

## CSR in Mining Sector: Transition from Utopia to Reality

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Mining Industry plays an important role in Indian Economy. But due to the impact of its operations causing major deforestation, habitation destruction, acid runoff from mines, biodiversity, exploitation of Labor, Child Labor issues etc., it has taken a 'devil may care' attitude. Corporate Social Responsibility (CSR) has become a big buzzword today in this sector. The new standard of CSR i.e. ISO 26000 lays emphasis on the responsibility of business towards society. It is the first voluntary standard which act as a key for guidance and decision making tool. In this research paper, the core subjects and issues addressed in ISO 26000 for mining sector, prevalent scenario of CSR in mining and the role of ISO 26000 in a journey towards CSR excellence in mining has been discussed.

**Keywords:** CSR, Social Responsibility, Sustainable Development, ISO 26000, Mining, Indian Scenario.

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### Introduction

Historically, the mining industry has taken a 'devil may care' attitude due to the impacts of its operations causing major devastation, and then leaving the area when it has been exhausted of all economically valuable resources. Cost benefit analysis has often been used to excuse the damage caused in one place because it is outweighed by the overall financial benefits (Jenkins, 2004).

However in this era of globalization and liberalization, Mining Industry plays an important role in the world's economy. It yields foreign exchange and contributes significantly to the total GDP. It is the only source of mineral commodities which are needed to develop the overall infrastructure like construction of roads, hospitals, houses etc., to generate electricity, to make computers and satellites, to build automobiles and to provide other goods and services needed by the society. Along with that it provides employment to the large

extent and helps in improving the living standard of people. It is the foremost source of economic growth. Thus it is necessary for these industries to meet the environmental and social obligations while remaining profitable.

Today, Corporate Social Responsibility (CSR) has become a big buzzword in this sector. CSR is of great importance in mining as it contributes in a meaningful way to sustainable development and adds value to stakeholders. Along with that it helps companies in securing their 'social license to operate' in the society.

In November 2010, the newborn ISO-26000 standard on Social Responsibility (SR) was published by the International Organization for Standardization. It is the first voluntary standard which doesn't provide any certification and used a participatory system of stakeholders.

Recently, on 30th September 2011, the new Mines and

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Minerals (Development and Regulation) Act, 2011 was approved by Indian Union Cabinet. It stipulates that Miners have to share 26% of their net profits with the people affected by their projects. But the law is not implemented in a proper manner. The mining industries are ready to extract as many minerals as possible but they are not ready to give that much amount of share for the welfare of the society.

Against this backdrop an attempt has been made in this paper to:

- Underline the importance of mining sector in the Indian Economy.
- To develop the conceptual framework of CSR.
- To trace the evolution of ISO 26000 standard for Social Responsibility.
- To access the applicability of ISO 26000 standard in Mining Sector.
- To scan the prevalent scenario of CSR in mining sector in India.

### **Importance of Mining in Indian Economy**

The Indian Economy is one of the fastest growing economies in the world and it is the ninth largest in the world by nominal GDP. The major industries in India comprise of mining, telecommunication, textile, cement, pharmaceutical etc. These industries account for 28% of the total GDP and employ 14% of the total workforce in the country.

India is the seventh largest country in the world and is endowed with high reserves of mineral resources. Thus mining Industry acts as a backbone for the economic growth of the country. Mining is the extraction of minerals and metals from earth. It is a source of important raw materials to domestic industries, and major contributor to India's export earnings. It offers employment opportunities in remote, non-urban areas. States like Jharkhand, Orissa and Chhattisgarh are especially dependent on mining for their economic

development. The GDP contribution of the mining industry is around 10 to 11% of the total industrial sector and it provides job opportunities to around one million of individuals (Padhi, 2003).

