

**“Impact of ILO Standards on CSR Policy”**

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**Abstract**

The introduction of Corporate Social Responsibility (CSR) in the amended Companies Act of 2013 has been widely accepted in India with enthusiasm. CSR has been recognized as the responsibility of corporate citizenship, and industries with a significant turnover are now obligated to perform CSR activities for the development of the nation and social welfare. Over the past five years, CSR has evolved to encompass various important aspects related to India's development goals. In line with the fourth industrial revolution and digital development in the era of globalization, there is a potential risk of job loss for millions of people globally, including India. To address this challenge, the International Labor Organization (ILO) has provided guidelines to enhance labor standards as part of CSR policies. India should incorporate labor standards as a policy development in CSR, aligning with the ideals of the ILO and the United Nations, to promote decent and friendly work in the Digitalisation era of India and beyond.

The implementation of ILO guidelines in CSR policies presents new challenges. It requires companies to prioritize fair labor practices, including ensuring the safety of working ways and conditions, healthy wages, having reasonable hours of working, and having protection of social ways and ideas of working of labours and their employees. This shift toward internationally recognized labor standards signifies a progressive step in aligning India's CSR initiatives with global norms. The impact of ILO on CSR policies in India is significant. By adopting ILO guidelines, Indian companies can contribute to the international agenda of promoting decent work and fair labor practices. This not only enhances the welfare of workers but also strengthens India's image as a responsible corporate citizen globally.

To address the impact of the fourth industrial revolution and digital transformation on labor, CSR policies need to adapt and incorporate provisions for upskilling and reskilling workers to meet the changing demands of the digital era. Emphasizing job creation, entrepreneurship, and innovation can further enhance the positive impact of CSR on employment in India.

In conclusion, India's acceptance of international labor standards as part of CSR reflects a commitment to social responsibility and sustainable development. By aligning with ILO guidelines, Indian companies can contribute to the global agenda of promoting decent work, while also addressing the challenges posed by digital transformation. This integration of labor

standards into CSR policies paves the way for a more inclusive and equitable society in the digital era.

**Keywords:** Corporate social responsibility, ILO, Companies Act, 2013, Labour rights.

### **Introduction**

Globalization is the pattern that came to dominate the world after the cold war ended and the former Soviet Union disintegrated in the 1990s. Globalization opened up businesses all over the world and created chances for investment in any location. It also opened up new avenues for agricultural nations to join in global financial and social initiatives. However, the cycle of globalization has brought about new difficulties such as emerging disparities across and within countries, unpredictable nature in the monetary market, rivalry between the partnership ecological chaos, and which guarantees the productivity of enhanced and greater demands for regularly comforts. Therefore, in order to solve these challenges, globalisation has increased access to training and CSR.

Corporate Social Responsibility (CSR) refers to a set of policies, practises, and programmes that are incorporated into a company's present and future operations, distribution networks, and decision-making processes. Addressing the legal, moral, business, or societal obligations put on enterprises, as well as making judgements that appropriately balance the assertions of numerous stakeholders, are all part of it. Effective CSR aims for economic success while upholding ethical ideals and valuing individuals, organisations, and the environment. It includes what a business does, how it goes about it, and what it says. CSR is often referred to by other terms such as business ethics, corporate citizenship, corporate responsibility, sustainability, and corporate accountability. The specific CSR issues that organizations focus on can vary depending on their size (small, medium, large), industry (e.g., grocery retailers, finance institutions and infrastructure providers and agricultural sectors, infrastructure providers, material manufacturers), and geographic location. In broad terms, CSR typically includes issues related to business ethics, community involvement, environmental sustainability, governance, human rights, the marketplace, and the workplace.

CSR is a business model in which companies acknowledge their responsibility to themselves, their stakeholders, and the wider public. By practicing CSR, companies recognize the impact they have not only on their own business but also on society as a whole in social, economic, and environmental terms. When a company engages in CSR, it means that in its day-to-day operations, it will act in ways that contribute not only to its own private gains but also to the well-being of the environment and will strictly avoid any negative contributions.

