

## **Corporate Social Responsibility and Income Inequality**

### **A. Corporate Social Responsibility Defined**

Corporate social responsibility pertains to a type of organizational control merged within the organizational structure. Usually, corporate social responsibility programs will serve as an internal process wherein the organization will track and guarantee its compliance to policies, acceptable behavior and global standards. As a result, the company will accept accountability for the effect of its initiatives about its surroundings, clients, workers and other significant individuals (Hennigfeld, 2006). In addition, corporate social responsibility-based organizations usually intensively advocate the welfare of the people through inspiring their progress and improvement, as well as willingly eradicating initiatives that inflict negative impacts on the public. Basically, corporate social responsibility pertains to the mandatory involvement of the welfare of the people into organization's process of undertaking choices, as well as acknowledging the importance of individuals, revenues and the environment.

The implementation of corporate social responsibility has become the topic of arguments and conflicts. Advocate mention that corporate social responsibility is truly a sensible initiative for organizations, because of the fact that they experience its advantages in various ways through functioning with a philosophy more extensive and deeper than their instant revenues. Opponents of corporate social responsibility mention that veers away from the basic task and purpose of organizations; there are other people that mention that corporate social responsibility is simply irrelevant and overrated, or just an initiative to obstruct the responsibility of the authorities to monitor the top global organizations. CSR has actually evolved through time. Nonetheless, it

basically is tasked to support the company's objectives and an anchor to its different philosophies.

With the objective of establishing excellent bonds among the places where they function, most companies get involved in various CSR initiatives to meet accordingly the important necessities as well as inspiring workers to have significant responsibilities in their localities. Organizations that practice corporate social responsibility truly acknowledge the value and significance of the welfare of the people. They inspire their workers to acknowledge serving the people as an important task and as an opportunity to aid those that have nothing to offer. Corporate social responsibility initiatives of most companies are usually seen in the aftermath of natural calamities (Kotler, 2004). The CSR activities of companies focus on offering encouragement to the victims and giving them immediate assistance for quick recovery. Companies because of corporate social responsibility have learned to acknowledge the value of managing the environment to be able to establish manageable communities for the long term. They have become more dedicated to attaining these objectives through aiming to integrate current developments along with logical initiatives.

The range and characteristics of the advantages of corporate social responsibility for companies could differ based on the kind of the organization, and are hard to evaluate. Nonetheless, there are a number of reliable research studies that have validated these advantages. Corporate social responsibility initiatives could provide support for various human resource activities, specifically with regard to choosing the right personnel to hire. Candidates of various employment opportunities frequently inquire regarding a company's corporate social responsibility program, and possessing an excellent one could truly offer huge benefits. Corporate social responsibility could as well aid enhance the reputation of an organization

among its employees, specifically once they could be able to participate in these diverse activities.

Handling risk is an important component of most organizational initiatives, and corporate social responsibility is not that different. Legacies that are difficult to build and nurture could be destroyed instantly because of various mistakes. These could create bad publicity also thus aggravating the situation. Establishing a true environment of being ethical inside an organization could handle these potential dangers. In competitive industries, organizations work for a distinct philosophy that could distinguish them from their rivals and for the clients to notice them. Corporate social responsibility could have an important value in establishing client confidence according to unique moral approaches (Vogel, 2006). Organizations always intend to prevent disruptions in their operations created by certain policies. In doing significant corporate social responsibility initiatives, companies could convince leaders as well as the people that they are giving importance to matters involving their surroundings by heart as excellent and role model organizations.

## **B. Income Inequality and Problems**

Income inequality pertains to the situation where income of families or people is allocated disproportionately. Even if experts agree that a certain level of income inequality is necessary, its severity and its impacts on the people keep on being a topic of significant arguments for the longest time. Most experts think that income inequality at present presents a tremendous dilemma for humanity with them mentioning it as a huge concern. On the other hand, there are experts that mention that income inequality is primarily the consequence of plenty of employees in the ordinary family as well as their age literacy.

All countries exhibit a certain level of income inequality as the jobs and roles that individuals have in these places differ in origins and significance. To be able to offer adequate rewards for a huge extent of jobs, governments have to offer different incentives. Income is probably the most typical type of reward. Because overflowing presence of resources reduces value, having unique capabilities significantly makes income go up (Betti, 2010). In most countries a portion of the growing difference among the different social classes is connected to the huge surge of families that are being managed by a sole breadwinner. The huge surge in immigration in the previous years, with non-native employees surging from approximately 10% of the overall roster of employees to almost 20% at present, has also contributed to income gaps, as most of them are going out of impoverished nations, settling to developed countries, and tries to improve their social status over time.