### **Conceptual Framework of CSR**

CSR is not a new concept in India. It has had a major influence on business, government, and society relationships (Balasubramanian et al., 2005). Corporate bodies like the Tata Group, Aditya Birla Group and Indian Oil Corporation have been involved in serving the community since their inception (Arevalo and Aravind, 2011). Tata Steel (the oldest and best known Indian steel company) was very involved in trying to tackle many social problems even before the term CSR formally entered the vocabulary of management texts (Singh, 2008).

The World Business Council on Sustainable Development (2002) defines CSR as the continuing commitment by the business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community and society at large. As a concept, CSR is seen as 'the subset of corporate responsibilities that deals with a company's voluntary/discretionary relationships with its societal and community stakeholders' (Waddock, 2004)

Today CSR in India has gone beyond merely charity and donation and it has become an integral part of the corporate strategy for long term perspective (Balasubramanian et al., 2005). But still it is one of the least understood initiatives in the Indian development sector. It is followed by handful of public and private companies. The effectiveness of CSR initiatives in the oil, gas and mining sectors has been increasingly questioned (Frynas, 2005). Thus the situation is far from perfect as the emphasis is not on social good but rather on the policy that needs to be implemented.

### **Evolution of ISO 26000**

In 2001, Working Group of ISO's Consumer Policy Committee (COPOLCO) examined the viability of existing ISO standards on CSR and realised the need for new standard which will work on Social Responsibility (SR) as a whole. After three years, ISO held an international multi-stakeholder conference to discuss the launch of this standard. The positive outcome of the conference gave the recommendation to develop the future ISO 26000 standard. In 2005, ISO working group with six stakeholders scheduled the developing work for this standard. The standard was developed using a multi-stakeholder approach involving experts from more than 80 countries and 40 international organisations involved in SR. These experts represented six different stakeholder groups: consumer; government; industry; labour; non-governmental organisations (NGOs) and service, support, research and others.

In November 2010, the newborn ISO 26000 standard was published by the International Organization for Standardization. It is an ISO International Standard giving guidance on SR. It gives recommendation to operate in a socially responsible manner which is demanded by the society. It is the first voluntary standard i.e. it contains voluntary guidance, not requirements, and therefore it doesn't provide any certification like ISO 9001(Quality Control) and ISO 14000(Environmental Management) standards. Key characteristics of ISO 26000

- To be applied by all types of organizations
- Provides guidance on SR
- Voluntary Standard
- Not intended for third-party certification
- Addresses a full range of core subjects relating to social and environmental issues.
- Aimed at promoting sustainable development.

### **Framework of ISO 26000 Standard on Social Responsibility**

ISO 26000 standard is a very systematic approach to attain Sustainable Development. In the ISO 26000 standard, there are 7 clauses, 7 principles of social responsibility and 7 core subjects. The 7 clauses are as follows:

