



CSR has to be recognized beyond borders and this has led to various standards such as the ISO 14000 standard for environmental management systems, the SA 8000 social accountability standard, and more recently, the Global Reporting Initiative guidelines for sustainability reporting, emerging in response to the need for a global set of implementable CSR standards.

#### Why is CSR important?

CSR is a much-needed development concept that highlights issues like pollution, child labor, health hazards etc. Essentially, the idea is that large business setups that make profits in millions have some degree of responsibility towards the people and the land that they often exploit. Without the pressure of implementing CSR businesses will have no impetus to give something back by upholding health, safety, pollution standards and labor laws.

#### CSR in the context of Pakistan:

The changing scenario of business across the world due to globalization has instigated governments to regulate businesses and develop policies compliant to this emerging situation. These policies target traditional corporate performance variables such as environmental performance, working conditions and marketing ethics etc. and countries all over the world are trying to ensure that their industry fulfills the criteria of CSR. In Pakistan's immediate neighborhood, we see that during the last decade or so, India and Sri Lanka have gained competitive advantage due to their pro-activeness and future market-centered policies. However the idea is still relatively new to Pakistan.

Trade liberalization has exposed Pakistan's industry to fierce international competition. It is a fact that the level of modernization of the local industry is not as sophisticated as its major competitors, nor does it enjoy the same infrastructure and implementing CSR can result in higher costs for businesses in the short run before yielding any positive impact. But at the same time the mechanics of free market dictate that the consumer is going to choose the best available product at the best available price and our industry and our industry is continually facing demands by international buyers for CSR credentials.

Pakistani carpet industry had lost considerable market share in the 1990s as a result of the Iqbal Masih

# A must for global competition

By David Monkman

CSR can generally be described as aligning business practices in such a way that they fulfill the social and environmental responsibilities as well as the economic expectations of corporations and businesses. The subject has been attracting a lot of attention as the phenomenon of globalization has gained momentum and consumers worldwide are gaining awareness and increasingly demanding better services. The motive behind promoting CSR is to develop a societal orientation among businesses and induce them to play an effective role in social issues because business community is a powerful and influential group and is usually in a better position to address

issues like CSR than governmental institutions.

CSR is often misinterpreted as a fixed stringent code, applicable to all sectors of the industry. But in reality multiple variables like stakeholder awareness, government initiatives, globalization and localization patterns, and volatile business scenarios play an important role in determining the CSR. However CSR is by no means a standard set of pre-defined policies; it is a society oriented business strategy based on decisions related to ethical values, legal compliance, stakeholders and communities.

It is a set of policies propelled by the urge for developing a better society and is a constantly evolving process. However the need for standardization cannot be ignored since



case and the story of surgical, textile and sports goods sectors also corroborates the importance of CSR.

In the face of international competition after the implementation of WTO policies, the domestic industry cannot survive without complying with the international standards of CSR.

Some of the most common CSR violations in Pakistan are environmental degradation, unsafe working environment and child labor.

A research by ILO showed that every newborn child in the low-income group in Pakistan is a net earner rather than a net spender. The need for these children to assume financial responsibility leads to child labor and even the most complicated of industrial methods are transferred on to children as young as 7-8 years old. The justifications put forwards are many, some indeed logical; these children are employed as bread earners from their families, keeps them away from a life of crime, the industry benefits as they are young and learn quickly or in the case of sports, leather or carpet industries, the size of kids hands and fingers makes them more suitable. But it is also a fact that the exploiters are not always the local companies as MNCs have for years condoned this practice. This in itself negates one form of social responsibility that is actively followed (and often misused) by corporations from the developed world.

In the absence of stringent laws that might prevent industries from indulging in activities that are harmful to the environment and to workers, we see numerous health hazards that are widespread in small industrial towns and larger industrial areas. In this regard, this paper recognizes the leather tanning industry and the heavy metal industry as two of the culprits that have given the industrial setup of the country a bad name. Anyone who has had the misfortune of actually visiting such an industrial

unit just once can claim to have been effected either physically or mentally by the practices being followed.

Leather tanneries in the Korangi industrial area of Karachi and in the Punjab border town of Kasur combine to give Pakistan more than 500 tanneries that generate over \$ 700 million in foreign exchange. Most laborers are employed on a daily wage rate and more than half of them make up to Rs. 5000 monthly. Studies have shown that the incidence of asthma

among workers is very high and it increases exponentially for workers with 8 or more years in the sector eventually leading to bronchial asthma. Additionally, skin diseases, respiratory tract and eye diseases are also common. There are further problems that are not addressed; for even though some tanneries exhibit the use of gloves – a good safety measure – it was latex gloves that are used and while they are protective against a few respiratory problems, the latex content is known to induce asthma and hypersensitivity.

The financial constraints involved prevent many tanneries from adopting CSR practices but what they need to understand is that they are jeopardizing their valuable employees and it will cost them more to recruit and train new labor than to install some damage control measures. The on ground realities pose even more challenges as many a time workers themselves are not likely to follow them as this would mean lowering production and as wages are dependent on the production level of every worker (they work at piece-rate wages), the poor cannot afford to let good health stand in their way. But even though the task may appear to be daunting, some measures have to be taken to counter such practices.

The four phases of pre-tanning, tanning, wet finish and finish all combine to produce a multitude of problems for workers and the environment. Pakistan generally uses chrome tanning where water, solid waste and air pollution are three major problems involved, which directly harms the workers and local environment and millions of other people indirectly. Effluent in water in all the processes is charged with heavy metals, trimmings, hair, salts, flesh and flows into the sea and ultimately the mangrove areas and causes serious implications of health particularly for coastal villages. An

environment- and worker-friendly scenario would see these tanneries indulging in combined effluent treatment, effluent collection and transport systems, pre-treatment of effluents, chromium recovery and re-use plants, and health and safety programs. All of these are planned and can easily be implemented but the costs involved and the temporary decrease in production foil these from becoming the rule rather than the exception.

It has been estimated that air emissions and untreated effluents directly affect more than one million residents of Korangi Township whereas all of Kasurs 350,000 residents are affected. It is also estimated that the latter has 10% population with hepatitis, 20% children have diarrhea, and overall 70% of the diseases are due to contaminated water. Corporate Social Responsibility is effectively non-existent.

While the research conducted on the hazardous environment in the metal industry shows that the high incidence of noise pollution and use of minimum protective gear in the production process have not only led to fatal accidents but adversely affect the sight and listening ability of the workers. Statistics show that people working in such conditions face hearing impairment after 10 – 12 years of working in such environments. This is not only undesirable from a social perspective but also has economic implications since the earning power of such labour becomes almost negligible only after 10 or 15 years, because of the disabilities that they develop.

It is ironic that CSR is essentially a 'responsibility' as the term itself implies and yet it is looked upon as a philanthropic concept. It is a requirement and a necessity for industries to provide workers and the environment with a standardized set of policies so that unfair practices are sifted out. It is heartening to see that CSR is on the rise; however Pakistan as a nation is still a long way off from achieving the desired results. We cannot expect one aspect of society to be built up while others remain stagnant. In fact, one good deed leads to another, and CSR is expected to yield the desired outcome eventually even if it takes some time. In the meanwhile, we need to have proper systems in place; laws and trade agreements have to be successfully implemented and followed. Only then can CSR play the kind of role in society that it claims; and only then can it be used as a successful nation building tool. ■