

# CSR as the New Age Corporate Practice: Reality, Issues, and its Impact on Workers in the Field

Subir Rana

**A**s we marched towards the age of global assemblages carrying the high mast of capitalism and hyper-nationalism, global governance and transnationalism, we ushered in a new global economic architecture that brought

## Book review

Asia Monitor Resource Centre (ed) (2012). **The Reality of Corporate Social Responsibility: Case Studies on the Impact of CSR on Workers in China, South Korea, India and Indonesia.** Hong Kong: Asia Monitor Resource Centre. ISBN: 978 962 7145 40 0.

about cataclysmic transformations in the conduct of business, its commercial ethics, and institutional arrangements. New business principles have today become signifiers of new age corporate practice, and we have witnessed a ‘corporate turn’ in the commercial world. One such modern business code and ‘strategy’ that defines the

contours of contemporary trade and has turned business houses into ‘second tier state’ is Corporate Social Responsibility, or CSR<sup>1</sup>.

The concept of CSR is not new. In ancient India, guilds or *shrenis*<sup>2</sup> formed part of a philanthropic tradition that bound together social and economic interests of groups and communities.

---

1 In India, CSR has been placed under Clause 135 India in the Indian Company Act of 2013. It comprises an integral part of the Millennium Development Goals and the World Bank is assisting India’s Ministry of Corporate Affairs in structuring the work of CSR to make sure that it acts in a socially responsible manner. Handbook on Corporate Social Responsibility in India, PwC, CII, p.5.

2 In ancient India, these guilds also acted as courts, trade unions, technological institution and as a form of democratic government.

Gandhi's notion of 'trusteeship' also has echoes of the philosophy behind CSR. However, CSR today is a different species. A child of neoliberalism, it upholds the ethos of market ideology, believes in the deterritorialization of business practices, extracts surplus labour and surplus value, and the 'invisible hand' that would paper over economic cracks and imbalances.

Conventional wisdom on the intent and philosophy of CSR purports that it brings about an overall positive impact on communities, cultures, societies, and environments in which business operates. In concept, essence, and approach, CSR is supposed to be holistic and integrated with the core business strategy, addressing the social and environmental impact of businesses. This implies that corporations, in addition to government's public policy, are also accountable to address socio-economic issues and shoulder the state's welfare tasks and responsibilities.

However, the state today seems to have outsourced some of its vital responsibilities to the corporate kingdom. These include securing citizens' basic rights and providing civic amenities. As a result, corporations have taken over the welfare policies of the neoliberal state and, in this way, have truly come to manifest the dialectics of profit motive, on one hand, and welfare objectives, on the other. In this manner, CSR has become the state's alter ego, wielding 'pastoral power' (Foucault: 2007) over workers, consumers, protestors and the society at large.

Such display of philanthropy as part of CSR is thus a charade. It constitutes an integral part of the corporate strategy aimed at maximizing surplus value and capital accumulation that in turn sustains the exploitation of working class and natural resources—the holy grail of a neo-imperialist enterprise. This results in strategic financial benefits in the domestic market, as well as overseas windfall gains through supposed moral high ground for corporate benevolence, which involves propaganda, populism, violence and even acts of criminality. As a corporate instrument,

CSR is therefore a hegemonic and disciplinary tool that bulldozes state regulation, labour laws, and trade unions, ultimately leaving the citizens at the behest of market forces.

In actual practice, CSR is slippery in definition, character, and praxis. It is an open-ended concept and prone to human rights abuse. It is no wonder then that only a few companies implement CSR programs, with only 11 percent having a written CSR policy. It is these ambiguities, shortfalls, and grey areas in contemporary corporate practice of CSR that propelled *Asia Monitor Resource Centre* to do a Report on this theme. In particular, it focuses on how CSR is practised in four different Asian nations and how it has impacted the working population and labour movement of these nations. The Report is the result of a series of meetings and consultations, followed by collaborative fieldwork research.

Entitled “*The Reality of Corporate Social Responsibility: Case Studies on the Impact of CSR on Workers in China, South Korea, India and Indonesia*,” the Report highlights the rationale and modus operandi of CSR in these four nations. It tries to clean out the Augean stables of CSR, to unmask the real intent of its ‘code-based strategy’ by peering into the role of supranational economic institutions in relation to it. The Report also exposes its political economy to analyse its impact on workers, in specific, and society, in general. It is an honest endeavour to raise public awareness on the phenomenon and help workers to organise without harming their autonomy.

