in Europe, it's a very cold country, people don't feel like... it's forbidden. You see our eating habits. Indians eat with their hands. But if you see a European person [...], if they see anybody eating with their hands it's considered very inappropriate. [...] You come from a very different kind of a culture but it's not that [our lifestyle] is a violation of human rights. The buyers need to understand that. [...] You have to be very culturally [sensitive].

In another example, in the case of a remote factory with an above-average social compliance record, Western buyers demanded a crèche built within the facility as there were many female labourers. The buyers did not appreciate the fact that the women, originating from nearby villages, all had a vast family network at home taking care of their children. Instead, they took up a Western stance on the issue and in spite of vast provisions by the factory (such as mobile medical services for the workers and their families) dismissed the company as “non-compliant”. Navneet Panwar concludes stating that

the [organisation] making it, you know these Guidelines they have to realize that it is always sectoral. And then the cultural things also should be brought into... to locally adapt it, you know. To culture. That is very, very important. [These are important conditions for a] very good CSR programme across the society.

The development of generic Guidelines which treat social subjects is facilitated by the fact that the framework of reference is, in comparison to environmental issues, relatively uncontested. Global standards – ILO core standards, Declaration of Human Rights – seem to be widely accepted across different interest groups (Nadvi and Wältring 2002:29) and are, in some measure, integrated in Indian law (Gautam 2009). In this sense, international and national policies do not diverge to a large extent.

From the above analysis it becomes clear that it is not a fundamental question of “Indian” versus “global” ideas. Both dimensions are legitimate – what counts is the *level* at which they become relevant. For the development of generic principles, international frameworks provide a good basis. The closer it comes to implementation, however, the more relevant specific guidance is needed. As shown, this is important with regards to content-wise recommendations for businesses. If those do not refer to a specific context, businesses – especially SMEs – are unable to implement socially responsible business practices.

5.2 Credibility and Effectiveness

The way in which Guidelines are designed and implemented also to a large degree determines how effective they are in transforming business behaviour and how credible they are perceived to be by civil society stakeholders. Perhaps even more important for their credibility is *who* is involved in issuing the Guidelines.

If the Guidelines were to be designed in a way so different interest groups accept them as legitimate, they “require a degree of authority that ensure [sic] that they are [...] voluntarily enforced. Thus, [...] there have to be sanctions for non-compliance” (Nadvi and Wältring 2002:6). Standards or Guidelines provide confidence, which in turn creates legitimacy. Users of the document (in this case firms) need to have confidence in the information the document conveys (Nadvi and Wältring 2002:8). Hence one should think about who is to be involved in the definition of Guidelines and how to monitor company compliance with the Principles. (This presupposes that companies are willing and have some kind of motivation to take up the Guidelines and follow the principles. Why they would want to do this is discussed in the section “Fostering the overall implementation of Guidelines on Social Responsibility”).

The roles of different actors involved in setting the Guidelines are discussed below. Here light is shed on the monitoring of Guidelines. Generic Guidelines by themselves, as a sole list of Principles, do not feature measurable elements (such as benchmarks and indicators) which make it possible to check whether a company complies with the requirements or not. This would have to be fulfilled by supplementary sections for each Principle, allowing for measurability. Alternatively, the generic Principles could remain non-binding while monitoring was conducted on the basis of sector-specific provisions.

As mentioned earlier, the credibility of Guidelines is determined mainly by *who* is involved, and this is especially true for monitoring compliance – regardless of the level at which the monitoring takes place. Drawing upon the Standards literature, there are three types of approaches. The first case is self-monitoring: The company puts in place systems to check compliance with certain criteria. This naturally enjoys the least degree of credibility and trust. Second-party monitoring is conducted by trade bodies that monitor on behalf of their members. This results in increased credibility. However, there are obvious conflicts of interest. Where neutral and independent auditors are in charge of monitoring, the highest degree of legitimacy is achieved, acknowledging that the credibility of Guidelines is directly linked to the credibility of the auditors. The latter are usually NGOs or market-based certification services (Nadvi and Wältring 2002:8f.).

In this context it has been argued that putting in place monitoring systems is a considerable financial burden for smaller companies which they are unable to handle (I4, Perera 2009, UNIDO 2002). While it is clear that training and capacity building must be made available to SMEs (I4), Viraf Mehta holds that “[...] the best monitoring systems and the cheapest ones [...] are probably those in certain situations which are measured locally by communities impacted by the business operation” (I7).

Another decisive element is the standard or Guideline’s development process itself. Most importantly, it must allow for any interested party to participate. It is vital that key stakeholders participate in the Guidelines creation, otherwise the document will be deemed illegitimate. Where those directly affected from a potential new standard encounter barriers to participation, e.g. due to financial constraints, systems are necessary to ensure their involvement. “Parties that will be directly affected by the implementation of a standard are the most important stakeholders [...]. Particular attention should be paid to the needs of developing countries and small and medium-sized enterprises” (ISEAL 2010:10). This leads to the next crucial point: The decision-making should reflect a balance of interests with regards to the subject matter and the geographic scope. Furthermore, full transparency in the Guidelines setting process is an indispensable criterion which also creates confidence in the document among different interest groups. Lastly, as already mentioned, local conditions should be taken into account (ISEAL 2010).

In order to be effective on a broad scale, Guidelines need to be disseminated across the Indian business community and reach beyond multinationals and major companies. If they are to transform business practices throughout India, an efficient dissemination strategy, involving a variety of actors, is needed (see below).

5.3 Usefulness

An assessment of the International Institute for Sustainable Development on how relevant SMEs (in South Asia and other parts of the world) perceive Social Responsibility to be reveals that SMEs are not likely to use guidelines documents (such as DIS/ISO26000 – see section 4.3), “as a practical guide or management tool. Over 89 % of the respondents did not plan to use the standard as they considered it to be too long and covering too broad a spectrum to serve as a practical resource” (Perera 2009:16). Neha Kumar in the interview underlines that Guidelines need to be complemented by

[...] sector-specific, SME specific [provisions]... you’d *have* to come out with something. Which is more hands-on, which tells the enterprise which way to go. Definitely. [...] The thing is, when you start operationalising it, that all an enterprise wants, especially SMEs, is just to tell them four steps in the direction where they can

operationalise. And at that level, it has to be packaged a little bit different, it has to be... I don't wanna say 'lighter' version but it may be a slightly different version that, okay, if you're doing this, measure this, communicate this, this way it will help you improve this, you know?

The above "Supply Chain" section alludes to the problematic aspect of certifiable standards, like SA8000, that occurs when the certification exercise itself – ticking boxes – comes to the fore at the expense of the goal of social compliance (Event Documentation #2). Still,

standards do have such a practical, you know, *use* at the shop floor, because they are *requirements* to be achieved. [...] Standards require you to do a certain thing.

I: And they include indicators... to measure...

