



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact Factor: 6.078

(Volume 12, Issue 2 - V12I2-1261)

Available online at: <https://www.ijariit.com>

The Impact of Corporate Social Responsibility Initiatives on Employees' Rights

Satya Rishishwar

satya.sim01@gmail.com

University of Mumbai, Maharashtra

ABSTRACT

Since the inception of Corporate Social Responsibility (CSR), which dates back to the 18th century when it was merely seen as charity, it has progressed to becoming a key component of organizational governance. Its legal recognition under section 135 of the Companies Act, 2013, in India makes it even more critical in current times. Although historically, CSR referred to welfare initiatives for communities, its importance in the lives of internal stakeholders, especially employees, has increased in recent times. This essay aims to look at the ways CSR affects the rights of employees. Organizations practicing CSR are known to adopt ethical labor practices; improve workplace safety and health conditions, develop wellness programs and create equal opportunities. All these actions lead to creating an atmosphere of positivity, security, and inclusiveness. Moreover, these actions reflect the way the organizations align with national constitutions and international labor standards. Some of the areas in which organizations adopt CSR initiatives could include the provision of equitable remuneration, employee skills development, health insurance, and diversity and inclusion. Adopting such practices would help make employees happy, motivated, and protected. Practicing CSR promotes transparency in organizational dealings, thus enhancing employer-employee relationships. Moreover, a robust CSR culture may foster participative decision-making and ensure that grievance mechanisms exist while promoting dignity at work. On the other hand, surface-level CSR, which is driven by the need to present a good image to the public, is liable to detach the public perception from the reality of workers' rights in companies. The current paper proposes that the integration of CSR in corporate policies will have a direct positive impact on the rights of workers as an integral part of CSR rather than as a result of this activity. This approach will involve paying particular attention to the well-being of employees as a key element of the implementation of CSR. In light of the increasing importance of social justice, equity, and socially responsible activities on the international level, it is crucial to ensure employee rights in the context of corporate social responsibility.

Keywords: Corporate Social Responsibility (CSR), Employees' Rights, Workplace Ethics, Labor Practices, Employee Well-Being.

1. INTRODUCTION

Corporate Social Responsibility (CSR) is one of the fiduciary duties, implying the ethical commitment of organizations to make a positive contribution to society through their operations. CSR can include various approaches such as environmental sustainability, fair labor conditions, ethical supply chain management, and others. CSR is more than just earning money as it emphasizes the relationship between economic development, environmental protection, and social welfare. In the contemporary context, CSR is not only viewed as an ethical practice but also considered a way of creating corporate value in the long term and establishing trust among stakeholders.

The history of CSR dates back to the early twentieth century when social responsibility became an issue due to industrialization. Philanthropic contributions made by various businessmen such as Andrew Carnegie and John D. Rockefeller marked the emergence of the idea of social responsibility in business. Nevertheless, it was merely philanthropy and lacked any form of a corporate strategy. It was after World War II when the concept of corporate social responsibility took a different direction. Several scholars from the 1950s and the 1960s, including Howard R. Bowen who is considered to be the "father" of CSR, emphasized the importance of responsibility on the part of businesses apart from profit maximization. During the 1970s and 1980s, there was further development regarding CSR practices.

During the 1990s and 2000s, due to globalization, environmental issues, and consumer activism, CSR became an integral part of corporate strategy. Companies began issuing sustainability reports and incorporating their objectives in line with global standards such as the United Nations Global Compact.

In the present time, CSR is continuously growing and becoming more integrated with such notions as ESG factors. With the development of society, CSR remains a critical component of establishing corporate mission and responsibility in the modern world.

1.1 Why Does CSR Matter in the Context of Employees Rights?

It can be said that Corporate Social Responsibility (CSR) has a substantial significance when it comes to employees' rights in a corporation. The application of CSR in a business indicates that the company adheres to certain norms of labor activity, provides safety for its employees, and creates a friendly atmosphere in the workplace. Such measures contribute to creating a positive environment at work, increasing employees' motivation, and enhancing their loyalty. When employees feel valued and are treated equally, it is highly likely that they will be more motivated in their jobs. They will also feel more inclined to work hard and contribute their share to the success of their organizations since CSR ensures that they are safe, healthy, and properly paid for their contributions. Given the socially conscious environment that we live in today, the way in which companies treat their employees plays a major role in shaping their image and attracting talents.

1.2 Problems that Employees Face

While the topic of corporate social responsibility is gaining a lot of attention today, there are numerous problems that need to be addressed. For example, although CSR should be focused on addressing employees' basic rights, there are instances where the concept of CSR is not utilized for its intended purpose. Rather than addressing the problems associated with poor working conditions or low pay, the main objective of such initiatives is often limited to creating positive publicity.

