

BANGLADESH ENTERPRISE INSTITUTE

CORPORATE SOCIAL RESPONSIBILITY

Bangladesh Perspectives: Findings from Literature Review and Focus Group Discussions

The Concept

Corporate Social Responsibility (CSR) is an evolving process and its manifestation varies between countries and between cultures. However, the broad definition of Corporate Social Responsibility highlights a **voluntary role of business in contributing to a better society and a cleaner environment beyond its financial and capital commitments**. Other definitions of CSR include:

- The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.
- Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.
- Operating a business in a manner that meets or exceeds the ethical, legal, commercial, and public expectations that society has of business.

Clearly, the concept of CSR goes beyond firm's legal obligations, it is a voluntary measure, but it also assumes that businesses are expected to fulfill their legal obligations first before they are credited with CSR principles.

Similar to CSR principles, the concept of Global Compact that has been propagated by H.E. Kofi Annan, the Secretary General of UN. This concept includes ten basic principles for business operations and a firm adopting these principles is recognized under Global Compact.

Global compact's ten principles are divided in three broad headings:

1. Human Rights: (includes Principles 1 and 2)

Principle 1. *Businesses are asked to support and respect the protection of international human rights with in their sphere of influence.*

Principle 2. *Ensure that their own corporations are not complicit in human right abuses.*

With respect to the principles related to human rights, companies can undertake the following types of actions:

- Develop human rights criteria for market entry (and exit) related to specific countries
- Develop explicit policies that protect the human rights of workers in direct employment and throughout the supply chain.

- Perform human rights impact assessments of business activities especially where new operations, facilities and investments are planned.
- Engage in dialogues with government, labor, NGOs, and other stakeholders to raise awareness of human rights issues
- Establish programs to promote the general health and welfare of employees-e.g. HIV/AIDS awareness and treatment
- Establish a policy to ensure that security arrangement do not contribute to human rights violations.

2. Labor Rights: (Includes Principles 3, 4, 5 and 6)

Principle 3. *Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining.*

Principle 4. *The elimination of all forms of forced and compulsory labor.*

Principle 5. *The effective abolition of child labor.*

Principle 6. *The elimination of discrimination in respect of employment and occupation.*

With respect to the principles related to labor, companies can undertake the following types of actions:

- Adopt policies that allow workers to freely choose whether or not they wish to set up or join trade unions and a collective bargaining process.
- Enable workers representatives to carry out their functions by allowing them to meet on company premises; post union notices, etc.
- Conduct an audit to determine if forced labor is used anywhere in the supply chain.
- Utilize adequate and verifiable mechanisms for age verification in recruitment.
- Work with supply chain partners to remove any child below the legal working age and provide viable alternatives for both the children and the families.
- Develop an understanding of the different types of discrimination and adopt policies to progressively eliminate any forms of discrimination in selection, recruitment, contract and wage conditions, training and career development.

3. Environment: (Includes Principles 7, 8, and 9)

Principle 7. *Businesses are asked to support a precautionary approach to environmental challenges.*

Principle 8. *Undertake initiatives to promote greater environmental responsibility.*

Principle 9. *Encourage the development and diffusion of environmentally friendly technology.*

With respect to the principles related to environment, companies can undertake the following types of actions:

- Explore opportunities for more environmentally benign inputs and outputs in product development
- Conduct regular environmental impact assessment with transparency

- Formalize commitment through an environmental management system approach such as ISO 14001
- Refocus research and development towards environmentally sound technology (EST).
- Use life cycle assessment (LCA) in the development of new technologies and products.
- Cooperate with industry partners to disseminate “ best available technologies” in other countries.

In addition to the above three broad categories a tenth principle was recently added to the Global Compact.

Principle 10. *Business should work against corruption in all its forms including extortion and bribery.*

Focused Group Discussion (FGD)

Based on this initial conceptualization, the Bangladesh Enterprise Institute (BEI) research team organized two FGDs, the first with multiple stakeholders and the second only with industry representatives, to try and understand CSR from their perspective. The stakeholders in the FGDs included business enterprises, civil society organizations, multinational companies, as well as donor agencies. The keynote paper was presented by Dr. A.K.Enamul Haque of East West University, who briefly updated the participants on the concept of CSR in Bangladesh.

Referring to the current literature both inside and outside Bangladesh, Dr Haque highlighted the three perspectives on CSR. The perspective of the business enterprises, the perspective of the employees and the perspectives of the civil society organizations.

CSR principles, according to business enterprises in Bangladesh, include labor practices, community relations or investments, employee involvement and environmental responsibilities. CSR principles according to employee perspective, includes working hours, child labor, health and safety regulations and compliances, benefit packages for the employees and the commitment for the environment.

Civil Society Organization (CSO), on the other hand, consider CSR from the view point of community help, participation, child labor, working hours and overtime practices, compliance to minimum wage rules, compliance to human rights and environmental rules, and consultation with CSOs.

Human Rights and Labor Rights

Human rights and labor rights, in Bangladesh, include amenities at the workplace, facilities to enhance the quality of life, access to opportunities by all, medical services for workers, avoidance of child labor, establishment of schools, colleges for employees and their sons and daughters. It also includes fairness in terms of paying taxes, repayment of loans, helping senior citizens, and providing savings instrument for low-income groups. Furthermore, declaration and settlement of dividends, training of works, transportation benefits, and medical benefits for workers and their families.