Surging expenses to literacy programs because of modernization as well as an increase in income according to outputs has also maximized the income gap among different social classes. Academic accomplishment as well as the quantity of work performed by people is an important factor that identifies the level of income. Most people get their money from various employment opportunities and making use of the skills and capabilities that they have (Turek, 2008). This is not applicable however for the impoverished sectors, where having government jobs is their main source of money.

Income inequality and its quick surge invite chaos and disorderliness among countries. They lurk underneath the evident symptoms of conflicts in various mass media outlets that can normally be seen in the process of discussing the appropriate ways to minimize or mitigate its negative impacts to society.

It is not really surprising as to why income inequality has turned into a vicious nightmare. The true incomes of ordinary employees halted to increase for the past half century. On the other hand, the effectiveness of these employees went up. They generated larger quantities of products and items for their mother companies to offer into the market. However these companies also did not see the need to increase the salaries of their employees that produces these products for them. Companies and the individuals they aid therefore gained greater profits as the salaries of their workers stopped growing. Dominant companies even became more progressive and profitable while those that were sputtering experienced even more difficulties.

The dilemma is that a significant portion of employees were never aware of why they were not experiencing or being granted of any increase in income (Champernowne, 1999). They failed to know that their downfall emanated from the altered environmental circumstances, particularly the technologies that served as substitutes for plenty of employment opportunities and the work that companies shipped externally from their native countries to minimize income sites. Companies made full use of these altered environmental circumstances to prevent increasing the salaries given to their workers.

Failing to recognize how altered environmental circumstances along with the process that influences companies' choices contributed to their declining salaries, most employees rather simply stood silent and chose to accept their fate. Employees who did so eventually did not have the confidence to persevere. Their bonds and connections with their loved ones also experienced difficulties. Every aspect of the life of employees was damaged by the destructive income inequality that still persists up to the present time.

## **Role of the companies in addressing Income Inequality**

There is a need for companies to take active role in addressing income inequality. This is because they are frequently criticized for prioritizing revenues first before the employees' welfare. Firms usually have to fight with simpler organizations that give minimal compensations to their employees. Because of this, these firms have enabled other foreign companies to do certain operations for them. As a consequence, most developed countries have let go of majority of its industrial employment opportunities over the last decade. Certain industrial employment opportunities went up but did not have adequate salaries.

In the latter part of the 20<sup>th</sup> century, organizations became desperate to gather finances for their desire to become more profitable through organizing different activities. They began to feel the pressure of generating bigger revenues to gain the confidence of the people. Because salary is normally taking a huge chunk of the available funds, restructuring has resulted to improving the lesser tenured workers and recruiting more contractual workers (Tachibanaki, 2009). The transfer of people also enables impoverished individuals to occupy minimum salary jobs.

Majority of the reasons for the existence of income inequality in most countries could be linked to a significant change of the world economy. Developing nations are observing a surge in their revenues as they turn to become more dominant in the world stage. Their employees are gradually turning more competent, and the authorities are getting more knowledgeable in handling their operations. Because of this, income and resources are transferring to these countries.

Once the benefits of progressiveness become unfairly allocated to the people, a process is established that could truly result in chaos. The limited number of people who experience its benefits would only be able to use only a certain percentage of their earned money. These people would make initiatives to put what is left of their money on business opportunities. However the need is surging gradually from those having unstable incomes and could only effectively aid a limited part of the accessible investment funds. Therefore there exists a reward to release funds at huge interest levels for people with unstable incomes and restricted capacity to pay the borrowed money back. This possesses the instant benefit of maximizing utilization and establishing nice income generating projects, but only temporarily. Sooner or later the money becomes limited, the need goes down and the worth of these investments also undergoes a decline. This results to a significant level of joblessness and stagnant movement in the state of economy.

At present modernization makes the circumstances truly complicated. Modernization is simply the improvement of equipment merged with the developing markets of dominant countries has established a distinct truth (Cowell, 2004). This has aided to damage economies by way of exporting minimum salary employment opportunities to more affordable sectors. Some countries with abundant academic institutions are importing plenty of competent workers for important tasks. As people become more literate and knowledgeable, this process would grow. This has inflicted significant impairment for the progress of most nations and has continued to become a problem to the population.