And include indicators. And this is... definitely helpful for any business which is trying to... go that path. So definitely. And that is what even the Indian Guidelines ideally look like or should look like [...].

Neha Kumar concludes that standards should not be treated as isolated initiatives but instead "go hand in hand with some kind of training, some kind of awareness, some kind of incentives... [...] to help an enterprise build a system which is credible enough."

Guidelines can thus be designed in a useful way by supplementary, specific guidance, of which an important aspect is the contextual relevance such as sectoral and cultural considerations. "The Guidelines will have to be broken up into tools people can actually use to be able to follow that" (I7). "As such, solutions need to be highly specific to each geographical, industrial and economic setting" (Perera 2009:19). An example by Navneet Panwar illustrates this:

[Standards like SA8000] can be applied anywhere but the only thing is that you need to adapt it to... for example in farms. Farms... there are so many things which will be... working hours will lose the concept. No farmer is going to work... till eight hours. What I've seen. Cotton, for example: It's two hours in the morning, early morning, and then the sun rises and it's very hot, they will go to sleep and then they'll come back after 5pm and work another two or three hours, that's it. So you just can't say to them, tell them, where are your recorded working hours. You cannot say that to them. [They] don't do it at all.

Viraf Mehta gives an input on how a social responsibility issue can be taken to company level:

We have to translate these [documents on social responsibility] into potentially little packages which will help companies, for example if you gave companies a little primer on saying 'Disability and your business'. What do they first want to read? The first thing they will want to know is... is there anything I *have* to do by law? Why? To see where they are compliant, measure that list, their penalties. The next thing they will do is any clues or help to find out where I'm at with the issue. The third thing they will do is what should I prioritise in that? And then, in all that, do I need to do something that may not be mandated by law but it makes good business sense for me? [...] So, looking at the legal framework and the voluntary thing. And then they [the companies] find that very useful.

However, to get to that stage, especially smaller companies need preliminary support through capacity building. What the latter involves is addressed in the following section.

5.4 Fostering the overall implementation of Social Responsibility Guidelines

5.4.1 Why should companies operating in India adopt the Guidelines and how can especially smaller businesses be encouraged to act in accordance with the Guidelines?

The potential positive effects of Indian Guidelines have been outlined earlier: A shared understanding of “Responsible business in the Indian context”, increased awareness and encouragement to develop implementation tools are the most important outcomes. How, though, does the company itself profit from such a document? Firstly, the Guidelines provide companies with orientation on responsible business topics in the Indian (or, through specific guidance, even local) context. Advising businesses on how to implement business responsibility is one main purpose. Comprehensive supplementary guidance, taking into account local or sectoral situations, furthermore gives companies tools for implementation.

The general advantages of assuming social responsibility have been discussed under the notion of “business case for CSR” and point to the four general categories of benefits: Cost and risk reduction, competitive advantage, reputation and legitimacy, and synergistic value creation (Kurucz et al 2008:85). Empirical research for this thesis revealed that SMEs are very sensitive with regards to additional financial constraints due to an extremely low profit margin (I3). The business case for SMEs in the sense of cost reduction is therefore a crucial incentive for them to take up socially responsible business practices⁵⁹. Whereas ecological measures, like reduced waste or energy consumption, have an immediate financial effect, the business case in the social sphere for smaller companies is more difficult to convey. Nevertheless, as Navneet Panwar reports in the interview, businesses do *directly* benefit from social compliance measures:

The improvements you can see very fast in health and safety. [...] [The workers] produce more, and... the turnover will be less. [...] I will give you an example of Kanpur in Uttar Pradesh... It is very famous for horse riding industry. So all saddles... and all that stuff is made over there. It's a very unorganised industry. Only some of the factories are in the organised sector. [Where] social compliance programmes are implemented, there the turnover is very less, of workers. [...] You know those workers who have worked in those factories cannot work elsewhere. The reason is, that there the conditions are very horrible. There are no fans, there are no proper toilets, they are not paid well, they are... shouted at, all this stuff. [...] Those guys are very skilled workmen [...] and they also like that they feel very respected [on behalf of the company] because you know most of them who are coming they don't even have a proper flooring in their homes. You see, so when they come over here and they see it's a very nice environment, they feel it's not very hot and sweaty, [they are] more motivated to work, so that is another very good aspect of health and safety. And of course there are less accidents. And I've seen that, you know, that the workers are quite contented and they will come back to that place even if they have to leave it. They'll come back. [...] They feel very committed to... loyal to the [factory] owner. That, you know, this guy is giving us very good facilities, taking care of us.

Apart from rise in productivity and workers' loyalty, businesses that proactively implement social measures can gain a competitive advantage through establishing international business ties or by

⁵⁹ A logical approach to fostering sustainability among SMEs is to put in place systems for reduced energy usage and wastage. In this way, responsible business practices quickly make an impact on the company's bottom line.

achieving a lead over other companies once social responsibility issues become mandatory: “So the intelligent company will say: Well, let me begin with the things that are most likely to become law fastest. So I have a competitive advantage when it does become law” (I7).

Reputational benefits are another business case dimension. These are, however, difficult to realise for companies that have no direct relationship with domestic or international consumers (UNIDO 2002). Relevant in the Indian context is furthermore community development. Companies which look after the community they operate in can expect to be trusted by customers and business partners (“licence to operate”) (I7). The notion of synergistic value creation translates into mutual gain from acting responsibly where different stakeholders combine efforts across the triple bottom line of sustainability (economic, ecologic and societal dimension) (Kurucz 2008) In India, this “Western” approach is to be found among big Indian or multinational companies (GTZ and Bertelsmann Stiftung 2007).

The business case is not simply “there”; conveying its benefits must be accompanied by other supportive measures, especially for smaller companies. In the interview with Navneet Panwar, the importance of raising awareness – especially on the benefits of social responsible business conduct – was also mentioned. Amit Kumar confirms that besides financial constraints small company owners are generally unaware of why they should change their business behaviour (I3). As indicated above, the internationalisation of the Indian market is an important driver for social responsibility. International buyers sourcing from India are under pressure from Western consumers to implement social standards in their supply chains (Visser 2008). Frequently, buyers grant small factories guaranteed orders as incentives for social compliance (I8). For SMEs to transform their business practices it will, however, take more than awareness raising and incentives in selective factories, as Neha Kumar notes:

Three things. I would say one, say... some sector-specific supplements [to generic Guidelines] must be there. SME specific. Must be there. And trainings or capacity building options or access has to be there. [...] That could come from, actually, from IICA⁶⁰... IICA should build the capacity. And training. That would come from IICA itself being the trainer, or IICA... collaborating with other organisations who are training. [...] And I would say some kind of recognition... encouragement... for companies who adopt. [Not necessarily] an award, there are too many awards, but some sort of...

(Interviewer:) You mean, some sort of benefits like tax benefits?

