

Finding an Ethical Foundation for Corporate Social Responsibility (CSR) in the Jharia Coalfields (India)

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Abstract

Corporate Social Responsibility (CSR) is a business ethics initiative that is considered a possible remedy for the ills of globalization. It posits that fair sustainable development is possible—that is, inequities in wealth, environmental degradation, and unfair labor practices that are endemic of globalization can be mitigated. We aim to understand the Corporate Social Responsibility activities, undertaken by businesses and various stakeholders in and around Jharia, - a small town in north-east India, towards the sustainability of economically disadvantaged communities in region. Along with framing a foundation for a CSR model having ethical dimensions in Jharia we make suggestions on how to bridge the gaps between various development master plans and their actual implementation.

Keywords: Corporate Social Responsibility (CSR); Sustainability; Sustainable Development; Environment; Coalfield.

Ethical & Environmental Responsibility of Business

The relationship between society and business has always been obscure. Sometimes businesses ignore their social and environmental responsibility for financial gain. Business and society are complementary terms but their obligations to society may be understood from different perspectives. While it is true that businesses are recently more interested in their image as corporate citizens, the well-being of their employees, the environment and society in general than they used to be, the grave truth is; business activities often still show stark irresponsibility towards society.

Developing a CSR Model

Stockholder theory

Friedman (1970) proposed that the ultimate goal of business is profit maximization for the stockholders. From this viewpoint, the only responsibility that business has is a financial one to those who own the company. The responsibility of broader society is considered to be the duty of government, not of business. However, this opinion was sternly criticized by many researchers of business ethics (Carroll, 1979; McAleer 2003; Matten & Moon, 2002). They introduced a broader notion of corporate responsibility insisting that business have a duty beyond an economic one and should respect their moral and social responsibilities for larger society.

Now CSR is generally considered a business norm. Businesses are expected to certainly make a profit for their stockholders but they are also expected to go beyond profits and the statutory duty to comply with legislation (Bowen, 1953; Davis, 1960; Carroll, 1979). CSR expects that an organization will always take deliberate and proactive steps

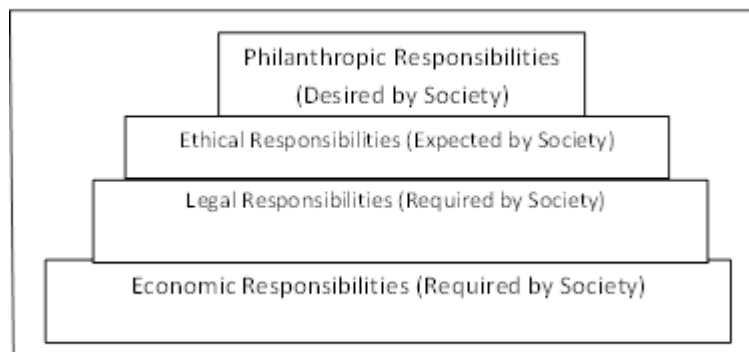
to improve the quality of life of its employees as well as the greater society, while balancing the demands of the ‘multiplicity of interests’ of stakeholders (Johnson, 1971).

Stakeholder theory

Freeman (1984) provided a ‘stakeholder’ theory as a counterpoint of Friedman’s stockholder theory. *Anyone* who is affected by business actions and practices is a stakeholder. This theory posits that business practices and activities don’t just affect stockholders; in reality they affect many others, such as suppliers, staff, wholesalers, retailers, consumers and society in general. Therefore, it claims that business is not only responsible for providing benefits to its stockholders but also for the welfare of *all* its stakeholders. The concept of stakeholders is an important element of CSR and is manifested by the initiative of the multi-stakeholder concept for promotion of active CSR by businesses (Accountability 1000, ISO 14001; Global Reporting Initiative). CSR is also characterized as a multi-layered responsibility of business. The Committee of Economic Development (CED) depicts this multi-layered model of CSR as three concentric circles.

Carroll (1979) provides a clearer picture of the multi-layered and multi-dimensional characteristic of CSR. This model posits an extra-legal and extra-economic responsibility of business that is represented in a CSR ladder (Figure 1). The ladder model of CSR added a new prospect to CSR; i.e. the ethical and philosophical responsibilities of a business.

