

CERTIFICATION OF CORPORATE SOCIAL RESPONSIBILITY. THE CASE STUDY OF INDIA.

Eva Abramuszkinová Pavlíková¹, Marcela Basovníková²

¹Department of Law and Social Sciences, Faculty of Business and Economics, Mendel University in Brno, Zemědělská 1, 613 00 Brno, Czech Republic

²Department of Business Economics, Faculty of Business and Economics, Mendel University in Brno, Zemědělská 1, 613 00 Brno, Czech Republic

Abstract

ABRAMUSZKINOVÁ PAVLÍKOVÁ EVA, BASOVNÍKOVÁ MARCELA. 2014. Certification of Corporate Social Responsibility. The Case Study of India. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 62(4): 605–611.

Corporate social responsibility is in the focus of many companies in recent years. It becomes a way of sustainability for many companies on the market. It expresses a voluntary commitment of companies to behave responsibly to their surroundings within three pillars: economic, social and environmental one. The issue of social responsibility is developing in many European countries and European Commission is aiming at supporting national CSR strategies. CSR activities can be focused on philanthropy, the care of the employees, the environment and transparency of economic activities. This paper describes the certification process for CSR, namely SA8000 and focuses on states with the highest number of certified companies. After European Italy, it is India which is in the centre of attention and specifically with respect to child labor.

Keywords: CSR, corporate social responsibility, certification, SA 8000, India, child labor

INTRODUCTION

The concept of corporate social responsibility (CSR) has appeared in the 50s of the 20th century. For the management of a company it could be a way how to build relationships with partners leading to improve reputation and the credibility of the company. The issue of CSR is based on activities directed into three levels, namely into the economic activity of the company, social development and environmental protection. An important feature of CSR is volunteering. Enterprises perform lots of activities and CSR can be for them voluntarily adopted concept of behaviour that is beyond legal requirements.

Corporate social responsibility is an opportunity for the company to improve competitiveness. Customers and consumers want to guarantee, that purchased products originate in acceptable working environment. New strategy based on sustainable development of human resources could achieve success on international markets... The companies consider degree of risk. If suppliers wouldn't meet basic requirements related to working conditions

of employees, in such case their name would become the target of public critic and then they would lose their position on the market (Ekvalita, 2012).

European Council in its Introduction to Corporate Social Responsibility for Small and Medium-Sized Enterprises uses this definition which summarizes the main mission of CSR: The term 'responsible entrepreneurship' refers to ensuring the economic success of a business by the inclusion of social and environmental considerations into a company's operations. In other words, it means satisfying your customers' demands, whilst also managing the expectations of other people, such as employees, suppliers and the community around you. It means contributing positively to society and managing your enterprise's environmental impacts. And it can bring direct benefits to your business and secure its long-term competitiveness (EUROPEAN COUNCIL, 2011).

The turning point of EU action in the field of CSR was the adoption of the Lisbon strategy in March 2000, which aimed to transform the EU by 2010 to the most competitive and dynamic economy,

capable of sustainable economic growth with more jobs and greater social cohesion. The Commission has played a pioneering role in the development of public policy to promote CSR since its 2001 Green Paper and the establishment of the European Multistakeholder Forum on CSR. It resulted in the opening of a debate about the concept of CSR and in the proposal of building a CSR strategy within the EU (Franc *et al.*, 2006).

In 2006 the Commission published a new policy with a strong support for a business-lead initiative called the European Alliance for CSR. This policy identified eight priority areas for EU action which contributed to progress in the field of CSR: awareness-raising and best practice exchange, support to multistakeholders initiatives, cooperation with Member States, consumer information and transparency, research, education, small and medium-sized enterprises, and the international dimension of CSR¹ (COM, 2011).

The issue of corporate social responsibility is significantly a voluntary behaviour, in many European countries adjusted by different regulations, without disturbing the principle of volunteering. Corporate social responsibility is certainly also the state's interest because CSR helps companies to become sustainable in the long term periods, leading to the stability of the economy and its actors. For this reason, the state should encourage enterprises to become more socially responsible. The European Commission is trying to motivate national states to implement national strategies for CSR.