See the thing is, the mandate of Ministry of Corporate Affairs ends at a certain level. [...] [The question is,] how does the ministry [...] bring together other ministries on board?

SMEs also need support in monitoring their social responsibility efforts. “Follow-up is [...] carried out through informal processes, with little or no performance monitoring. Hence, it is not surprising that these [smaller] companies have not realized the benefits of taking on multiple activities that cut

⁶⁰ Indian Institute of Corporate Affairs, a government agency within the Ministry of Corporate Affairs

across several business processes” (Perera 2009:17).

The great need for support and relative confusion on the “why” and “how” of social responsibility does not support the perception of SMEs as “naturally” responsible entities due to strong ties with the local and cultural environment as suggested, for instance, by UNIDO (2002:ix). Existing philanthropic elements (e.g. donating for religious causes) have often nothing to do with responsible business conduct (I8).

5.4.2 Actors and their possible roles

It has already been mentioned that for a credible and legitimate Guidelines development process, the participation of all relevant stakeholders is indispensable (ISEAL 2010). This is regardless of who spearheads the development and/or dissemination process. Multi-stakeholder initiatives all over the world have produced successful results (Nadvi and Wältring 2002). A typical outcome of multi-stakeholder partnership approaches is the adoption of a common code of conduct whereby industry collaborates with civil society organisations and governments to develop a credible monitoring system. In India, however,

[...] the CSR multi-stakeholder approach is rather fragmented, and interaction between business and civil society organizations, especially trade unions, is still rare, taking place at best on an ad-hoc basis. [...] [T]he understanding of CSR in India is not directly linked to the idea of a multi-stakeholder approach (Chahoud et al 2007:35f.).

The generally authoritarian relationship between state and civil society traces back to the socialist days of democratic centralism after colonialism ended. Partly as a result of liberalisation efforts from the 1990s onwards, NGOs became active in different areas touching the social responsibility of businesses (GTZ and Bertelsmann Stiftung 2007). The influence of trade unions, at the same time, remained restricted to workers’ rights and privileges. Still, NGOs have so far not shaped the business responsibility agenda to a large degree, even though they address a huge variety of SR-related fields. Generally, the participation of Indian civil society groups is rather weak, which is reflected in relatively low pressure from NGOs or consumers on responsibility issues (I3, Chahoud et al 2007:37f.). One big exception is Partners in Change⁶¹ (PIC). The not-for-profit organisation supports companies in integrating CSR into their business strategy and develops useful management tools for this purpose. PIC strives to raise awareness on a large scale through conducting events and doing research (Chahoud et al 2007, Event documentations). With regards to government action on CSR, there is no single state actor that deals specifically with CSR issues. CSR-related policies touching upon corporate governance, social and environmental themes are formulated by a number of ministries and government bodies (GTZ and Bertelsmann Stiftung

⁶¹ Of which one of the interviewees, Viraf Mehta, served as Chief Executive until early 2010

2007). Recently, the Ministry of Corporate Affairs seems to have put itself at the forefront of CSR promotion; particularly through the publication of “Corporate Social Responsibility Voluntary Guidelines” at the end of 2009 (MCA 2010). The fact that the Expert Group which advised the Ministry of Corporate Affairs on this matter represented a relative balance of interests could be interpreted as an indication for change towards stakeholder inclusion and collaboration. However, the incomplete outcome is clearly in favour of industry interests (I4). As far as the latter is concerned, chamber of commerce CII (Confederation of Indian Industry) is the main body advocating an industry-friendly CSR approach along the lines of “Competitiveness for sustainable and inclusive growth” (GTZ and Bertelsmann Stiftung 2007:91). In the realm of research on responsible business, the Tata Energy Research Institute (TERI) is the most important actor along with the Centre for Social Markets (CSM).

The current setting leaves much potential unfulfilled: “[C]ompanies tend to see NGOs as useful for the implementation of community development projects, but not as equal partners” (Chahoud et al 2007:40). NGOs, by engaging in “responsible business”, could scale up their good results and be regarded as serious CSR actors by industry, which currently they are not (Chahoud et al 2007:38ff.). Industry, in turn, will need to draw upon NGO expertise for a better understanding of social issues. Likewise, if the government wants to show that it is serious about fostering “inclusive growth”, a shift in focus from industry to civil society interests is inevitable.

This results in the following implications for the development of Indian Guidelines on Social Responsibility. The government should play a more proactive role, exhibiting a greater commitment to “inclusiveness” especially with regards to “excluded” vulnerable groups. Acting as a “middleman” between Industry and NGO interests, and proclaiming “Indian” Guidelines, it makes sense that a government body acts as coordinator for the Guidelines development. The “middleman” function must not, however, dilute the Guideline’s provisions as has happened with the “Voluntary Guidelines” (I4). Companies, whether small or big, can no longer afford to ignore their social responsibility. Pressure from civil society (and government) is growing and more and more companies are aware of this (Chahoud et al. 2007, I3). Comprehensive, credible Guidelines are thus in their interest. As was seen earlier, credibility can only be achieved by including all relevant stakeholders, particularly those directly affected by social responsibility measures. These are mostly the vulnerable, weak parts of society, represented by NGOs. Their input is thus essential.

5.5. Dissemination

According to Neha Kumar, the dissemination of the Guidelines is a crucial element of an overall

implementation strategy. She believes it should be conducted by Government (the respective ministry, in this case Ministry of Corporate Affairs) and be accompanied by awareness raising initiatives. Social responsibility can only be fostered on a broad scale if a change of mindset is instituted, as was seen especially in the case of SMEs:

The issue is not so much about just... cost. It's basically about the mindset also. Because all these entrepreneurs what you're seeing in the unorganised sector and a bit in the organised sector, [have a] family business [background], they don't have that kind of knowledge. So it's not always that they don't want to do it, at times they are not even aware of it. [...] If the Guidelines really have to work, then I think... education and awareness are key [aspects] (I3).

Navneet Panwar confirms the importance of awareness raising. He believes that the best way to spread responsible business behaviour is to introduce "CSR" as a curriculum in business schools and colleges. In this way, those people who later take important decisions within companies are aware about business responsibility. "When they enter the industry they are at an implementing level, maybe an assistant manager or an admin trainee level, so they are the people who can really help in fast-tracking the process" (I8). Within the GTZ-IICA project, Richa Gautam worked on disseminating social responsibility curricula among law and business schools (informal talks with Richa Gautam).