Figure 1- Carroll's CSR ladder



Source: Carroll, (1979). A three-dimensional conceptual model of corporate social performance. *Academy of Management Review*, 4, 497-505.

According to Carroll, CSR is a multi-level activity, which primarily pays attention to economic and statutory duty of a business but it must also heed ethical and philanthropic duties.

Environmental CSR

Environmental problems also influence businesses to great extent and pose various threats and challenges. The concept of Environmental CSR is gaining attention, but a better articulation is required to enhance the effectiveness of environmental strategies existing in the repertoire of CSR programs of various businesses. This concept stresses the proper integration of environmental issues in the CSR model and their effective and timely implementations. Environmental CSR also helps any business gain or maintain their competitive edge in a market as the environment is not simply any external issue to the business, but rather it is well incorporated into it.

The link between business and its CSR still needs to be properly enunciated. Certain methods are employed to check the compliance of environmental norms by industries such as European Commission (2008) norms. But, the assessment standards vary from industry to industry and there is no clear demarcation of how much of CSR needs to be initiated voluntarily and how much is the part of regulation. Hence, anomalies exist in assessments of impacts on the environment. For example, ISO 14001 shows that such assessments are more about *strategies* rather than finding the real *impacts* of business activities on environment.

The extended concept of Environmental CSR tries to incorporate the natural environment, not considered as voluntary initiatives, being absorbed into business practices. Environmental CSR binds together the environmental responsibility to the economic, social and multi-stakeholder businesses.

The United Nations (UN) developed environmental principles of Global Compact and Millennium Development Goals. Both principles refer environment as one of the greatest threats facing the earth that deserves serious attention for uniformity in development. Global Compact Principle numbers seven, eight and nine repetitively refer to the RIO declarations. Millennium Development Goals (MDGs) focus on issues such as deforestation, ozone depletion, safe drinking water, sanitation and improvised life standards for people living in slums. A second MDG focus is on growing environmental problems such as climate change, global warming, pollution, depletion of biodiversity and depletion of non-renewable natural resources. These are likely caused by industrial activities and their irresponsible

attitude and voraciousness for financial gain (Greer et al. 1996; Dudley et al. 1995; Cairncross, 1991).

The World Bank has also addressed environmental economics, carbon finance and has taken the side of an environment and CSR merger. For example, the Kyoto Protocol (2008) emphasized the reduction of greenhouse gas emissions and the Accra Climate Change Talks (2008) in Ghana supported the Kyoto protocol. As a result businesses and industries have begun accepting ecofriendly policies and measures. Some of the clean technologies that practiced today in business are recycling, water purification, water waste treatment, fuel gas treatment, waste management and minimization, wireless and paperless communication, using bacteria in bio-filters and bio reactors and so on. Businesses have also adopted 'Carbon Trading', which is a monetary trade system to measure and balance out the carbon-dioxide emissions from production process. As CSR becomes an inseparable part of business strategies the need for compliance of environmental laws or international standards rises. For instance, there is now an international standard to measure business environment performance. 14001 Environmental Management Standard is among a few of global benchmarks to prevent pollution and measure environment performance of businesses. In short, CSR is a useful tool to correct the previous misdeeds of businesses.

Though, the authority of environment sustainability is highly desired, the compliance to such practices is not. Some businesses try to seek a fraudulent "green" reputation among consumers to try to take advantage of a popular movement toward a healthier environment. This practice is referred to as a "green wash". This issue will need to be seriously looked at so that no business gains an undue edge in

strengthening its brand identity of being “environment-friendly” falsely.

The Jharia Story

Jharia is a township of 600,000 inhabitants, which is situated at the north of the Damodar River in the state of Jharkhand in northeast India. Jharia is blessed with huge reserves of prime metallurgical coking coal, the only and the highest quality coal reserve in India. Coal has been mined extensively here since 1896 generating 70% of the country’s energy to meet the steel manufacturing needs. A century ago, Jharia was a region filled with dense forests. The tribal population here flourished by means of farming. But today, it is one of the most exploited areas in the country with plumes of hot smoke constantly coming out of the ground.