In essence, CSR is a strategy that enables companies to strike a balance between society, their business operations, stakeholders, the economy, and the environment. The larger the company, the greater its responsibility. CSR is often misunderstood as mere interference in business affairs. However, the true essence of CSR lies in the efforts companies make to create a positive social impact. CSR is particularly relevant in the current context due to potential conflicts that may arise between stakeholders. It involves processes through which

objectives are set for both companies and stakeholders. CSR includes monitoring the policies, actions, and decisions of management and the stakeholders they affect. Stakeholders have the right to vote on company decisions during annual meetings and to scrutinize the company's policies. Shareholder activism is one way in which shareholders can influence corporations. This research aims to investigate the issues surrounding corporate governance, shareholder activism, and the related legislation. It includes a historical background, the current situation, and concluding suggestions on these topics.

### **Origin of CSR**

Corporate Social Responsibility or as we commonly know it as "CSR" is accepted widely across the world and in India with the positive reaction and enthusiasm. According to the European Commission Green paper of 2001, Corporate Social Responsibility is defined as "a concept whereby different variety of companies voluntarily decides to contribute better society cleaner environment and a developed nation."<sup>1</sup> Convincing CSR seeks to "make companies develop in ways that honour moral qualities and preserve rights of individuals, relationships, and our surrounding environment."<sup>2</sup> Simply put, it refers to "what you do, the manner in which you do it, when you do it, and what you say." CSR has been used in conjunction with several other terms. Corporate citizenship, company accountability, ease of management, and corporate commitment are among them.

### **Introduction to ILO**

The international labour organization place a very vital role in CSR has never standards and social dialogues are the essential aspects of CSR and this is a core business of international labour organization. Most of the corporate social responsibilities initiatives include God of conduct refers to the principles and laws deriving from the ILO standards, developed by Indian labour organizations.

ILO defines CSR as a way in which enterprises give how much consideration towards the impact of their operational practices on society and re-assure the principal and values in their own internal procedure and methods increasing number of consumers interest in the ethical dimension of products and working conditions in which they are produced has taken away the multinational enterprises and firms to voluntary adopt the code of conducts that are the burning their labour conditions in the supply chains and the production sites.

The International Labour Organization (ILO) is a specialized agency of the United Nations that promotes social justice and promotes decent working conditions worldwide. Corporate Social Responsibility (CSR) policies are voluntary actions that companies take to address social, economic, and environmental impacts resulting from their operations. The ILO has

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<sup>1</sup> European Commission of year 2001, "Green paper on Corporate Social Responsibility," available at: [www.eur-lex.europa.eu](http://www.eur-lex.europa.eu)

<sup>2</sup> Strategies of Canada, "An overview of Corporate Social Responsibility, Part-1", available at: <http://strategis.ic.gc.ca/epic/internet/incsr-rse.nsf/print-en/re00120e.html>

been instrumental in setting global labour standards and promoting decent work for all. Many companies have incorporated the ILO's standards and recommendations into their CSR policies. This includes provisions on worker rights and protections, including child labor, discrimination, bargaining of collective process, and freedom of association, forced labour, discrimination, and workplace safety.

Incorporating ILO standards and recommendations into CSR policies shows a commitment by companies to respect human rights and promote decent work for all employees, including those in their supply chains. Such actions can enhance the reputation of companies and build trust among stakeholders, including customers, employees, and investors. Moreover, engagement with the ILO promotes the implementation of sustainable development goals, especially those relating to decent work and economic growth. Companies that embrace CSR policies that align with ILO standards and recommendations are more likely to contribute positively to economic development and social progress.

In summary, engagement with the ILO and adherence to its norms can play a crucial role in developing responsible CSR policies and sustainable business practices that align with global development goals.