According to Amit Kumar, due to the fragmented SME scene it makes sense to address SMEs through clusters of sector-specific associations. Business member or other associations and chambers could play a pivotal role because they have direct access to their members. At the moment, these organisations do not fulfil their potential in fostering better business practices, even from the viewpoint of enhancing competitiveness (I3). Navneet Panwar suggests the Government as the main actor in dissemination, not least because provisions advocated eventually become law (I8). Amit Kumar points out that even government initiatives for more responsible business behaviour need good intermediaries to facilitate change, particularly in the SME domain – from the cluster level to the national level (I3). For instance, the Apparel Export Promotion Council is about to issue a Common Compliance Code advising companies on labour (and environmental) issues, taking the Indian law as a basis (AEPD 2010). "They want to make it a kind of credit system, so if you are following all the compliance things then you're a green company. If not then maybe you would be yellow. Or if you have quite a long way to go, then red. [Telling] the industry it's okay, you can move, not just saying if you don't follow it you're out of the system" (I3).

It is clear that the commitment of differently oriented stakeholders is critical not only for the development of comprehensive, credible and useful Guidelines, but also their dissemination and the parallel process of awareness raising. These are important conditions for the success of Guidelines

and the up-scaling of responsible business practices in India.

VI. FINDINGS AND OUTLOOK

The aim of the present thesis was to devise Guidelines on Social Responsibility for companies operating in the Indian context. The challenges – as described in chapter IV – are huge and also highly complex, sometimes encompassing correlations of socio-cultural nature not apparent at first glance. The exercise of devising Guidelines would have been incomplete without discussing quality requirements for them to be comprehensive, credible (effective) and useful as well as broaching the issues of implementation and dissemination.

As was set forth in the Introduction, a crucial requirement for effective Guidelines is their comprehensiveness. Therefore, chapter IV deals with topics that appear when asking for the social responsibility of businesses in the Indian context. From the in-depth analysis of each issue, including possible ways for companies to deal with the issue (“guidance”), I devised principles to feature in Indian Guidelines on Social Responsibility. They can be regarded as minimum requirements for a socially responsible business conduct. In order to give an overview, the following section summarises these principles:

Social Responsibility Guidelines for businesses operating in the Indian context

Displacement

- ❖ Avoid, or minimise land acquisition/involuntary resettlement
- ❖ Mitigate adverse social and economic impacts through:
 - Compensation for loss of assets; re-establishment of community’s livelihood and standard of living
 - Applying a benefit sharing model
 - An appropriate information policy and direct consultation and participation of community at all stages of the project
 - Setting up a grievance mechanism for settling disputes
 - Partnering with local civil society organisations
 - Integrating displacement policies into the core business which includes the incorporation of community concerns in any plans for new business operations

Resident communities

- ❖ Consult community on company action and let them participate in planning and implementation of projects
- ❖ Ensure access to water and other resources indispensable to residents for their livelihoods

- ❖ Provide decent employment opportunities to the local communities, including vocational training
- ❖ Engage with local communities and help them improve their quality of life in areas such as health and hygiene, education, skill development etc.
- ❖ Avoid natural resource depletion and interventions with adverse environmental impact

Labour and discrimination

The principles apply to work performed within, or on behalf of any business and are not limited to an enterprise and its direct employees but including sub-contracted and home based work.

- ❖ Contribute to the provision of secure work opportunities, especially for disadvantaged members of society
- ❖ Wherever possible, complement state provisions on social security; grant insurance cover, maternity/paternity leave benefits, medical facilities and other employment benefits
- ❖ Uphold the freedom of association and the right to collective bargaining
- ❖ Be transparent with regards to contracts and wages and openly declare worker's rights and grievance mechanisms in the employees' language(s)
- ❖ Do not employ child labour, forced labour or bonded labour, paid or unpaid, and ensure involuntary labour does not occur in your supply chain
- ❖ Fight discrimination on the base of sex, caste, religion, tribal status, disability, regional or social origin or on any other grounds at every stage of the employment process. Actively support especially female members of vulnerable groups through providing decent work opportunities and vocational training. Be culturally sensitive and adapt diversity policies to the local context
- ❖ Provide all workers with access to training and development of necessary skills on a non-discriminatory basis
- ❖ Provide a safe and hygienic workplace and decent off-work facilities (such as dormitories)
- ❖ Protect employees from any form of harassment, abuse or inhumane treatment
- ❖ Ensure timely payment of adequate wages to meet basic needs of employees and their families
- ❖ Respect the work-life balance of employees and abide by legal provisions on working hours
- ❖ Consider working conditions in the informal sector by addressing lower tiers of the supply chain

Consumer issues

- ❖ Adhere to the provisions of the Consumer Protection Act as well as sector/product-specific regulations (e.g. Standards of Weights and Measures Act, 1976 and Food Safety and Standards Act, 2005) including BIS (Bureau of Indian Standards) quality standards
- ❖ Protect consumers from harmful effects of goods and services hazardous to life and safety
- ❖ Be transparent and accurate with regards to product or service information, not least in product labelling. Give details in the languages of the point of sale on quality, quantity, potency, purity, standard and price of goods and services and refrain from unfair trade practices including false or misleading advertisement or description regarding price, special offers, standard, quantity, warranty. This particularly concerns essential commodities such as food, water and pharmaceuticals.
- ❖ Ensure that the distribution of essential goods and services is not compromised, particularly in rural areas
- ❖ Avoid restrictive trade practices (such as price manipulation, delay in supply of goods, tie-in sales) imposing on the consumer unjustified costs or restrictions
- ❖ Appropriately deal with consumer complaints through a grievance mechanism and provide for adequate compensation in events of damage or loss

- ❖ Actively contribute to consumer education about the product/product category or service and its environmental impact. Work in collaboration with government and civil society organisations on programmes to foster sustainable consumption
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The rather detailed analysis I conducted on each topic in chapter IV led to one central theme which kept emerging in the research process and connects the social issues identified. Within almost every topical category, the so-called “disadvantaged” or “vulnerable” groups were found to be the ones who suffer most from irresponsible or ignorant behaviour of companies. NCEUS describes these people as “poor and vulnerable”⁶² and excluded from the benefits of economic growth. They consist mainly of lower castes/classes and tribes and the Muslim population of India and are socially discriminated, educationally deprived and economically destitute (NCEUS 2009:iii). Discriminatory company processes (e.g. in hiring policies) and disregard of community interests partly explain this correlation. Furthermore, many of the issues constitute human rights violations. The current approach to practising business responsibility – philanthropic activities – does not seem to benefit the affected groups and does not foster their inclusion into the Indian economy in a participatory manner.

Linked to the tradition of philanthropy, research for this thesis uncovered the notion of an “enabling” cultural or spiritual environment prevalent in India which presumably facilitates the acceptance of social standards in companies. This perceived notion must be regarded with scrutiny. SMEs have been given credit for their “natural” knowledge on what is good for their community. Indeed, there is great confusion especially among small companies on how to deal with their social responsibility, or outright ignorance on the “why” and “how”. The understanding about social issues is often limited to sporadic religious donations. Such philanthropic activities may be important for the local social or cultural life but in most cases they change nothing about business procedures.