Coal is a cheap and easily available (though dirty) source of energy; hence, its demand is very high. Indeed world demand is expected to increase four times by 2030. The prime quality coking coal is available on the surface in Jharia, which invites open cast mining. This method of extraction degrades the land and leads to open holes and cracks on the surface, which spontaneously ignites coal seam fires. These fires not only destroy the coal as a valuable energy source, but they emit dangerous toxins, particulate matter and metals; release greenhouse gases into the atmosphere; and obliterate the ecosystem and human communities. Ever since the first coal fire was detected in 1916, 77 more coal fires have been found actively burning in the region. Over the years, an estimated 37 million tons of coal has been lost in the inferno.

As the best storehouse of quality coking coal, Jharia is an indispensable source of energy for India. Fire in Jharia's coalfields is a serious matter of concern in terms of loss of coal, human lives and environmental deterioration. Extensive research on Jharia's is urgently needed as they have lived with these conditions for a century already and with 21st century technology, this is no longer acceptable. Government regulation alone cannot fix Jharia as it lacks adequate political influence with the powerful mining industry. Only, the value of CSR in concert with governmental environmental action can begin to address the concerns of the region and needs to taken very seriously.

The environmental consequences of coal mining are well documented. It leads releases poisonous gases like oxides of carbon, nitrogen, sulphur, methane, arsenic, soot and hydrocarbons etc. in to the atmosphere. It also leads to water pollution and land subsidence. In 2014, India was the 4th highest producer of carbon dioxide i.e. 1.4 billion tons a year, and this is expected to increase to 4-6 billion by 2030. Because of this unprecedented environmental pollution, the stratospheric ozone level has been drastically minimized over this region. Lung diseases such as tuberculosis (TB), asthma, bronchitis, cancers and other disorders are wide spread in Jharia. For example, 90% of the residents of Jharia suffer from TB and the average life expectancy is very low. If pollution here is left unchecked, the high levels of toxicity may begin to jeopardize nearby cities and bigger districts around like Dhanbad, and Bokaro.

To say that life is miserable in Jharia and needs an urgent attention is somewhat redundant at this point. In addition to the environmental, health and safety issues already described, Jharia is home to a significant minority

tribal population constantly living with constant threats of eviction.

The Jharia presents a perfect case for experimentation with formal CSR strategies. The various economic, social and environmental aspects of this scenario can be carefully analyzed and an adequate and highly efficient strategic plan designed.

1) ECONOMIC FACTS

- India imported 36 million tons of coal in 2010-11 to meet its requirement in spite of having coal reserves that could produce 15% more energy than required due to such fires.
- 1.5 million tons of coal is inaccessible in these areas because of the coalfield fires.
- Coalfield fires left to burn lead to inaccessibility of coal, dangers of subsidence and increasing fires.
- Illegal mining done on streets, railway lines, railway stations and residential areas cause economic loss to the country.
- Coal is burning at temperature as high as 731 Celsius just 15 feet beneath the ground surface.
- Since 1916, coal fires have rapidly spread at a rate of 6 meters per month and now engulf a vast geographical area.

2) SOCIAL FACTS

- NGO's working to save Jharia coalfields; claim that fires are deliberately not extinguished by private firms to increase their coal productivity.

- People are being forcefully moved out to expand the coal extraction.
- Living conditions for women and children are deteriorating,
- A lack of education and skills forces men to work in the coalfields.
- Mine workers risk their lives working under inadequate safety measures.
- Many deaths due to lack of safety standards in mines.

3) ENVIRONMENTAL FACT

- Coal mining leads to the emission of poisonous gases like oxides of carbon, nitrogen, sulfur, methane, arsenic, soot and hydrocarbons, water pollution,
- Surface mining practices leads to land subsidence
- Causes of coalfield fires could be due to lightning strikes, forest fires, spontaneous combustion, arson, unscientific mining or other accidents etc. however, deliberately leaving coal fires alive is harmful to the environment and the community
- Smoldering unattended coalfield fires are often used for illegal alcohol production
- Threats of eviction are increasing to bigger districts around like Dhanbad, Bokaro etc. due mining expansion

A Research Proposal

Purpose

To analyze the implications and scope for developing a good CSR strategy involving vast parameters economic, social and environmental issues in the region of Jharia.

- 1) Identify the prominent business firms/production units (in & around Jharia) that work in either tribal areas/or whose majority of employees is either minority or tribal minority.

Analyze three years of company data (i.e. their auditor's annual reports or any CSR reports) for spending in social initiatives and compare it with the actual feedback of the target minority community/tribe.