2 THE KEY CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

The concept of Corporate Social Responsibility has evolved over the years. Earlier, businesses excelled without required ethical or social continuum. So, there were lesser issues. But, with the passage of time and growing globalization and awareness of environmental and social issues. The emergence of CSR is an impactful and significant aspect of business ethics. It has transformed so much that it is not merely an obligation but a strategically vital for business growth.

Corporate Social Responsibility (CSR) offers numerous benefits to organizations, with one of the most significant being an improved public image, as businesses that prioritize social and environmental issues tend to earn greater trust from consumers, employees, and stakeholders. Moreover, CSR helps companies differentiate themselves in competitive markets by showcasing strong ethical values, making them more appealing to customers and talent alike. It also plays a crucial role in minimizing risks, including legal, regulatory, and reputational threats, by encouraging proactive engagement with social and environmental challenges. At a fundamental level, CSR helps in improving society with the help of philanthropy and community engagement activities, while helping in environmental sustainability through resource conservation and reduced environmental impact. Businesses can also contribute to development in terms of economic growth, job creation, and financial benefits to the community through investment in community development.

2.1 Importance of CSR for Any Organization

Corporate Social Responsibility (CSR) consists of various aspects beginning from environmental responsibility where companies try to reduce their environmental impact through waste management, energy efficiency, and adopting processes that involve recycling. On the other hand, social responsibility comprises efforts towards improving community life through various actions aimed at health, education, and community development. Economic responsibility ensures development of a stable work environment through proper labor standards and sustainable operations, while philanthropic responsibility is about charitable acts and volunteerism. Businesses like CRY (Child Rights and You) make a significant contribution to CSR efforts by associating with companies for promotion of child rights in India.

The CSR efforts carried out by CRY greatly contribute to social, economic, and philanthropic activities through campaigns like "Daan Utsav," where corporations play an active part in educating, providing healthcare services, improving nutrition, and ensuring the safety of underprivileged children.

2.2 Theoretical Models in CSR

There are different models that explain the concept of CSR, explaining why corporations ought to go beyond making money and engage themselves in matters of environmental and social nature. One of the important models of CSR is Stakeholder Theory. It holds that there is a need for companies to take responsibility for people and interests other than their shareholders, which include employees, consumers, suppliers, communities, and the environment at large. In Stakeholder Theory, it is important for a corporation to think about the interests of all parties mentioned above while making its decisions since its success relies much on these individuals' support and faith.

There is also another model, Social Contract Theory, according to which corporations exist in society under the conditions of implicit agreement between them and society. Such an idea means that businesses have a number of ethical obligations, and only after fulfilling these obligations can they be granted a privilege of operating in society and earning money. When companies violate this contract by, for example, abusing employees or harming the environment, they may experience negative feedback both in the form of social pressure and legally.

Triple Bottom Line Model represents the traditional business approach with the following focus on three aspects – people, planet, and profit. This model encourages enterprises to assess their achievements in terms of profits earned, social responsibility, and environmental concerns. TBL approach enables value creation in the long run by making sure that the business practices support the objectives of the society and ecology.

2.3 Legal & Ethical Obligations in CSR

When discussing the Corporate Social Responsibility (CSR), it is critical to be able to distinguish legal and ethical responsibilities. Each plays a significant role in determining how a company will operate because the goals pursued are different although interrelated and important in terms of their importance and relevance. As far as legal responsibilities are concerned, one should note that they include the obligatory requirements that must be followed.

They concern labor regulations, environmental and safety issues, taxation policy, among others. The violation of the law results in various sanctions, negative consequences related to the company's reputation, and other important factors that cannot be ignored. Ethical responsibilities differ significantly from those mentioned above because they do not represent legally required actions but are more focused on values that underpin a particular culture, norms that are observed in society, and principles that must be followed. Such responsibilities are not always legal. Whereas obligations of law tend to be obligatory, ethics involve choice and are based on what an organization believes internally and its dedication to corporate citizenship.

Whereas legal obligations tend to be very clear-cut and enforceable, ethics tend to be very subjective and can differ from one part of the world to another. With the growing awareness and consciousness of people in the modern world, the lines between legal obligations and ethics have blurred considerably. Organizations are expected not only to abide by laws but also adhere to certain ethics. The need for taking responsibility for legal and ethical obligations is essential in establishing credibility and fostering stakeholders' trust for achieving sustainable growth in the highly competitive international marketplace.