The corporate social responsibility is important not only for EU countries but also for out-European countries, such as China and India, which have business cooperation with European countries and after European Italy, these two countries have the highest number of SA8000 certified companies. Our motivation to explore the Indian case is based on the fact that India is famous for a child labour and we assume that this might be connected with the companies' efforts to gain SA8000 certification to declare negative support of child labour.

Some authors claim that the CSR concept may become very important for society and therefore there should be a clear strategy for implementation of CSR goals in companies as well as clear certification guidelines (Husted, B., Allen, D., 2006;

Kuldová, L., 2010, 2012; Pavlík, M., Bělčík, M. *a kol.*, 2010; Abramuszkinova, E., 2012, 2013). There are various certificates which support the quality management and some of them focus on corporate social responsibility. Namely, standard SA8000 will be in the centre of our attention in the following part of the paper.

MATERIALS AND METHODS

This paper is based on relevant analytical studies and analysis of data available for the topic under study. As the paper describes the certification process for CSR, namely SA8000, the list of companies certified for SA8000 was analysed in terms of country, years, area of business and other characteristics. The list of companies which are SA8000 certified is publically available on-line by Social Accountability International (SA8000, 2008). The focus was mainly on countries with the highest number of certified companies. The analytic studies were used to explain the current developments in CSR accompanied by the formal requirements for the certification process. In the centre of our attention we will locate India as very specific country in terms of economic development, number of SA8000 certificates and the level of child labor.

RESULTS AND DISCUSSION

The Content of SA8000 Standard

SA8000 is an international reference norm for the field of social responsibility which is used the most for socially responsible management of human resources. SA8000 standard is based on international standards relating to working conditions, which are contained in International Labour Organization convention, in Universal Declaration of Human Rights and Convention of the Rights of the Child. Main focus of standard SA8000 is aimed at improving conditions around the world (CQS, 2013).

Standard SA8000 was issued by international nongovernmental organization Social Accountability International (SAI) which is located in New York. Social Accountability International grants permission to certification bodies, which also carry out audits in accordance with SA8000 standard. SA8000 standard is used for certification for an independent assessment of the organization's

1 Indicators of progress include: 1) The number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011; 2) The number of organisations with sites registered under the Environmental Management and Audit Scheme (EMAS) has risen from 3,300 in 2006 to over 4,600 in 2011. It is estimated that about 80% of these organisations are enterprises; 3) The number of EU companies signing transnational company agreements with global or European workers' organisations, covering issues such as labour standards, rose from 79 in 2006 to over 140 in 2011; 4) The Business Social Compliance Initiative, a European, business-driven initiative for companies to improve working conditions in their supply-chains, has increased its membership from 69 in 2007 to over 700 in 2011; 5) The number of European enterprises publishing sustainability reports according to the guidelines of the Global Reporting Initiative rose from 270 in 2006 to over 850 in 2011 (COM, 2011).

ability to perform the requirements, for assessment of the customers, for fulfilling the requirements of the regulation, organization's own requirements established for the field of the working environment within the effective functioning of all processes and improvement of the management system (Ekvalita, 2012).

SA8000 certification can be done after the compliance with requirements of international standard SA8000, which is issued only by independent certification body credited by SAI. Standard SA8000 contains all the requirements related to the CSR. This standard allows to develop, to maintain and to enforce the policy and procedures of social responsibility in nine areas: working hours, health and safety, prevention of discrimination, work of children and adolescents, forced labour, freedom of association, restriction of disciplinary practices, remuneration to meet basic needs and control system for continuous improvement (Ekvalita.cz, 2012; SA8000, 2008).