### **Challenges & Opportunities of CSR in Promoting ILO**

ILO in the schedule 7 of The Companies act, 2013 it is clearly explained the challenges and issues that are to be addressed as CSR few of them are as under:

- Hunger and Poverty
- Empowerment of Women
- Education
- Social Business projects
- Gender equality
- Slum areas and rural developments
- Environmental sustainability

The above mentioned issues are mostly the rules that are embedded in CSR policy of Companies act, 2014.<sup>3</sup>

### **ILO and ISR (Conventional recommendations):**

ILO in the United Nations agency that is devoted in the promotion and development of labor rights and social justice hence there must be harmonious environment and labour development in the workplace. Since year-1919, International Labor Development has developed and implemented a lot and has maintained huge systematic objectives in the promotion of both men as well as women in the work place that covers under ILO. ILO has main objective of promoting the right of labour at workplace and encouraging the decent

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<sup>3</sup> Andrew Clarke, 2005 "The Models of the Corporation and the Development of Corporate Governance"

ways of employment opportunity for the development of their labour and their families that enhances social protection and maintains the harmony at workplace focusing on the work related issues.<sup>4</sup>

The ILO highlights the importance of CSR as a voluntary act by private and multinational enterprises to take responsibility for creating a socially just society. While profit-making remains a goal for companies, promoting labor standards to some extent becomes part of their CSR efforts. The process of globalization and technological advancement transforms industries, requiring developing countries to prepare their countries and labor forces for the digital era. Encouraging companies in the digital era to promote labor standards through CSR is seen as a positive approach.

The CSR discussion is largely concerned with the behaviour of multinational corporations (MNEs) and other major private firms with great influence over domestic and international laws, as well as the communities in which they operate. The alleged deficiencies of national and international laws in keeping businesses accountable, especially when it comes to regulating their behaviour in jurisdictions other than their home state, are central to the discussion. CSR proponents say that socially responsible corporate practises are essential to the efficient operation of global markets.

Several factors are relevant to the ongoing CSR debate:

1. Globalization and increased cross-border trade by MNEs have led to a greater awareness of CSR practices concerning human rights, environmental protection, health and safety, and anti-corruption.
2. Organizations such as the UN, OECD, and ILO have developed compacts, declarations, guidelines, principles, and other instruments that outline norms for acceptable corporate conduct.
3. Access to information and media has empowered the public to be better informed and monitor corporate activities more easily.
4. Consumers and investors are demonstrating a growing interest in supporting responsible business practices and demanding more information about how companies address social and environmental issues.
5. High-profile corporate collapses have contributed to public mistrust and increased demands for improved corporate governance, accountability, and transparency.<sup>5</sup>
6. Citizens worldwide have similar expectations about the minimum requirements that corporations should satisfy in terms of social and environmental concerns, regardless of the country in which the firm operates.

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<sup>4</sup> “Corporations and Market Advisory Committee,” “Corporate Social Responsibility”, paper- November 2005

<sup>5</sup> Ibid

7. There is a growing recognition of the inadequacy of current regulations and legislation in addressing CSR issues and regulating the conduct of MNEs.

These factors collectively contribute to the ongoing CSR debate and highlight the need for improved corporate accountability, transparency, and responsible business practices to meet societal expectations and address global social and environmental challenges

### **Integrated management of CSR**

The provided information highlights that companies' approaches to corporate social responsibility (CSR) can vary based on sectoral and cultural differences. Companies often develop mission statements, codes of conduct, or credos that outline their purpose, core values, and responsibilities towards stakeholders. These values are then translated into action within the organization, incorporating social or environmental considerations into their plans, budgets, and practices. Some companies also issue social responsibility reports, although there is currently no global consensus on the information to be disclosed, reporting formats, and evaluation procedures.

The Green Paper, mentioned in the text, encourages public authorities, enterprises of all sizes, social partners, NGOs, and other stakeholders to contribute their views on establishing a new framework for promoting CSR. This framework should take into account the interests of both businesses and various stakeholders, aiming to build a partnership for CSR development. Overall, the information suggests that there is recognition of the importance of CSR, and efforts are being made to encourage companies to adopt responsible practices and report on their social and environmental impact. However, further discussions and collaborations are needed to establish standardized guidelines and procedures for CSR reporting and evaluation.

### **Corporate Social Responsibility: the internal & external dimensions**

Under so much of pressure imposed by the NGOs investors companies and sector and variety of consumer groups, data increasing and adopting the code of conduct leaving on the working conditions the environmental aspects and human rights in particular of the their supplier and sub-contractors. Many surveys have resulted that, the consumers not only want to buy safer and better products, but also they want to know, whether the product which they bought, are in socially responsible manner or not! i.e.; is the product environmentally safe or not!