- 2) Interact with government authorities regarding the progress of master plan and visit the mining sites and local people to find the gap.
- 3) Interact with NGO's and other stakeholders, about their plans for rehabilitation, women empowerment, rights of children etc., and the difficulties they face.

Conclusion

Case of Jharia coal fire is landmark example of sheer irresponsibility of corporate world towards society. It is one of India's biggest misfortunes. Such cases show the business worlds' inconsiderate behavior towards society. The corporate world often forgets about the ethical obligation that it possess for society and acts selfishly.

There is a growing need to investigate and assess the relationship between corporations and society. Cases such as Jharia's prove that the characteristics of this type of relationship are conflicted. There is a need for better articulation for the practical and effective merging of

concerns regarding the deteriorating environment and CSR strategies planned by the corporations.

The advantages of striving for sustainability and taking care of environment can be well understood by the environmental conditions around a business and its concern regarding CSR. For example, poor environmental conditions such as polluted water, poor and inefficient waste management/disposal, soil erosion, release of poisonous and ozone depleting greenhouse gases, leads to poor and inefficient working conditions and ultimately lower productivity for the business. If we can't provide a minimum standard of living, at least neutral environmental conditions to sustain the environment we live and work in, we can never have a sustainable business. Various researches pointed this out and the concept of environmental CSR is gaining support and being studied very seriously.

Conservation of environment is an alarming issue in developing countries and globalization in the past drove multinational corporations to relocate to nations with the weakest regulations. But corporations now have the unprecedented opportunity of being the front runners in the economic race and can contribute enormously toward conserving the environment and uplifting the plight of at-risk of people especially in countries like India.

Indian government cannot take care of all these issues on its own due to lack of funds and political clout in the various businesses, it is therefore incumbent upon the corporate world to think beyond the narrow prospect of economic gains and to substantively contribute to the improvement of environmental conditions, conserving resources, and accepting responsibility for their actions. Recent research and analysis shows that ultimately, their

brand will gain in value and social support will lead to increased profits and ultimately strong brand value.

The people of Jharia are the victims of the worst coalfield disasters in the area. Their livelihoods, health and future, are all at stake. Effects of this disaster are wide spread throughout the environment, society and the economy. It is essential that all sectors work effectively and efficiently together to avoid a national disaster. There are many things that could be done to alleviate the situation such as; channel the existing water in the coalfields properly to quench fires and break the burn cycle; cut trenches in the coal seams, dig out some coal in advance of the fires to create a “break” much like forest fires are stopped. In addition, depelted mines could be properly filled back with sand or mud to cut off air supply to the coal beneath.

These fire abatement measures are easily done. There are even more improved control measures like: excavation, isolation by trenching, grout barriers and stabilization, blanketing/surface sealing and blind flushing. However all of these measures can only be done with leadership and coordination, ideally from the corporate sector.

The public sector and NGOs can also play an important role in alternate employment options and job skill training. Illegal mining could be banned and the ban enforced. Proper housing, medical facilities, schools would also facilitate rehabilitation in this region. Carbon taxes should be implemented to gain actual economic value of environmental assets like coal. This would create social impact awareness among the people and the market, and prevent further damage to the environment. The existing rehabilitation programs are not sufficient and good enough.

The world's largest reallocation program has been designed for Jharia with the help of funds from the government, corporations and the World Bank. Input from the community is essential for it to be successful. The stakes are enormous for this region. Coal being self-combustible in nature will burn until it depletes itself. Based on the estimated size of the deposits in the region, this should take 3,800 more years to completely vanish in Jharia.

The *foundations of CSR model* for Jharia coalfields should be based on the following premises:

- (i) Companies analyze the procedures of mining and efficiency to avoid the problems arising out of poor technology and techniques employed for mining.
- (ii) Companies work towards providing basic amenities to people in that area, i.e railway station, roads, transport, residential areas, schools and hospitals etc.
- (iii) Safety is a foremost concern, of the mine workers and near by residents to avoid loss of life in accidents. Safety guidelines are strictly obeyed.
- (iv) National Environment Protection (NEP), Kyoto protocols, Montreal protocols and ISO14001 etc. are obeyed strictly to avoid environmental degradation.
- (v) The environment influences all aspects of business, therefore, business needs to be conserved and improved upon the quality of the ecosystem.

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