Still being the most important driver of business responsibility, the concept of philanthropy cannot be discarded. But if economic growth in India is to become more “inclusive”, as policymakers promise, there is no way around adopting business practices which truly *include* all stakeholders, especially those who have so far been excluded from the benefits of economic growth. Therefore, CSR theories focusing on stakeholders provide valuable accounts on the importance of different

⁶² Categories such as “the poor” are problematic in the sense that they suggest homogeneous entities. This is by no means the case; “the poor” are in fact a very heterogeneous group (see for example Bane and Ellwood 1986). Moreover, capturing poverty in India is a highly complex undertaking whereby geographical disparities play a significant role (Datt and Ravallion 2002). However, research for this thesis confirms that in general members of society with certain social and religious attributes tend to be affected disproportionately by negative consequences of rapid economic growth.

stakeholder groups' legitimate interests and how to deal with them at company level (Carroll 1991, Mitchell et al 1997, Clarkson Centre for Business Ethics 1999). A simple transfer of these originally "Western" models, however, is not of much use. For any set of Guidelines for companies it is crucial to take into account the very context these companies operate in. Research confirmed that it makes sense to have "Indian" Guidelines, with the potential of fostering a common understanding on business responsibility in India, among others. It was also found that the Indian social and cultural particularities must form an integral feature of Guidelines, otherwise they run the risk of being deemed illegitimate or useless. At the point where the meaning of "Indian particularities" was debated, questions arose during the research process on the role of international provisions on business' social responsibility. In this respect it can be concluded that both international and specific provisions have their legitimacy – what is important is the *level* at which they become relevant: Interviewees confirmed that, on a generic level, principles such as those of the Global Compact (referring to the Universal Declaration of Human Rights and the ILO's Fundamental Principles and Rights at Work) do apply in India. At the same time it is vital that at the level where those provisions are actually implemented – on the shop floor – Guidelines include guidance referring to local, cultural and sectoral particularities. Especially for small companies (many of whom in the informal sector), which constitute the overwhelming majority of the Indian economy, the applicability and usefulness of Guidelines is extremely important. Multinational companies operating in India should implement social standards in their supply chain in a culturally sensitive way in order not to undermine efforts for social compliance increasingly demanded by Western consumers. There are also voices in the Indian CSR scene calling for the adoption of international standards and norms instead of setting up an "Indian" framework. Hearing this from civil society representatives in the Indian CSR field came rather unexpected for me as a researcher. Yet it turned out that the two positions do not necessarily contradict each other. Numerous international norms on issues touching upon the social responsibility of businesses, such as human rights or labour standards drawn up by the ILO, are stipulated in Indian legislation and accepted by a variety of stakeholders (the manifold reasons for lack of enforcement of many of the laws have not been discussed in this thesis). This means that there is already a degree of concordance between "Indian" and "international". Reiterating what was indicated above, it is not the question of "Indian" versus "international" but the *level* at which both dimensions become relevant. International provisions are applicable in the Indian context as generic principles (for example on child labour), whereas at company level – at the point of implementation – specific guidance is needed incorporating the respective local, sector-specific and socio-cultural context.

As set forth in the research question, Guidelines on Social Responsibility should meet certain

quality criteria with regards to a) comprehensiveness; b) credibility; and c) usefulness or applicability. The first point is dealt with in chapter IV of this thesis through working out the social issues Indian businesses face. From this analysis, I suggested the above set of principles to serve as Social Responsibility Guidelines in the Indian Context. The Guidelines' credibility as perceived by various interest groups is determined by how compliance with provisions is monitored and the kind of parties involved in the actual development of the standard or Guidelines. Standards which are monitored by a third party (e.g. a local NGO) enjoy the highest degree of credibility. The ISEAL Alliance has set up a best practice code for standard-setting in the environmental and social spheres which gives orientation on how standards or Guidelines can be realised in a participatory manner. It is important to note that smaller companies will need training and other kinds of support to be able to conform to a standard or Guidelines. This leads to the aspect of usefulness (or applicability): Guidelines must be designed in such a way that companies find them practical. This can to a large degree be achieved by appropriate guidance (e.g., in the form of indicators) in addition to the principles to enable companies to actually implement the Guidelines. The release of Guidelines should, if they are to be applied on a broader scale, not be an isolated measure. Rather, they need to be accompanied by awareness raising activities, the provision of incentives and capacity building support. All three measures particularly apply to SMEs. The often-heard argument that cost is the main factor impeding them from acting socially responsible was not confirmed as such by the empirical findings. In many cases, company owners are simply unaware of the "why" and "how" of a socially responsible business conduct.

Looking at the possible actors involved in setting up and disseminating Guidelines, it can be concluded that a concerted effort of different stakeholders is requisite. A multi-stakeholder approach holds potentials for all parties: NGOs would be able to sharpen their profile and be regarded as serious partners by businesses which themselves depend on their knowledge in the coming years as the pressure for "inclusiveness" rises. Business associations could play an important role in sensitising their members on the importance of following the Guidelines. The Indian government could take the opportunity to articulate its commitment to inclusive growth. Comprehensive and credible Guidelines are thus in everyone's interest. Among the most promising strategies for dissemination are the integration of Social Responsibility as a subject into management schools' curricula and making Social Responsibility an element of cluster development, through which SMEs can be addressed beyond the formal sector.

As a researcher, I trust that the present thesis contributes to a better understanding of the social issues businesses face in the Indian context and ways for them to adequately respond to those

issues. Due to its detailed account on Guidance documents, it can also be used as a reference book. The thesis gives insights into the process of setting up Guidelines for companies and associated dimensions to be taken into consideration. Many fields touching upon the social responsibility of businesses in India are still waiting to be explored with the potential of raising awareness among policy makers and other stakeholders; be it sector-wise investigations, enquiries on the application of CSR instruments or stakeholder analyses.

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References for further reading have been given as subtitles in the respective sections.

7.2 List of graphics and figures

Graphic 1: Own graphic.

Figure 1: UNDP (2009): *Human Development Report 2009 India. The Human Development Index – going beyond income*. New York: United Nations Development Programme. Available at http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_IND.html (accessed April 2010).

Figure 2: DIHR (2006): *Human Rights Compliance Assessment (HRCA) Quick-Check*. Copenhagen: The Danish Institute for Human Rights. Available at http://www.humanrightsbusiness.org/files/320569722/file/quick_check_august_2006.pdf (accessed

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Figure 3: Fairtrade (2009): *Generic Fairtrade Standards for Small Producer's Organizations*. Bonn: Fairtrade Labelling Organizations International. Available at http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/04-10_EN_Generic_Fairtrade_Standards_SPO_Aug_09_EN_amended_version_04-10.pdf (accessed June 2010).

Figure 4: UNEP (2007): *The Information and Communications Technology Supplier Self-Assessment Questionnaire*. Nairobi: United Nations Environment Programme. Available at http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/ICT_Self-AssessmentQuestionnaire.pdf (accessed July 2010).