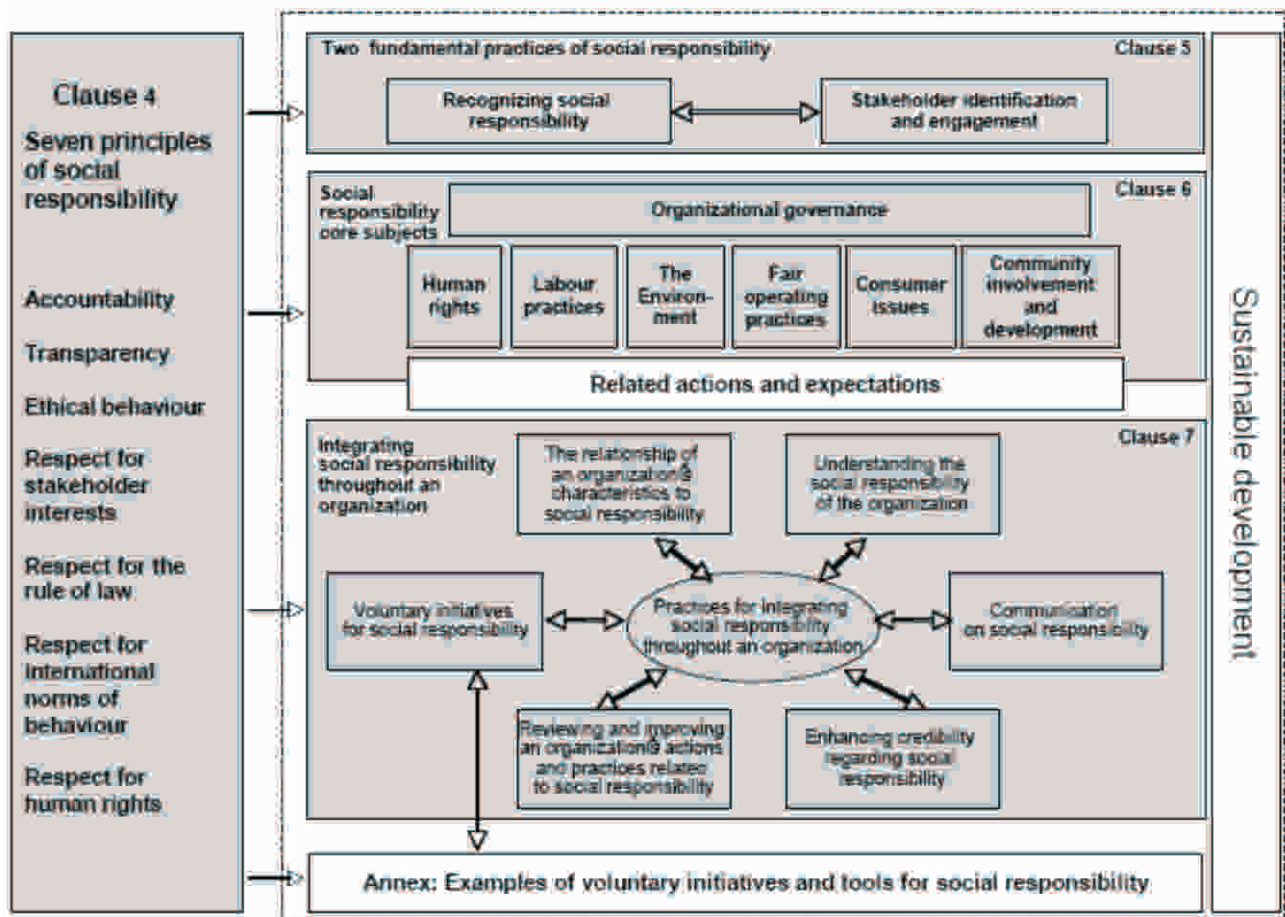
- Clause 1: Scope.
- Clause 2: Terms and definitions.
- Clause 3: Understanding social responsibility.
- Clause 4: Principles of social responsibility.
- Clause 5: Recognizing social responsibility and engaging stakeholders.
- Clause 6: Guidance on social responsibility core subjects.
- Clause 7: Guidance on integrating social responsibility throughout an organization.

In order to attain Sustainable Development, the scope of ISO 26000 and its terms and definitions should be understood first (Clause 1 & 2). After that it is suggested to consider the characteristics of social responsibility and its relationship with sustainable development (Clause 3). Fig. 1 gives the overview of clause 4 and onwards and it is intended to assist organizations in understanding relations between the various clauses of the standard. As per Fig.1 an organization should review and respect the 7 principles of social responsibility described in Clause 4 after considering clause 3. Prior to examine the core subjects and issues of social responsibility as per Clause 6, an organization should consider two fundamental practices of social responsibility i.e. recognizing its social responsibility within its sphere of influence, and identifying and engaging with its stakeholders (Clause 5). Once the principles have been understood, and the core subjects and relevant issues of social responsibility have been identified, an organization should seek to integrate social

responsibility throughout its decisions and activities, using the guidance provided in Clause 7. This involves practices such as: making social responsibility integral to its policies, organizational culture, strategies and operations; building internal

competency for social responsibility; undertaking internal and external communication on social responsibility; and regularly reviewing these actions and practices related to social responsibility.