For example, arrangements relating to working hours must be in accordance with applicable laws and industry standards for working hours and holidays. Usual working week, without overtime, must be determined by law, but it mustn't exceed 48 hours. One day off after every six consecutive days of work must be provided to employees (CQS, 2013). Cases, where national legislation enables greater working time, or where freely negotiated collective agreement enables averaging of working hours including adequate time for rest, are the exception. All overtime work must be voluntary, mustn't exceed 12 hours a week and mustn't be required at periodic intervals. Overtime work is allowed in the case of interest in meeting short-term business demands (CQS, 2013).

In the area of health and safety at work the company must ensure safe and healthy working environment and must take effective arrangement to prevent possible accidents or health damage of employees resulting from work, work-related or occurring during the work, and further it must minimize the cause of risk which lies in the work environment. The company shall appoint a representative of top management, who will be responsible for ensuring safe and healthy work environment for all employees, and will implement elements of health and safety requirements described in this standard (CQS, 2013). The company must also provide regularly instructions on health and safety and it keep a written record of all accidents that occurred in the workplace. The company will ensure protective equipment for workers at its expense, in the case of an accident at work will provide first aid and will provide follow-up treatment. The company also commits to assess all the risks resulting from the work to new and expectant mothers. The company shall ensure access to clean toilets, to drinking water and possibly a facility for food storage (CQS, 2013). Common facilities

provided to employees must be always clean, safe and meet basic needs of employees. Employees have the right to leave workplace without previous request because of imminent serious danger.

All employees have the right to establish, join and organize trade unions of their choice and collectively negotiate on their behalf with the company. The company must respect this right and it must effectively inform the employees. The company mustn't intervene in any case in the management, operation or administration of the organization of these employees or intervene in collective bargaining. The company will ensure the representatives of employees and personnel involved in the organization were not subjected to discrimination, harassment or intimidation. The company treats all employees with dignity and respect. The company doesn't occupy itself and doesn't tolerate using corporal punishment, mental or physical coercion and verbal abuse of workers. No hard or inhuman treatment is allowed. The company must respect the right of employees to have a level of subsistence and it must ensure that all the wages paid for normal working week meet at least legal or industrial minimum standards which must be sufficient enough to meet the basic needs of workers and must provide them with non-prescription income. The company shall ensure that deductions from wages were not made for disciplinary purposes. All overtime must be paid with a premium rate, which is defined by national regulations. The company must not use only working contractual arrangement if used several successive short-term contracts (CQS, 2013).

The company mustn't occupy itself with or support using forced and obligatory labour. Neither the company, nor any person supplying labour to the company, have to withhold any part of the salary, assets or documents in order to force these people to continue in work for company. Employees have the right to leave work area after standard working hours and be able to terminate their employment providing that they give their employer rational reasoning. Neither the company, nor any person supplying labours to the company, have to occupy themselves with human trafficking (CQS, 2013).

The company mustn't be involved in support of child labour. The company must create, document, maintain and communicate effectively with all staff and stakeholders the policy and written procedures for remediation on children, who have found themselves in the situation of child labour. The company must provide adequate financial support enabling such children to remain in school until they legally stop being classified as children (reaching 15 years or more if the minimum age for school attendance or work is set up higher). The company can employ young workers (worker being in the age of a child or younger than 18 years), but if these young workers are subjected to school attendance, they can work only at times when

the classes have ended. The time spent at school and at work mustn't exceed 10 hours, young worker mustn't work longer than 8 hours, he or she mustn't work over night too (CQS, 2013).

Top management must determine in a written form social responsible policy and working conditions policy and publish these policies in noticeable and easily visible location in area of the company, further it must inform workers that the company has voluntarily committed to meet the requirements of SA8000 standard. This policy must be adapted to all requirements of this standard, it must be adapted to national and other regulation and requirements to which the company has committed, and the policy must be regularly reviewed to be continually improved (CQS, 2013).

Benefits of certification for companies lay mainly in the following points: implementation, maintenance and enforcement of policies and procedures in this area; evidence that policies, procedures and practices are in accordance with the requirements of this standard; improve its position in a competitive environment which is becoming a "competing values"; fulfilment of the requirement of foreign customer to declare working conditions; improved communication of employees with employers regarding work environment; efficient and reliable supply chain; measurable summary of organization's achieved results in social responsibility; better management of risks associated with the work, reputation in the labour market (Ekvalita.cz, 2012).