Figure 5: DIHR (2006): *Human Rights Compliance Assessment (HRCA) Quick-Check*. Copenhagen: The Danish Institute for Human Rights. Available at http://www.humanrightsbusiness.org/files/320569722/file/quick_check_august_2006.pdf (accessed April 2010).

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Figure 7: BIS (2010a): *Enforcement Activity: Are you a victim of fake ISI marked products and you allow that to happen to you again and again?* New Delhi: Bureau of Indian Standards. Available at <http://bis.org.in/other/enf.pdf> (accessed July 2010).

Figure 8: SAN (2009b): *Sustainable Agriculture Standard*. San José: Sustainable Agriculture Network. Available at http://www.rainforest-alliance.org/agriculture/documents/sust_ag_standard.pdf (accessed August 2010).

Figure 9: SAN (2009): *Interpretation Guidelines for the SAN Addendum. (Additional SAN Criteria for oil palm, sugarcane, soy, peanuts and sunflower farms.)* San José: Sustainable Agriculture Network. Available at http://www.rainforest-alliance.org/agriculture/documents/interp_guide_san_addend.pdf (accessed August 2010).

Figure 10 & 11: SAFORB (2008): *Frame of Reference for Responsible Business in South Asia. Version 1-08*. New Delhi: South Asia Forum on Responsible Business. Available at <http://www.picindia.org/sites/default/files/SAFORB%20FOR.pdf> (accessed August 2010).

7.3 Event documentations

Event Documentation #1: Roundtable on Business and Human Rights organised by Global Business Initiative on Human Rights, 5-6/11/09, Taj Mahal Hotel, New Delhi

Event documentation #2: Symposium on Supply Chain responsibility organised by ASK (Association for Stimulating Know-How) and Verité, 18/11/2009, Lalit Hotel, New Delhi

Event documentation #3: Conference “Assessing Marginalization of Dalits in Economy and Private Sector” organised by NACDOR (National Confederation of Dalit Organisations), 10-11/08/2009, India International Centre, New Delhi

7.4 List of interviewees

- I1: Braunmühl, Patrick von, Senior Advisor, thrust area Sustainable Consumption and Consumer Protection, GTZ India-ASEM (Advisory Services in Environment Management), on 17/12/2009, New Delhi
- I2: Khosla, Jitesh, Head, Indian Institute of Corporate Affairs, on 16/12/2009, New Delhi
- I3: Kumar, Amit, Senior Technical Expert, GTZ SME Financing and Development Programme, on 18/01/2010, New Delhi
- I4: Kumar, Neha, Project Manager, IICA-GTZ CSR Initiative, on 14/01/2010, New Delhi
- I5: Mathur, Kapil, Manager Social Responsibility, GAP, on 30/11/2010, New Delhi
- I6: Mehra, Amit, Managing Director, RML (Reuters Market Light), Thomson Reuters, on 8/12/2009 (telephone interview)
- I7: Mehta, Viraf, Director, Partners in Change, on 23/7/2009, New Delhi
- I8: Panwar, Navneet, Corporate Social Responsibility Solutions India Manager, SGS, on 14/12/2009, New Delhi
- I9: Savita Hanspal, Associate Professor in Commerce at Kamala Nehru College, University of Delhi, on 17/12/2009
- I10: Srimathi Shivashankar, Principal Diversity Officer, Infosys, on 11/01/2010, near Chennai

7.5 Informal talks

Gautam, Richa, Senior Technical Expert, IICA-GTZ CSR Initiative
Khan, Aqueel, Director, Association for Stimulating Know-How (ASK)
Venkateswaran, Shankar, Director, SustainAbility India

VIII. APPENDICES

8.1 Appendix 1: Overview of social and human rights according to sectors

For companies to develop a targeted social responsibility policy it is important to know the pertinent issues in their respective sector. The following table summarises labour and human rights topics along the lines of sectors. Issues that are particularly severe in the respective sector have been highlighted by the author.

AGRICULTURE ⁶³	<ul style="list-style-type: none"> • Caste-based discrimination • Minimum wage • Working hours • Child labour • Health and safety of workers (e.g. use of pesticides)
AUTOMOBILE/ MANUFACTURING ⁶⁴	<ul style="list-style-type: none"> • Health and safety of workers (direct and indirect) • Work conditions and practices • Freedom of association and collective bargaining • Health and safety of customers • Migrant workers • Forced labour and overtime • Child labour (particularly in supply chain)
GARMENT/ FOOTWEAR/RETAIL ⁶⁵	<ul style="list-style-type: none"> • Work conditions and practices • Child labour • Forced labour and overtime • Contract labour • Health and safety of workers (direct and indirect) • Trafficking of humans • Freedom of association and collective bargaining • Relationship with government • Relationship with security forces
EXTRACTIVE SECTOR (Oil, Gas, Mining) ⁶⁶	<ul style="list-style-type: none"> • Health and safety of workers (direct and indirect) • Disruption/relocation of indigenous people • Migrant workers • Discrimination based on indigenous status • Traditional livelihoods and local economic participation • Work conditions and practices • Forced labour and overtime • Child labour • Freedom of association/trade unions • Relationship with government (national, local) • Relationship with security forces • Operations in conflict zones • Use of product as currency for terrorism • Complicity in third party abuses
INFRASTRUCTURE & UTILITIES SECTOR ⁶⁷	<ul style="list-style-type: none"> • Access to water and other services • Health and safety of workers (direct and indirect) • Work conditions and practices • Disruption/relocation/forced displacement of local communities

⁶³ Event documentation #3, I8, Planning Commission 2008

⁶⁴ IBLF 2007, IBLF & Amnesty International 2002

⁶⁵ IBLF 2007, I8, Event documentation #2 (SGS)

⁶⁶ IBLF 2007, IBLF & Amnesty International 2002; ILO 2009b

⁶⁷ IBLF 2007, IBLF & Amnesty International 2002

	<ul style="list-style-type: none"> • Indigenous community rights • Forced labour and overtime • Freedom of association, collective bargaining • Relationship with government • Corruption
PHARMACEUTICAL & CHEMICAL SECTORS ⁶⁸	<ul style="list-style-type: none"> • Customer safety • Contamination – e.g. of local water supply • Piracy of local traditional medicines • Clinical trials of medicines • Access to medicines • Health and safety of workers (direct and indirect) • Work conditions and practices • Freedom of association and collective bargaining • Process and product safety • Relationship with government • Misuse of product – e.g. for torture • Marketing of products • Indigenous rights
FOOD & BEVERAGE ⁶⁹	<ul style="list-style-type: none"> • Local impact of industrialised farming • Access to water • Disruption of traditional agriculture • Health and safety of customers • Responsible marketing • Health and Safety of workers (direct and indirect) • Work conditions and practices • Freedom of association and collective bargaining • Living wage • Welfare of suppliers and their employees • Safety of transportation • Child labour • Forced labour and overtime • Relationships with government • Relationships with security forces
TOURISM ⁷⁰	<ul style="list-style-type: none"> • Disruption or relocation of local communities • Access to water and other services • Sex tourism and protection of children • Migrant workers and contract labour • Health and safety of workers (direct and indirect) • Work conditions • Freedom of association, collective bargaining • Forced labour and overtime • Child labour • Indigenous community rights • Relationships with government • Relationships with security forces