Environmental responsibility

CSR in practice also includes environmental standards. It includes among others the health and safety issues for the workers, establishment of treatment plants for disposal of wastes, adoption of precautionary principles while operating the factories, public declarations and recognition as a CSR company and so on. External issues in CSR practices include certification by independent bodies like ISO, UN agencies, EPAs, etc. It also includes the current practice of production in terms of technology, practice of using chemicals, and other harmful materials during production.

The GAP in the Concept

FGD identified the following gaps in the concept of CSR in Bangladesh. It was noted that while the CSR concept assumes compliance to laws, in Bangladesh, compliance to some laws are either absent or non-existent. For example, although health and safety rules have been part of the labor law in the country since 1965, the compliance is very weak. Similarly, many business enterprises with a very good track record in CSR have been involved in deliberate attempts to hide information to reduce tax burden, receiving government supports as well as have not been paying their loans. Weak financial regulations and legal enforcement is considered a major cause for such attitudes. Consequently, their voluntary participation in CSR shows their strong commitment to social responsibility but a very pitiable record on corporate responsibility.

Companies with evidence in working for the society have ignored their own employees in terms of paying dues, supporting minimum wage rules, and abiding by other clauses of the labor and company laws.

In terms of human and labor rights, companies have little to no interest in supporting rules related to employment of child labor, overtime payment, working hours, right to secure leave during maternity periods, etc. Similarly, verification of employment records, severance pay due to termination of services, etc., are also not followed in many companies.

In terms of environmental issues, enforcement of the environmental regulation is very weak and so the compliance is nearly non-existence. Finally, high level of corruption and bribing is also a major cause for non-compliance to rules for many Bangladeshi enterprises.

Bangladeshi Enterprises and CSR – a different look

Despite the gap that exists between the voluntary participation in CSR activities and the weakness in enforcement of legal requirements, it has been observed in the FGDs that many Bangladeshi enterprises are involved in CSR activities. Some of them are forced into it due to consumer pressure (from foreign countries) but a large majority of them have adopted CSR as an integral part of their social entity either to promote their name in the domestic market or as a pure philanthropic gesture.

Some have argued that given the weakness in our enforcement ability, payment of taxes, repayment of loans, payment of public utility bills, etc., can be considered an integral part of CSR activities because they are voluntary in nature. Companies could

have avoided paying them because of either the weak enforcement characteristics or the existence of high level of corruption in the society.

In addition, CSR activities include voluntary donations at the community levels during floods, draughts, cyclones, etc., or helping weaker section of the society by patronizing social activities or institutions. Activities like supporting cholera research centre, hospitals, schools, etc. falls in the category of social responsibilities of the companies.

In terms of CSR activities related to human rights and labor rights, FGDs noted that companies are engaged in activities like providing education for the children of their workers, scholarships, medical facilities, and other workers' welfare scheme are primarily voluntary in nature in Bangladesh. These are CSR activities in Bangladesh but in many western countries they are obligatory in nature. Similarly, healthy environment within the factory premises is also part of CSR in Bangladesh. These are legally required but are never enforced in Bangladesh. Precautionary activities to safeguard health of the workers and also customers are sometimes CSR activities in Bangladesh.

In the environmental front, companies following the 3Rs (reduce, recycle and reuse) during waste disposals are engaged in CSR activities and it is still voluntary for a majority of companies in Bangladesh. Similarly, companies who have established treatment plants within their premises are doing so voluntarily and hence could be considered as a CSR activity.

Examples of CSR activities in Bangladesh

During the FGDs the following examples of CSR activities were cited by different participants.

1. Financial Institution

- Interest free loans for students, women, communities, etc.
- Donation for the cause of humanity and society
- Participation in environment friendly activities.
- Establishment of community organization/institutions
- Help for the Senior citizens
- Savings instruments for the low income groups.

2. Pharmaceuticals

Social Responsibilities

- Production of innovative new medicines.
- Publication of health care journals to update the professional knowledge of the doctors.
- Supporting medical research centers
- Awareness campaign on health and health care
- Supporting hospitals
- Helping the families of the workers in education and health care.

Environmental responsibilities

- Regular maintenance of machines by the qualified personnel.
- Strict consideration for health and hygiene factors.
- Precautionary arrangements for the factory premises.
- ISO certification
- Product standards

Economic responsibilities

- Paying taxes regularly
- Repaying loans
- Regularity in payment of dividends
- Ensuring affordable prices for essential drugs
- Attractive compensation package for workers (beyond minimum wage requirements)
- Investing in improving the quality of workers.
- Transport facilities for workers specially for women

3. Light Engineering (Lead acid batteries):

Social responsibilities

- Ensuring educational facilities for the workers.
- Enhancing the quality of the life of the people by helping families in need
- Helping the children of the workers:
- Establishing educational and training institutes

Environmental responsibilities

- Establishing effluent treatment plants
- ISO certificates
- Product quality or standards

Economic responsibilities

- Paying taxes, repaying loans, paying dividends, etc, regularly
- Helping workers by providing attractive compensation packages

4. Home Accessories

Social responsibilities

- Responsibility towards the workers:
- Ensuring educational facilities for the workers.
- Ensuring accesses by all employees to the medical facilities.
- Providing educational, healthcare, and other facilities for the children of the workers
- Scholarship programs
- Compliance to Factories Act, Labor Law, etc.

Environmental responsibility:

- Proactive measures for maintaining pollution free environment.
- Introduction of the paper bags to replace polythene bags
- Encouragement in the use of natural dyes,

- Campaigns for use of chemical free fertilizers
- Avoidance of the use the harmful artificial color.
- Establishment of effluent treatment plants

Economic responsibility:

- Paying taxes, repaying loans, paying dividends, etc, regularly
- Providing interest free loans to workers