Last few years, the investors has been working open the social responsible investments in social domain and investment on the environmental protection and the are continuously working upon the good indication of sound internal as well as external management of the society. Thus, socially responsible practices (SRP) can help us open the gates of reconcile in the social developed and improved competitiveness in the environment and surroundings. The socially responsible practices generally involve the investment in health safety and management changes and human capital.

Corporate social responsibility practices firstly the investment in human capital health exact today are also covering the environmental practices. The internal aspects include companies called contribution to their local communities by providing jobs services tax revenue as well as in wages to their local people and labour for the welfare of the state in which they operate.

Hence, corporate social responsibility involves huge range of business partners, suppliers, stakeholders, public authorities and NGOs etc. In the world of multinational investment, CSR must extend even across the borders of their nation. The external dimensions of CSR is that maintaining the relation with the global production activities despite the existence of international labour organization and TRIPARTITE declaration of principles taking care of the multinational enterprises and OECD guidelines for human rights and multinational enterprises remain very complex matter of issue expressing the political and moral as well as legal dilemma.

### **Implication of CSR for States, Business and the Labors**

The inclusion of CSR language in trade and investment agreements primarily has implications for states, businesses, and workers, who are the key stakeholders in labor-related CSR provisions and the three constituents of the International Labor Organization (ILO). The following are the implications of CSR clauses in trade and investment agreements for these stakeholders:

- **Implications for states:** States may play a crucial role in establishing the circumstances for responsible business behaviour worldwide and improving coherence by including CSR measures into trade and investment agreements. Individual states choose the amount of compliance with these regulations, and issues may emerge in assessing "how much the state encourages or trying to encourage these actions." The ability of these accords' surveillance processes and stakeholder participation through institutional structures to keep nations liable for their CSR obligations should be evaluated..
- **Implications for businesses:** Businesses would be liable for implementing the regulations chosen in their business activities and may choose to prioritise CSR instruments pushed by governments if governments encouraged the adoption of specific CSR tactics. In a roundabout way, this award highlights the importance of private firms in supporting labour standards and better working conditions..
- **Implications for workers:** As previously stated, the implementation of these regulations is still in its early stages, and their potential and actual impacts are largely unknown; however, the activation of these terms, along with other labor-related provisions in investment and trade contracts, is expected to have a positive impact on workers' rights and more expansive human rights. Workers' organisations have participated in the institutional frameworks provided in the agreements. For example, in cross-border civil society forums, these mechanisms have been used to advocate for increased cooperation activities or close monitoring of the CSR conduct of

multinational enterprises (MNEs) and to collaborate with governments and companies in this regard. It is important to note that the actual effects of incorporating CSR language in trade and investment agreements are still unfolding, and further research and evaluation are needed to fully understand their implications for states, businesses, and workers. .

The successful implementation and monitoring of these provisions will play a crucial role in ensuring that CSR commitments translate into tangible improvements in labor standards and working conditions.

### **Potential Role that ILO Plays on the CSR Policy**

The international labour organisation designs corporate social responsibility as a way, in which the enterprises give their full on consideration towards the impact of their operations and definitions of the principles and values on the society in their own manners and process and interactions with others.

CSR is a voluntary enterprise drive in initiative that refers to the whole activities which are considered for exciting the compliances with law. International labour organisation plays an essential role in the development of corporate social responsibility CSR, as the labor standards and the social dialogues are the true steps of CSR and it is the most about didn't aspect that plays in the growth of business of international labour organisation i.e., ILO.<sup>6</sup>

There are two main difference points for the international labour organisations, which are mentioned as under:

1. Firstly the ILO declaration on the fundamental principles and the right at work this brings requirement for the government to amend and implement the principles and laws of the ILO's Core labour standards.
2. Secondly the TRIPARTITE declaration of principles concerning the multinational enterprises and social policies (The MNE declaration) is a guideline on enterprise in the behaviour for government's enterprises and ILO constituents.