⁶⁸ IBLF 2007, IBLF & Amnesty International 2002

⁶⁹ IBLF 2007, IBLF & Amnesty International 2002

⁷⁰ IBLF 2007

8.2 Appendix 2: Abstract

Guidelines on Social Responsibility for businesses operating in the Indian context can be one important element of making the Indian economy more “inclusive”, provided that they are comprehensive, credible and practical for companies to use. The present thesis compiles all relevant social issues businesses in the Indian context face and devises Principles for companies under the headings of Displacement, Resident Communities, Labour and Discrimination and Consumer Issues. International standards (such as ILO norms) provide helpful input at a generic level. At the level of implementation, however, the inclusion of specific guidance is vital for Guidelines to be deemed relevant and useful. Socio-cultural and sectoral particularities need to be taken into account. It has been found that disadvantaged members of the Indian society – people discriminated against on grounds of caste, religion or ethnic origin – suffer disproportionately from irresponsible behaviour of companies and thus require special attention. In order to have a positive impact, the publication of Guidelines must be accompanied by awareness raising activities, incentives for adhering to the Guidelines and relevant training especially for small and medium enterprises in the formal as well as the informal sector. Philanthropy, which does not imply the reshaping of business practices, remains the main driver for so-called “CSR” activities. Given the widespread confusion on why and how to deal with social responsibility in a more “integrated” sense, a suggested “natural” grasp of company owners in India on acting socially responsible due to cultural reasons cannot be confirmed. The dissemination of Guidelines takes a concerted effort of different stakeholders in light of growing pressure for a more sustainable, “inclusive” growth.

8.3 Appendix 3: Executive summary in German

Die vorliegende Diplomarbeit widmet sich der sozialen Dimension von Unternehmensverantwortung in Indien. Ziel war es, einen Leitfaden (*Guidelines*) für Unternehmen zu entwerfen, der alle relevanten sozialen Themen beinhaltet, die direkt oder indirekt von der wirtschaftlichen Tätigkeit von Unternehmen beeinflusst werden. Der Leitfaden sollte so umfassend als möglich sein, um keinen für Unternehmen bedeutenden sozialen Aspekt zu vernachlässigen. Darüber hinaus sollte eine gute Anwendbarkeit auf Unternehmensebene gegeben sein, die vorrangig durch entsprechende Hilfestellungen (*Guidance*) im Leitfaden-Dokument (Indikatoren o.ä.) realisiert wird. Weiters thematisierte die Diplomarbeit, wie die Effektivität eines solchen Leitfadens sichergestellt und eine breite Akzeptanz seitens verschiedener Interessensgruppen (*stakeholder*) gewährleistet werden kann. Diese Fragen wurden mit besonderer Berücksichtigung des „indischen“ Kontext beantwortet. Ein sechsmonatiger Praktikums- und Forschungsaufenthalt in Neu Delhi lieferte wertvolles empirisches Material in Form von qualitativen Interviews, die nach der Methode der Grounded Theory ausgewertet wurden.

Eine ausführliche Analyse der für Unternehmen in Indien relevanten sozialen Dimensionen brachte folgende Prinzipien (*Principles*) hervor, die in einen Leitfaden für soziale Verantwortung Eingang finden sollten:

Ein Leitfaden für Unternehmen im „indischen“ Kontext

Die zu berücksichtigenden Prinzipien sind nach Themenkategorien geordnet:

Umsiedlungsmaßnahmen im Zuge von Großprojekten

- ❖ Vermeidung bzw. Minimierung von Landbeschaffung in Verbindung mit unfreiwilliger Umsiedlung
- ❖ Minderung negativer sozialer Auswirkungen durch:
 - Finanzielle Wiedergutmachung und Wiederherstellung der Existenzgrundlage und einem mindestens gleichwertigen Lebensstandard für die betroffenen Gemeinden
 - Gewinnbeteiligung
 - Eine angemessene Informationspolitik und die Einbeziehung der Gemeinde in allen Projektphasen
 - Einen Beschwerde- und Streitschlichtungsausschuss
 - Zusammenarbeit mit lokalen zivilgesellschaftlichen Organisationen
 - Die Integration der Umsiedlungsproblematik und somit der Interessen betroffener Gemeinden in das Kerngeschäft des Unternehmens

Berücksichtigung von Auswirkungen auf die ansässige Bevölkerung

- ❖ Konsultation der Anrainer und Mitwirkung dieser bei weitreichenden Unternehmensaktivitäten
- ❖ Sicherstellen des Zugangs zu Wasser und anderen für die Anwohner essentiellen Ressourcen
- ❖ Bereitstellung von Arbeitsplätzen und Aus- bzw. Weiterbildungsmöglichkeiten für die lokale Bevölkerung
- ❖ Berücksichtigung der Bedürfnisse der lokalen Bevölkerung durch Maßnahmen für höhere Lebensqualität in Bereichen wie Gesundheit, Hygiene, Bildung etc.
- ❖ Vermeidung der Ausbeutung natürlicher Ressourcen und anderer Aktivitäten mit negativen ökologischen Folgen

Arbeit und Diskriminierung

Die folgenden Prinzipien umfassen nicht nur eigene MitarbeiterInnen, sondern auch Arbeit in Zulieferbetrieben und Heimarbeit.

- ❖ Bereitstellung von sicheren Arbeitsplätzen speziell für benachteiligte Mitglieder der Gesellschaft.
- ❖ Einhaltung der gesetzlichen Vorschriften zu Sozialversicherung und anderen Zuschüssen
- ❖ Einhaltung der gesetzlichen Vorschriften zu Versammlungsfreiheit und Kollektivverhandlungen
- ❖ Transparenz bezüglich Arbeitsverträgen und Löhnen sowie Beschwerdeverfahren unter der Berücksichtigung für das Personal verständlicher Sprachen
- ❖ Vermeidung von Kinder- sowie aller Arten der Zwangsarbeit, bezahlt oder unbezahlt, und Berücksichtigung dieser bei Zulieferbetrieben
- ❖ Bekämpfung von Diskriminierung aufgrund von Geschlecht, Kaste, Religionszugehörigkeit, ethnischer

Zugehörigkeit, Behinderung, Herkunft oder anderen Faktoren bei Rekrutierung und Anstellung von MitarbeiterInnen; Förderung von positiver Diskriminierung in Hinsicht auf benachteiligte Bevölkerungsgruppen, speziell was deren weibliche Mitglieder betrifft; kulturelle Sensibilität der ArbeiterInnen gegenüber und Anpassung von Maßnahmen zu Vielfalt und Chancengleichheit an den lokalen Kontext.