The Report is divided into five chapters, apart from a Preface titled “*The Reality of Corporate Social Responsibility: Experiences from China, South Korea, India and Indonesia*” by Fahmi Panimbang, in which he summarises the chapters. Chapter 1 is “*Corporate Social Responsibility and the Political Agenda of the Corporate*” by Surendra Pratap, Chapter 2 is “*Corporate Social Responsibility Revisited: Can it Address Chinese Workers’ Needs in a Changing Socio-Economic Context?*” by Elaine Sio-ieng Hui, Chapter 3 is “*Corporations, Unions and Corporate*

*Social Responsibility in South Korea*” by Wol-San Liem, Chapter 4 is “*Liberalisation of the Economy and the Politics of Corporate Social Responsibility in India*” co-authored by Panimbang, Pandita and Pratap, and Chapter 5 is “*The Impact of Corporate Social Responsibility on Workers and Trade Unions in Indonesia*” by a research team from the Institute for Crisis Study and Alternative Development Strategy, Indonesia.

In the Preface, Panimbang notes the quicksilver nature of CSR and its definitional paralysis, often resulting to hydra-headed rendition that allows it to wear many hats. These various forms range from sponsoring awards and adopting voluntary ‘codes of conduct’ to engaging in a dialogue with stakeholders and parading fancy babble like “stakeholder engagement”, “business values”, “business ethics” and “corporate citizenship”, among others.

Chapter 1 looks at the development of CSR from a politico-economic perspective and tries to unpack the crucial factors that shaped it, ultimately exposing the corporate agenda behind the phenomenon. Using the classic Marxian theory, the author shows how global capital, as a self-conscious entity in the current phase of globalisation, acts as a ‘class for itself’ at both production places and society in order to thwart the class-consciousness of the working class. (p. 25)

From an evolutionary perspective, the birthing of CSR worldwide has passed through several stages before reaching its present form. Chapter 2 charts the four phases in the development of CSR in China. The author follows the country’s changing attitudes toward CSR, from initial scepticism and reluctant acceptance as a form of indirect protectionism to embracing its ideology in toto. Two reasons are cited for the turnaround: (1) CSR in China became a preferred soft option for the government to give the impression of a “harmonious society,” like the carnivals of medieval day Europe; and (2)

transnational Chinese corporations use it to attain the goal of “going out, going global”. (p. 56)

The sophistry and fluff of concern for the environment casts CSR in a complex but attractive light, a phenomenon that describes the latest obsession of CSR with the ‘*greening*’ of business practice and semantics of business management all over the world. Chapter 3 engages with the CSR related activities in South Korea, including the phenomenon of ‘green management’, which tries to present a moral image of the conglomerates in an attempt to legitimise malpractices, like low wages and precarious employment. If “soft options” do not seem to work, corporates resort to punitive action to seek compliance and ‘governmentalise’ the protesting workforce. In particular, the chapter also engages with Samsung’s arm-twisting methods, like intimidation, threats, bribery, firings, illegal tracking, kidnapping and formation of ‘ghost unions’ to stop efforts at unionization and compliance with the company’s ‘code of conduct’.

Supposedly a voluntary mechanism, such ‘code of conduct’ is used by the corporates to gain legitimacy and maintain its global production and supply system, which results in privatization of labour law, promotes self-regulation in workplaces, appeases labour, consumer and civil society movements and protects TNCs’ interests in international sub-contracting. The trick of the code-based strategy of CSR lies in the fact that it masquerades as an alternative to labour unions, a facet that is also touched on in Chapter 5.

One of the most common ‘gimmicks’ associated with CSR is the adoption of villages for ‘holistic development’; and transforming them into ‘model villages’. There are also programs that teach vocational and business skills to help villagers become self-reliant. In reality, these acts of supposed altruism are primarily deployed by corporations as soft options and as a political weapon to pacify the anger and break peoples’ movement and protestors’

unity. This is explored in Chapter 4, which follows a protest by villagers against the forcible takeover of fertile agricultural land. To quell the protest, GMR Group tried to seduce agitated villagers by undertaking token “periphery developmental”. This included distributing sewing machines and chicken (for poultry) amidst supporters, doing roadside plantation and supplying water through tankers to the village. The land acquisition by GMR resulted in loss of ground water, loss of livelihood of thousands of poor *Kharia* tribe and Dalit families. The chapter also alludes to terms like “business patriotism”, “first-class global corporation” and “corporate citizen” as advanced by Samsung to affirm and glorify the ethic and values of CSR.

Also in Chapter 4, the CSR activities of corporates in India are exposed as a venue to advance their own business interests than the genuine issues that they claim to be advocating. While many corporates pass off their entry in the education and health care sector as part of their CSR activities, most of them have started schools/colleges, polytechnics, technical institutes, hospitals and medical colleges which pass off as part of CSR activity. Moreover, most of the land acquired under this category are free land or at best subsidized by the government and tax exempted, paving the way for maximum profits. Many corporates have also established their own NGOs like the *GMR Varalakshmi Foundation*, as a CSR arm with programs in education, health, hygiene and sanitation, empowerment and livelihoods and community development. However, these NGOs are registered as trusts and money spent on them are exempted from income tax, thus contributing to the black economy.