The ILO having it systematic functioning, has passed resolution of the guidelines to increase the standard of levels one of the corporate social responsibility policies. the nation like India has to develop their standards of labour as one of the developed policies in CSR by reflecting the principles of ILO and United Nations for decent working agendas in this Digital India period and for the ultimate betterment and development in the future of India.

### **Declaration of Social Justice for a Fair Globalisation, 2008**

The information you provided highlights the ILO's emphasis on promoting social justice in the context of globalization and digitalization. The ILO recognizes that globalization has

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<sup>6</sup> Allens Arthur Robinson, "Corporate Governance Site, 'Directors' duties and corporate philanthropy", available at: [www.blog.ipleaders.in](http://www.blog.ipleaders.in)



brought benefits, but these benefits have not been evenly distributed. In order to achieve fair globalization and decent work, the private sector, including multinational companies, must contribute to the promotion of labor standards.

The ILO values labor standards and believes that the private sector has a responsibility to uphold these standards to prevent the exploitation of the labor force, particularly in the context of digital India. The ILO's commitment to labor standards and social justice is reflected in the document adopted during its 97th session of the International Labour Conference. This document addresses the transformation from rural to urban settings, the impact of technology on the workforce, and the need to address growing inequality, the informal economy, and unprotected labor. Furthermore, as production becomes internationalized and digitalized, the ILO emphasizes the importance of not neglecting or overlooking the local labor force, particularly in countries like India with a significant labor force. The ILO provides support to all countries in implementing its principles and values to ensure the promotion of labor standards and social justice.

### **ILO & Tripartite declaration**

International labour organisation which was founded in the year 1919 is a specialised agency of United Nations whose main focus is on the labour issues and has around 178 member-states till date. This Tripartite declaration also encourages the positively contribution of MNEs for social as well as economic progressive the state and the development, few of the principles are mentioned as under:

- The government should implement miserable sustainable issues to deal with employment issues of MNEs
- in developing countries MNEs should provide their best possible wages including health and safety conditions of work and the other benefits requires as a basic need of labour within the government policies frameworks
- MNEs should respect the laws and should obey the international standards and harmonize their operations with the aim of social welfare of the countries that they are part of.

### **ILO & CSR**

The International Labour Organisation (ILO) was founded in 1919 with the goal of promoting both social and economic fairness. During the globalisation age, private multinational corporations play a critical role in the economy, with the ultimate goal of increasing output and profit. Employers should address workplace norms without fail in the process of growing profits. In its agreements and treaties, the International Labour Organisation carefully observes and then frames the regulations for employers, governments, and various institutions to ensure labour rights and standards. The International Labour Organization (ILO) emphasizes several labour standards that are essential for promoting

decent work and protecting the rights of workers. Some of the key labour standards highlighted by the ILO include:

- **Elimination of child labour:** The ILO aims to eradicate child labor in all its forms and promote education and social protections for children. Promotion of worker health, safety, and welfare: The ILO promotes safe and healthy working conditions, including occupational health and safety measures, to protect workers from accidents, injuries, and occupational diseases.
- **Right to work:** The ILO emphasizes the right to work for all individuals, ensuring access to productive employment, free choice of employment, and protection against discrimination in the workplace. Improving industrial relations: The ILO encourages the establishment of effective systems of industrial relations, including freedom of association, collective bargaining, and the recognition of workers' rights to form and join trade unions.
- **Improving working conditions:** The ILO advocates for fair wages, reasonable working hours, and decent living conditions for workers, promoting social protection measures, and addressing issues such as forced labour and precarious employment.

These labour standards, among others, are central to the ILO's mission of promoting social justice, decent work, and inclusive economic growth worldwide. The organization works with member states, employers' and workers' organizations, and other stakeholders to develop and implement policies and programs that uphold these standards and ensure the well-being of workers globally. Guy Ryder elegantly mentioned in one of his articles- "Today's ethical business requires a comprehensive right-based approach that responds to national development goals." He also emphasised and especially mentioned that fair globalisation comprises good jobs for men and women, as well as access to schooling for children, meaning that the private sector would be a vital participant in attaining its long-term goals.<sup>7</sup>

The concept of "shareholder primacy" argues that a corporation's main purpose is to maximize shareholder wealth while complying with the laws of the countries in which it operates. This perspective, championed by economist Milton Friedman, asserts that the sole social responsibility of business is to increase profits for shareholders. According to this view, shareholders are the owners of corporations, and directors serve as their agents, tasked with maximizing shareholder wealth within legal boundaries.