3 LEGAL & POLICY LANDSCAPE

The corporate sector is sundry; it is multidimensional and diverse in nature. With the emergence of globalization in the developing asian countries like India and China etc., many nations needed a framework of organizational governance which were already prevalent in countries like USA, UK, etc., to streamline and improve the functioning of numerous aspects of the corporate field. There is a dire need for administration as administration and governance can be acknowledged as a set of standard guidelines for the future endeavour.

Elements play a crucial & climacteric role in the governance of the corporate field. The Board of Directors is the apex body in any corporation. Effective corporate governance diminishes the chance of corporate challenges and ensures transparency in their conduct, which ultimately enlarges the accountability of the company. The business is not to imply unethical work but to establish that the companies are competently conducting business and maintaining public welfare. In one case which pertained to the unspent CSR amount, The court sanctioned prosecution against the company for not reporting CSR activities, not constituting a CSR Committee, and not transferring unspent CSR amounts to a designated fund, highlighting the importance of compliance and transparency.

Transparency & accountability- transparency in companies business increases custody of the company for example, return of unused funds in a corporation as the court clarified that companies must justify any unspent CSR funds in their board reports. In another case the court observed that CSR funds should not be used for personal benefits of directors or employees, reinforcing the public welfare intent of CSR. While non-compliance attracts penalties, it does not automatically lead to criminal charges unless there's willful misappropriation. Risk Management, Ethical Behaviour and Shareholder's rights which includes Right to vote, etc.

CSR has one of the pertinent and effective mechanisms in the Legal domain as in the court held that CSR funds should benefit society at large and not be directed solely towards employees, emphasizing the need for transparency and societal impact in CSR activities. NCLT (National Company Law Tribunal) deals with the cases concerning CSR issues. The NCLT emphasized that CSR funds must be utilized strictly for activities listed in Schedule VII of the Companies Act and must not be diverted for unrelated purposes.

The Apex Court of India in one the case has held on the issues of fine in CSR. That the Supreme Court upheld fines imposed on companies failing to allocate CSR funds, reinforcing the mandatory nature of CSR obligations under the Companies Act, 2013.

4. CSR PRACTICES IMPACTING EMPLOYEES RIGHTS

Governance of Corporate is very pertinent as it is the foundation of the organizational structure. It relies on Organizational integrity and accountability in the present era. CSR has been influenced by the rapid globalisation and increased societal realization. The structure of Corporate Social Responsibility has become stronger with new technologies that are so evolving. Since time immemorial, the companies have had the traditional habit of following the conventional perspective of protecting the interests of the shareholders.

The new technological advancement has made things more suave and easier. But the new modern framework seeks to propel the business towards mandating the broader responsibility- one that extends to the betterment of society and for the societal interests. The paradigm shift is integrated in the essence of the Corporate Social Responsibility (CSR). CSR is an Ethical framework, the main imperative of CSR is more than just the profit-driven ulterior motives, and now it promotes a more lucrative and inclusive and sustainable approach for the entrepreneurs and business operations. It has now tries to conceptualize the notion that the success in the present generation is not merely measured on the financial fortunes of the businesses; but for the favourable influence and advantageous interests the business can create on the foundation of society on which it operates in and the the environment from where it draws out the resources.

In today's era, big businesses struggle with multiple challenges such as climate change, limited resource depletion, social inequality, etc., the dire need for the inclusive CSR Framework has now become progressively apparent. Furthermore, it has been very robust for a country like India where we rely on the PPP(Public Private Partnership).

5. CHALLENGES

Corporate Social Responsibility (CSR) is commonly seen as a means by which businesses contribute to environmental sustainability and community welfare. Although its primary focus is to enhance the well-being of external stakeholders, its influence on employees' rights is often understated. CSR has the potential to support internal stakeholders too, but in practice, several issues arise where it either disregards or adversely impacts employee welfare.

One major challenge is the use of CSR as part of corporate marketing efforts. Organizations tend to focus on improving their image by engaging in charitable activities, protecting the environment, and participating in social programs without addressing basic concerns in the workplace, such as paying workers adequately, creating a safe working environment, or hiring diverse personnel. This imbalance results in a sense of being disregarded or disrespected among employees in favor of outsiders.

Another key challenge is the absence of employees' participation in planning CSR programs. The decisions regarding CSR are made by top management with minimal involvement from other employees. CSR activities carried out without employee contribution would be viewed as superficial or inauthentic by them.