Fig. 1: ISO 26000: Overview



Source: Praxis Consulting Group (Philadelphia)

### Core Subjects of ISO 26000 and its applicability in mining

The researchers have done comprehensive and profound study of ISO 26000 standard and then prepared the Table-1 in which those core subjects have taken which are highly significant and applicable for attaining Sustainable Development in mining sector.

A keen look at the following tables reveals that all the

7 core subjects are not unswervingly applicable in mining. As mining industries mainly affects the environment, labour and the communities adjacent to mines. Thus the issues highly significant in mining industries are Human Rights, Labour practices, Environment, Fair operating practices and Community involvement and development. While Organizational Governance and Consumer issues are less considerable in this sector as the former one mainly emphasis on

**Table 1: Core subjects and issues addressed in ISO 26000 for mining sector**

<b>Core subjects</b>	<b>Issues Addressed</b>
Core subject 1: Organizational Governance (Less applicable in mining)	It enables an organization to take actions on other core subjects and issues; makes and implements decision for pursuing its objectives.
Core subject 2: Human rights	The basic rights entitled by everyone regardless of their status.
Issue 1: Due diligence	Organization consistently examines the negative impacts of its activities & managing these to avoid or minimize the risk of social & environmental harm.
Issue 2: Human rights risk situations	The environment where organization are facing challenges in dealing with human rights issues like culture of corruption, situation of drought etc.
Issue 3: Avoidance of complicity	Avoidance of Staying silent about or benefiting from wrongful acts of others.
Issue 4: Resolving grievances	To resolve the disputes occur, the effective grievance mechanism is established without partial treatment to any party.
Issue 5: Discrimination and vulnerable groups	Undue prejudicial discrimination is provided to vulnerable groups i.e. disabled people, pregnant women, untouchables, children etc. but not on the basis of race, gender, nationality etc.
Issue 6: Civil and political rights	Every person has to enjoy the rights such as the right to life, right to freedom from torture, right to security, right to own property, liberty, integrity, right to impart ideas, right to privacy, freedom of opinion and expressions, freedom of religion etc.
Issue 7: Economic, social and cultural rights	Every person has to enjoy these rights for his or her dignity & personal development. This include food, clothing, housing, medical care, necessary social protection like right to security in the event of unemployment, disability, old age etc.
Issue 8 :Fundamental principles and rights at work	ILO has identified & designated fundamental principles and rights at work. It includes freedom of association and collective bargaining, elimination of forced labour,



Core subjects	Issues Addressed
	abolition of child labour, elimination of discrimination in respect of employment and occupation.
Core subject 3: Labour Practices	It refers to policies and practices relating to work performed by labours within the organization.
Issue 1: Employment and Employment relations	A legal framework is must to provide secure employment and to regulate employees and employers relationships.
Issue 2: Conditions of work and social protection	Provide appropriate conditions of work which include wages, compensation, working time, holidays, welfare issues such as safe drinking water, medical facilities etc. Social protection refers to, security of employment, security Issues Addressed against the loss or reduction of income at the time of injury, illness, old age, maternity etc.
Issue 3: Social dialogue	It includes all types of negotiation or exchange of information between or among representatives of govt., employers and workers to discuss on social and economic issues.
Issue 4: Health and safety at work	Provide healthy environment to workers to increase their morale and productivity and to minimize the risk related to health and safety at work.
Issue 5: Human development and training in the workplace	Human development includes make the workers skilful, knowledgeable, creative, productive by providing proper training at workplace without any discrimination.
Core subject 4: The environment	Activities of organisations invariably have an impact on the environment, no. matter where they are located.
Issue 1: Prevention of pollution	Improve the environmental performance by preventing pollutions including emissions to air, discharges to water, the generation of solid and liquid waste, contamination of land and soil, the disposal of toxic and hazardous chemicals and pollutions from its activities, products and services.
Issue 2: Sustainable resource use	It means to extract at a rate that is less or equal to its rate of replenishment by combining or replacing non renewable with renewable resources.