On the other hand, proponents of corporate social responsibility (CSR) argue that for a corporation to achieve long-term success and profitability, its directors must consider the interests of not only shareholders but also other stakeholders such as employees, consumers, and the communities in which the corporation operates. They contend that implementing relevant and sustainable CSR practices can lead to better corporate performance and a competitive advantage.

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<sup>7</sup> Price Waterhouse Coopers, "Corporate Responsibility: Strategy, Management and Value", 22 June, 2006.

Despite the ongoing debate, many corporations in the industrialized world strive to strike a balance between their impact on a broader range of stakeholders and the goal of maximizing shareholder wealth. A global survey of corporate executives indicates that the majority of executives believe that corporations have a role in society that extends beyond meeting shareholder obligations. This perspective is supported by a survey of global investment managers, which recognizes that environmental, social, and governance factors can be critical to investment performance. Additionally, a significant number of corporate managers predict that social or environmental corporate performance indicators will become mainstream considerations for investments in the next decade.

These findings suggest a growing recognition among corporate leaders and investors that taking into account social and environmental factors, along with financial performance, is essential for long-term success and meeting the expectations of various stakeholders.

### **MNE Declaration**

The Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy is an important document adopted by the ILO during its 204th session in November 1977, with the last amendment made during the 329th session in March 2017. This document examines the advantages and disadvantages of multinational enterprises (MNEs) and emphasizes the need for corporate social responsibility (CSR) to address labor standards and social welfare<sup>8</sup>. The document acknowledges that MNEs can bring benefits such as new employment opportunities, improved work culture, capital inflow, and technology transfer. However, it also recognizes the potential risks associated with MNEs, including forced labor, lack of social security for workers, child labor practices, unequal employment opportunities, absence of employment and income guarantees, limitations on freedom of association, and inadequate safety, health, and welfare measures.

### **Conclusion**

Based on the provided information, it can be concluded that the practice of Corporate Social Responsibility (CSR) is now a mandatory practice for companies, as it not only helps them fulfill their responsibility towards the environment but also towards society as a whole. CSR has played a role in protecting human rights in certain instances. Indian companies have become actively involved in contributing to areas such as education, rural development, environment, skill development, healthcare, and more, largely due to CSR initiatives. Legislation in India has incorporated CSR practices to promote and regulate it.

The author's research covers the fundamental concept and challenges of CSR. It argues that the core values of the Indian corporate sector necessitate corporate governance and explores the issues in Indian corporate governance, primarily focusing on the Companies Act of 2013. The primary governance issues in the US or the UK are mainly related to the lack of effective and accountable management. The solutions proposed aim to improve the functioning of key

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<sup>8</sup> Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, at 26 June 2006.

organs of the company, such as the board of directors. CSR has proven to be a productive and effective framework for the Indian economy and to protect the interests of shareholders. However, more efficient monitoring, transparent internal audit systems, and effective board and management practices are required to ensure effective corporate governance.

The focus of the research is on corporate social responsibility, which should support emerging marketing companies in addressing sustainability issues and improving public awareness of sustainability performance. The conclusion drawn from the research is that CSR is a significant concept that has received considerable attention and research in recent years, and it has now transitioned from being a voluntary activity to a systematic one, becoming an essential practice in the future. India is the first country to have legally mandated corporate social responsibility, although there are no strong laws or regulations in place at present. Other countries such as Norway, the UK, South Africa, Ghana, Sweden, and Ivory Coast have their own codes that promote socially responsible business practices. Organizations and companies have already taken action and are playing strategic roles in shaping and implementing corporate social responsibility, ensuring success in reducing inequalities without jeopardizing their business growth.

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