With that being said, there are still remedies that could be implemented to address the issue, especially for the companies. These could include the following:

## **1) Companies need to make initiatives to bolster trade and economic development.**

There is a single outcome from the latest investigation on poverty, and this is the fact that a stable connection exists between economic development and minimizing poverty. If transparency to the exchange of products and services is an integral aspect to economic development, it is necessary for companies to support and advocate the procedure of modernization and inspire the impoverished nations that do not get involved in these important initiatives.

The important advantages of companies engaging in consistent exchange of products and services on minimizing income inequality in progressing countries can be easily noticed, particularly among industries that utilize a huge proportion of employees. With the active involvement of companies in the exchange of their respective products and services, this would maximize the income of people that are reliant in these products and services to survive in progressing nations (Ryu, 1998). In addition, the transition of employees from minimum salary jobs to industrial work that can be provided by companies can also maximize their progress, increasing the salary of people who will keep on relying on the available products and services within the industry. The lessening of taxes can also be connected with minimizing income inequality through enabling companies to entertain more affordable imported products as replacements for costly locally generated products and services.

For first world nations, imported products being managed by companies are often connected with the minimization of income inequality. Because imported products are accessible and cheaper, the income of the impoverished sectors is maximized enabling them to spend more on their needs. Aside from this, minimum salary employment opportunities frequently offered by

companies can now be replaced by more competitive jobs in various industries. As anticipated, imported products of companies could produce similar advantageous effects on income inequality since they will be able to influence local jobs that offer minimum salaries. This is a clear example that once companies get involved significantly in the flow of business, income inequality can be effectively minimized.

As part of its CSR policy, companies have to cooperate in the adequate and correct taxing of their profits and resources, because this move can also help minimize income inequality. It is a known fact that a huge portion of government initiatives and costs are geared towards safeguarding wealth (Firebaugh, 2003). In order to balance the flow of income, companies that earn a lot of revenues must also be taxed with a higher percentage while those ordinary companies earning just enough need to be taxed fairly as well. Implementing taxes on the profits of companies fairly would essentially aid in shifting it from companies who are not that good in starting income generating projects while benefiting companies that are up to the challenge.

Majority of the present income of companies is the contribution of modernization over time and assets that no individual established. Companies that have enough resources can truly make the necessary moves to take advantage of their massive fortune. Taxing their profits could aid in maintaining the balance and provide equal opportunities to companies in using the available resources.

## **2) Companies need to make initiatives in improving the level of education.**

Significant gaps regarding the quantity of human capital, connected to income inequality in educational achievement is frequently perceived to be the main causes of global income inequality. Research investigations have discovered that education disproportion has been

addressed and academic achievement over time has progressed in most nations of the globe, and because of this anybody will assume a decline in income inequality in the future. Nonetheless, lots of nations continue to get impaired by larger income inequality in the previous years. This mismatch of expectations can be an implication that it is really difficult to stretch academic achievement in changing the opportunity framework. In addition, it might be improper to identify fair opportunities with regard to fairness of results.

Significant reliable proofs exist regarding the matter that education programs which truly enhance the learning capability and aid improve the peoples' outputs are the ones that could produce essential impacts towards addressing income inequality and economic development. The excellent impacts of enhanced education and capabilities of people on income equality can be managed and supported by companies in various industries. Companies could establish and participate in CSR initiatives that would improve the capabilities of the people that would be the key in establishing economic progress.

The benefits that could be produced by improved education stretches from individuals towards the economy in its entirety. Progress in the state of learning of the people has become a tremendous source of increasing income, progressiveness, and way of life in the previous years. Bigger returns in this matter would speed up the development of the way of life as current investments would produce better profits (Kelly, 2009). The benefits from the better profits would not be restricted to essential trends of economic development; education offers a significant array of advantages not reflected by economic indicators, and these would develop quickly and effectively.

In this light, companies can help address the problem of income inequality by also addressing the need for knowledgeable and competent individuals. This is not really shocking, especially with the advent of modern equipments as well as the basic change in economic initiatives to more learning based industries. Aside from this, modernization has enabled the importation of goods utilizing practically simpler work from overseas. Global need has also increased for the types of goods that are produced by competent workers.