The SA8000 Certified Companies

The SA8000 is a worldwide certificate, which was in 2012 declared by 3083 companies, one year later by 3231 companies. From this number, European certified companies are represented by 1478 in year 2012, followed by 1583 in 2013. For comparison, for example in the USA, there is 1 certified company in 2012 and 2 companies in 2013.

In Europe, the most popular country for SA8000 certification is Italy, as shown in the Tab. I below. Both in 2012 and 2013, Italy received one third of certifications from the whole world. Most probably, this development was influenced by state support of SA8000 certification which was 8 years ago financially supported by Italian government.

When analysing the whole list of SA8000 certified companies, from out-European countries,

the leading ones in the number of certificates are India and China.

The Case Study of SA8000 Certification in India

In the following text, the attention will be paid to non-European country of India with respect to the content of the certificate SA8000. India is considered as a country with high potential of economic growth. From 2007, the GDP growth is decreasing, but still the Indian economy was in 2012 the 4th most developing with the expectations of positive development. In comparison with European Italy which has the most certificates in services, India has the most certifications in industry. Indian industry makes almost 27% share on total GDP. The biggest share on GDP is done by services (55.1%), quite notable contribution has agriculture (18.5%). The share of services on GDP is also increasing, with the most developing branch of information technologies which offer new work places. Services in information technologies are connected with outsourcing activities, directed mainly from the USA, Great Britain and Australia into India, which leads into highest share on export services (30%). The next important industry in India is tourism, which is unfortunately lacking suitable infrastructure, the quality of accommodation is quite low followed by the instable political situation. Important industries in India are automobile industry, which is a key branch for export, and also a steel industry, which is supposed to be by 2016 on the 2nd world place by share on the world market, reaching China on the 1st place. Other branches include: precious stones and jewelery, electronics, information technology and textile industries with the highest number of certified companies for SA8000, as shown in Tab. II.

In a long run, the textile industry in India was not developing positively which was mainly caused by a strong competition with China. In 2013, there is a visible change which might lead to positive developments in Indian textile industry. Due to a wage increases in China from 2013, the demand on cheaper Indian textile production has increased. It is believed, that India could take a leading role on a global scale in textile industry if the most problematic areas would be solved, such as: irregular energy supply, insufficient infrastructure,

I: Number of certificates in selected states

Country	Number of SA8000 certificates		Change (%)
	2012	2013	
Italy	964	1068	10.8
India	656	733	11.7
China	473	522	10.4
Romania	269	230	-14.5
Pakistan	164	62	-62.2

Source: own calculations based on SA8000 list of certified companies

II: Number of SA8000 certificates in selected branches in India in 2012–2013

Branches	Number of certificates		Change (%)
	2012	2013	
Apparel	227	191	–15.9
Textiles	173	241	39.3
Footwear	48	68	41.6
Leather	32	41	28.1
Metal Products	18	17	–5.6
Energy	16	19	18.8

Source: own calculations based on SA8000 list of certified companies

labor shortages in specific territories or in specific periods.

As we can see in the Tab. II, in 2013 the highest increase in percentage in SA8000 certifications in India was noted for footwear, textiles and leather branches. When looking at absolute numbers, it is a textile branch which has the highest number of certified companies and also the highest increase. India belongs in the area of textile production to the leading world producers of silk, but also to its biggest consumer due to traditional Indian silk wear Saree. Textile industry is also world famous for child employment. Although the child work was forbidden in India, such as 1986 law on dangerous branches for child labor or 2010 law on children work until 14 years, it is still an important issue. In our opinion, the relation between the Indian reputation as a country of children work and the increase of SA8000 certification, could be the motivation for Indian companies how to increase the competitiveness on international markets. Among others, the certificate SA8000 is focused on the restriction of child labor and on maintaining the discipline without corporal punishment, which unfortunately is also a part of child labor in India (Indie, 2013).