Core subjects	Issues Addressed
Issue 3: Climate change mitigation & adaptation	Green House Gases (GHG) emission is the major cause of climate change. Mitigation means the organisation should minimize their GHG emission and adapting to climate change.
Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	An organisation becomes more socially responsible by protecting and restoring the ecosystem services, biodiversity and advancing environmentally sound urban and rural development.
Core subject 5: Fair operating Practices	It means to work legally and ethically.
Issue 1: Anti-corruption	To eradicate corruption and bribery, an organisation should improve its policies and practices.
Issue 2: Responsible political Involvement	For this, an organisation should be transparent regarding its activities related to political contribution, lobbying and political involvement.
Issue 3: Fair competition	Fair Competition among the organisation provides equal opportunities, reduces the cost of products and services, promote innovation in the long run and enhance the economic growth and living standard of people.
Issue 4: Promoting social responsibility in the value chain	It means organization should incorporate ethical, social, environmental and gender equality including health and safety in its policies to prosper in a right manner.
Issue 5: Respect for property Rights	Property rights cover both physical and intellectual property and it includes interest in land and other physical assets, copyrights, patents, funds, moral rights etc.
Core subject 6: Consumer issues (Less applicable in mining)	Organisation should be responsible towards their consumers to whom they are providing their products and services.
Core subject 7: Community involvement and development	Relationship with the communities in which organisations operate for Sustainable Development.
Issue 1: Community involvement	It is an approach aimed at problem solving by fostering partnership with local communities and stakeholders.
Issue 2: Education and culture	

Core subjects	Issues Addressed
	Organisations should contribute in the promotion of education and prevention of culture as it has a positive impact on social development.
Issue 3: Employment creation and skills development	Organisation should create employment opportunities and training should be provided for skill development.
Issue 4: Technology development and access	Information and communication technology should be improved through training and partnerships etc.
Issue 5: Wealth and income Creation	Wealth and income creation depends on the fair distribution of the benefits of economic activities. It includes taxes, wages and profits.
Issue 6: Health	Promotion of health should be contributed through preventing or mitigating any damage to the community.
Issue 7: Social investment	It is the means by which organisation can contribute towards the development of the communities in which they operate. It aimed at providing safe drinking water, sanitation, housing, health and food security etc.

achieving the organizational objectives and the later one give stress on the protection of consumer interest which are not directly associated with the key practices of mining.

### **Prevalent Scenario of CSR in Mining Industries in India:**

The mining industry affects the country's economy in terms of production, exports and employment. It impacts mostly on the labour, communities and the environment adjacent to mines. Now a days, mining companies come to know that for a long run survival it is necessary to be sustainable in nature and maintain good relations with local communities where they are operating. Even companies are embracing Sustainable Development (SD) principles but sometimes it is in their language only or either a challenge for them as how to apply SD at their operational or local level.

Mining affects the society both in positive and in negative ways. The positive effects include the creation of new communities and wealth, income from export revenues and royalties, technology transfer, skilled employment and training for local populations and improvements in infrastructure such as roads, schools and health clinics. The numerous social and environmental issues associated with the mining industries include human rights, labour issues, environmental issues, fair operating practices etc. The negative impact of mining industries on local communities and environment are as follows:

India is considered as a home of child labours under the age of 14 years than any other country in the world (Khanna, 1997). The situation remain same in the present era and the evidence revealed that they all work for a longer time in extremely dangerous and hazardous environment with toxic materials which causes a range of serious health problems and injuries in them (Szekely,



2010). Gender discrimination is also prominent issue in both adult and child labour. The girls and women earn less than any other group of employees in the industry (Lahiri-Dutt, 2006). They are abused and even become the victim of rape most of the time. These practices are violating the Human Rights (ref.: core subject 2, table-1) according to which fundamental principles and rights at work should be followed that includes abolition of child labour and elimination of discrimination in respect of employment and occupation.