CSR activities like donating learning equipment and facilities to selected schools can do so much in improving the level of education of people, which could be considered as an important contributor to economic development by way of enhanced effectiveness of employees and through inspiring the flow of new ideas and supporting the integration of modern equipment. An extensive reach of education can also be a huge element in the establishment and rejuvenation of social classes.

Right at the start of the new millennium, companies have already ensured to include technological development as an integral component of their CSR initiatives, because they believe that this will improve the need for knowledgeable and competent employees. During their free seminars being offered as part of their CSR activities, it has already been emphasized that technological evolution has become centered on capabilities, meaning important equipments need intelligent employees. The advocacy of companies in their CSR campaigns must continue to preach that technological development will help in maximizing the overall need for competent and knowledgeable employees.

## **Recommendations**

Due to the significantly essential connection of education for the management of income inequality in each nation, it would be best for companies to identify education objectives in their CSR campaigns with regard to well known performance guidelines. According to these guidelines, important adjustments to these activities could be done. In addition, adequate time and freedom must be offered to companies for them to be able to conceptualize the most appropriate CSR initiatives for addressing income inequality.

While the advantages of improved learning methods and economic development towards addressing income inequality could look evident, there can be strong objectives that could disrupt them. While the initial process is determining programs to help foster economic development, the second process has to be determining the aspects that enable these programs to be approved and implemented. Companies need to be aware of variables that either decrease or increase the pace of economic development. These can differ from one nation to another in different points of time.

It is true that the role of companies in addressing income inequality is not given that much importance. Nonetheless, they could continue to make a positive influence by offering progressing nations with important investments, employment opportunities as well as equipment. Because of these activities, companies could produce income and distribute it well, which can significantly help minimize income inequality. If the goal of progressing nations is to minimize income inequality, they would need the help of companies that will generate the necessary income for them.

## **Conclusion**

Knowing the reasons for the emergence of income inequality is important to establishing ways that could enable the increasing productivity of the past years to be allocated extensively than what is obvious at present. Minimizing income inequality stays as a top priority not only from the perspective of attaining an effective allocation of income and meeting the human problems that increasing gaps in income produce. Because of the fact that increasing income inequality might mirror the absence of opportunity, it might restrict the development chances of economies through preventing the whole economic variables to completely take advantage of the fresh chances established through modernization. In addition, increasing income inequality could also result to the restriction of the capacity of economies to reap the advantages of modernization.

The role of companies in addressing income inequality is just to generate income to nations especially those that have scarce resources. In turn, governments are able to offer relevant employment opportunities for the benefit of their people. Aside from this, tax profits emerge from income produced by companies, enabling progressing nations to enhance their establishments and to empower their people. In enhancing the effectiveness of the influx and distribution of income, companies also minimize global poverty that is a primary consequence of income inequality.

Better availability of education could maximize the proportion of the people that could avail the chances to enhance their way of life from modernization. This is the reason why the CSR initiatives of companies need to focus also on improving the quality of education among the communities.

## **REFERENCES**

- Betti, G. (2010). *Advances on Income Inequality and Concentration Measures*. Routledge; 1st edition
- Champernowne, D. (1999). *Economic Inequality and Income Distribution*. Cambridge University Press
- Cowell, F. (2004). *Inequality, Welfare and Income Distribution: Experimental Approaches*. JAI Press; 11<sup>th</sup> edition
- Firebaugh, G. (2003). *The New Geography of Global Income Inequality*. Harvard University Press
- Hennigfeld, J. (2006). *The ICCA Handbook of Corporate Social Responsibility*. Wiley; 1st edition
- Kelly, N. (2009). *The Politics of Income Inequality in the United States*. Cambridge University Press; 1<sup>st</sup> edition
- Kotler, P. (2004). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. Wiley; 1<sup>st</sup> edition
- Ryu, H. (1998). *Measuring Trends in U.S. Income Inequality: Theory and Applications*. Springer; 1st edition
- Tachibanaki, T. (2009). *Confronting Income Inequality in Japan: A Comparative Analysis of Causes, Consequences, and Reform*. The MIT Press
- Turek, J. (2008). *Income Inequality and Social Stratification*. Xlibris Corporation; 3rd edition
- Vogel, D. (2006). *The Market for Virtue: The Potential And Limits of Corporate Social Responsibility*. Brookings Institution Press