India is a country which is influenced by over 5000 years of history with rich cultural, religious and historical traditions. They include the virtues of charity and philanthropy, deeply rooted in Indian society and embedded in traditional ways of life, drawing from Hindu mythology, Christianity, Zoroastrianism and Islam. India has predominantly been an agrarian economy, but mercantile traditions date back thousands of years. India is home to one-sixth of the world's population, 1.2 billion people in 2013. India figures among the three most populous countries of the world – namely, China, India and the USA. Major problems in India are deprivation, inequalities and relative poverty. There is lack of access to basic needs such as quality education, healthcare and social infrastructure or shortage of employment opportunities leading to weekend resilience for millions of people living on the margins of society. One of the serious problems which is India worldfamous for is a child labour (Visser, Tolhurst, 2010).

According to International Labour Organization estimates, there are about 250 million children between the ages of 5 and 14 years who are forced to work and for about 120 million of them, work is a full-time activity. The main reason for child labour is that their families are extremely poor. The most widespread abuses of child workers are in Bangladesh, Chad, DR Congo, Ethiopia, India, Liberia, Myanmar, Nigeria, Pakistan and Somalia. Approximately 153 million (61.1%) children are employed in Asia, 80 million (31.9%) in Africa, 17 million (6.8%) in Latin America and Caribbean and 0.5 million (0.2%) in Oceania. An estimated 70.4% of child labour occurs in agriculture, fishing, hunting, and forestry. About 20.8 million children are involved in manufacturing goods, including: Carpets from India, Pakistan, Egypt, Clothing sewn in Bangladesh; footwear made in India and the Philippines, Soccer balls sewn in Pakistan, Glass and bricks made in India, Fireworks made in China, the Dominican Republic, El Salvador, Guatemala, India, and Peru, Surgical instruments made in Pakistan (Child labour, 2013).

Child Labour in India

The Census in India found an increase in the number of child labourers from 11.28 million in 1991 to 12.66 million in 2001. The major occupations engaging in child labour are Tobacco Industry (21%), Construction (17%), Domestic workers (15%) and Spinning & weaving (11%). There is considerable increase in the absolute number of child labour between 1991 and 2001 in the states of Uttar Pradesh, Rajasthan, Jharkhand, Chattisgarh, Bihar, West Bengal, Haryana, Uttaranchal, Himachal Pradesh, Punjab, Nagaland, Assam, Meghalaya, and Delhi, whereas the States of Maharashtra, Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Karnataka, Orissa, Gujarat and Kerala have shown significant decline in the number of child labour.

Nearly 11.8% children age 5–14 years works either for their own household or for somebody else. The very young children (age 5–7 years), both boys and girls, are mainly doing unpaid work for someone who is not a member of their household. The older boys age 12–14 are mainly engaged in paid work or family work, whereas girls in this age group are involved mainly in household chores or family

work. In general, girls are more likely than boys to be doing chores and boys are more likely than girls to be working for someone who is not a member of the household or doing other family work. Rural children age 5–14 years (12.9%) are more likely to be engaged in work than their urban counterparts (8.6%). The percentage of children engaged in work activities decreases steadily with mother's increasing education, father's increasing education, and increasing wealth quintile (India, 2012).

CONCLUSION

Certification of companies in the field of corporate social responsibility is very desirable.

The most important motivations generally are increasing loyalty of employees, improvement of the company's image and the subsequent increase in competitiveness. As the case of India shows, it is possible that the fact of SA8000 certification including the companies' commitment to fight against child labour might have influence on addressing the child work issue in India, followed by good reputation of Indian companies and possibly also good business cooperation with European countries. Related to export from India, SA8000 is a good tool for positive publicity. On the other hand, this study opened an issue of child labor in general, which should be more in the focus of researchers, namely in Europe.