The corporate world vehemently uses broadcast and print media to familiarise the public on company’s CSR activities. These publicity stunts influence public opinion and create a positive image for the brand and the company. Chapter 5 examines Indonesian companies with CSR programmes that are tethered to

their marketing programmes, enabling its marketing department to manage company's external CSR agenda. CSR thus acts as a "trade off" between corporations and the government officials, through which the latter gets protection from the state for gross violation of corporate rules, government norms and guidelines. CSR also helps remove bureaucratic hurdles and enhances the image of the corporate as a social actor.

Chapter 5 also probes the relationship between CSR and unionism. CSR indirectly impacts the development of trade unions as it becomes a factor influencing workers' decisions to form or join a trade union. In Samsung, management tries to encourage workers to form a workers' forum and CSR programmes are dangled as enticement. Trade union leaders and other members had also been discriminated with respect to training, development opportunities, scholarships and promotion apart from denial in wages and allowances to union members.

Also discussed in this section is how big corporate houses, rope in academic experts and consultants to counter public pressure against labour malpractices. CSR projects are thus used as 'green washing' and function more as a strategy than as a responsibility. This is clear in the case of Hindustan Unilever, whose flagship CSR initiative *Project Shakti* provides training to underprivileged women to create 'rural entrepreneurs' but also works to hide how the company neglects the rights of its own workers, including cases of physical attacks on union leaders and workers.

There is also a colonialist dynamic in the CSR agenda of multinationals. Samsung organises volunteer corps to support developmental programmes and community service activities in African and South and Southeast Asian countries. Supposedly a tool to foster socio-economic development, these overseas activities of seeming benevolence create an impression of South Korea as a developed nation contributing to the enlightenment of materially and culturally 'less advanced' people; an agenda that

was at the heart of colonial enterprise. Samsung also benefits of good publicity, whose 80% exports are dependent on the display of these activities. Lastly, it creates a false image of peaceful co-existence with subcontractors, who themselves are complicit in lowering wages, instigating layoffs, and making money while compromising workers' safety and health.

In India, these companies exercise massive corporate clout and influence in boldly opposing the government's reservation in jobs for weaker sections of the society, citing ineffective workforce that would supposedly affect meritocracy. This reasoning translates the case into a class issue. Effective corporate lobbying also undermined attempts to regulate their anti-labour activities at the global level. By replacing people's rights with philanthropy, CSR has thus given rise to a societal dependency syndrome, evident in how four Indian corporations landed in Forbes Asia's list of '48 Heroes of Philanthropy' in 2009 and 2010.

Despite all the Machiavellian strategies used in the guise of CSR, corporates had a positive impact at least in terms of improving working conditions in factories, like in China. In Indonesia, which has a mandatory, albeit limited, CSR policy, it had varied effects on the trade union development, ranging from negative to neutral to even positive.

The way out of the current impasse is through forming broad-based coalitions of international social and labour movements, which will spearhead a united front for the working class. These networks, alliances, and coalitions will help spread awareness on the real face and intentions behind CSR. There is a need to formulate a multifaceted strategy that demystifies CSR. Participation by various actors is also key, including tie-ups with civil society to confront the way that CSR is used to mask violations of labour rights.



As an important part of the modern-day corporate mythology, the myth of CSR needs to be decoded and read in a new light. It is therefore important to be cautious against the pitfalls of this Janus-faced strategy, which weans away the general public from the negative socio-economic and environmental impacts of some commercial practices today. As businesses become more competitive with more international players in the arena, it is but natural for the meaning and semantics of CSR to change in the years to come. The Report is a timely reminder that alerts us to the growing cases of malpractice that the CSR phenomenon tries to conceal, even as it projects itself purely as philanthropy and as developmental practice.

*The book can be downloaded at <http://amrc.org.hk/content/reality-corporate-social-responsibility-case-studies-impact-csr-workers-china-south-korea>*

## **Reference**

Foucault, Michel. (2007). *Security, Territory, Population: Lectures at the Collège de France, 1977-1978*. Trans. Graham Burchell. New York & Basingstoke: Palgrave Macmillan.

## **About the author**

**Subir Rana** is a Post-Doctoral Associate at the School of Social Sciences of the National Institute of Advanced Studies in Bangalore, India, where he is affiliated with the Skills, Livelihoods and Mobilities Programme. He has a PhD in Sociology from Jawaharlal Nehru University in New Delhi. His research interests include the sociology of visual arts, people-state conflict, subaltern communities, borderlands and border citizens, and the process, policy and concerns of land acquisition in India, among others. Email: 123.subir@gmail.com