- ❖ Bereitstellung von Aus- und Fortbildungsmöglichkeiten auf nicht-diskriminierender Basis
- ❖ Bereitstellung eines sicheren und sauberen Arbeitsplatzes sowie Aufenthalts- und Schlafräumen
- ❖ Schutz vor Belästigung und Misshandlung
- ❖ Zeitgerechte Bezahlung existenzsichernder Löhne
- ❖ Einhaltung der gesetzlichen Vorschriften bezüglich Arbeitszeiten und Gestaltung flexibler Arbeitszeitmodelle unter Beachtung der Work-Life Balance
- ❖ Berücksichtigung der Arbeitsbedingungen in Zulieferbetrieben

Konsumentenschutz

- ❖ Einhaltung des Consumer Protection Act sowie sektor- bzw. produktspezifischer gesetzlicher Vorschriften (Standards of Weights and Measures Act, 1976 and Food Safety and Standards Act, 2005) und BIS (Bureau of Indian Standards) Qualitätsstandards
 - ❖ Schutz der KonsumentInnen vor schädlichen Auswirkungen von Produkten und Dienstleistungen
 - ❖ Transparenz bezüglich Produktinformationen unter Berücksichtigung der jeweiligen lokalen Sprachen. Am Verkaufsort müssen Informationen über Qualität, Quantität, Wirksamkeit, Reinheit und Preis des Produkts vorliegen. Vermeidung falscher oder missverständlicher Produktwerbung. Diese Prinzipien gelten insbesondere für lebensnotwendige Waren wie Wasser, Lebensmittel und Medikamente.
 - ❖ Sicherstellung der gerechten Verteilung lebensnotwendiger Waren, speziell in ländlichen Gebieten
 - ❖ Vermeidung restriktiver Handelspraktiken, wie Preismanipulation, Lieferverzögerung oder Kopplungsverkäufen zu Lasten der KonsumentInnen
 - ❖ Berücksichtigung und angemessene Bearbeitung von KonsumentInnenbeschwerden
 - ❖ Förderung der KonsumentInnenbildung zu Produktkategorien und ökologischen Auswirkungen; Förderung nachhaltigen Konsums in Zusammenarbeit mit öffentlichen und zivilgesellschaftlichen Akteuren
-

Die Analyse der thematischen Kategorien zeigte, dass die primären Leidtragenden unverantwortlicher Unternehmenspraktiken jene Mitglieder der indischen Gesellschaft sind, die auch am wenigsten vom beeindruckenden indischen Wirtschaftswachstum in den letzten beiden Dekaden profitiert haben. Sie gehören meist niederen Kasten, „Unberührbaren“, ethnischen Minderheiten (*tribals*) oder der muslimischen Bevölkerung an und sind überdurchschnittlich von sozialer und wirtschaftlicher Diskriminierung betroffen. Verantwortungsvoll handelnde Unternehmen können dem entgegenwirken; dazu ist aber ein Wechsel vom weit verbreiteten philanthropischen Modell hin zum Stakeholder-Modell, welches die Einbeziehung aller Anspruchsgruppen eines Unternehmens vorsieht, nötig. Obwohl Letzteres an Bedeutung gewinnt, sind philanthropische Beweggründe noch immer die Hauptmotivation für soziale Aktivitäten. Diese Aktivitäten (beispielsweise Spenden für religiöse Zwecke) werden aber nicht im Rahmen des Kerngeschäfts durchgeführt und verändern somit auch nicht die Unternehmensprozesse. Ein Umdenken in dieser Hinsicht ist jedoch unabdinglich, will das Versprechen eines Wirtschaftswachstums, von dem breite Bevölkerungsschichten profitieren („*inclusive growth*“), eingelöst werden.

Philanthropie hat in Indien historische bzw. kulturelle Wurzeln, die mit Vorstellungen des Hinduismus in Verbindung stehen und schon früh Einzug in Unternehmen hielten (ein Beispiel ist die Tata Gruppe). Recherchen für diese Diplomarbeit brachten die Vorstellung einer kulturell bedingten „förderlichen Grundeinstellung“ für soziale Unternehmensverantwortung in Indien hervor, die angesichts der großen Unsicherheit bezüglich des „Warum“ und „Wie“ von sozialer Verantwortung insbesondere bei Klein- und Mittelbetrieben (denen aufgrund ihrer Eingebundenheit in lokale Strukturen ein „natürliches“ Wissen um betriebliche soziale Verantwortung zugesprochen wird) hinterfragt werden muss.

„Westliche“ Modelle von Unternehmensverantwortung können freilich nicht einfach übernommen werden. Im Rahmen der Forschung kam die Frage der Bedeutung von international anerkannten Standards (z.B. ILO-Kernarbeitsnormen) versus eigenen, „indischen“ Prinzipien auf. Nach

eingehender Analyse kann hier der Schluss gezogen werden, dass es auf die *Ebene* ankommt, auf der die beiden relevant werden. Ein Leitfadens für soziale Unternehmensverantwortung kann sich auf generischer Ebene sehr wohl auf internationale Standards (wie zu Menschenrechten) beziehen. Auf Umsetzungsebene jedoch benötigt es statt genereller Richtlinien *spezifische* Prinzipien und Handlungsanleitungen, die dem jeweiligen sozio-kulturellen oder auch sektorspezifischen Kontext gerecht werden. Dies trägt in hohem Maß zur Legitimation und Anwendbarkeit eines Leitfadens bei, aber auch zu dessen Glaubwürdigkeit. Letztere hängt stark mit den in die Entwicklung involvierten Akteuren zusammen, wobei ein Interessenausgleich angestrebt werden soll.

Um die Verbreitung und Umsetzung eines Leitfadens zu forcieren, genügt die Erfüllung von Qualitätskriterien jedoch nicht. Die Publikation eines „indischen“ Leitfadens zu sozialer Verantwortung muss von einer Reihe an Maßnahmen begleitet werden: Von Bewusstseinsbildung und Anreizen für die betriebliche Umsetzung über Schulungen und *capacity building* für Klein- und Mittelbetriebe nicht nur im formellen Sektor. Eine weitere Voraussetzung für die Verbreitung sozial verträglicher Unternehmenspraktiken ist die Zusammenarbeit verschiedener Interessengruppen (*multi-stakeholder approach*). Angesichts des steigenden öffentlichen Drucks mit der Forderung eines nachhaltigeren Wirtschaftswachstums gibt es für Unternehmen und NGOs, Interessensvertretungen auf beiden Seiten sowie Regierungsorganisationen kaum eine Alternative zum Einsetzen der jeweiligen Stärken und einem Voneinander-Lernen.

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