SUMMARY

The aim of this paper is to show increasing importance of the corporate social responsibility and certification processes related to it, namely SA8000. CSR is voluntary commitment to behave responsibly to the surroundings within economic, social and environmental pillars. The issue of social responsibility is developing in Europe, with the support of European Commission, as well in developing economies such as India and China. This paper studies SA8000 certification in India and tries to suggest relation between certification and the child labor issues.

REFERENCES

- ABRAMUSZKINOVÁ PAVLÍKOVÁ, E. 2012. Social Economy and Responsibility. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 60(4): 9–14.
- ABRAMUSZKINOVÁ PAVLÍKOVÁ, E. 2012. Social Entrepreneurship in the Czech Republic. In: HALKIAS, D., THURMAN, P. W. (eds.): *Entrepreneurship and Sustainability. Business Solutions for Poverty Alleviation from Around the World*. London: Gower.
- ILO. 2013. Marking progress against child labour. Global estimates and trends 2000–2012. *International Labour Office*. [Online]. Available at: http://www.ilo.org/wcmsp5/groups/public/-ed_norm/-ipec/documents/publication/wcms_221513.pdf. [Accessed: 5 March 2014].
- EUROPEAN COMMISSION. 2011. A renewed EU strategy 2011–14 for Corporate Social Responsibility. *Communication from the Commission to the European Parliament, the Council, the European and Economic and Social Committee and the Committee of the Regions*. [Online]. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>. [Accessed: 1 March 2014].
- CQS. 2013. CQS – Sdružení pro certifikaci systémů jakosti. SA 8000:2008-Společenská odpovědnost [Online]. Available at: <http://www.cqs.cz/Normy/SA-80002008-Spolecenska-odpovednost.html>. [Accessed: 12 January 2014].
- EKVALITA. 2012. *Ekvalita.cz, a. s.* SA8000. [Online]. Available at: <http://www.ekvalita.cz/sa-8000.htm>. [Accessed: 12 December 2013].
- EUROPEAN COUNCIL. 2011. *Introduction to Corporate Social Responsibility for Small and Medium-Sized Enterprises*. [Online]. Available at: http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/campaign/documentation/download/introduction_en.pdf. [Accessed: 13 August 2013].
- HUSTED, B., ALLEN, D. 2006. Corporate social responsibility in the multinational enterprise: strategic and institutional approaches. *Journal of International Business Studies*, 37: 838–849.
- GOVERNMENT OF INDIA. 2012. Children in India 2012. A Statistical Appraisal. Social Statistics Division Ministry of Statistics & Programme Implementation. *Indian Government*. [Online]. Available at: http://mospi.nic.in/mospi_new/upload/Children_in_India_2012.pdf. [Accessed: 15 August 2013].
- INDIE. 2013. Indie: Ekonomická charakteristika země. *Ministerstvo zahraničních věcí*. [Online]. Available at: <http://www.businessinfo.cz/cs/clanky/indie-ekonomicka-charakteristika-zeme-18277.html>. [Accessed: 10 March 2014].
- KULDOVÁ, L. 2010. *Společenská odpovědnost firem. Etické podnikání a sociální odpovědnost v praxi*. Plzeň: Kanina.
- KULDOVÁ, L. 2012. *Nový pohled na společenskou odpovědnost firem. Strategická CSR*. Plzeň: NAVA.

- PAVLÍK, M., BĚLČÍK, M. a kol. 2010. *Společenská odpovědnost organizace. CSR v praxi a jak s ním dál*. Praha: Grada.
- SA8000. 2008. *SOCIAL ACCOUNTABILITY 8000*. New York: SAI. [Online]. Available at: <http://www.iqnet-ltd.com/userfiles/SA8000/2008StdEnglishFinal.pdf>. [Accessed: 1 July 2013].
- VISSER, W., TOLHURST, N. 2010. *The world Guide to CSR. A Country by Country Analysis of Corporate Sustainability and Responsibility*. UK: Greenleaf Publishing.

Contact information

Eva Abramuszkinová Pavlíková: eva.pavlikova@mendelu.cz
Marcela Basovnicková: marcela.basovnikova@mendelu.cz