The vast industrialization of today requires technical improvements which in turn needs skilful labours. Thus it has decreased the employment opportunities for local communities as they are uneducated with lesser knowledge of technologies. This also decreases the living standard of the occupational communities and they face major problems regarding their families, health etc. The industrialization has destroyed the traditional values and culture too. These activities of the mining companies are in opposition of the Labour practices and Community Involvement and Development (ref. core subjects 3, 7; Table1) which stated that it is the responsibility of the organizations to create employment opportunities and provide training programmes for the skill development of the local communities in order to enhance their living standard.

The intensive mining and industrial growth cause major deforestation which in turn increases the emission of Green House Gases (GHG) in the atmosphere. This is mainly responsible for global warming, causing drastic change in the climate and negatively affects the biodiversity and ecosystem. It has also caused habitation destruction and acid runoff from mines which in turn cause water pollution, soil pollution, air pollution etc. Today, Political instability, lack of government presence and low levels of monitoring leads mining companies to extract more and more in the local areas. It destroys the livelihood, environment and the community as a whole. These practices are not in

favour with the core subject 4: The Environment as discussed in table-1 that organisation should improve their environmental performance by preventing pollution, mitigating the climate change and extract at a rate that is less or equal to its rate of replenishment.

India's liberalization policy and open market reforms on the one hand have provided growth opportunities but on the other hand increased poverty. The so called development projects like setting up of mines, industries etc have induced large scale displacement not only in India but also all over the world. Thousands of acre of land have been taken away in the name of development from people who are totally dependent on it for their livelihood. Rehabilitation plans are shown to the people at the time of transfer of land to corporate bodies but afterwards it remains on paper only by most of the mining companies like Dhanbad Jharia coal mines etc. Thus, land title disputes occur frequently between local groups, mining companies and the government. Human rights and Fair operating practices (ref. core subjects 2, 5; Table1) reveal that organization should emphasis on fair competition, ethical means and respect the property rights which are exceedingly dishonoured today by this sector.

In India, 50% of the mining is done through illegal means. The evidence reveals that Panna district in M.P. is the highest diamond producing district but still it is the poorest district of the state as most of the mining is done in the forest area through illegal means. Due to this reason labours get lesser amount of the worthy stones and remain poorer. Recently, the case of illegal sand mining by the Mining Mafia in the Chambal region (M.P) came into light by the IPS officer Narendra Kumar Singh and who was murdered for the same. Another case of illegal mining was by the former minister of Karnataka, Mr. Reddy and his wife which was uncovered in the year 2011. One more investigation reveals that Pravakaran, the kingpin of Orissa mining

scam has controlled over 10 major iron ore mine illegally. Thus, Illegal mining is the major issue in India in this sector. These companies are not strictly implementing the Fair Operating practices (ref. core subjects 5; Table1) which suggest that mining companies should incorporate ethical means for promoting social responsibility in their value chain.

In India, Rajasthan hosts a wide range of natural resources. It is considered to be the largest marble producing state in India. The major marble producing areas are Makrana, Rajnagar, Kesriyaji, Jaisalmer etc. These mines are producing 15-20 lacs tons of marble slurry waste daily. Out of which 70% of the waste is being disposed locally which cause erosion of soil fertility, contamination of air, contamination of rivers and drinking water resources, problems of drainage system etc. Therefore such practices in Rajasthan state also violate the ISO 26000 standard as a result the situation of attaining Sustainable Development looks like a dream only.

In conclusion, it can be said that mining is a very important sector of Indian economy. Due to the lack of proper regulatory framework and its strict implementation, Mining Mafia have come to rule the roost. As a result great loss to the exchequer is taking place. The new standard of CSR i.e. ISO 26000 lays emphasis on the responsibility of business towards society. As can be expected, the mining sector lacks social responsibility therefore it is found wanting on most of the core subjects of ISO 26000. The researchers feel sanguine that if this standard is strictly implemented, it will lead to the overall socioeconomic development of the rural/tribal people which are continually displaced and adversely affected by mining activities.

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