6. COMPARATIVE AND FUTURE PROSPECTS

In considering the global influence of Corporate Social Responsibility (CSR) on employee rights, there seems to be a difference in the way different areas handle their CSR and the extent to which their CSR activities include labor rights. In the more developed nations like North American and western European countries, CSR is likely to emphasize labor practices within the corporation. The presence of stronger regulation systems and awareness in these areas makes it necessary for organizations to include labor rights as part of their CSR.

Many progressive nations tend to concentrate more on philanthropy and environmental activities as part of their CSR programs, while failing to look into issues of labor and employee welfare. Most companies in such nations will tend to practice minimal labor rights as part of their CSR but will portray their CSR externally.

Future directions for CSR should include the need for an expanded model that takes care of not only the interests of external stakeholders but also those of internal stakeholders. In view of rising social consciousness about issues like social justice, equality at the workplace, and sound governance, companies are expected to come under mounting pressure to incorporate employee welfare within their CSR strategies.

Future CSR programs must transcend compliance, and ensure support for employee fairness, inclusion, and participation if they have to be seen as vehicles of real social change.

7. CONCLUSION & RECOMMENDATIONS

Corporate Social Responsibility (CSR) has become a necessary part of modern business strategies designed to solve social, environmental, and ethical problems. However, even while being focused on the support of external communities and sustainability of the environment, some companies forget about the needs of their employees. The real implementation of CSR can occur only when the company pays enough attention to its internal stakeholders, first of all, its employees.

Several issues including CSR image building, insufficient participation of employees in CSR projects and lack of consistency between the internal actions and external statements demonstrate the necessity of changing the strategy used by most of the companies. Some employees might face the necessity to engage in CSR projects while not receiving any reward. Furthermore, they will have to face the problems connected with their workplace life, unfairness, and inequality. In order to implement the strategy properly and ethically, one should make sure that the employee's rights will also be taken into consideration. Environmental Issues for the Adani Group: The Adani Group is currently dealing with several legal issues regarding the environmental implications of its ventures. This includes accusations of constructing a power station without obtaining environmental approval and arguments over the utilization of land in a sensitive coastal region.

REFERENCES

- [1] <https://www.ecolytics.io/blog/evolution-of-csr>
- [2] <https://www.goodsted.com/blog/the-evolution-of-corporate-social-responsibility>
- [3] <https://jcsr.springeropen.com/articles/10.1186/s40991-018-0039-y>
- [4] <https://accp.org/resources/csr-resources/accp-insights-blog/corporate-social-responsibility-brief-history/>
- [5] <https://www.ijltemas.in/DigitalLibrary/Vol.3Issue7/164-167.pdf>
- [6] <https://www.thomasnet.com/insights/history-of-corporate-social-responsibility/>
- [7] https://taxguru.in/company-law/legal-requirements-ethical-obligations-corporate-social-responsibility.html#google_vignette
- [8] Wan-Jan, W. S. (2006). Defining corporate social responsibility. *Journal of Public Affairs*, 6(3-4), 176–184. doi:10.1002/pa.227
- [9] Windsor, D. (2001). THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY. *The International Journal of Organizational Analysis*, 9(3), 225–256. doi:10.1108/eb028934
- [10] Moura-Leite, R. C., & Padgett, R. C. (2011). Historical background of corporate social responsibility. *Social Responsibility Journal*, 7(4), 528–539. doi:10.1108/1747111111117511
- [11] Lantos, G. P. (2001). The boundaries of strategic corporate social responsibility. *Journal of Consumer Marketing*, 18(7), 595–632. doi:10.1108/07363760110410281
- [12] Carroll, Archie B. “The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders.” *Business Horizons* 34.4 (1991): 39-48.
- [13] Devinney, Timothy M., Joachim Schwalbach, and Cynthia A. Williams. “Corporate social responsibility and corporate governance: Comparative perspectives.” *Corporate Governance: An International Review* 21.5 (2013): 413-419.
- [14] Tamvada, Mallika. “Corporate social responsibility and accountability: a new theoretical foundation for regulating CSR.” *International Journal of Corporate Social Responsibility* 5.1 (2020): 1-14.
- [15] McBarnet, Doreen. “Corporate social responsibility beyond law, through law, for law.” *U. of Edinburgh School of Law Working Paper* 2009/03 (2009).
- [16] Lambooy, Tineke. “Legal aspects of corporate social responsibility.” *Utrecht J. Int'l & Eur. L.* 30 (2014): 1.
- [17] <https://thelegalquorum.com/corporate-social-responsibility-and-legal-obligations/>
- [18] <https://www.ijlir.com/post/corporate-social-responsibility-legal-issues-vs-ethical-obligations>